COLLINS FOODS LIMITED ABN 13 151 420 781

ANNUAL REPORT 2012

CFL
COLLINS FOODS LIMITED

KEY DATES: 2012/2013

Event	Date
2011/12 full year results released	29 June 2012
2011/12 final dividend record date	13 July 2012
2011/12 final dividend payment date	27 July 2012
Annual General Meeting	4 September 2012
End of 2012/13 half year	14 October 2012
2012/13 half year results released*	3 December 2012
2012/13 interim dividend record date*	12 December 2012
2012/13 dividend payment date*	24 December 2012
End of 2012/13 full year	28 April 2013

*Dates to be confirmed.

CONTENTS

Chairman's Message	2
CEO's Report	4
Corporate Governance Statement	8
Directors' Report	16
Auditor's Independence Declaration	30
Consolidated Balance Sheet	31
Consolidated Income Statement	32
Consolidated Statement of Comprehensive Income	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Consolidated Financial Statements	36
Directors' Declaration	92
Independent Auditor's Report	93
Shareholder Information	95
Corporate Directory	IBC

CHAIRMAN'S MESSAGE

Everyone at Collins Foods has had to adapt to the significant changes demanded of a listed company at the same time as dealing with some of the most difficult market conditions we have ever experienced.

Dear Shareholders,

The 2011/12 financial year marked the start of an exciting new chapter in the 44 year history of the Collins Foods Limited group of companies, with the listing of the Company on the ASX on 4 August 2011. The Initial Public Offering (IPO) was well supported, raising a total of $201.7 million that was used primarily to acquire the KFC and Sizzler businesses previously owned and/or operated by Collins Foods Holding Pty Ltd.

A Year Marked by Unprecedented Challenging Trading Conditions

Unfortunately the past year was marked by extremely challenging trading conditions. By the second quarter of our financial year it became apparent that economic uncertainties at home and abroad and falling consumer confidence had dampened retail spending generally. The September school holiday period, which for the first time in corporate memory passed by with no sales spike at all, signalled the challenges ahead for Collins Foods, and led to a significant downgrade to our Prospectus forecasts.

Our management team implemented strategies to minimise the impact of these unprecedented market conditions. These strategies were also aimed at ensuring the business would be in the strongest possible position to take advantage of improved market conditions when they returned.

Financial Performance In Line with Market Guidance

The financial performance of Collins Foods for the period ended 29 April 2012 (FY12) is set out in this report. The Group's statutory Net Profit After Tax (NPAT) for FY12 was $11.4 million, compared to the prior year result of $1.4 million.

The proforma* results, which more accurately depict the Group's underlying performance, included:

- Revenue of $406.5 million against a prior year of $410.8 million
- Earnings Before Interest and Tax (EBIT) of $34.0 million, down 16.7% on the prior year
- NPAT of $18.4 million, down 19.3% on the prior year

The proforma NPAT result was in line with guidance provided to the market and was achieved in light of the very challenging market conditions as a result of the very hard work and dedication of all of our staff.

Dividend Policy Implemented and Maiden Dividend Paid

The continued strength of the Company's balance sheet saw the Board activate the Company's dividend policy and declare its maiden dividend with a fully franked final dividend of 6.5 cents per share. This dividend was equivalent to 53% of statutory FY12 NPAT and was in line with our policy to target a dividend payout ratio of at least 50% of statutory NPAT.

Strong Board

The new Board of Directors was appointed in advance of the IPO. Collectively it provides significant listed-company experience and expertise appropriate for our business, spanning operational, legal, financial and marketing disciplines.

After steering the Group through its transition to a listed entity and working with management to establish appropriate standards and processes, the Board's focus shifted to shaping and refining strategies for Collins Foods' future growth.

The Collins Foods Board is committed to adhering to the highest standards of corporate governance. The Company's corporate governance practices, which are discussed in greater detail on pages 8 to 14 of this Annual Report are closely aligned with the ASX Corporate Governance Principles and Recommendations.

I would like to thank all of the Board members for their counsel, strategic input, commitment and support during our first year as a listed entity.

A Key Strength is our People

At the heart of our business is our people. Collins Foods employs over 6,000 magnificent employees across all of our operations. On behalf of the Board I would like to thank our executive team led by CEO Kevin Perkins, and all of our employees for their commitment and dedication through what has been a very tough year.

Everyone at Collins Foods has had to adapt to the significant changes demanded of a listed company at the same time as dealing with some of the most difficult market conditions we have ever experienced. I commend every member of our team for the fantastic effort they have put in over the past 12 months to reposition Collins Foods for growth.

Positive Outlook

Collins Foods is now well positioned to improve its underlying business performance as market conditions improve.

We are in the unique position of being Australia's largest operator of KFC restaurants, with access to the systems of one of the world's largest restaurant companies in Yum!. The Company's CEO sits on the KFC International Brand Council ensuring issues and strategies relevant to our Australian operations are addressed.

Product and operational initiatives are being accelerated for KFC to return the business to a positive growth trajectory and increase market share. Whilst still early into the new financial year, we have seen an increase in sales, a positive sign.

The Sizzler business is well positioned to capitalise on growth opportunities in the Asian market.

I am confident that our CEO Kevin Perkins and his experienced management team, which will be bolstered in the coming year when a new CFO is recruited, have the skills, energy and ambition to capitalise on the many growth opportunities available to Collins Foods.

Thank you, our shareholders, for your continued support of Collins Foods. I look forward to reporting to you on our successes and progress in 2012/13.

Yours sincerely

Russell Tate
Chairman

* Pro forma measures, which are unaudited, differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.

CEO'S REPORT

A number of the productivity, brand and product initiatives we have been working on are well advanced, with a number of others about to be trialled. These initiatives will help position Collins Foods for a return to sustainable long-term growth.

The 2011/12 year was a significant year for the Collins Foods Group with its transformation from private ownership to public listing. Unfortunately the Company's ASX listing was overshadowed by a lower than expected profit performance given the extremely challenging trading conditions, particularly during the second half of the financial year.

Whilst decisive action was taken to counteract the difficult operating environment, the speed of the spending slowdown took us by surprise. I commend all our staff for their focus, commitment and dedication over the past 12 months that has enabled the Company to come through the period even stronger, with initiatives now being implemented to return Collins Foods to a position of growth.

Financial Performance

Group Performance Overview

In addition to the financial metrics outlined in the Chairman's report, on a statutory basis, Collins Foods reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $49.7 million as compared to $48.8 million in the prior year.

On a proforma* basis, the Group reported EBITDA of $51.1 million which was down 8.6% percent on the prior year, largely driven by reduced margins as costs increases were not able to be passed on to customers given the weaker trading environment.

The result for this year included approximately $2.4 million in pre-tax savings that are not expected to recur in the future.

Statutory operating cash flow increased 3.8% on the prior year to $35.6 million and the Group's balance sheet remains strong with comfortable gearing levels and substantial headroom in the Company's debt facilities.

Collins Foods' strong balance sheet has allowed the Board to initiate the Company's dividend policy and pay a maiden fully franked final dividend of 6.5 cents per share.

Operational Performance

KFC

KFC same store sales were down 1.8% for the 2011/12 year due to the weaker trading environment (2010/11: up 1.5%). The Quick Service Restaurant (QSR) category was at the coal face of the downturn in retail spending, that saw a year marked by aggressive discounting by competitors. In order to maintain market share, KFC undertook higher than anticipated levels of promotional discounting and was unable to fully pass on increased input costs through price increases, impacting both prices and margins.

Stores in food court locations generally underperformed during the year, as did those in tourist dependent locations. In contrast, stores located in mining industry areas performed strongly.

Twenty restaurants were refurbished during the year, representing 17% of the total portfolio. Given the weak trading environment, the return on investment from refurbishments has been less than those historically experienced. As a result, we consciously slowed the refurbishment program in order to reassess store capital strategies to ensure targeted returns can be achieved over the long term.

One of the two new restaurants opened during the year was a service centre model that has returned well above expectations, providing exciting opportunities for this store model going forward.

Sizzler

Sizzler same store sales growth was down 4.0% for the 2011/12 year after posting positive growth of 1.0% in the prior year. Like KFC, margins were also impacted by trading conditions as planned price increases were postponed and discounted promotional offerings were utilised to drive customer numbers.

The division refurbished three restaurants and opened one new restaurant during the year. Performance of these has been below expectations, and as a result we are focused on refining the Sizzler stores' capital strategies and increasing capacity in remodelled restaurants.

In Asia, franchised operations in Thailand continue to grow, whilst in Japan a number of restaurants have been refurbished during the year, delivering increased royalty flows.

KEY HIGHLIGHTS

- Public listing on ASX
- 20 KFC and 3 Sizzler restaurants refurbished
- 2 new KFC and 1 new Sizzler restaurant opened
- Strong balance sheet and operating cash flows
- Dividend policy initiated, with maiden dividend paid of 6.5 cents per share

CEO'S REPORT

Key Growth Strategies

	KFC	Sizzler
Refocused Store Rollout and Refurbishment Programme	– focused on new stores in growth locations (eg mining centres) and in service centre developments to deliver strong returns on investment – ongoing review of food court portfolio – refurbishments on the basis of revised store capital strategy incorporating sustainability considerations	– refurbishments on the basis of revised store capital strategy incorporating sustainability considerations and increasing seating capacity – further expansion in China and Thailand
Brand Building and Product Development Supported by New Marketing Campaigns	– re-emphasis of core, unique and superior KFC products – ongoing development of non-fried products and 'in-between' meal snacking options – breakfast offering being trialled by Yum! – raising quality of KFC experience and educating customers on "Better For You" initiatives – expansion of digital marketing	– continual evolution and upgrade of quality products – re-emphasis of core and unique Sizzler offering – expansion of digital marketing
Operating Efficiencies	– introduction of new and enhanced service methods including online ordering, kiosks and dual lane drive-thrus trials – enhanced production planning tools – menu simplification and electronic order boards – new service flow methodologies	– testing of new and enhanced ordering systems – operations engineering review of instore processes to improve productivity

Key priorities for 2012/13

The introduction of the carbon tax, estimated to cost Collins Foods around $2.5 million pre-tax in 2012/13, is expected to have a significant impact on our business. We plan to work with our suppliers to ensure these costs are being minimised wherever possible, and all costs passed on to us are justified.

In relation to new restaurants and refurbishments, sustainability considerations will be considered as part of the store capital strategy.

Our people are the lifeforce of our business and they will be a key priority for the coming year. We will continue to focus on ensuring our remuneration strategies are aligned with performance and can effectively retain and motivate employees. We are currently undertaking a search process for a new CFO following the retirement of Simon Perkins. I would like to thank Simon for his substantial contribution to Collins Foods over many years. Pleasingly, Simon has agreed to remain connected with the Group via his new role to drive strategic growth opportunities for the business.

KFC

We will be testing revisions to the store capital strategy to ensure returns on refurbishments are meeting targets and looking for opportunities to open new restaurants.

Brand building and quality campaigns have already been launched in the form of the KFC "Goodification" and canola oil campaigns. These will be supported by further campaigns emphasising core and quality products.

Trials are planned for breakfast offerings, online ordering and electronic order boards, and kiosks are already in test in a number of locations.

New production planning tools and service flows will be rolled out to drive productivity improvements in stores.

Sizzler

Refurbishments will be based on the revised restaurant capital strategy that will continue to be tested and optimised. In Asia, the focus in China will be on establishing the footprint model, in Japan on store refurbishments and in Thailand, opening new stores.

Sizzler's campaigns will focus on core and quality products, initially through its "Legendary Salad Bar" campaign.

Productivity and efficiencies will be driven by new systems and tools, possibly utilising tablet technology.

Outlook

A number of the productivity, brand and product initiatives we have been working on are well advanced, with a number of others about to be trialled. These initiatives will help position Collins Foods for a return to sustainable long-term growth.

Trading over the first two months of the current financial year is showing some positive signs. While still early, this level of trading provides us with confidence that the Group's strategies are beginning to penetrate in the current market conditions.

This has been a year of action and evolution, thanks to the hard work of our employees and suppliers. I would like to thank everyone for their support during this challenging year. We have worked hard to address the challenging conditions over the past 12 months and put in place the foundations for a return to growth.

Yours sincerely

Kevin Perkins
Managing Director/CEO

* Pro forma measures, which are unaudited, differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.

CORPORATE GOVERNANCE STATEMENT

Collins Foods Limited (the Company) and its Board of Directors strongly support high standards of corporate governance, recognising that the adoption of good corporate governance protects and enhances Shareholder interests.

The following statement provides an overview of the Company's governance practices and reports against the ASX Corporate Governance Principles and Recommendations (ASX Principles). The Company's corporate governance practices were in place since the Company's listing on 4 August 2011 and comply with the ASX Principles unless otherwise stated.

The Company's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company and taking account of best practice.

1. Lay Solid Foundations for Management and Oversight

The Role of the Board

The Board's primary role is the protection and enhancement of shareholder value in both the short and long term. Central to this role is the establishment of a clear framework delineating the responsibilities of the Board and management, to ensure the Company is properly managed.

The Board has identified the key functions which it has reserved for itself, which are set out in the Board Charter, a copy of which is available on the Company's website.

The responsibilities of the Board include:

- Providing input to, and approval of, the Company's strategic direction and budgets as developed by management;
- Directing, monitoring and assessing the Company's performance against strategic and business plans, to determine if appropriate resources are available;
- Approving and monitoring capital management and major capital expenditure, acquisitions and divestments;
- Overseeing the establishment and implementation of risk management and internal control systems and reviewing the effectiveness of their implementation;
- Approving and monitoring internal and external financial and non-financial reporting, including reporting to shareholders, the ASX and other stakeholders;
- Appointment and removal of the Managing Director (or equivalent) and the Company Secretary;
- Ratifying the appointment and removal of senior executives (which includes all executives who report directly to the Managing Director);
- Approving criteria for assessing performance of senior executives and monitoring and evaluating their performance; and
- Ensuring ethical behaviour and compliance with the Company's own governing documents, including the Company's Code of Conduct.

The Board has established Committees to assist in carrying out its responsibilities and to review certain issues and functions in detail. The Board Committees are discussed at 2. below.

Non-executive Directors are issued with formal letters of appointment governing their roles and responsibilities.

Delegations to Management

The Board has delegated responsibility for implementing the Company's strategy as approved by the Board and for the day-to-day management and administration of the Company to the Chief Executive Officer (CEO) supported by the senior executive management team.

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Management report to the Board at regular Board meetings, providing updates on initiatives and issues.

Senior executives are issued with formal letters of appointment governing their roles and undergo a formal induction process.

Executive Performance Assessment

The Board approves criteria for assessing performance of the CEO and other senior executives and monitoring and evaluating their performance.

The Remuneration and Nomination Committee is responsible to the Board for ensuring the performance of the CEO and other senior executives are reviewed at least annually. The Committee reviews the performance of the CEO, while the CEO is responsible for reviewing the performance of his direct reports.

Performance evaluations for the CEO and other senior executives are scheduled to take place by the end of July 2012, within 12 months of the Company's listing on the ASX in accordance with the above process.

2. Structure of the Board to Add Value

Board Composition

The Company's Board is comprised of Directors with diverse yet complementary skills and experience, enabling it to appropriately and effectively oversee all aspects of the Company's operations and enhance performance.

The Board is currently comprised of four Directors (the Company's Constitution provides for a minimum of three and maximum of ten Directors), which the Board believes to be an appropriate size to discharge its duties as well as be conducive to effective discussion and efficient decision making.

Three of the Company's four Directors are non-executive Directors, including the Chairman, with one executive Director. This structure enables an appropriate balance to be struck between Directors with experience and knowledge of the business operations and Directors with an external perspective and a level of independence.

The Board is structured to maintain a majority of independent Directors, to ensure independent judgement is brought to bear on all decisions. The Company's three non-executive Directors, including the Chairman, are independent Directors.

The Chairman is elected by the Board and is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives, including the CEO, a role which is exercised by a separate individual.

The CEO is responsible for implementing Company strategies and policies.

Details for each Director of the Company, including details of skills, experience and expertise are set out in the Directors' Report.

Director Independence and Conflicts of Interest

A Director will be considered independent from the Company if he or she has no business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board requires each Director to disclose any new information, matter or relationship which could, or reasonably be perceived to, impair the Director's independence, as soon as these come to light. All material personal interests are verified at each Board meeting under a standing agenda item. Materiality is assessed on a case by case basis from the perspective of both the Company and the Director concerned.

The Board periodically assesses the independence of each Director, utilising independence criteria aligned with the ASX Principles. All of the non-executive Directors of the Company throughout the financial year and as at the date of this report have been determined to be independent Directors.

In accordance with the Corporations Act 2001 (Cth) and the Constitution of the Company, Directors are restricted in the involvement when the Board considers and votes on any matter in which a Director has a material personal interest.

The Board also has procedures in place to ensure it operates independently of management. Non-executive Directors meet together periodically in the absence of executive Directors and other executives of the Company to discuss the operation of the Board and a range of other matters.

CORPORATE GOVERNANCE STATEMENT

Board Access to Information and Advice

Directors and Board Committees have the right to seek independent professional advice at the Company's expense to assist them to discharge their duties. Whilst the Chairman's prior approval is required, it may not be unreasonably withheld.

All Directors have access to the Company Secretary, who supports the effectiveness of the Board and is accountable to the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

Selection, Appointment and Re-election of Directors

When it is assessed that a new Director should be appointed to the Board, as an outcome from size and composition review or succession planning, the Remuneration and Nomination Committee prepares a position brief identifying the skills required. These skills identified ensure a complementary mix of financial, legal, industry and listed entity knowledge and experience is maintained on the Board, having regard to the Company's Diversity Policy. From this, a short list of candidates is prepared, from already identified individuals and/or independent search consultants.

The Board appoints the most suitable candidate who must stand for re-election at the next annual general meeting.

The Remuneration and Nomination Committee is also responsible for making recommendations whether or not Directors, whose term of office is expiring, should be proposed for re-election at the Company's next annual general meeting.

All Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of the Company's shareholders.

In accordance with the Constitution of the Company, no Director, except the Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election.

Selected Directors are then offered for re-election at the next annual general meeting, with sufficient details to allow shareholders to make an informed decision on their election.

Commitment

The commitments of non-executive Directors are considered prior to a Director's appointment to the Board and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Commitment is required in relation to preparation and attendance at scheduled Board meetings, strategy workshops and non-scheduled meetings called to address specific matters needing urgent attention.

Induction and Education

Each new Director appointed undergoes a formal induction which provides them with information to enable them to actively participate in Board decision making as soon as possible, including information on the Company's operations and Board and management roles, responsibilities and interactions.

Directors are provided access to continuing education to update and enhance their skills and knowledge.

Review of Board Performance

In accordance with the Board Charter, the Board undertakes an annual Board evaluation. A review of the Board's performance is scheduled to take place by the end of July 2012, within 12 months of the Company's listing on the ASX.

The review involves consideration of the Board's performance against the Board Charter, and sets forth the goals and objectives for the Board for the upcoming year.

The Remuneration and Nomination Committee oversees the evaluation of the performance of the Board and each Director, including an assessment of whether each Director has devoted sufficient time to their duties.

Board Committees

To assist in undertaking its duties, the Board has established the following Committees:

- the Audit and Risk Committee
- the Remuneration and Nomination Committee

Charters specify the responsibilities, composition, membership requirements, reporting processes and the manner in which the Committee is to operate. These Charters are reviewed on an annual basis. All matters determined by Committees are submitted to the Board as recommendations for Board decisions.

Details of Directors' membership of each Committee and their attendance at meetings are set out in the Directors' Report.

3. Promote Ethical and Responsible Decision Making

Code of Conduct

The Company's commitment to maintaining ethical standards in its business activities is demonstrated in its values and Code of Conduct which embraces these values. The Code of Conduct, which applies to all Directors and employees of the Company, contains policy statements and describes the standards of behaviour expected by the Company.

In summary, the Code requires that all Directors and employees perform their duties professionally, in compliance with laws and regulations and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Employees are actively encouraged to report any breaches of the Code or other policies and procedures in place and has a Whistleblower Policy in place in support of this.

A copy of the Code of Conduct is available on the Company's website.

Diversity Policy

The Company values and is proud of its strong and diverse workforce and is committed to supporting and further developing this diversity. Accordingly the Company has developed a Diversity Policy which outlines the Company's diversity objectives in relation to gender, age, cultural background, and ethnicity. It includes requirements for the Board to establish measureable objectives for achieving diversity, and for the Board to assess annually both the objectives and the Company's progress in achieving them.

The Board has established the overarching objective of females representing at least 51% of the organisation's workforce. The Board also endorses the objectives detailed by the organisation's companies in their annual returns submitted with the Australian Government's Equal Opportunity for Women in the Workplace Agency. These currently include measures in relation to female regional general manager levels, flexible working arrangements and maternity and return to work arrangements.

Information on the actual number and proportion of women employed by the organisation is set out below.

	Actual	
	Number	%
Number of women employees in the whole organisation	3,466	53%
Number of women in senior executive[1] positions	4	24%
Number of women on the Board	1	25%

1 Senior executives include Key Management Personnel, other managers who report directly to the Managing Director/CEO and other managers who hold roles designated as senior executive roles.

A copy of the Diversity Policy is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

4. Safeguard Integrity in Financial Reporting

Audit and Risk Committee

The Audit and Risk Committee has been established to assist the Board to focus on issues relevant to the integrity of the Company's financial reporting.

The Committee operates in accordance with a Charter which is available on the Company's website.

Its main responsibilities include:

- overseeing the Company's financial reporting processes including reviewing the Company's financial statements to determine whether they are accurate and complete;
- overseeing the implementation and operation of the Company's Risk Management Policy;
- evaluating the adequacy and effectiveness of internal control and compliance programs;
- recommending the external auditor's appointment/removal, reviewing the external auditor's performance and scope;
- providing advice in relation to the adequacy of the Company's occupational, health and safety management and performance and auditing systems.

Consistent with its Charter, the Audit and Risk Committee is currently comprised of three non-executive Directors, is chaired by an independent Chairperson who is not Chair of the Board and consists of all independent Directors (a majority only is required under the Charter). All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates and one member, Bronwyn Morris, has extensive experience and expertise in accountancy, a former partner of a major accounting firm. The Committee meets at least four times a year.

The background details of the Audit and Risk Committee members and attendance at Committee meetings are set out in the Directors' Report.

External Auditors

The Audit and Risk Committee reviews the effectiveness of the external auditors and makes assessments in relation to their continued independence at least annually.

PwC was appointed external auditor in 2005. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including fees for non-audit services, is provided in the Directors' Report and notes to the financial statements. It is the policy of PwC to provide an annual declaration of their independence to the Audit and Risk Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Declaration by Management

The CEO and CFO provide formal assurance to the Board that the Company's financial statements present a true and fair view of the Company's financial condition and operational results.

5. Make Timely and Balanced Disclosure

Continuous Disclosure and Shareholder Communications

The Company has policies and procedures in place in relation to continuous disclosure and shareholder communications. These outline the Company's commitment to providing all shareholders and investors with equal access to the Company's information and disclosing all information that a reasonable person would expect to have a material effect on the share price to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. Copies of these policies are available on the Company's website.

The Company Secretary has primary responsibility for all communications with the ASX, overseeing and co-ordinating all information disclosure to the ASX, shareholders and other relevant parties. All information released to the ASX is posted on the Company's website.

All employees have a responsibility to report any material price sensitive information to the Company Secretary and the Company Secretary is responsible for ensuring the Board is then informed of this information.

The Company also has assigned Authorised Spokespersons for the Company, to ensure all public communications are within the bounds of information that is already in the public domain, and/or is not material.

6. Respect the Rights of Shareholders

The Company is committed to effective communication with its stakeholders and seeks to ensure that all stakeholders, market participants and the wider community are informed of its activities and performance. This commitment and supporting policies are set out in the Company's Communication Policy which is available on the Company's website.

Information is communicated to shareholders through the Company's website, annual report, ASX announcements and media releases, dividend mailouts, email broadcasts and other means where appropriate.

The Company encourages attendance at, and participation in, general meetings.

The Company also periodically conducts investor briefings to its institutional investors, brokers and analysts.

7. Recognise and Manage Risk

Risk management is viewed by the Company as integral to its objective of creating and maintaining shareholder value and is the responsibility of all Directors and employees.

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. The Board has delegated to the Audit and Risk Committee responsibility for the detailed work involved in this oversight role.

The Company undertakes its risk management activities utilising a Business Risk Management Framework, the methodology for which is consistent with the International Risk Management Standard ISO31000.

Registers of key business risks, utilising web enabled software, are maintained and regularly reviewed by management. Those with assigned accountability for risks are required to sign off regularly that those risks have been managed effectively. Business risks are reviewed periodically, but at least annually by the Audit and Risk Committee. The overall results of this assessment are presented to the Board at its next meeting. The Board also considers risk management at every Board meeting and requests additional information as required.

Compliance programmes operate to ensure the Company meets its regulatory obligations.

Management reports to the Board as to the effectiveness of the Company's management of its material business risks on an annual basis.

The Board receives a written assurance from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT

Risk Profile
Risks to which the Company is subject to include:

- The general state of the Australian economy
- Brand and reputation calamity
- Supply chain disruption
- Cessation of relationship with Yum! (franchisor of KFC)
- Adverse changes in government regulation
- A dramatic change in consumer sentiment
- Strategic risks including failure of growth drivers
- Operational risks

8. Remunerate Fairly and Responsibly

Remuneration and Nomination Committee
The Remuneration and Nomination Committee has been established to assist the Board and operates in accordance with a Charter which is available on the Company's website.

Its main responsibilities, with respect to remuneration, include:

- providing advice in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- reviewing the Company's recruitment, retention and termination policies; and
- reviewing the Company's superannuation arrangements.

Consistent with its Charter, the Remuneration and Nomination Committee is currently comprised of two non-executive Directors and one executive Director, is chaired by an independent Chairperson and consists of a majority of independent Directors.

The background details of the Remuneration and Nomination Committee members and attendance at Committee meetings are set out in the Directors' Report.

Information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report".

FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collins Foods Limited (the Company) and the entities it controlled at the end of, or during, the period ended 29 April, 2012.

Directors

The names of the Directors of the Company during or since the end of the financial period are as follows:

Name	Date of Appointment
Russell Keith Tate	10 June 2011
Kevin William Joseph Perkins	15 July 2011
Newman Gerard Manion	10 June 2011
Bronwyn Kay Morris	10 June 2011

Principal Activities

During the period, the principal continuing activity of the Group was the operation, management and administration of restaurants. The Group operates in Australia and Asia, predominantly in Thailand, Japan and China. There were no significant changes in the nature of the Group's activities during the period.

Review of Operations

The result for the financial period ended 29 April, 2012 was as follows:

	2012 $'000	2011 $'000
Profit before related income tax expense	7,179	4,445
Income tax (expense)	4,250	(2,999)
Net profit attributable to members	11,429	1,446

A detailed review of operations of the Group and details of its business strategies and outlook is set out in the reports of the Chairman and Managing Director in the Annual Report.

Dividends

No dividends were paid to members during the financial period.

Since the end of the financial period, the Directors of the Company have declared the payment of a fully franked final dividend of 6.5 cents per ordinary share ($6.0 million) to be paid on 27 July, 2012 (refer to Note 25 of the financial statements).

Significant Changes in the State of Affairs

The Company was incorporated on 10 June, 2011 and was listed on the Australian Stock Exchange (ASX) on 4 August, 2011, raising a total of $201.7 million through the issue of 80.7 million shares.

The successful capital raising triggered a number of structural changes to the Group. The KFC and Sizzler businesses previously owned and/or operated by Collins Foods Holding Pty Ltd were acquired from its shareholders, through the issue of 12.3 million new shares and $69.7 million in cash consideration ($60.4 million of this amount has been paid to date). The Sizzler business franchised by SingCo Trading Pte Ltd was acquired from its shareholders.

Proceeds raised from the share issue were also used to pay down in part, amounts owing under syndicated finance debt facilities, finance leases and associated derivatives of Collins Foods Holding Pty Ltd and its subsidiary companies. The balance of amounts owing were repaid utilising funds raised as a result of the Group entering into new banking facility agreements as set out in Note 21 of the financial statements.

The change in the Group structure of the Australian operations is considered a form of capital reconstruction and group reorganisation as opposed to a business combination, and therefore the consolidated financial statements have been prepared using the principles of a reverse acquisition, as a continuation of the financial statements of Collins Foods Holding Pty Ltd and showing comparative information in the Remuneration Report and the financial statements.

The change in structure, with respect to Asian operations, is considered a business combination and therefore has been treated as such in the financial statements.

Matters Subsequent to the End of the Financial Period

There has not arisen in the interval between the end of the financial period 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 Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Likely Developments and Expected Results of Operations

The Group will continue to pursue the increase of profitability of its major business segments during the next financial period.

Further information on likely developments in the Group's operations and the expected results of operations has not been included in this financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental Regulations

The Group is subject to environmental regulation in respect of the operation of its restaurant sites. To the best of the Directors' knowledge, the Group complies with its obligations under environmental regulations and holds all licences required to undertake its business activities.

Information on Directors

Director	Experience, Qualifications and Directorships	Special Responsibilities
Russell Tate	Russell has over 30 years' experience in senior executive and consulting roles in marketing and media. He was CEO of ASX listed STW Group Limited, Australia's largest marketing communications group, from 1997 to 2006, Executive Chairman from 2006 to 2008 and Deputy Chairman (non-executive) from 2008 to 2011. He is currently Executive Chairman of Macquarie Radio Network, the owner of leading Sydney stations 2GB and 2CH. – B. Com (Econ.) *Other Directorships – Current or Held within Last 3 Years* – Macquarie Radio Network Limited (Chairman, since 2009) – STW Communications Group Limited (1994 to 2011) – Central Coast (Gosford) Stadium (Chairman, since 2002) – Waratahs Rugby Limited (2009 to 2011)	Independent non-executive Chair Audit and Risk Committee Member Remuneration and Nomination Committee Member
Kevin Perkins	Kevin is a highly experienced manager in the Quick Service Restaurant (QSR) and casual dining segments of the Australian restaurant industry. He has had more than 32 years' experience with the Collins Foods Group, having overseen its growth both domestically and overseas over that time. Kevin is one of the franchisee presidents currently sitting on the KFC International Brand Council, an informal advisory group of Yum! franchisees.	Managing Director Remuneration and Nomination Committee Member

DIRECTORS' REPORT

Director	Experience, Qualifications and Directorships	Special Responsibilities
Newman Manion	Newman has had over 30 years' experience in the food franchise industry, including over 29 years since 1982 in various roles with Yum! (Franchisor of KFC). Previously Newman served as a board member for KFC Japan (from 2005 to 2008), General Manager of KFC operations in Australia and New Zealand (from 1995 to 2004), development director of PepsiCo restaurants (including KFC) in Australia (from 1990 to 1995) and general manager of KFC New Zealand (from 1988 to 1990). Most recently Newman was Vice-President, Operations for Yum!'s Asian franchise business (from 2004 until 2010).	Independent non-executive Director Audit and Risk Committee Member Remuneration and Nomination Committee Chair
Bronwyn Morris	Bronwyn is a Chartered Accountant with over 20 years' experience in accounting, audit and corporate services. A former partner of KPMG, Bronwyn worked with that firm and its predecessor firms in Brisbane, London and the Gold Coast. For the last 16 years Bronwyn has been a full-time non-executive Director and has served on the boards of a broad range of companies, including Queensland Rail Limited, Stanwell Corporation Limited and Colorado Group Limited and is a former Councillor of Bond University. She currently serves as Chairman of, or a member of, the audit and risk committees with respect to a number of her board roles. – B Com, FCA, FAICD, – Councillor – Queensland division of the Australian Institute of Company Directors *Other Directorships – Current or Held within Last 3 Years* – Spotless Group Limited (since 2007) – QIC Limited (since 2006) – Care Australia (since 2007) – Royal Automobile Club of Queensland Limited (since 2008) – Gold Coast 2018 Commonwealth Games Bid Limited (since 2010) – Taylors Group Limited (2008–2009)	Independent non-executive Director Audit and Risk Committee Chair

The relevant interest of each Director in the share capital issued by the Company, at the date of this report is as follows:

Name	Ordinary Shares
Russell Tate	20,001
Kevin Perkins	7,340,833
Newman Manion	20,001
Bronwyn Morris	5,001

Company Secretary

Simon Perkins has held the role of Company Secretary since his appointment to the role on 15 July, 2011. Simon has extensive experience in management, accounting, finance, compliance and related fields. Simon joined the Collins Foods Group in 1994, and has been CFO since 1995 (CFO Global since 2005). Prior to the Collins Foods Group he worked for a number of accounting firms and corporations including Coopers & Lybrand, Daikyo Australia and ARCO Coal.

David Nash was appointed joint Company Secretary of the Company on 11 October, 2011. David has over 20 years' accounting, finance and management experience. David joined the Collins Foods Group in 1995, and has been CFO – Australia since 2005. Prior to the Collins Foods Group he worked in Australia and the United States for Coopers & Lybrand.

Russell Tate also held the position of Company Secretary during the financial period from his appointment on 10 June, 2011 until his resignation from this position on 15 July, 2011.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 29 April 2012, and the number of meetings attended by each Director were:

	Full Meetings of Directors		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number of Meetings[1]	Meetings Attended	Number of Meetings[1]	Meetings Attended	Number of Meetings[1]	Meetings Attended
Russell Tate	17	17	3	3	2	2
Kevin Perkins	15	14	*	*	2	2
Newman Manion	17	17	3	3	2	2
Bronwyn Morris	17	17	3	3	*	*

1 Number of meetings represents the number of meetings held during the time the Director held office during the period.

* Not a member of the relevant Committee.

DIRECTORS' REPORT

Remuneration Report

This Remuneration Report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

Impact of Significant Changes During the Period

As a result of the treatment of the change in Group structure of the Australian operations triggered by the listing of the Company, as a form of capital reconstruction and group reorganisation, the information supplied in this Remuneration Report includes information relating to Collins Foods Holding Pty Ltd (former parent) and the entities it controlled (former group) for the comparative period (where comparative information is required) and the period of the financial period from 2 May, 2011 to 3 August, 2011. This is in addition to the information provided in relation to the current Group companies.

Key Management Personnel Disclosed in this Report

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling activities of an entity, including any Director of that entity.

Prior to the capital reconstruction of the Group triggered by the listing of the Company, the KMP of the Group, other than its Directors, were determined by reference to their inclusion as members of the senior executive group. Since then, the executives who form part of the KMP have been determined to be those executives who report directly to the Managing Director and who are members of the executive committee.

The KMP of the parent Company disclosed in this report are the non-executive and executive Directors listed at the beginning of this report.

The KMP of the Group disclosed in this report are listed below:

	KMP of Collins Foods Holding Pty Ltd and the entities it controlled (former group) and Position Held[1]	KMP of Collins Foods Limited and the Group and Position Held[2]
Non-executive Directors		
Robert Koczkar	Non-executive Director	
Shannon Wolfers	Non-executive Director	
Russell Tate		Non-executive Director (since 10 June 2011)
Newman Manion		Non-executive Director (since 10 June 2011)
Bronwyn Morris		Non-executive Director (since 10 June 2011)
Executive Directors		
Kevin Perkins	Executive Director	Executive Director (since 15 July 2011)
Simon Perkins	Executive Director	
Other Key Management Personnel		
Simon Perkins		CFO – Global
James Ryan	CEO – Sizzler	CEO – Sizzler
Martin Clarke	CEO – KFC	CEO – KFC
John Hands	CSO/CIO	CSO/CIO
David Nash	CFO – Australia	
Adrian Argent	Director of Operations – KFC	
Trevor McDonald	Director of Operations – KFC	
Pamela Martin	Director of Marketing – KFC	
Phillip Coleman	Director of Operations – Sizzler	
George Ryland	Director of Marketing – Sizzler	

1 Positions held during whole period from 3 May, 2010 to 3 August, 2011 unless otherwise stated.

2 Positions held during period from 4 August, 2011 to 29 April, 2012 unless otherwise stated.

Role of the Remuneration and Nomination Committee

The main responsibility of the Board Remuneration and Nomination Committee with respect to remuneration is to provide advice in relation to remuneration packages of senior executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs.

More specifically, the Committee is responsible for making recommendations to the Board on:

- an appropriate remuneration policy for senior executives and executive Directors of the Group;
- remuneration packages of senior executives and executive Directors;
- the executive remuneration framework and operation of incentive plans and other employee benefit programs; and
- remuneration for non-executive Directors.

The Remuneration and Nomination Committee operates in accordance with its Charter, a copy of which is available on the Company's website.

Remuneration Principles

The performance of the Group is contingent upon the calibre of its Directors and executives.

The Group's remuneration framework is based upon the following key principles:

- a policy that enables the Company to attract and retain valued Directors and executives who create value for shareholders;
- motivating for senior executives and executive Directors to pursue long-term growth and success of the Group, aligned with shareholder's interests;
- demonstrating a clear relationship between performance and remuneration;
- regard to prevailing market conditions;
- reflective of short-term and long-term performance objectives appropriate to the Company's circumstances and goals;
- transparency; and
- fairness and acceptability to shareholders.

Non-executive Director Remuneration

The remuneration for non-executive Directors is set, taking into consideration the following factors:

- the Group's remuneration principles;
- the level of fees paid to Board members of other publicly listed Australian companies of similar size;
- operational and regulatory complexity; and
- the responsibilities and workload requirements of each Board member.

Advice may be sought from independent remuneration consultants where appropriate. No advice has been sought during the financial period.

Non-executive Directors' remuneration comprises the following components:

- Board and Committee Fees; and
- Superannuation (compulsory contributions).

Board fees are structured by having regard to the responsibilities of each position within the Board. Board Committee fees are structured to recognise the differing responsibilities and workload associated with each Committee and the additional responsibilities of each Committee Chairman.

The Company's Constitution allows for additional payments to be made to Directors where extra or special services are provided. No such payments were made during the period.

Non-executive Directors do not receive any performance or incentive-based pay. However, to promote further alignment with shareholders, the non-executive Directors are encouraged to hold shares in the Company. All current Directors hold shares in the Company as outlined in tables displayed in this report.

Remuneration Report (continued)

Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors' fees are determined within an aggregate limit (including superannuation contributions). In accordance with the Company's Constitution, an initial limit was set by the Board on 15 July, 2011 in the amount of $700,000. On that same date, the Board determined the initial fees payable to the non-executive Directors of the Company, appointed on 10 June, 2011.

The following fees (excluding superannuation) were set at that time and still apply:

Position	Fees p.a.[1]
Chairman, Member of Audit and Risk Committee, Member of Remuneration and Nomination Committee	$180,000
Non-executive Director, Member of Audit and Risk Committee, Chair of Remuneration and Nomination Committee	$95,000
Non-executive Director, Chair of Audit and Risk Committee	$105,000

1 Actual fees paid for the period are set out in the Remuneration tables below which represent these set fees for the period since listing and reflect the Chairman's decision not to draw fees for the final quarter of the financial period.

Executive Remuneration

The remuneration for executives is structured, taking into consideration the following factors:

- the Group's remuneration principles;
- the level and structure of remuneration paid to executives of other publicly listed Australian companies of similar size;
- the position and responsibilities of each executive; and
- appropriate benchmarks and targets to reward executives for Group and individual performance.

Remuneration packages of executives may contain the following key remuneration framework components:

- Base pay and benefits, including superannuation (fixed);
- Short-term incentives in the form of rewards, bonuses or special payments (variable); and
- Long-term incentives in the form of rewards, bonuses, special measures or share participation via employee share and option schemes (variable).

Base Pay and Benefits

Base pay is structured as a total employment cost package that may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Base pay for executives is reviewed annually to ensure that the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any executive's contract. Executives receive benefits including health insurance and car allowances.

Short-term Incentives

Executives have the ability to earn an annual short-term incentive if predefined targets are achieved. The level of the incentive is set with reference to the accountabilities of the executive's role and their ability to impact Group performance. For the Managing Director/CEO the target percentage is 70% of base pay and the maximum is 154%. For other executive KMPs, the average target percentage is approximately 45% of base pay and the maximum is approximately 100%.

For the period covered by this report, the primary key performance indicator common to all participants was earnings before interest, tax, depreciation and amortisation (EBITDA). The target EBITDA level was 110% of the Prospectus Pro forma Forecast EBITDA. Below this, percentages of the target incentive were payable on a sliding scale to a minimum level of 5% of the target incentive for achievement of 0.5% above the minimum EBITDA (the Prospectus Pro forma Forecast EBITDA). For achievement at or below this level, including achievement of the Prospectus Pro forma Forecast EBITDA, no incentive was payable. For achievement above the target EBITDA level, additional percentages of the target incentive were payable on a sliding scale to a maximum level of 220% of the target incentive for achievement of 18% above the minimum EBITDA.

In addition to the above short-term incentive plan, during the period, key individuals involved in the initial public offering (IPO) and capital reconstruction of the Group were able to earn special bonuses on the successful completion of the capital reconstruction and listing of the Company. The quantum of these bonuses were set with reference to the accountabilities of the executive's role in the capital reconstruction process.

As part of the Group capital reconstruction and listing, a former cash incentive scheme involving tracking stock was finalised. Participating employees, including KMP, became entitled to cash payments under the scheme in the form of a one off bonus payment.

Incentive levels and performance targets are reviewed and determined annually by the Board on the advice of the Remuneration and Nomination Committee.

Long-term Incentives
Since the Company's listing during the period, the Remuneration and Nomination Committee has reviewed long-term incentive plan options and intends to recommend the Board approve a plan in the next financial period. For the current period, the Board has considered other relevant mechanisms to retain and motivate KMP executives to create long-term shareholder wealth, including the KMP share and escrow arrangements in place (refer below).

Executive Remuneration Mix
A significant number of employees of the Group earn a mix of fixed and at risk remuneration, reflecting the Company's belief in the importance of using incentives to drive short and long-term performance. For KMP executives, a higher proportion of their target pay is structured to be at risk.

For the Group's Managing Director and other KMP executives, between 22% and 58% of total remuneration was at risk during 2011/12 (2010/11: 23% to 45%).

Alignment of Executive Remuneration with Performance/Shareholder Wealth Creation
The Group's annual financial performance and indicators of shareholder wealth for the current financial period are listed below. As the Company listed on 4 August, 2011 these performance measures have not been included for prior financial periods. However, the performance measures for the 2011/12 financial period are based on results for the full financial period where available, as the Group's financial results have been prepared as a continuation of the Collins Foods Holding Pty Ltd consolidated group.

	2011/12
Pro forma[1] EBITDA	$51.1 million
Pro forma[1] EBIT	$34.0 million
Pro forma[1] NPAT	$18.4 million
Dividends per share	n/a
EPS	14.4cps[2]
Closing share price/change in share price	$1.12 ($1.38 below retail price)
Short-term incentive payments as % of target payments (excluding special IPO bonuses)	0%

1 Pro forma measures which are unaudited differ from statutory presentation to reflect the full year impact of the operating and capital structure of the Group that was established upon the IPO and capital reconstruction, together with the elimination of IPO costs and related adjustments which are not expected to recur in the future.

2 For the calculation of the EPS and how the period prior to listing on 4 August, 2011 was calculated, refer to Note 37 of the financial statements.

Remuneration Report (continued)

The Managing Director/CEO, and the Chairman decided not to draw a salary or Director fees for the final quarter of the financial period, in response to trading conditions.

Promoting further alignment with shareholders, the KMP executives of the Company all elected to receive a portion of the consideration for their previous shareholding in Collins Foods Holding Pty Ltd in the form of shares in the Company. Details of these shareholdings and escrow arrangements (restricting their dealings in these shares) in place for these shares are outlined below.

Name of escrowed party	Number of Shares held in escrow	Percentage of Shares on issue in escrow	End of Escrow Period
Kevin Perkins	3.5 million	3.8%	3 days after the 2012 financial report release
Kevin Perkins	3.5 million	3.8%	3 days after the 2013 financial report release
Simon Perkins	0.2 million	0.2%	3 days after the 2012 financial report release
Martin Clarke	0.1 million	0.1%	3 days after the 2012 financial report release
James Ryan	0.2 million	0.2%	3 days after the 2012 financial report release
John Hands	0.2 million	0.2%	3 days after the 2012 financial report release

Details of Remuneration

Details of remuneration received by the Directors and other KMP of the Parent Company for the current financial period are set out in the following table:

2012

	Short-term employee benefits			Post-employment benefits	Long-term benefits	
Name	Cash salary and fees(i) $	Cash bonus(ii) $	Non-monetary benefits(i) $	Superannuation(i) $	Long service leave(i) $	Total $
Non-executive Directors						
Russell Tate[1]	96,923	–	–	8,723	–	105,646
Newman Manion[1]	67,596	–	–	6,084	–	73,680
Bronwyn Morris[1]	78,750	–	–	7,087	–	85,837
	243,269	–	–	21,894	–	265,163
Executive Directors						
Kevin Perkins[2]	382,877	–	24,406	36,772	9,232	453,287
Total Company	626,146	–	24,406	58,666	9,232	718,450

1 Appointed 10 June 2011. Remuneration was paid from 4 August, 2011.

2 Appointed 15 July 2011. Includes remuneration from 4 August, 2011, the date from which Kevin Perkins' remuneration was charged to the Company.

(i) Remuneration not linked to performance.

(ii) Remuneration linked to performance.

Details of remuneration received by the Directors and other KMP of the Group (and former group) for the current and previous financial period are set out in the following table. This list includes the five highest company executives in the Group as required by the Corporations Act 2001.

2012

	Short-term employee benefits			Post-employment benefits	Long-term benefits	
Name	Cash salary and fees(i) $	Cash bonus(ii) $	Non-monetary benefits(i) $	Super-annuation(i) $	Long service leave(i) $	Total $
Non-executive Directors						
Russell Tate[1]	96,923	–	–	8,723	–	105,646
Newman Manion[1]	67,596	–	–	6,084	–	73,680
Bronwyn Morris[1]	78,750	–	–	7,087	–	85,837
Robert Koczkar[2]	–	–	–	–	–	–
Shannon Wolfers[2]	–	–	–	–	–	–
	243,269	–	–	21,894	–	265,163
Executive Directors						
Kevin Perkins	591,304	–	32,903	53,574	12,446	690,227
Simon Perkins[3]	113,102	167,000	1,902	23,850	2,271	308,125
Other executive KMP						
Simon Perkins[3]	277,959	–	5,462	26,460	6,522	316,403
James Ryan	226,855	–	7,376	22,547	4,175	260,953
Martin Clarke	215,285	10,187	18,103	18,107	7,465	269,147
John Hands	244,471	–	5,737	21,600	7,277	279,085
David Nash[4]	58,562	67,000	1,641	10,440	1,836	139,479
Adrian Argent[4]	38,269	–	4,743	3,181	1,006	47,199
Trevor McDonald[4]	33,984	–	2,314	2,825	547	39,670
Pamela Martin[4]	42,570	–	6,437	3,543	1,202	53,752
Phillip Coleman[4]	45,872	–	1,905	3,330	1,529	52,636
George Ryland[4]	50,171	–	1,731	3,713	1,031	56,646
	1,938,404	244,187	90,254	193,170	47,307	2,513,322
Total Group	2,181,673	244,187	90,254	215,064	47,307	2,778,485

1 Appointed 10 June, 2011. Remuneration was paid from 4 August, 2011.

2 Resigned from former group on 3 August, 2011.

3 Remuneration as an executive Director includes period to 3 August, 2011 for Simon Perkin's position in respect of the former group. Remuneration as an other executive KMP of the Group includes period from 4 August, 2011.

4 Includes period from 1 May, 2011 to 3 August, 2011 for the executive's position as KMP in respect of the former group.

5 The bonus payment to Martin Clarke relates to an entitlement paid and payable under an incentive scheme of the former group involving tracking stock, which was finalised through the Group's capital reconstruction (for which 50% of entitlements vested). All other bonus payments were for completion of the IPO/Group capital reconstruction (for which 100% of entitlements vested). For the Group's annual short-term incentive scheme, no bonus amounts vested with all entitlements forfeited as a result of performance criteria not being met.

(i) Remuneration not linked to performance.

(ii) Remuneration linked to performance.

Remuneration Report (continued)

2011

	Short-term employee benefits			Post-employment benefits	Long-term benefits	
Name	Cash salary and fees[(i)] $	Cash bonus[(ii)] $	Non-monetary benefits[(i)] $	Super-annuation[(i)] $	Long service leave[(i)] $	Total $
Non-executive Directors						
Rob Koczkar	–	–	–	–	–	–
Shannon Wolfers	–	–	–	–	–	–
	–	–	–	–	–	–
Executive Directors						
Kevin Perkins	764,596	–	36,396	66,304	12,278	879,574
Simon Perkins	395,986	–	7,179	33,129	6,134	442,428
Other executive KMP						
James Ryan	176,177	–	6,837	13,346	2,473	198,833
Martin Clarke	180,648	–	17,479	15,293	2,832	216,252
John Hands	245,943	–	9,824	20,171	3,735	279,673
David Nash	206,058	–	5,916	16,581	3,070	231,625
Adrian Argent	134,132	–	19,139	12,072	2,235	167,578
Trevor McDonald	116,858	–	17,218	10,517	1,947	146,540
Pamela Martin	149,375	–	27,456	13,444	2,489	192,764
Phillip Coleman	156,339	–	6,836	11,980	2,218	177,373
George Ryland	179,327	–	6,411	14,175	2,625	202,538
Total Group	2,705,439	–	160,691	227,012	42,036	3,135,178

(i) Remuneration not linked to performance.
(ii) Remuneration linked to performance.

Service Agreements

Key details of the service agreement of Kevin Perkins, Managing Director/CEO is as follows:

- 3 year contract commencing 4 August, 2011;
- may be terminated by either party after 30 months of the contract have expired with 6 months' notice or payment in lieu of notice in the case of the Company; and
- includes a restraint of trade period of 12 months.

Key details of service agreements of any other person who was a KMP executive of the Group during the period are set out below. No agreements provide for any termination payments, other than payment in lieu of notice.

			Minimum Notice Period (months)	
Name	Position	Contract Duration	Termination by Executive	Termination by Group
Simon Perkins	CFO – Global	Ongoing	3	12
James Ryan	CEO – Sizzler	Ongoing	2	12
Martin Clarke	CEO – KFC	Ongoing	1	3
John Hands	CSO/CIO	Ongoing	2	12
David Nash[1]	CFO – Australia	Ongoing	2	12
Adrian Argent[1]	Director of Operations – KFC	Ongoing	2	12
Trevor McDonald[1]	Director of Operations – KFC	Ongoing	1	3
Pamela Martin[1]	Director of Marketing – KFC	Ongoing	2	12
Phillip Coleman[1]	Director of Operations – Sizzler	Ongoing	2	12
George Ryland[1]	Director of Marketing – Sizzler	Ongoing	2	12

1 KMP of former group. Ceased to be classified as KMP after 3 August, 2011.

2 Provision is also made for the Group to be able to terminate these agreements on 3 months' notice in certain circumstances of serious ill health or incapacity of the executive.

DIRECTORS' REPORT

Indemnification and Insurance of Officers

The Company's Constitution provides that it must in the case of a person who is or has been a Director or Secretary of the Group, and may in the case of an officer of the Company, indemnify them against liabilities incurred whilst acting as such officers and the legal costs of that person to the extent permitted by law. The Company has entered into a Deed of Access, Indemnity and Insurance with each of the Company's Directors and Company Secretaries. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the period.

The Company has paid a premium for insurance for officers of the Group. The cover provided by the insurance contract is customary for this type of insurance policy. Details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance contract are not disclosed as such disclosure is prohibited under the insurance contract.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

During the period, the Company's auditor (PwC) performed other services in addition to its audit responsibilities. Whilst their main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company or not jointly sharing economic risk or rewards.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012 $	2011 $
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Store sales certificates	10,000	9,410
Agreed upon procedures for covenant calculations	18,330	17,130
Total remuneration for other assurance services	28,330	25,500
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of company tax returns	29,000	28,000
Tax advice and consulting	5,000	5,500
Total remuneration for taxation services	34,000	33,500
Transaction services		
PricewaterhouseCoopers Australian firm:		
Transaction compliance services	864,067	0
Total remuneration for transaction services	864,067	0
Total remuneration for non-audit services	926,397	59,000

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors.

Russell Tate
Director

Brisbane
29 June, 2012

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's independence declaration

As lead auditor for the audit of Collins Foods Limited for the period ended 29 April 2012, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Collins Foods Limited and the entities it controlled during the period.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane,
29 June 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, GPO BOX 150, BRISBANE QLD 4001
DX 77 Brisbane, Australia
T +61 7 3257 5000, F +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED BALANCE SHEET

AS AT 29 APRIL, 2012

	Note	2012 $000	2011 $000
Current assets			
Cash and cash equivalents	7	19,243	43,708
Receivables	8	1,820	3,554
Inventories	9	4,272	4,520
Current tax receivable		–	583
Total current assets		25,335	52,365
Non-current assets			
Property, plant and equipment	10	57,549	52,743
Intangible assets, net	11	235,818	222,808
Deferred tax assets, net	13	14,741	9,851
Receivables	14	317	11,400
Investment accounted for using the equity method	15	501	–
Derivative financial instruments	18	–	542
Total non-current assets		308,926	297,344
Total assets		334,261	349,709
Current liabilities			
Trade and other payables	16	45,547	51,350
Borrowings	17	–	13,649
Derivative financial instruments	18	19	29
Financial guarantees	19	–	10,671
Provisions	20	3,485	3,417
Total current liabilities		49,051	79,116
Non-current liabilities			
Borrowings	21	104,480	228,025
Derivative financial instruments	18	83	–
Provisions	22	1,379	1,460
Total non-current liabilities		105,942	229,485
Total liabilities		154,993	308,601
Net assets		**179,268**	**41,108**
Equity			
Contributed equity	23	182,098	55,530
Reserves	24	163	–
Accumulated losses	25	(2,993)	(14,422)
Total equity		**179,268**	**41,108**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 29 APRIL, 2012

	Note	2012 $000	2011 $000
Revenue	4	405,970	408,222
Cost of sales		(192,587)	(192,487)
Gross profit		213,383	215,735
Selling, marketing and royalty expenses		(83,814)	(82,781)
Occupancy expenses		(31,378)	(29,246)
Restaurant related expenses		(42,699)	(38,603)
Administration expenses		(32,381)	(25,070)
Other expenses	5	(1,426)	(58,595)
Other income	4	11,070	52,807
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		32,755	34,247
Finance income	5	790	4,042
Finance costs	5	(26,453)	(33,844)
Share of net profit of associate accounted for using the equity method	15	87	–
Profit from continuing operations before income tax		7,179	4,445
Income tax benefit/(expense)	6	4,250	(2,999)
Profit from continuing operations		11,429	1,446
Net profit attributable to members of Collins Foods Limited		**11,429**	**1,446**
Basic earnings per share	37	14.4cps	
Diluted earnings per share	37	14.4cps	
Weighted average basic ordinary shares outstanding	37	79,365,556	
Weighted average diluted ordinary shares outstanding	37	79,365,556	

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 29 APRIL, 2012

	Note	2012 $000	2011 $000
Net profit attributable to members of Collins Foods Limited		11,429	1,446
Other comprehensive income/(expense):			
Exchange difference upon translation of foreign operations	24	260	–
Cash flow hedges	24	(139)	747
Income tax relating to components of other comprehensive income/(expense)	6	42	(224)
Other comprehensive income for the period, net of tax		163	523
Total comprehensive income for the period		**11,592**	**1,969**
Total comprehensive income for the period is attributable to:			
Owners of the parent		**11,592**	**1,969**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 29 APRIL, 2012

	Note	Contributed Equity	Reserves	(Accumulated losses)/ retained earnings	Total Equity
		$000	$000	$000	$000
2011					
Beginning of the financial period		53,620	(523)	(13,580)	39,517
Profit for the period		–	–	1,446	1,446
Other comprehensive income		–	523	–	523
Total comprehensive income for the period		–	523	1,446	1,969
Transactions with owners in their capacity as owners:					
Buy-back of ordinary shares, net of tax	23	(4,701)	–	(241)	(4,942)
Contributions of shadow equity	23	6,611	–	(137)	6,474
Dividends deemed as a result of share buy-back		–	–	(1,910)	(1,910)
End of the financial period		**55,530**	**–**	**(14,422)**	**41,108**
2012					
Beginning of the financial period		55,530	–	(14,422)	41,108
Profit for the period		–	–	11,429	11,429
Other comprehensive income		–	163	–	163
Total comprehensive income for the period		–	163	11,429	11,592
Transactions with owners in their capacity as owners:					
Shares issued during the period	23	131,993	–	–	131,993
Less capital raising costs (net of tax)		(5,425)	–	–	(5,425)
End of the financial period		**182,098**	**163**	**(2,993)**	**179,268**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 29 APRIL, 2012

	Note	2012 $000	2011 $000
Cash flows from operating activities:			
Receipts from customers		446,000	448,669
Payments to suppliers and employees		(373,717)	(365,397)
GST paid		(21,109)	(26,213)
Interest received – external parties		354	943
Interest received – related parties		86	1,735
Interest and other borrowing costs paid		(16,204)	(18,244)
Income tax received/(paid)		215	(7,175)
Net operating cash flows	33	35,625	34,318
Cash flows from investing activities:			
Payment for acquisition of subsidiary, net of cash acquired	36	502	–
Purchase of franchise rights		(88)	(278)
Payments for plant and equipment		(18,797)	(15,540)
Proceeds from sale of plant and equipment		–	22
Net investing cash flows		(18,383)	(15,796)
Cash flow from financing activities:			
Proceeds from borrowings – bank loan facilities		105,000	252,866
Repayment of borrowings and other obligations		(262,530)	(176,269)
Loans advanced – related parties		(139)	(602)
Acquisition of debt facilities		–	(51,451)
Refinance fees paid		(696)	(12,096)
Buyback of ordinary shares	23	–	(4,701)
Proceeds from issuance of shadow equity	23	–	6,611
Share capital buy-back costs		–	(241)
Shadow equity issuance costs		–	(137)
Dividends paid		–	(1,910)
Proceeds from share issue	23	201,740	–
Repurchase of shares	23	(60,371)	–
Costs associated with Initial Public Offer		(24,711)	–
Net financing cash flows		(41,707)	12,070
Net (decrease)/increase in cash and cash equivalents		(24,465)	30,592
Cash and cash equivalents at the beginning of the reporting period		43,708	13,116
Cash and cash equivalents at the end of the reporting period	7	**19,243**	**43,708**
Non-cash financing and investing activities	34		

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Statement of Significant Accounting Policies

The principal accounting policies adopted by the Company and its subsidiaries (Group) in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

These financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Collins Foods Limited is a for-profit entity for the purpose of preparing the Consolidated Financial Statements, was incorporated on 10 June, 2011 and undertook an initial public offering on 4 August, 2011. The proceeds of the initial public offering were used to acquire Collins Foods Holding Pty Limited and its controlled entities and SingCo Trading Pte Ltd and its controlled entities.

The Group utilises a fifty-two, fifty-three week fiscal period ending on the Sunday nearest to 30 April. Fiscal period 2012 was a fifty-two week period ended on 29 April, 2012 (2011 was a fifty-two week period ended on 1 May, 2011).

The financial statements have also been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The financial report has been prepared on a going-concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Whilst the Group is in a net current liability position, the accounts continue to be prepared on a going concern basis on the grounds that future cash flow projections will be sufficient to meet operational needs and longer-term growth. In addition, the Group has access to sufficient unused credit facilities with its banking syndicate.

Capital reconstruction

Collins Foods Limited has determined that the acquisition of Collins Foods Holding Pty Limited (Former Parent Entity) by its wholly owned subsidiary does not represent a business combination as outlined in Australian Accounting Standard AASB3 (AASB3) for accounting purposes. The appropriate accounting treatment for recognising the new Group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Therefore, the financial information has been prepared using the principles of a reverse acquisition by Collins Foods Holding Pty Limited of Collins Foods Limited.

As a result, the consolidated financial statements have been prepared as a continuation of the financial statements of the accounting acquirer, Collins Foods Holding Pty Limited. Accordingly, comparative information is provided for the Consolidated Balance Sheet as at 1 May, 2011 and for the Consolidated Income Statement and Consolidated Cash Flow Statement for the period ended 1 May, 2011.

As a result:

- The retained earnings of the Group represent the retained earnings of Collins Foods Holding Pty Limited from the date of its incorporation, plus the results of the combined entities from the date of acquisition.
- The Consolidated Balance Sheet comprises the existing consolidated net assets of Collins Foods Holding Pty Limited and its controlled entities measured at their historical cost plus the fair value of the net assets of the other combining entities.
- The comparatives for the Consolidated Income Statement and cash flow comprise the resulting consolidated statements of Collins Foods Holding Pty Limited and its controlled entities.

Compliance with IFRS

The Consolidated Financial Statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Principles of consolidation

The consolidated financial statements include the financial statements of the parent entity, Collins Foods Limited (the Company) and its subsidiaries (see note 26 on subsidiaries). All transactions and balances between companies in the Group are eliminated on consolidation. The term "Group" used throughout these financial statements means the parent entity and its subsidiaries. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Where an entity began to be controlled during the reporting period, the results are included only from the date control commenced. Where a subsidiary ceased to be controlled during the reporting period, the results are included only through to the date control ceased. Except as noted above in relation to the capital reconstruction, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the Group has passed control of the goods to the customer, interest income is recognised on a time proportion basis using the effective interest method and traineeship income is recognised as revenue when the right to receive payment is established. Revenue arising from the sale of property, plant and equipment is recognised when the risks and rewards have been transferred, which is considered to occur on settlement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Managing Director/Chief Executive Officer.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Note 1. Statement of Significant Accounting Policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 23 June, 2011. The Former Parent Entity and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 15 April, 2005. The Company, as the head entity in the tax consolidated group and its wholly-owned Australian controlled entities continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 6.

Foreign currency translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

Transactions in foreign currencies are converted at the exchange rates in effect at the dates of each transaction. Amounts payable to or by the Group in foreign currencies have been translated into Australian currency at the exchange rates ruling on balance date. Gains and losses arising from fluctuations in exchange rates on monetary assets and liabilities are included in the Consolidated Income Statement in the period in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

Employee entitlements

Provision has been made in the accounts for benefits accruing to employees up to balance date, such as annual leave, long service leave and bonus. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid. Annual leave provisions are measured at their nominal amounts using the remuneration rates expected to apply at the time of settlement and are classified in provisions. Long service leave provisions are measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity that match estimated future cash outflows.

All on-costs, including superannuation, payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions.

Cost of sales

For the purposes of the Consolidated Income Statement, cost of sales includes the carrying amount of inventories sold during the reporting period and an estimated allocation of labour incurred in relation to preparing those inventories for sale.

Occupancy expenses

Occupancy expenses include: fixed rentals, contingent rentals, land tax, outgoings and depreciation relating to buildings and leasehold improvements.

Restaurant related expenses
Restaurant related expenses include: utilities, maintenance, labour and on-costs (except those allocated to cost of sales), cleaning costs, depreciation of plant and equipment (both owned and leased) located in restaurants and amortisation of KFC franchise rights.

Cash and cash equivalents
For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand, at call deposits with banks or financial institutions, and other short-term, highly liquid investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivatives
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow hedges or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item will affect profit or loss. 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 measurement of the initial cost or carrying amount of the asset or liability.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item will affect profit or loss. 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 measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

Note 1. Statement of Significant Accounting Policies (continued)

Borrowings

Bank loans are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are capitalised and amortised on a straight-line basis over the term of the facility.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Receivables

Trade and related party receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. Collectability of trade and related party receivables are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment loss is recognised in the Consolidated Income Statement within other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a first-in first-out basis and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location.

Business combinations

Except as set out above in relation to the capital reconstruction in respect of the acquisition of the Former Parent Entity by CFG Finance Pty Limited, the acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Transaction costs arising from business combinations are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

Property, plant and equipment

All property, plant and equipment is recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment, excluding freehold land is depreciated at rates based upon the expected useful economic life as follows:

	Method	Life
Buildings	Straight line	20 years
Leasehold improvements	Straight line	Primary term of lease
Plant & equipment	Straight line	8 years
Equipment under finance lease	Straight line	4–8 years

Leasehold improvements are depreciated over the unexpired period of the primary lease or the estimated life of the improvement, whichever is the shorter. Finance leased assets are depreciated over the shorter of the asset's estimated useful life and the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the Consolidated Income Statement of the Group in the period of disposal.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance leased assets are depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Where the risks and rewards of ownership are retained by the lessor, leased assets are classified as operating leases and are not capitalised. Rental payments are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Note 1. Statement of Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Deferred franchise rights

Costs associated with franchise licenses which provide a benefit for more than one financial period are deferred and amortised over the remaining term of the franchise license. Capitalised costs associated with renewal options for franchise licences are deferred and amortised over the renewal option period. The unamortised balance is reviewed each balance date and charged to the Consolidated Income Statement to the extent that future benefits are no longer probable.

Other intangibles – Sizzler brand

Sizzler brand intangibles which are owned and registered by the Group are considered to have a useful life of 20 years and are amortised accordingly. These intangibles will be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Sizzler brand intangibles are carried at amortised cost less impairment losses.

Investments and other financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

All investments and other financial assets with the exception of held-to-maturity investments and loans and receivables are measured at fair value. Held-to-maturity investments and loans and receivables are measured at amortised cost. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Changes in fair value are either taken to the Consolidated Income Statement or an equity reserve.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in current receivables (note 8) and non-current receivables (note 14) in the Consolidated Balance Sheet.

Available-for-sale financial assets comprise principally non-marketable securities. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have determinable payments and management intends to hold them for the medium to long term.

Accounts payable

These amounts represent liabilities for goods and services provided prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

As the Group is required to restore the leased premises of certain retail stores to their original condition upon exit, an annual review of leased sites is conducted to revise its estimate of the provision required. However, as leases are traditionally renewed, the Group only recognises a provision for those restaurants where make good costs will result in a probable outflow of funds. The provision recognised is the present value of the estimated expenditure required to remove any leasehold improvements and decommissioning costs. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 payable to the taxation authority is included as part of trade and other payables (see note 16).

Cash flows are included in the Consolidated Statement of Cash Flows 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 as operating cash flows.

Share-based payment transactions

The Group currently has no share based compensation benefits. Share-based compensation benefits were provided by the Former Parent Entity to employees (including executive directors) via either the Tracking Stock Bonus Plan or Performance Shares. Information relating to these schemes is set out in notes 22 and 23 respectively.

Performance Shares were an equity-settled share-based incentive to reward certain employees for their efforts in improving the Former Parent Entity's performance and as such were considered to have been issued in exchange for services. Employees who subscribed for Performance Shares were required to pay an initial subscription price equal to the fair market value of the shares at issuance date. Therefore, the holders were not provided with any benefits at issuance as they were liable to the Former Parent Entity for the fair value of the shares at that date. Accordingly, no amount was recorded as an expense in relation to these shares as the services were provided.

The Tracking Stock Bonus Plan was a cash-settled share-based incentive plan which rewarded eligible employees for their efforts in improving the Former Parent Entity's performance and as such was considered to be in exchange for services. An employee benefit expense and a liability was recognised as the Former Parent Entity received the services for the fair value of the services. The fair value of the liability was remeasured at each reporting date with changes in the fair value recorded through profit and loss.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the Consolidated Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Balance Sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Statement of Significant Accounting Policies (continued)

Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

The Board of Directors has delegated specific authorities to the central finance department in relation to financial risk management. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has provided written policies covering the management of interest rate risk and the use of derivative financial instruments. All significant decisions relating to financial risk management require specific approval by the Board of Directors.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less the cumulative amortisation, where appropriate.

The fair value of financial guarantees are determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument, and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as a contribution and recognised as part of the cost of the investment.

Contributed equity

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial period but not distributed at balance date.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial period

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 29 April 2012, are as follows:

AASB amendment	Affected standards	Nature of change and impact on Accounting policy	Application date of standard*	Application date for the Group*
AASB 2009-11 AASB 2010-7	AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	The Group is still to assess its full impact.	01-January-2013	29-April-2013
AASB 2011-4	AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*	No change to accounting policy required. Change to note disclosure required.	01-July-2013	28-April-2014
AASB 13 and AASB 2011-8	AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*	The Group is still to assess its full impact.	01-January-2013	29-April-2013
AASB 2011-9	AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*	No change to accounting policy required. Change to presentation of Consolidated Statement of Comprehensive Income required.	01-July-2012	29-April-2013
AASB 10	AASB 10 *Consolidated Financial Statements*	AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.	01-January-2013	29-April-2013

Note 1. Statement of Significant Accounting Policies (continued)

AASB amendment	Affected standards	Nature of change and impact on Accounting policy	Application date of standard*	Application date for the Group*
AASB 11	AASB 11 *Joint Arrangements*	AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group is yet to evaluate its joint arrangements in light of the new guidance.	01-January-2013	29-April-2013
AASB 119, AASB 2011-10 & AASB 2011-11	Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*	These amendments introduce various modifications including changes to the measurement of defined benefit plans, change in the timing for recognition of termination benefits and amend the definition of short-term and other long-term employee benefits. The Directors anticipate this standard will have no material impact on the Financial Statements, but the full impact has not yet been assessed.	01-January-2013	29-April-2013
IAS 32	*Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32) #	No change to accounting policy required. Therefore, no impact.	01-July-2014	04-May-2015
IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) #	No change to accounting policy required. Therefore, no impact.	01-July-2013	28-April-2014

* Application date is for annual reporting periods beginning on or after the date shown in the above table.

Note 2. Critical accounting estimates and judgements

Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Impairment of goodwill

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill with indefinite useful lives relate. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill with indefinite useful lives are discussed in note 11.

(b) Review for impairment triggers of brand and property plant and equipment assets

The Group reviews annually whether the triggers indicating a risk of impairment exist. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer notes 10 and 11).

(c) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is based upon management's interpretation and application of the related tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the Group to generate sufficient taxable income in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Managing Director/Chief Executive Officer that are used to make strategic decisions. Management has identified three reportable segments, KFC Restaurants, competing in the quick service restaurant market, Sizzler Restaurants, competing in the full service restaurant market and Shared Services which performs a number of administrative and management functions for the Group's KFC and Sizzler Restaurants.

(b) Segment information provided to the executive committee

The following is an analysis of the revenue and results by reportable operating segment for the periods under review:

2012	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Total segment revenue	300,758	105,212	–	–	405,970
Adjusted EBITDA	47,431	10,391	(6,739)	335	51,418
Depreciation, amortisation and impairment	11,206	3,706	2,042	5	16,959
KFC franchise rights written off	3,732	–	–	–	3,732
Reversal of provisions	–	–	(10,671)	–	(10,671)
Finance costs – net[(i)]	–	405	25,264	(6)	25,663
Income tax (benefit)/expense					(4,250)

2011	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Total segment revenue	303,267	104,955	–	–	408,222
Adjusted EBITDA	50,979	11,096	(5,470)	368	56,973
Depreciation, amortisation and impairment	9,787	3,099	1,688	7	14,581
Impairment of receivables	–	–	57,135	–	57,135
Reversal of provisions	1,350	–	51,093	–	52,443
Finance costs – net[(i)]	–	–	29,802	–	29,802
Income tax (benefit)/expense					2,999

(i) Refer note 5 for a detailed breakdown.

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

The amounts provided to the Board with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The values are allocated based on the operations of the segment.

2012	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Assets	389,949	69,522	30,301	3,857	493,629
Inter-segment eliminations	(152,200)	(6,389)	–	(779)	(159,368)
	237,749	63,133	30,301	3,078	334,261
Liabilities	3,647	3,060	307,704	(50)	314,361
Inter-segment eliminations	–	(1,798)	(157,570)	–	(159,368)
	3,647	1,262	150,134	(50)	154,993

2011	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Assets	407,936	61,862	65,333	3,213	538,344
Inter-segment eliminations	(174,928)	(13,438)	–	(269)	(188,635)
	233,008	48,424	65,333	2,944	349,709
Liabilities	16,210	1,421	479,686	(81)	497,236
Inter-segment eliminations	–	–	(188,635)	–	(188,635)
	16,210	1,421	291,051	(81)	308,601

(c) Other segment information

(i) Segment revenue

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the Consolidated Income Statement.

Revenue from external customers is derived from the sale of food in KFC and Sizzler restaurant outlets.

(ii) Adjusted EBITDA

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of the reorganisation and Initial Public Offering (IPO) income and expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of unrealised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Segment information (continued)

A reconciliation of adjusted EBITDA to profit from continuing operations before income tax is provided as follows:

	2012 $000	2011 $000
Adjusted EBITDA	51,418	56,973
Finance costs – net	(25,663)	(29,802)
Impairment of related party receivable	–	(57,135)
Release of related party financial liabilities – borrowings	–	51,093
Release of related party financial liability – retirement plan	10,671	1,350
Investment services fees	(264)	(1,600)
Tracking stock	235	(290)
Costs of the IPO expensed	(8,614)	(1,563)
Depreciation	(14,288)	(12,946)
Amortisation	(1,512)	(1,325)
Impairment of property plant and equipment	(976)	(241)
Impairment of KFC franchise rights	(183)	(69)
KFC franchise rights written off	(3,732)	–
Share of net profit of associate accounted for using the equity method	87	–
Profit from continuing operations before income tax	7,179	4,445

Note 4. Revenue and other income

	2012 $000	2011 $000
Revenue from continuing operations		
Sales revenue		
Sale of goods	404,177	408,222
	404,177	408,222
Other revenue		
Franchise revenue from external parties	1,793	–
	1,793	–
	405,970	408,222
Other income		
Net gain on disposal of property, plant and equipment	–	22
Traineeship income	290	342
Reversal of impairment of related party receivable(i)	109	–
Gain on release of guarantee of related party financial liability – retirement plan(i) (refer note 19)	10,671	1,350
Gain on release of guarantee of related party financial liability – borrowings(i)	–	51,093
Total other income	11,070	52,807

(i) These items of reorganisation and IPO income have arisen as part of the capital reconstruction of the Group and its related parties in the lead up to, and in association with, the initial public offering of Collins Foods Limited.

Note 5. Expenses

	2012 $000	2011 $000
Profit from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment:		
Depreciation:		
Buildings	73	92
Leasehold improvements	7,412	7,062
Plant and equipment	6,612	5,086
Equipment under finance lease	191	706
	14,288	12,946
Amortisation of:		
Franchise rights	473	762
Sizzler brand – Australia	563	563
Sizzler brand – Asia	476	–
	1,512	1,325
Impairment of:		
Property plant and equipment	976	241
KFC Franchise rights	183	69
	1,159	310
Total depreciation, amortisation and impairment	16,959	14,581
Finance income and costs:		
Interest income:		
Interest from external parties	(334)	(1,028)
Interest from related parties	(456)	(3,014)
Interest expense:		
Finance lease interest	41	136
Bank loan interest	13,135	26,494
Interest on undesignated cash flow hedges	1,910	–
Transfer from cash flow hedge reserve	(26)	747
Amortisation of borrowing costs	1,371	6,467
Borrowing costs written off on loan extinguishment(i)	10,022	–
Net finance costs	25,663	29,802
Employee benefits expense:		
Wages and salaries	102,626	102,190
Defined contribution superannuation expense	7,751	7,618
Employee entitlements	6,784	6,389
Total employee benefits expense	117,161	116,197
Operating lease rentals:		
Minimum lease payments	20,023	18,406
Contingent rentals	1,685	2,171
Total rent expense relating to operating leases	21,708	20,577
Net (gain)/loss on disposal of property, plant and equipment	116	218
KFC franchise rights written off(i)	3,732	–

(i) This item of reorganisation and IPO expense have arisen as part of the capital reconstruction of the Group and its related parties in the lead up to, and in association with, the initial public offering of Collins Foods Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Expenses (continued)

	2012 $000	2011 $000
Inventory write-downs and other (gains)/losses	24	78
Costs of the IPO expensed(i)	8,614	1,563
Other expenses:		
Other miscellaneous	1,426	1,460
Impairment of promissory notes receivable(i)	–	3,906
Impairment of related party receivable(i)	–	53,229
	1,426	58,595

(i) This item of reorganisation and IPO expense have arisen as part of the capital reconstruction of the Group and its related parties in the lead up to, and in association with, the initial public offering of Collins Foods Limited.

Note 6. Income Tax

	2012 $000	2011 $000
Income tax (benefit)/expense		
Current tax	344	4,848
Deferred tax	(4,530)	(1,716)
Under/(over) provided in prior periods	(64)	(133)
	(4,250)	2,999
Income tax (benefit)/expense is attributable to:		
Profit from continuing operations(ii)	(4,250)	2,999
Aggregate income tax (benefit)/expense	(4,250)	2,999
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Increase in deferred tax assets (note 13)	(3,696)	(1,224)
Decrease in deferred tax liabilities (note 13)	(834)	(492)
	(4,530)	(1,716)
Numerical reconciliation of income tax (benefit)/expense to prima facie tax payable:		
Profit from continuing operations before income tax (benefit)/expense	7,179	4,445
Tax at the Australian tax rate of 30%	2,153	1,334
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible entertainment	46	18
Other non-deductible expenses	923	779
R&D claim – net of non-deductible expenses	(22)	(59)
Debts forgiven	–	827
Withholding tax credits not brought to account	276	–
Non-assessable income received	(192)	–
Release of related party financial liabilities – retirement plan	(3,201)	(405)
Release of related party financial liabilities – borrowings	–	(15,328)
Impairment of promissory notes receivable	–	15,969
	(17)	3,135
Tax asset base adjustment(iii)	(4,169)	–
Amounts over provided in prior periods	(64)	(136)
Income tax (benefit)/expense	(4,250)	2,999

(ii) The current period tax benefit includes $6.6 million associated with the IPO and capital restructuring costs.

(iii) As discussed below, the tax base of certain assets was adjusted as a result of the application of Tax Consolidation legislation.

	2012 $000	2011 $000
Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges (note 13)	(42)	224
	(42)	224
Tax losses		
Unused capital tax losses for which no deferred tax asset has been recognised	61,276	80,640
Potential tax benefit at 30%	18,383	24,192
All unused tax losses were incurred by Australian entities.		
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax – credited directly to equity	465	–
Net deferred tax – credited directly to equity	1,860	–
	2,325	–

Tax Consolidation

The Former Parent Entity and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 15 April, 2005. Additional controlled entities were added to the Tax Consolidated Group on 17 October, 2005 upon them becoming wholly-owned Australian controlled entities (Former Tax Consolidated Group). The accounting policy on implementation of the legislation is set out in note 1.

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 23 June, 2011 (Tax Consolidated Group). Additional controlled entities, which had previously formed the Former Tax Consolidated Group, were added to the Tax Consolidated Group on 4 August, 2011 upon them becoming wholly-owned Australian controlled entities (Current Tax Consolidated Group). As a consequence, the Company was required to determine an allocable cost amount under Australian income tax law and the tax base of certain assets was adjusted appropriately. The accounting policy on implementation of the legislation is set out in note 1.

On adoption of the tax consolidation legislation, the entities in the Current Tax Consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities within the Current Tax Consolidated Group in the case of a default by the Company.

On adoption of the tax consolidation legislation, the entities in the Former Tax Consolidated Group had entered into a tax sharing agreement which, in the opinion of the directors of the Former Parent Entity, limited the joint and several liability of the wholly-owned entities within the Former Tax Consolidated Group in the case of a default by the Former Parent Entity.

The entities in the Current Tax Consolidated Group have also entered into a tax funding agreement (Current Tax Funding Agreement) under which the wholly-owned entities of that group fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The entities in the Former Tax Consolidated Group had also entered into a tax funding agreement (Former Tax Funding Agreement) under which the wholly-owned entities of that group fully compensated the Former Parent Entity for any current tax payable that had been assumed and were compensated by the Former Parent Entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that were transferred to the Former Parent Entity under the tax consolidation legislation. The funding amounts were determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Note 6. Income Tax (continued)

The amounts receivable/payable under the Current Tax Funding Agreement are due upon receipt of the funding advice from the Company, which is issued as soon as practicable after the end of each reporting period. The amounts receivable/payable under the Former Tax Funding Agreement were due upon receipt of the funding advice from the Former Parent Entity, which was issued as soon as practicable after the end of each reporting period. The Company may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The Former Parent Entity also could require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

Note 7. Current assets – Cash and cash equivalents

	2012 $000	2011 $000
Cash at bank and on hand	19,243	43,708
Cash at bank and on hand has an average floating interest of 4.0% (2011: 4.6%)		

Note 8. Current assets – Receivables

	2012 $000	2011 $000
Trade receivables	1,168	1,169
Interest receivable	27	87
Prepayments	625	2,298
	1,820	3,554
Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 14)		

Note 9. Current assets – Inventories

	2012 $000	2011 $000
Raw materials and stores, at cost	4,287	4,531
Provision for diminution in value	(15)	(11)
	4,272	4,520
Inventories recognised as an expense during the reporting period ended 29 April, 2012 amount to $134,048,000 (2011: $135,344,000)		

Note 10. Non-current assets – Property, plant and equipment

	2012 $000	2011 $000
Freehold Land		
Cost		
Opening balance	3,534	3,534
Closing balance	3,534	3,534
Buildings		
Cost		
Opening balance	1,567	1,563
Additions	6	4
Closing balance	1,573	1,567
Accumulated depreciation		
Opening balance	(530)	(438)
Depreciation	(73)	(92)
Closing balance	(603)	(530)
Net book value	970	1,037
Leasehold improvements		
Cost		
Opening balance	59,549	53,902
Additions	2,118	2,492
Transfers from construction in progress	10,206	3,697
Disposals	(520)	(542)
Closing balance	71,353	59,549
Accumulated depreciation and impairment		
Opening balance	(36,169)	(29,566)
Depreciation	(7,412)	(7,062)
Impairment charge	(567)	(29)
Disposals	477	488
Closing balance	(43,671)	(36,169)
Net book value	27,682	23,380
Plant and Equipment		
Cost		
Opening balance	42,977	36,678
Additions	4,620	5,207
Transfers from construction in progress	4,337	1,823
Transfers from equipment under finance lease	6,266	–
Disposals	(1,905)	(731)
Closing balance	56,295	42,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Non-current assets – Property, plant and equipment (continued)

	2012 $000	2011 $000
Accumulated depreciation and impairment		
Opening balance	(22,474)	(17,804)
Depreciation	(6,612)	(5,086)
Impairment charge	(409)	(212)
Transfers from equipment under finance lease	(4,549)	–
Disposals	1,841	628
Closing balance	(32,203)	(22,474)
Net book value	24,092	20,503
Equipment under finance lease		
Cost		
Opening balance	6,266	5,401
Additions	–	866
Transfers to plant and equipment	(6,266)	–
Disposals	–	(1)
Closing balance	–	6,266
Accumulated depreciation		
Opening balance	(4,358)	(3,653)
Depreciations	(191)	(706)
Transfers to plant and equipment	4,549	–
Disposals	–	1
Closing balance	–	(4,358)
Net book value	–	1,908
Construction in progress		
Cost		
Opening balance	2,381	1,012
Additions	13,442	6,971
Transfers to leasehold improvements and plant and equipment	(14,543)	(5,520)
Disposals	(9)	(82)
Closing balance	1,271	2,381
Total property, plant and equipment, net	57,549	52,743

Note 11. Non-current assets – Intangible assets

	2012 $000	2011 $000
Goodwill		
Cost		
Opening balance	210,675	210,675
Purchase of controlled entities	873	–
Foreign currency translation	17	–
Closing balance	211,565	210,675
Net book value	211,565	210,675
Franchise rights		
Cost		
Opening balance	8,026	7,748
Additions	5,232	278
KFC franchise rights written off[(i)] (refer note 5)	(8,026)	–
Closing balance	5,232	8,026
Accumulated amortisation and impairment		
Opening balance	(4,123)	(3,292)
KFC franchise rights written off[(i)] (refer note 5)	4,294	–
Amortisation	(473)	(762)
Impairment charge	(183)	(69)
Closing balance	(485)	(4,123)
Net book value	4,747	3,903
Sizzler brand – Australia		
Cost		
Opening balance	11,261	11,261
Closing balance	11,261	11,261
Accumulated amortisation		
Opening balance	(3,031)	(2,468)
Amortisation	(563)	(563)
Closing balance	(3,594)	(3,031)
Net book value	7,667	8,230
Sizzler brand – Asia		
Cost		
Opening balance	–	–
Purchase of controlled entities (refer note 36)	12,080	–
Foreign currency translation	235	–
Closing balance	12,315	–
Accumulated amortisation		
Opening balance	–	–
Amortisation	(476)	–
Closing balance	(476)	–
Net book value	11,839	–
Total intangible assets, net	235,818	222,808

(i) Effective upon completion of the IPO, a subsidiary of the Company entered into new KFC franchise arrangements with the franchisor, resulting in a requirement to write-off previously capitalised KFC franchise rights.

Note 11. Non-current assets – Intangible assets (continued)

(a) Impairment test for indefinite life intangibles

Allocation of Goodwill

Segment	KFC Restaurants		Sizzler Restaurants	
	2012 $000	2011 $000	2012 $000	2011 $000
Carrying Value	183,529	183,529	28,036	27,146

Goodwill is tested for impairment at a cash-generating unit level. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. Management recognises that there are various reasons that the estimates used in the assumptions may vary. For all cash-generating units, there are no reasonable and likely changes in assumptions which would result in an impairment.

(b) Key assumptions used for value-in-use calculations

2012

KFC Restaurants

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2013 through to the end of the 2017 financial period, which average 0.4%. Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2012 and prior financial periods, adjusted to reflect an estimated increase in energy, supply chain and transport costs arising from the introduction of the Clean Energy Legislation (Clean Energy Act 2011 and supporting legislation) from 1 July, 2012. A pre-tax discount rate of 13.8% 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, which does not exceed the long-term average growth rate for the business in which the restaurant operates.

Sizzler Restaurants

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2013 through to the end of the 2017 financial period, which average 1.3%.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2012 and prior financial periods, adjusted to reflect an estimated increase in energy, supply chain and transport costs arising from the introduction of the Clean Energy Legislation (Clean Energy Act 2011 and supporting legislation) from 1 July, 2012. A pre-tax discount rate of 15.0% 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, which does not exceed the long-term average growth rate for the business in which the restaurant operates.

2011

KFC Restaurants

The cash flows by restaurant for years one to five have been estimated after applying a growth rate of 3.9%. This figure is based on the growth in forecast average same store sales from the commencement of 2012 through to the end of the 2016 financial period.

Management believes that this growth percentage is reasonable considering the sales growth that has been seen in this operating segment during the 2011 and prior financial periods. A pre-tax discount rate of 13.1% 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, which does not exceed the long-term average growth rate for the business in which the restaurant operates.

Sizzler Restaurants
The cash flows by restaurant for years one to five have been estimated after applying a growth rate of 3.6%. This figure is based on the growth in forecast average same store sales from the commencement of 2012 through to the end of the 2016 financial period.

Management believes that this growth percentage is reasonable considering the sales growth that has been seen in this operating segment during the 2011 and prior financial periods. A pre-tax discount rate of 14.8% 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, which does not exceed the long-term average growth rate for the business in which the restaurant operates.

Note 12. Non-current assets – Available for sale financial assets

	2012 $000	2011 $000
Unlisted securities		
Preference shares (refer note 29(e))	–	52,052
Provision for impairment of preference shares	–	(52,052)
Total available for sale financial assets, net	–	–

Note 13. Non-current assets – Deferred tax assets, net

	2012 $000	2011 $000
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Depreciation	14,070	10,128
Employee benefits	3,036	2,927
Provisions	548	1,689
Finance leases	–	287
Receivables	35	–
Capitalised costs	2,606	–
Tax losses	804	–
	21,099	15,031
Amounts recognised in other comprehensive income:		
Cash flow hedges	42	–
Deferred tax assets	21,141	15,031
Movements:		
Opening balance	15,031	14,031
Credited to the Consolidated Statement of Changes in Equity	2,372	–
Credited to the Consolidated Income Statement (note 6)	3,696	1,224
Credited/(charged) to other comprehensive income (note 6)	42	(224)
Closing balance	21,141	15,031
Deferred tax assets to be recovered within 12 months	3,943	5,161
Deferred tax assets to be recovered after more than 12 months	17,198	9,870
	21,141	15,031

Note 13. Non-current assets – Deferred tax assets, net (continued)

	2012 $000	2011 $000
Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Inventories	639	587
Franchise fees/Sizzler brand	5,737	3,639
Prepayments	24	24
Capitalised costs	–	717
Other	–	213
Deferred tax liabilities	6,400	5,180
Movements:		
Opening balance	5,180	5,672
Acquisition of subsidiaries (see note 36)	2,054	–
Credited to the Consolidated Income Statement (note 6)	(834)	(492)
Closing balance	6,400	5,180
Deferred tax liabilities to be recovered within 12 months	1,138	1,477
Deferred tax liabilities to be recovered after more than 12 months	5,262	3,703
	6,400	5,180
Deferred tax assets	21,141	15,031
Deferred tax liabilities	(6,400)	(5,180)
Deferred tax assets, net	14,741	9,851

Note 14. Non-current assets – Receivables

	2012 $000	2011 $000
Loans to related parties[(i)]	286	14,130
Provision for impairment of loans to related parties	–	(2,758)
	286	11,372
Security deposits	31	28
	317	11,400

(i) The balance as at 1 May, 2011 related to a receivable from SingCo Trading Pte Ltd. This company was acquired by a subsidiary of the Company (refer note 36) and eliminates on consolidation as at 29 April, 2012.

Fair values

The fair values of the non-current receivables of the Company equate to their carrying values as disclosed above. Where applicable, the interest rates charged are market variable rates (refer to table below on interest rate risk).

Interest rate risk

The Group's exposure to interest rate risk and the average interest rate by maturity period is set out in the following table:

2012	Notes	Floating interest rate $000	Fixed interest maturing in: 5 years or less $000	Fixed interest maturing in: More than 5 years $000	Non-interest bearing $000	Total $000	Average interest rate: Floating	Average interest rate: Fixed
Trade and interest receivables	8	–	–	–	1,195	1,195		
Related party receivables	14	–	–	–	286	286		
Other receivables	14	–	–	–	31	31		
		–	–	–	1,512	1,512		

2011	Notes	Floating interest rate $000	Fixed interest maturing in: 5 years or less $000	Fixed interest maturing in: More than 5 years $000	Non-interest bearing $000	Total $000	Average interest rate: Floating	Average interest rate: Fixed
Trade and interest receivables	8	–	–	–	1,256	1,256		
Related party receivables	14	9,765	–	–	1,607	11,372	16.5%	
Other receivables	14	–	–	–	28	28		
		9,765	–	–	2,891	12,656		

Credit Risk

There is no concentration of credit risk with respect to external current and non-current receivables. The Group had related party loans in place at 1 May, 2011 which had been impaired during that year. Prior to the capital reconstruction, these loans were partially forgiven and then purchased as part of the acquisition of SingCo Trading Pte Ltd (refer note 36).

Note 15. Non-current assets – Investment accounted for using the equity method

	2012 $000	2011 $000
Interest in associate	501	–
	501	–
Acquisition of investment accounted for using the equity method	414	–
Share of net profit of associate accounted for using the equity method	87	–
	501	–

Note 16. Current liabilities – Trade and other payables

	2012 $000	2011 $000
Trade payables and accruals – unsecured	27,559	43,214
Other payables[(i)]	17,988	8,136
Total payables	45,547	51,350

(i) Includes $9.3 million of consideration payable for the purchase of the Former Parent Entity.

Note 17. Current liabilities – Borrowings

	2012 $000	2011 $000
Bank loan – secured(i)	–	17,760
Fees on bank loan – capitalised	–	(4,943)
Bank loan – net	–	12,817
Finance lease liabilities – secured	–	832
	–	13,649

(i) Refer note 21.

Details of the fair values of borrowings for the Group are set out in note 21 along with details of the security pledged and the Group's exposure to interest rate changes. Sensitivity to interest rate risk is set out in note 35.

Note 18. Derivative financial instruments

	2012 $000	2011 $000
Current assets		
Interest rate swap contracts – cash flow hedges	–	–
Non-current assets		
Interest rate swap contracts – cash flow hedges	–	542
Current liabilities		
Interest rate swap contracts – cash flow hedges	19	29
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	83	–

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer note 1).

Interest rate swap contracts – cash flow hedges:
On 4 August, 2011 the existing loan facilities of the Group were repaid and the related interest rate swap contracts settled. As at that date a subsidiary of the Company, CFG Finance Pty Limited, entered into a $135 million Syndicated Facility Agreement (Syndicated Facility) and a $10 million Working Capital Facility Agreement (Working Capital Facility). The Syndicated Facility was drawn to $105 million on 4 August, 2011. On 10 November, 2011 the Group entered into an $80 million interest rate swap contract to hedge a designated portion of the interest rate exposure of this facility.

Bank loans of the Group currently bear variable interest at BBSY which at balance date was 4.38% (2011: 4.97%) plus margins which vary with the gearing of the Group. At balance date, the weighted average margin was 1.9% (2011: 4.45%). It is the policy of the Group to protect a designated portion of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 76% (2011: 75%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 3.71% (2011: rates range between 5.92% and 5.93%) and the variable rates are BBSY which at balance date was 4.38% (2011: 4.97%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Notional Principal Amount	
	2012 $000	2011 $000
Less than 1 year	–	9,158
1–2 years	–	8,325
2–3 years	80,000	106,605
	80,000	124,088

The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The derivative financial instrument entered into on 10 November, 2011 was designated as a cash flow hedge at inception, as such the gain or loss from remeasuring the hedging instrument at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge was effective. The fair value amounts deferred in equity are subsequently reclassified into the profit and loss when the hedged interest expense is recognised. The derivative financial instruments settled on 4 August, 2011 were not designated as cash flow hedges at inception, as such, the gain or loss from remeasuring the hedging instruments at fair value was recognised within finance costs.

At balance date these contracts were payables with a fair value of $0.1 million (2011: receivables totalling $0.5 million).

Credit risk exposures
At 29 April, 2012 the contracts gave rise to payables for unrealised losses on derivative instruments of $0.1 million (2011: $0.5 million receivables for unrealised gains) for the Group from interest rate swap contracts. Management have undertaken these contracts with the Australia and New Zealand Banking Group Limited which is an AA rated financial institution.

Interest rate risk exposures
Refer to note 21 and note 35 for the Group's exposure to interest rate risk on interest rate swaps.

Note 19. Current liabilities – Financial guarantees

	2012 $000	2011 $000
Financial guarantees	–	10,671
Total financial guarantees	–	10,671

In the prior period a subsidiary of the Company, Collins Restaurants Queensland Pty Ltd (CRQ) had raised a provision of $10.7 million in relation to a guarantee of the retirement plan commitments of Worldwide Restaurants Inc. (WRC), a former related party totalling $USD11.7 million. This provision was made in accordance with the Group's accounting policies on the basis that it was more likely than not based on the financial position of WRC at the respective financial period end, that CRQ would be required to fulfil its contractual obligations in relation to this financial liability. The provision was an estimate of the amount CRQ would rationally pay to transfer the guarantee obligation to a third party. On 8 June, 2011 a subsidiary of the Company, Collins Foods Finance Pty limited (CFF), disposed of its interest in WRC's holding company, Sizzler USA Holdings Inc. In conjunction with this transaction, CRQ was released as guarantor of the retirement plan commitments of WRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Current liabilities – Provisions

	2012 $000	2011 $000
Employee entitlements	3,485	3,417

Note 21. Non-current liabilities – Borrowings

	2012 $000	2011 $000
Bank loan[(i)]	105,000	232,963
Fees on bank loan – capitalised	(520)	(6,279)
Bank loan – net	104,480	226,684
Finance lease liabilities – secured	–	1,341
Total non-current liabilities – Borrowings	104,480	228,025

(i) As part of the capital reconstruction on 4 August, 2011, the secured financing structure in place at 1 May, 2011 was paid down and new unsecured funding drawn down.

Assets pledged as security

The new funding drawn down on 4 August, 2011 was unsecured. In the prior period the bank loans of the subsidiaries were secured by first mortgages over the Group's freehold land and buildings and a floating charge over the other assets. Lease liabilities were effectively secured as the rights to leased assets reverted to the lessor in the event of default. Further information on finance lease commitments is set out in note 27.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note	2012 $000	2011 $000
Current			
Floating charge			
Cash and cash equivalents	7	–	43,708
Receivables	8	–	3,554
Inventories	9	–	4,520
Total current assets pledged as security		–	51,782
Non-current			
First mortgage			
Freehold land and buildings		–	4,571
Finance lease			
Plant and equipment		–	1,908
Floating charge			
Receivables		–	11,400
Plant and equipment		–	20,503
Leasehold improvements		–	23,380
Construction in progress		–	2,381
		–	57,664
Total non-current assets pledged as security		–	64,143
Total assets pledged as security		–	115,925

	2012 $000	2011 $000
Available financing facilities		
Restricted access was available at balance date to the following lines of credit:		
Credit standby arrangements:		
Total facilities		
Working capital facility	10,000	13,000
Revolving cash advance facility – Facility A	5,000	–
Revolving cash advance facility – Facility B	25,000	–
Capital expenditure facility	–	30,000
	40,000	43,000
Used at balance date		
Working capital facility	227	2,297
Revolving cash advance facility – Facility A	–	–
Revolving cash advance facility – Facility B	–	–
Capital expenditure facility	–	11,000
	227	13,297
Unused at balance date		
Working capital facility	9,773	10,703
Revolving cash advance facility – Facility A	5,000	–
Revolving cash advance facility – Facility B	25,000	–
Capital expenditure facility	–	19,000
	39,773	29,703
Bank loan facilities excluding credit standby arrangements:		
Total facilities less mandatory scheduled or prepaid repayments made	105,000	239,723
Used at balance date	105,000	239,723
Unused at balance date	–	–

On 4 August, 2011 the existing loan facilities of the Group were repaid. As at that date a subsidiary of the Company, CFG Finance Pty Limited, entered into a $135 million Syndicated Facility Agreement (Syndicated Facility) and a $10 million Working Capital Facility Agreement (Working Capital Facility). The Syndicated Facility was drawn to $105 million on 4 August, 2011 and these funds were utilised to partly repay the loan facilities of the Group that existed at that date. The balance of the repayment of the loan facilities that existed at that date was funded by the proceeds from shares issued by the Company on 4 August, 2011.

Facilities drawn on 4 August, 2011

Facility A and Facility B

The Syndicated Facility comprises Facility A and Facility B for $110.0 million and $25.0 million respectively. The Syndicated Facility provides for a three-year term expiring on 3 August, 2014. There are no scheduled repayments for Facility A or Facility B. Conditions exist regarding the voluntary repayment of debt. The balance as at the end of the financial period for Facility A was $105.0 million, while Facility B remained undrawn.

The rate of interest under Facility A and Facility B was BBSY, which at balance date was 4.38% plus the applicable margin of between 1.5% and 2.2% depending upon the gearing ratio of the Company. At balance date, the margin applicable was 1.9%. There is a commitment fee calculated daily and payable on the undrawn commitment of between 0.75% and 1.1% (depending upon the gearing ratio of the Company). At balance date, this commitment fee rate was 0.95% and was payable quarterly in arrears.

Note 21. Non-current liabilities – Borrowings (continued)

Working Capital

The Working Capital Facility was initially allocated to a $2.0 million revolving cash advance facility, a $6.7 million overdraft facility, a $1.0 million leasing facility and a $0.3 million letter of credit facility. Any undrawn amount under either option can be reallocated at any time by the borrowers to either of the other options. On 10 August, 2011 the allocation was amended to a $9.7 million overdraft facility and a $0.3 million letter of credit facility.

Letters of credit of $0.2 million were drawn under the Working Capital Facility as at balance date. The remainder of the Working Capital Facility was undrawn at that date. There is a commitment fee calculated daily and payable on the undrawn commitment of between 0.75% and 1.10% (depending upon the gearing ratio of the Company). At balance date, this commitment fee rate was 0.95% and was payable quarterly in arrears.

The rate of interest for cash advances under the revolving advance facility of the Working Capital Facility is BBSY plus the applicable margin. The interest rate applicable to the overdraft facility is the "Overdraft Base Rate", a weekly average of the 30-day BBSY rate and at balance date was 4.3% plus the applicable margin. Fees on letters of credit issued under the Working Capital Facility are at a rate of 75% of the applicable margin. The applicable margin for the purposes of the cash advance, overdraft and letters of credit facility is between 1.5% and 2.2% (depending upon the gearing ratio of the Company). At balance date, the applicable margin was 1.90%. The rate of interest for the leasing facility is specific to each drawdown under the facility and is the base rate based upon the cost of funds to the lender at the time of the drawdown plus a margin of 1.5%. At balance date the leasing facility remains undrawn.

The Syndicated Facility and Working Capital Facilities are subject to certain financial covenants and restrictions, such as net leverage ratios, interest coverage ratios and others which management believe are customary for these types of loans. The Company and its subsidiaries (other than subsidiaries outside of the Closed Group) were registered guarantors of all the obligations in respect of these loan facilities.

Facilities repaid on 4 August, 2011

Facility A, Facility B and Mezzanine Facility

The amended senior facility comprised Facility A and Facility B for $36.0 million and $135.0 million respectively. The amended senior facility provided for a three-year term expiring on 28 June, 2013. The amended Mezzanine Facility was for $70.0 million and had a three and a half year term expiring on 28 December, 2013. Scheduled repayments were set out for Facility A over the term of the loan. Conditions existed regarding the voluntary and mandatory repayment of debt. These facilities were fully repaid on 4 August, 2011, however the balances as at the end of the prior financial period comprised Facility A $30.5 million, Facility B $135.0 million and the Mezzanine Facility $74.2 million (inclusive of "PIK" interest).

The rate of interest under Facility A and Facility B was BBSY, which as at 1 May, 2011 was 4.97% plus the applicable margin of between 3.25% and 4.25% for Facility A and between 3.50% and 4.50% for Facility B depending upon the gearing ratio of the Company. At 1 May, 2011, the margins applicable were 4.25% for Facility A and 4.50% for Facility B. Under the Mezzanine Facility, the rate of interest was 8.0% fixed rate cash pay interest due quarterly and 8.0% "PIK" interest which was capitalised quarterly. Facilities A and B of the amended senior facility and the entire amended mezzanine facility were fully drawn at 1 May, 2011.

Capital expenditure facility

The amended senior facilities also provided for a $30.0 million capital expenditure facility, Facility C, which could only be used for the purpose of permitted capital expenditures and could be utilised provided the drawing would not result in a breach of leverage ratio covenants. The rate of interest on Facility C was BBSY plus the applicable margin of between 3.50% and 4.50%, depending upon the gearing ratio of the Company. At 1 May, 2011 the margin applicable to Facility C was 4.50% and the balance was $11.0 million. There was a fee applicable to any undrawn portion of Facility C equal to 65% of the applicable margin. The fee was calculated daily and was payable quarterly in arrears.

Working Capital

The Amended Working Capital Facility was only to be used for general working capital purposes and was allocated to a $5.0 million revolving cash advance facility, a $4.8 million overdraft facility, a $3.0 million leasing facility and a $0.2 million letter of credit facility. Any un-drawn amount under either option could be reallocated at any time by the borrowers to either of the other options.

Lease obligations and letters of credit of $2.2 million and $0.1 million respectively were drawn under the Amended Working Capital Facility as at 1 May, 2011. The remainder of the Amended Working Capital Facility was undrawn at that date. There was a line fee calculated daily and payable on the leasing facility total commitment of between 1.75% and 2.75% (depending upon the gearing ratio of the Company). The remaining facilities of the Amended Working Capital Facility attracted a line fee calculated daily of between 2.1% and 2.8% (depending upon the gearing ratio of the Company). At 1 May, 2011, this line fee rate was 2.8% and was payable quarterly in arrears.

The rate of interest for cash advances under the revolving facility of the Amended Working Capital Facility was BBSY plus the applicable margin. The interest rate applicable to the overdraft facility was the "Overdraft Base Rate", a weekly average of the 30 day BBSY rate and at 1 May, 2011 was 4.79% plus the applicable margin. Fees on letters of credit issued under the Amended Working Capital Facility were at a rate of 75% of the applicable margin. The applicable margin for the purposes of the cash advance, overdraft and letters of credit facility was between 1.14% and 1.49% (depending upon the gearing ratio of the Company). At 1 May, 2011, the applicable margin was 1.49%. The rate of interest for the leasing facility was specific to each drawdown under the facility and was the base rate based upon the cost of funds to the lender at the time of the drawdown plus a margin of 1.5%.

The amended senior, mezzanine and working capital facilities were subject to certain financial covenants and restrictions such as interest coverage ratios, profitability ratios and others which management believe are customary for these types of loans. The Former Parent Entity and its subsidiaries (other than dormant subsidiaries) were registered guarantors of all the obligations in respect of these loan facilities.

Interest rate risk exposures

The following table summarises interest rate risk for the Group, together with effective interest rates as at the end of the reporting period. Sensitivity to interest rate risk is set out in note 35.

			Fixed interest maturing in:				Average interest rate	
2012	Notes	Floating interest rate $000	5 years or less $000	More than 5 years $000	Non-interest bearing $000	Total $000	Floating	Fixed
Trade and other payables	16	–	–	–	45,547	45,547		
Financial guarantees	19	–	–	–	–	–		
Borrowings	17, 21	105,000	–	–	–	105,000	4.4%	
Derivative financial instruments*	18	(80,000)	80,000	–	–	–	4.4%	3.7%
		25,000	80,000	–	45,547	150,547		

			Fixed interest maturing in:				Average interest rate	
2011	Notes	Floating interest rate $000	5 years or less $000	More than 5 years $000	Non-interest bearing $000	Total $000	Floating	Fixed
Trade and other payables	16	–	–	–	51,350	51,350		
Financial guarantees	19	–	–	–	10,671	10,671		
Borrowings	17, 21	250,723	–	–	–	250,723	8.2%	
Finance lease liabilities	27	–	2,173	–	–	2,173		6.4%
Derivative financial instruments*	18	(124,088)	124,088	–	–	–	8.2%	5.9%
		126,635	126,261	–	62,021	314,917		

* Notional principal amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 21. Non-current liabilities – Borrowings (continued)

Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2012		2011	
	Carrying amount $000	Fair Value $000	Carrying amount $000	Fair Value $000
Bank loan (net of establishment costs)	104,480	105,050	239,501	250,773
Finance lease liabilities	–	–	2,173	2,173
	104,480	105,050	241,674	252,946

The fair value of lease liabilities equate to their carrying values as disclosed above. The fair value of the bank loan is inclusive of costs which would be incurred on settlement of the liability and is based upon market prices.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities; and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of each reporting period.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 29 April 2012	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non-derivatives						
Trade and other payables	45,547	–	–	–	45,547	45,547
Borrowings (excluding finance leases)	6,057	6,057	112,667	–	124,781	104,480
Total non-derivatives	51,604	6,057	112,667	–	170,328	150,027
Derivatives						
Net settled (interest rate swaps)	(21)	(116)	29	–	(108)	(102)

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 1 May 2011	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non-derivatives						
Trade and other payables	51,350	–	–	–	51,350	51,350
Borrowings (excluding finance leases)	46,271	34,061	238,058	–	318,390	239,501
Finance lease liabilities	1,120	676	916	–	2,712	2,173
Total non-derivatives	98,741	34,737	238,974	–	372,452	293,024
Derivatives						
Net settled (interest rate swaps)	23	(513)	(81)	–	(571)	(513)

Note 22. Non-current liabilities – Provisions

	2012 $000	2011 $000
Employee entitlements	1,324	1,103
Tracking stock bonus plan	55	357
	1,379	1,460

The non-current provision for employee entitlements is in respect of long service leave. It covers all conditional entitlement for which provision is made, but where employees have not yet completed the required period of service. Upon completion of the required period of service the group no longer has an unconditional right to defer settlement of these obligations and as such the obligation is then presented as a current liability.

Under the main terms of the Tracking Stock Bonus Plan each eligible employee was granted an equal number of A Class Tracking Stock Units (ATS Units) and B Class Tracking Stock Units (BTS Units) which mimic the performance criteria for Performance Shares (see note 23 for details on performance shares). The B Class Performance Shares became eligible for conversion upon the sale of Collins Foods Holding Pty Limited (CFH) to CFG Finance Pty Limited, a subsidiary of the Company, which occurred on 4 August, 2011 (Transaction), thus a bonus payment was made to BTS unit holders. The internal rate of return hurdles that were a requirement of conversion eligibility of A Class Performance Shares were not attained in the Transaction, thus the A Class Performance Shares did not become eligible for conversion and therefore no bonus payment was made to ATS unit holders.

An employee benefit expense and a liability were recognised as the company received the services for the fair value of the services. The fair value of the liability was remeasured at 1 May, 2011 with changes in the fair value recorded through profit and loss. The change between the fair value as at 1 May, 2011 and the amount paid to ATS and BTS unit holders following the Transaction was recorded through profit and loss.

At 1 May, 2011, the independently determined fair value of the ATS and BTS units was determined using a simulation analysis that took into account the estimated share price for CFH's active ordinary shares at that date; the estimated time at which the institutional shareholders of CFH would choose to exit their investment; the distribution of possible values for those shares at various potential exit points; the internal rate of return hurdles which applied to the Performance Shares, and valuation discounts for illiquidity and lack of control, given that eligible employees could not sell their Tracking Stock, forfeited them upon ceasing to be an employee and had no control over the timing of institutional shareholders exiting from their investment.

The decrease in the value of the ATS and BTS units during the current period resulted in a credit being recognised in the Consolidated Income Statement for $235,000 (2011: charge recognised for $289,000).

Note 23. Contributed equity

		Parent Entity		
		Shadow Equity $000	Share Capital $000	Total Equity $000
Balance	2 May, 2010	–	53,620	53,620
Shadow equity issuance	29 June, 2010	6,611	–	6,611
Selective share buy-back	23 September, 2010	–	(4,701)	(4,701)
Balance	1 May, 2011	6,611	48,919	55,530
Shares issued during the period[(i)]	4 August, 2011	–	131,993	131,993
Capital reconstruction[(ii)]	4 August, 2011	(6,611)	6,611	–
Less capital raising costs (net of tax)	4 August, 2011	–	(5,425)	(5,425)
Balance	29 April, 2012	–	182,098	182,098

(i) Proceeds from share issue $201.7 million less repurchase of shares $69.7 million (including $60.4 million paid in cash consideration on 4 August, 2011 and $9.3 million payable at balance date (refer note 16)).

(ii) Refer Note 1.

Note 23. Contributed equity (continued)

	Parent Entity	
	2012 Shares	2011 Shares
Share capital		
Ordinary shares – fully paid	93,000,003	2
Active ordinary shares – fully paid	–	31,639,342
Passive ordinary shares – fully paid	–	3,163,934,200
Active preferred ordinary shares – fully paid	–	17,200,833
Passive preferred ordinary shares – fully paid	–	1,720,083,300
Deferred shares – fully paid	–	200,000
A-class performance shares		
Called to $0.0185	–	2,942,500
B-class performance shares		
Called to $0.0640	–	2,942,500
	93,000,003	4,938,942,677
Shadow equity units which represent:		
Active ordinary shares – fully paid	–	4,359,653
Passive ordinary shares – fully paid	–	435,965,300
Active preferred ordinary shares – fully paid	–	177,689
Passive preferred ordinary shares – fully paid	–	17,768,900
	–	458,271,542
	93,000,003	5,397,214,219

Equity of Current Parent Company

Movements in ordinary share capital during the reporting period were as follows:

Details	Date	Number of Shares
Ordinary shares, fully paid		
Balance	1 May, 2011	–
Issue of equity – capital reconstruction (refer note 1)	4 August, 2011	93,000,003
Balance	29 April, 2012	93,000,003

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote. Upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Equity of Former Parent Entity

Movements in share capital were as follows:

Details	Date	Number of Shares
Ordinary shares		
Balance	2 May, 2010	2
Balance	1 May, 2011	2
Capital reconstruction (refer note 1)	4 August, 2011	(2)
Balance	29 April, 2012	–
Active ordinary shares		
Balance	2 May, 2010	35,998,970
Selective share buy-back	23 September, 2010	(4,359,628)
Balance	1 May, 2011	31,639,342
Conversion from passive ordinary shares	8 June, 2011	893
Capital reconstruction (refer note 1)	4 August, 2011	(31,640,235)
Balance	29 April, 2012	–
Passive ordinary shares		
Balance	2 May, 2010	3,599,897,000
Selective share buy-back	23 September, 2010	(435,962,800)
Balance	1 May, 2011	3,163,934,200
Conversion to active ordinary shares	8 June, 2011	(893)
Capital reconstruction (refer note 1)	4 August, 2011	(3,163,933,307)
Balance	29 April, 2012	–
Active preferred ordinary shares		
Balance	2 May, 2010	17,378,515
Selective share buy-back	23 September, 2010	(177,682)
Balance	1 May, 2011	17,200,833
Conversion from passive preferred ordinary shares	8 June, 2011	29,692,271
Capital reconstruction (refer note 1)	4 August, 2011	(46,893,104)
Balance	29 April, 2012	–
Passive preferred ordinary shares		
Balance	2 May, 2010	1,737,851,500
Selective share buy-back	23 September, 2010	(17,768,200)
Balance	1 May, 2011	1,720,083,300
Conversion to active preferred ordinary Shares	8 June, 2011	(29,692,271)
Capital reconstruction (refer note 1)	4 August, 2011	(1,690,391,029)
Balance	29 April, 2012	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23. Contributed equity (continued)

Details	Date	Number of Shares
A-class performance shares		
Balance	2 May, 2010	2,942,500
Balance	1 May, 2011	2,942,500
Capital reconstruction (refer note 1)	4 August, 2011	(2,942,500)
Balance	29 April, 2012	–
B-class performance shares		
Balance	2 May, 2010	2,942,500
Balance	1 May, 2011	2,942,500
Capital reconstruction (refer note 1)	4 August, 2011	(2,942,500)
Balance	29 April, 2012	–
Deferred shares		
Balance	2 May, 2010	200,000
Balance	1 May, 2011	200,000
Capital reconstruction (refer note 1)	4 August, 2011	(200,000)
Balance	29 April, 2012	–
Shadow equity units which represent active ordinary shares		
Balance	2 May, 2010	–
Shadow equity issuance	29 June, 2010	4,359,653
Balance	1 May, 2011	4,359,653
Capital reconstruction (refer note 1)	4 August, 2011	(4,359,653)
Balance	29 April, 2012	–
Shadow equity units which represent passive ordinary shares		
Balance	2 May, 2010	–
Shadow equity issuance	29 June, 2010	435,965,300
Balance	1 May, 2011	435,965,300
Capital reconstruction (refer note 1)	4 August, 2011	(435,965,300)
Balance	29 April, 2012	–
Shadow equity units which represent active preferred ordinary shares		
Balance	2 May, 2010	–
Shadow equity issuance	29 June, 2010	177,689
Balance	1 May, 2011	177,689
Capital reconstruction (refer note 1)	4 August, 2011	(177,689)
Balance	29 April, 2012	–
Shadow equity units which represent passive preferred ordinary shares		
Balance	2 May, 2010	–
Shadow equity issuance	29 June, 2010	17,768,900
Balance	1 May, 2011	17,768,900
Capital reconstruction (refer note 1)	4 August, 2011	(17,768,900)
Balance	29 April, 2012	–

Active ordinary shares
Active ordinary shares entitled the holder to participate, subject to the Umbrella Deed, in the dividends and proceeds on winding up of the Former Parent Entity in proportion to the number of shares held. On a show of hands every holder of active ordinary shares present at a meeting in person or by proxy was entitled to one vote. Upon a poll, the voting rights attaching to each share were determined by a formula which operated such that the holders of active ordinary shares and the holders of active preferred ordinary shares held by non-institutional investors were entitled (in aggregate) to the balance of voting rights not exercisable by institutional investors.

Passive ordinary shares
Passive ordinary shares did not entitle the holder to participate in the dividends and proceeds on winding up of the Former Parent Entity. Holders of passive ordinary shares were not entitled to vote at a meeting in person or by proxy. Upon a poll no voting rights attached to these shares.

Active preferred ordinary shares
Active preferred ordinary shares entitled the holder to participate, subject to the Umbrella Deed, in the dividends and proceeds on winding up of the Former Parent Entity in proportion to the number of shares held. On a show of hands every holder of active preferred ordinary shares present at a meeting in person or by proxy was entitled to one vote. Upon a poll the voting rights attached to each share were determined by a formula which, subject to the Umbrella Deed, operated such that the holders of active ordinary shares and the holders of active preferred ordinary shares held by non-institutional investors were entitled (in aggregate) to the balance of voting rights not exercisable by institutional investors. Subject to the Umbrella Deed, Institutional investors were always entitled to 52% of the total aggregate voting rights of the Former Parent Entity and its related corporation, Sizzler USA Holdings Inc. Subject to the terms of the Former Parent Entity constitution, Active Preferred Ordinary Shares were redeemable in certain situations with the occurrence of a Recapitalisation Event or in connection with an Exit Event.

Passive preferred ordinary shares
Passive preferred ordinary shares did not entitle the holder to participate in the dividends and proceeds on winding up of the Former Parent Entity. Holders of passive preferred ordinary shares were not entitled to vote at a meeting in person or by proxy. Upon a poll no voting rights attached to these shares.

Deferred shares
Deferred shares did not entitle the holder to participate in the dividends and proceeds on winding up of the Former Parent Entity. Holders of deferred shares were not entitled to vote at a meeting in person or by proxy. Upon a poll no voting rights attached to these shares.

Umbrella Deed
The Former Parent Entity and a related corporation, Sizzler USA Holdings Inc, in conjunction with the shareholders of the Former Parent Entity and the related corporation, had entered into the Umbrella Deed. This deed provided a mechanism whereby the value of each Active Ordinary and Active Preferred Ordinary Share was based on the combined value of the Former Parent Entity and the related corporation. The deed also provided a mechanism to restore the relative equity interests of each shareholder in the event of a sell down in the Former Parent Entity or the related corporation. This mechanism utilised either the conversion of Active Ordinary Shares to Passive Ordinary Shares, Active Preferred Ordinary Shares to Passive Preferred Ordinary Shares or Passive Ordinary Shares to Active Ordinary Shares, Passive Preferred Ordinary Shares to Active Preferred Ordinary Shares to restore equilibrium.

A-Class performance shares
A-Class performance shares did not entitle the holder to participate in the dividends and proceeds on winding up of the Former Parent Entity. Holders of A-class performance shares were not entitled to vote at a meeting in person or by proxy. Upon a poll no voting rights attached to these shares. Upon the attainment of certain internal rate of return hurdles, A-class performance shares were capable of conversion, when an exit event occurred, into active ordinary shares or active preferred ordinary shares.

Note 23. Contributed equity (continued)

B-Class performance shares

B-Class performance shares did not entitle the holder to participate in the dividends and proceeds on winding up of the Former Parent Entity. Holders of B-class performance shares were not entitled to vote at a meeting in person or by proxy. Upon a poll no voting rights attach to these shares. Every period, 20% of the B-class performance shares became capable of conversion, when an exit event occurs, into active ordinary shares or active preferred ordinary shares. Upon the attainment of certain internal rate of return hurdles, this conversion was accelerated.

As the holders of Performance Shares had paid the fair value of the shares at the date of issuance, the employees had been provided no net benefit and no amount was recorded as an expense in relation to these shares as these employees provided services.

Shadow equity

In conjunction with the refinancing of its bank loans on 29 June 2010, the Former Parent Entity entered into a shadow equity deed with three co-investor funds (who were also mezzanine debt providers under the refinanced bank loan facilities) in relation to its ordinary share classes. The extent of shadow equity units granted was measured by reference to the number of underlying ordinary shares it represented. One unit of shadow equity represented one share of the relevant share class. The co-investors are issued certificates (underpinned by shadow equity deeds and the shareholder agreements) stating the number of units of shadow equity that had been granted and the underlying ordinary share classes to which each unit related.

The holders of shadow equity are entitled to dividends, returns of capital and other distributions equivalent to those of the ordinary share classes to which the shadow equity related. Such distributions become mandatory only in the event that such distributions were declared in respect of the underlying ordinary share classes. If the Former Parent Entity issued any ordinary classes of shares to the existing shareholders, the co-investors were offered the right to increase the number of units of shadow equity they held by paying the subscription price that they would have paid if they had held the relevant shares.

In the event that the number of issued shares was changed by a reorganisation of the Former Parent Entity's capital conducted as a consolidation of capital, a subdivision of capital or a pro-rated cancellation of capital (Reconstruction) (except the permitted share buy-backs which occurred on 23 September, 2010) the number of units of shadow equity held by each co-investor would be proportionately adjusted to ensure the number of such units of shadow equity represented the same percentage of the Former Parent Entity's share capital following that Reconstruction as it would have represented if that Reconstruction had not taken place.

In the event of an exit event, the Former Parent Entity was required to pay each co-investor an equivalent payment to the payment received by the shareholders for the sale of their shares per the ordinary share class to which the shadow equity related. An exit event was defined as:

- the date on which a prospectus is lodged with the Australian Securities and Investments Commission, the U.S. Securities and Exchange Commission, or any other relevant regulatory body in relation to a listing of the Former Parent Entity's shares;
- the date on which an agreement for the sale of the share capital of the Former Parent Entity is completed;
- the date on which, following a trade sale of the Former Parent Entity and following the passing of a resolution of shareholders to approve the distribution and payment to shareholders of the proceeds of sale that are available for distribution or payment to shareholders, whether in a winding up, by return of capital, share buy-back or otherwise, a final determination is made of the amount that will be paid to shareholders; and
- the date on which the original investors no longer hold any shares in connection with a recapitalisation.

The co-investors did not have the right to appoint any directors to the Board. The co-investors did not have the right to vote or participate at a meeting of shareholders (other than as an observer). However, no resolution of shareholders would be carried if the relevant resolution would not have been carried if the co-investors' shadow equity had entitled them to vote as if the co-investors were management shareholders and they notified the Former Parent Entity in writing before the resolution that they would have voted against the resolution. However, if a resolution was not carried, but would have been carried if the co-investors' shadow equity had entitled them to vote as if the co-investors were management shareholders and they notified the Former Parent Entity in writing before the resolution that they would have voted in favour of the resolution, the relevant resolution would be deemed to have been carried.

Any transaction or change to the terms of the capital structure of the Former Parent Entity varying the rights attaching to the shadow equity held by the co-investors could not occur without the prior written consent of one or more of the co-investors. If the Former Parent Entity was to be wound up, the proceeds of the winding up were to be distributed to the shareholders in accordance with their respective proportions, taking into account any payments that must be made to the co-investors.

Note 24. Reserves

	2012 $000	2011 $000
Hedging – cash flow hedges	(97)	–
Foreign currency translation	260	–
	163	–
Movements in hedging reserve – cash flow hedges:		
Opening balance	–	(523)
Revaluation – gross	(102)	–
Deferred tax (note 13)	31	–
Transfer to net profit – gross	(37)	747
Deferred tax (note 13)	11	(224)
Closing balance	(97)	–
Movements in foreign currency translation reserve:		
Opening balance	–	–
Exchange fluctuations arising on net assets of foreign operations	260	–
Closing balance	260	–

Nature and purpose of reserves

Hedging reserve – cash flow hedges:

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Note 25. Retained earnings/(accumulated losses)

	2012	2011
Retained earnings/(accumulated losses):		
Opening balance	(14,422)	(13,580)
Net profit/(loss)	11,429	1,446
Share capital buy-back costs	–	(241)
Shadow equity issuance costs	–	(137)
Dividends deemed in relation to share buy-back	–	(1,910)
Closing balance	(2,993)	(14,422)
Franking credits available for the subsequent financial period based on a tax rate of 30%	44,583	43,441

The above amount represents the balance of the franking account as at the end of the reporting period, adjusted for (a) franking credits that will arise from the payment of income tax payable as at the end of the reporting period, (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and (c) franking credits that may be prevented from being distributed in the subsequent period.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Note 25. Retained earnings/(accumulated losses) (continued)

Dividends not recognised at the end of the reporting period
Since the end of the financial period, the Directors of the Company have declared the payment of a fully franked final dividend of 6.5 cents per ordinary share ($6.0 million) to be paid on 27 July, 2012. The aggregate amount of the dividend to be paid on that date, but not recognised as a liability at year end, is $6,045,000.

Note 26. Subsidiaries and Deed of Cross Guarantee

The consolidated financial statements at 29 April, 2012 include the following subsidiaries. The reporting period end of all subsidiaries is the same as that of the parent entity.

Name of controlled entity	Notes	Place of Incorporation	Name Acronym	% of shares held 2012	% of shares held 2011
CFG Finance Pty Limited	(b) (d)	Australia	CFGF	100	n/a
Collins Foods Holding Pty. Limited	(b) (d)	Australia	CFH	100	–
Collins Foods Finance Pty. Limited	(b)	Australia	CFF	100	100
Collins Foods Group Pty. Ltd.	(b)	Australia	CFG	100	100
Collins Restaurants Queensland Pty. Ltd.	(b)	Australia	CRQ	100	100
Collins Restaurants NSW Pty. Ltd.	(b)	Australia	CRN	100	100
Sizzler Restaurants Group Pty. Ltd.	(b)	Australia	SRG	100	100
Collins Restaurants Management Pty. Ltd.	(b)	Australia	CRM	100	100
Collins Property Development Pty. Ltd	(b)	Australia	CPD	100	100
Club Sizzler Pty. Ltd.	(b)	Australia	CSP	100	100
Collins Foods Australia Pty. Ltd.	(b)	Australia	CFA	100	100
Collins Finance and Management Pty. Ltd.	(b)	Australia	CFM	100	100
Sizzler South Pacific Pty. Ltd.	(c)	Nevada, USA	SSP	100	100
SingCo Trading Pte Ltd	(e)	Singapore	SingCo	100	–
Sizzler International Marks LLC	(e)	Delaware, USA	SIM	100	–
Sizzler Asia Holdings LLC	(e)	Delaware, USA	SAH	100	–
Sizzler South East Asia LLC	(e) (f)	Delaware, USA	SSEA	100	–
Sizzler New Zealand LLC	(e) (f)	Delaware, USA	SNZ	100	–
Sizzler Restaurant Services LLC	(e) (f)	Delaware, USA	SRS	100	–

(a) Collins Foods Limited is domiciled in Brisbane, Australia. The Registered office is located at 16 Edmondstone Street, Newmarket QLD 4051.

(b) These companies have entered into a Deed of Cross Guarantee dated 23 February, 2012 with Collins Foods Limited which provides that all parties to the deed will guarantee to each creditor, payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of Class Order 98/1418 issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

(c) Sizzler South Pacific Pty. Ltd. (SSP) is a company with no net assets. The directors have resolved to liquidate this company. This company is not an Australian registered company and is not covered by the Class Order 98/1418.

(d) Collins Foods Limited and CFG Finance Pty Limited were not incorporated within the previous corresponding period, however, as at 1 May, 2011, a subsidiary of the Company, Collins Foods Holding Pty Limited, was the holding company of the group acquired by the Company on 4 August, 2011.

(e) SingCo Trading Pte Ltd and its subsidiaries were purchased by CFG Finance Pty Limited on 4 August, 2011. These companies are not Australian registered companies and are not covered by the Class Order 98/1418.

(f) Originally incorporated in Nevada, upon conversion to a LLC became registered in Delaware.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits of the entities in the Class Order 98/1418 "closed group" are as follows:

As there are no other parties to the Deed of Cross Guarantee that are controlled by Collins Foods Limited, the below also represents the "Extended Closed Group".

	Closed Group	
	2012 $000	2011 $000
Consolidated Income Statement		
Sales revenue	404,177	408,222
Cost of sales	(192,587)	(192,487)
Gross profit	211,590	215,735
Selling, marketing and royalty expenses	(83,790)	(82,781)
Occupancy expenses	(31,378)	(29,246)
Restaurant related expenses	(42,699)	(38,603)
Administration expenses	(31,418)	(25,070)
Other expenses	(1,386)	(58,595)
Other income	10,961	52,807
Finance revenue	1,196	4,042
Finance costs	(26,453)	(33,844)
Profit from continuing operations before income tax	6,623	4,445
Income tax benefit/(expense)	4,480	(2,999)
Profit from continuing operations	11,103	1,446
Statement of Consolidated Comprehensive Income		
Profit from continuing operations	11,103	1,446
Other comprehensive income:		
Exchange difference upon translation of foreign operations	260	–
Cash flow hedges	(139)	747
Income tax relating to components of other comprehensive income	42	(224)
Other comprehensive income for the period, net of tax	163	523
Total comprehensive income for the period	11,266	1,969
Total comprehensive income for the period is attributable to:		
Owners of the parent	11,266	1,969
Summary of movements in consolidated retained profits		
Retained profits/(losses) at the beginning of the period	(14,364)	(13,522)
Profit for the period	11,103	1,446
Buy-back of ordinary shares, net of tax	–	(241)
Contributions of shadow equity	–	(137)
Dividends deemed as a result of share buy-back	–	(1,910)
Accumulated losses at the end of the period	(3,261)	(14,364)

Note 26. Subsidiaries and Deed of Cross Guarantee (continued)

The Consolidated Balance Sheet of all entities in the Class Order 98/1418 "closed group" as at the end of the reporting period are as follows:

	Closed Group	
	2012 $000	2011 $000
Current assets		
Cash and cash equivalents	18,804	43,708
Receivables	3,450	5,297
Inventories	4,272	4,520
Current tax receivable	–	583
Total current assets	26,526	54,108
Non-current assets		
Property, plant and equipment	57,549	52,743
Intangible assets, net	223,040	222,808
Deferred tax assets, net	16,762	9,851
Receivables	31	9,657
Derivative financial instruments	–	542
Other financial assets	9,827	58
Total non-current assets	307,209	295,659
Total assets	333,735	349,767
Current liabilities		
Trade and other payables	45,463	51,350
Borrowings	–	13,649
Derivative financial instruments	19	29
Financial guarantees	–	10,671
Provisions	3,485	3,417
Total current liabilities	48,967	79,116
Non-current liabilities		
Borrowings	104,480	228,025
Derivative financial instruments	83	–
Provisions	1,379	1,460
Total non-current liabilities	105,942	229,485
Total liabilities	154,909	308,601
Net assets	178,826	41,166
Equity		
Contributed equity	182,098	55,530
Reserves	(11)	–
Retained profits	(3,261)	(14,364)
Total equity	178,826	41,166

Note 27. Commitments for expenditure

	2012 $000	2011 $000
Capital commitments		
Property, plant and equipment		
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities, payable	5,112	1,345
Operating Leases		
Operating leases relate to land, buildings and equipment with lease terms ranging from 3 to 25 years and expire on varying dates through 2023. The Company has the right to extend many of these leases and many contain market review clauses. Certain leases require contingent rent, determined as a percentage of sales, when annual sales exceed specified levels.		
Operating lease commitments:		
Aggregate lease expenditure contracted for at balance date but not recognised as liabilities, payable:		
Not later than one year	24,311	22,060
Later than one year but not later than five years	63,377	60,836
Later than five years	19,309	14,544
	106,997	97,440
Less recoverable Goods and Services Tax	(9,727)	(8,858)
Minimum lease payments	97,270	88,582
Finance Leases		
All finance leases were paid out as part of the IPO and refinance which occurred on 4 August, 2011. Any gain or loss associated with the early payment of these leases is included in administration expenses. In the prior period finance leases related to equipment with lease terms of 3 or 5 years expiring on varying dates through to 2015. The Group had classified these obligations as a finance lease as substantially all the risks and benefits incident to ownership had been passed to it by the lessor.		
Finance lease commitments:		
Commitments in relation to finance leases are payable as follows:		
Not later than one year	–	1,120
Later than one year but not later than five years	–	1,592
Later than five years	–	–
	–	2,712
Less: recoverable Goods and Services Tax	–	(247)
Minimum lease payments	–	2,465
Less: future finance charges	–	(292)
Total lease liabilities	–	2,173
Included in the financial statements as:		
Current liabilities (see note 17)	–	832
Non-current liabilities (see note 21)	–	1,341
	–	2,173

Note 28. Related parties

Parent entity
The parent entity and ultimate parent entity within the Group is Collins Foods Limited (prior period parent entity and ultimate parent entity was Collins Foods Holding Pty Limited, refer note 1).

Key management personnel
Key management personnel include the Directors for the parent entity and Directors and executives for the Group as detailed in the Remuneration Report. Disclosures relating to key management personnel are disclosed in note 29.

Subsidiaries
The ownership interests in subsidiaries are set out in note 26.

Transactions between entities within the Group during the reporting period consisted of loans advanced and repaid, interest charged and received, operating expenses paid, non-current assets purchased and sold, and tax losses transferred. These transactions were undertaken on commercial terms and conditions.

All transactions with related parties are conducted on commercial terms and conditions.

		Whole Dollars	
Transaction Type	Class of related party	2012 $	2011 $
Loans to related parties			
Interest receivable	Related entity(i)	410,104	1,774,176
Interest received	Related entity(i)	–	1,548,828
Other transactions			
Operating expenses paid for	Related entity(i)	139,428	602,368
Acquisition of loan owing by related party	Related entity(i)	11,921,786	–
Acquisition of a related party receivable	Related entity – Associate	177,012	–
Reversal of a provision for impairment of a related party receivable	Related entity – Associate	108,988	–
Aggregate unsecured amounts receivable from, and payable to related parties at balance date:			
Non-current assets – Receivables	Related entity	286,000	14,130,254
Non-current assets – Provision for Doubtful Receivable	Related entity	–	(2,758,000)
		286,000	11,372,254

(i) Prior to acquisition of related party (refer note 36).

Note 29. Key Management Personnel compensation and equity instrument disclosures

(a) Key Management Personnel compensation

	2012	2011
Short-term employee benefits	2,516,114	2,866,130
Post-employment benefits	215,064	227,012
Long-term benefits	47,307	42,036
	2,778,485	3,135,178

Detailed remuneration disclosures are provided in the remuneration report included in the Directors' Report.

(b) Equity instrument disclosures relating to Key Management Personnel

(i) Shareholdings

The numbers of shares in the Company (and the Former Parent Company) held during the financial period by the Directors of the Company (and Former Parent Company) and the Key Management Personnel of the Group (and former group), including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation or as a result of exercise of options or rights.

	Balance 2-May-10 Active Former Parent Company Shares[1]	Selective Share Buy-back[2]	Balance 1-May-11 Active Former Parent Company Shares[1]	Capital Reconstruction[3]	Purchase of Shares[4]	Balance 29-April-12[4]
Directors						
Russell Tate*	–	–	–	–	20,001	20,001
Newman Manion*	–	–	–	–	20,001	20,001
Bronwyn Morris*	–	–	–	–	5,001	5,001
Kevin Perkins	18,291,011	–	18,291,011	(11,290,178)	340,000	7,340,833
Robert Koczkar	153,426	–	153,426	**	**	**
Shannon Wolfers	–	–	–	**	**	**
Other Key Management Personnel						
Simon Perkins	1,983,076	(179,145)	1,803,931	(1,635,529)	–	168,402
James Ryan	1,535,227	–	1,535,227	(1,356,080)	–	179,147
Martin Clarke	270,505	–	270,505	(144,243)	–	126,262
John Hands	1,340,002	(213,051)	1,126,951	(916,542)	–	210,409
David Nash	650,561	(131,644)	518,917	**	**	**
Adrian Argent	749,873	–	749,873	**	**	**
Trevor McDonald	335,168	(72,667)	262,501	**	**	**
Pamela Martin	860,240	(93,253)	766,987	**	**	**
Phillip Coleman	495,792	–	495,792	**	**	**
George Ryland	234,250	–	234,250	**	**	**

* Appointed as Directors of the Company on 10 June 2011. At no stage were these individuals, Directors or KMP of the former group and were not holders of any class of shares of the former group.

** Directors or KMP of former group. Ceased to be Directors or KMP on 3 August, 2011.

1 Shares held in Collins Foods Holding Pty Limited (the Former Parent Company), which were either active ordinary shares or active preferred ordinary shares (refer note 23 for a description of the rights attaching to these share classes).

2 The total cash consideration received by all KMP under the share buy-back was $1,004,980.

3 Movements in the capital reconstruction include the conversion of Passive Ordinary Shares to Active Ordinary Shares; the conversion of Passive Preferred Ordinary Shares to Active Preferred Ordinary Shares on 8 June, 2011 (refer note 23); the exchange of active share classes by certain shareholders of the Former Parent Company for cash consideration; and the exchange of active share classes by certain shareholders of the Former Parent Company for shares in the Company in the ratio of 2.29 active shares for each ordinary share in the Company. The total cash consideration received or receivable by KMP for active share classes in the capital reconstruction was $10,328,893.

4 Ordinary shares held in the Company (refer note 23 for a description of the rights attaching to ordinary shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 29. Key Management Personnel compensation and equity instrument disclosures (continued)

	Balance 2-May-10 Passive Former Parent Company Shares[5]	Selective Share Buy-back[6]	Balance 1-May-11 Passive Former Parent Company Shares[5]	Capital Reconstruction[7]	Balance 29-April-12[8]
Directors					
Kevin Perkins	1,829,101,100	–	1,829,101,100	(1,829,101,100)	–
Robert Koczkar	15,342,600	–	15,342,600	**	**
Shannon Wolfers	–	–	–	**	**
Other Key Management Personnel					
Simon Perkins	198,307,600	(17,914,500)	180,393,100	(180,393,100)	–
James Ryan	153,522,700	–	153,522,700	(153,522,700)	–
Martin Clarke	27,050,500	–	27,050,500	(27,050,500)	–
John Hands	134,000,200	(21,305,100)	112,695,100	(112,695,100)	–
David Nash	65,056,100	(13,164,400)	51,891,700	**	**
Adrian Argent	74,987,300	–	74,987,300	**	**
Trevor McDonald	33,516,800	(7,266,700)	26,250,100	**	**
Pamela Martin	86,024,000	(9,325,300)	76,698,700	**	**
Phillip Coleman	49,579,200	–	49,579,200	**	**
George Ryland	23,425,000	–	23,425,000	**	**

** Directors or KMP of former group. Ceased to be Directors or KMP on 3 August, 2011.

5 Shares held in Collins Foods Holding Pty Limited (the Former Parent Company), which were either Passive Ordinary Shares or Passive Preferred Ordinary Shares (refer note 23 for a description of the rights attaching to these share classes).

6 The selective buy-back of passive share classes occurred on 23 September 2010 for nominal consideration.

7 Movements in the capital reconstruction include the conversion of Passive Ordinary Shares to Active Ordinary Shares; the conversion of Passive Preferred Ordinary Shares to Active Preferred Ordinary Shares on 8 June 2011 (refer note 23); and, the exchange of passive ordinary share classes by all shareholders of the Former Parent Company for nil consideration on 4 August 2011.

8 Under the Terms of Offer of the Share Purchase Offer Deed, passive and performance share classes in the Former Parent Company were not capable of being exchanged for ordinary shares in the Company.

	Balance 2-May-10 Performance Former Parent Company Shares[10]	Movements	Balance 1-May-11 Performance Former Parent Company Shares[10]	Capital Reconstruction[11]	Balance 29-April-12[9]
Directors					
Kevin Perkins	455,000	–	455,000	(455,000)	–
Robert Koczkar	–	–	–	**	**
Shannon Wolfers	–	–	–	**	**
Other Key Management Personnel					
Simon Perkins[12]	400,000	–	400,000	(400,000)	–
James Ryan	400,000	–	400,000	(400,000)	–
Martin Clarke	65,000	–	65,000	(65,000)	–
John Hands	200,000	–	200,000	(200,000)	–
David Nash	200,000	–	200,000	**	**
Adrian Argent	200,000	–	200,000	**	**
Trevor McDonald	65,000	–	65,000	**	**
Pamela Martin	200,000	–	200,000	**	**
Phillip Coleman	200,000	–	200,000	**	**
George Ryland	200,000	–	200,000	**	**

** Directors or KMP of former group. Ceased to be Directors or KMP on 3 August, 2011.

9 Under the Terms of Offer of the Share Purchase Offer Deed, passive and performance share classes in the Former Parent Company were not capable of being exchanged for ordinary shares in the Company.

10 Shares held in Collins Foods Holding Pty Limited (the Former Parent Company), which were either A-class or B-class performance shares (refer note 23 for a description of the rights attaching to these share classes).

11 Under the Terms of Offer of the Share Purchase Offer Deed, A-lass performance shares in the Former Parent Company were exchanged for nil consideration and B-class performance shares were exchanged for cash consideration. The total cash consideration received or receivable by KMP for performance share classes in the capital reconstruction was $82,548.

12 In addition to the shares listed, Simon Perkins also held 200,000 deferred shares (refer note 23 for a description of the rights attaching to these share classes) at 2 May 2010 and up until 4 August 2011. Under the Terms of Offer of the Share Purchase Offer Deed, these deferred shares were exchanged for nil consideration.

(c) Loans with Directors and Director-related entities

As of the end of the reporting period, there were no loans with Directors and Director-related entities. As of the end of the prior reporting period, there were no loans with Former Parent Entity Directors and their related entities.

(d) Other transactions with Key Management Personnel

Directors and other Key Management Personnel of the Group, and their personally related entities, may purchase goods from the Company or its controlled entities from time to time. These transactions are made using terms available to other employees of the Group and customers generally.

Note 29. Key Management Personnel compensation and equity instrument disclosures (continued)

The Directors and other Key Management Personnel of the former group were shareholders of SingCo Trading Pte Ltd, which the Group acquired on 4 August 2011 on terms for one dollar from these shareholders, consideration deemed fair and reasonable by all parties to the transaction. Further details relating to the acquisition are set out in Note 36.

The Managing Director/CEO, Kevin Perkins, is a Director and major shareholder of Sizzler USA Acquisition Inc.. Collins Foods Finance Pty Ltd, a subsidiary within the former Group, sold the preference shares it held in Sizzler USA Holdings, Inc. to Sizzler USA Acquisition Inc. on 2 June 2011 for one US dollar, consideration deemed fair and reasonable by all parties to the transaction.

Note 30. Superannuation

The Group maintains two superannuation plans which cover substantially all of its employees. Each participating employer entity in the Group has a legal obligation to contribute to the plans or other plans as chosen by the employees. The default plans chosen by the employer entity are as follows:

(a) Management employees – a non-contributory accumulated benefits scheme which is administered by Plum Financial Services Limited.

(b) Staff – non-contributory accumulated benefits plans which are administered by Westpac Financial Services Group Limited, Sunsuper or Australian Retirement Fund.

Note 31. Contingencies

Contingent liabilities

The parent entity and certain controlled entities indicated in note 26 have entered into Deeds of Cross Guarantee under which the parent entity has guaranteed any deficiencies of funds on winding up of the controlled entities which are party to the deeds. At the date of this statement there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities, to which it is, or may become, subject by virtue of the deeds.

As described in note 21, CFG Finance Pty. Limited (a subsidiary) and several other related entities entered into Syndicated and Working Capital credit facilities. As a consequence of this, the Company and its subsidiaries (other than subsidiaries outside the Closed Group) became registered guarantors of all the obligations in respect of these loan facilities.

Note 32. Remuneration of auditors

During the reporting period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Whole Dollars	
	2012 $	2011 $
Assurance Services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	313,810	143,500
Audit and review of financial reports and other audit work for foreign subsidiary	20,000	–
	333,810	143,500
Other assurance services		
PricewaterhouseCoopers Australian firm		
Store sales certificates	10,000	9,410
Agreed upon procedures for covenant calculations	18,330	17,130
	28,330	25,500
Total remuneration for assurance services	362,140	169,000
Taxation Services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	29,000	28,000
Tax advice and consulting	5,000	5,500
Total remuneration for taxation services	34,000	33,500
Transaction services		
PricewaterhouseCoopers Australian firm		
Transaction compliance services	864,067	–
Total remuneration for transaction services	864,067	–
Total remuneration for services	1,260,207	202,500

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice, due diligence reporting on acquisitions and capital raisings, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major consulting projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 33. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit from continuing operations to net cash inflow from operating activities

	2012 $000	2011 $000
Profit from continuing operations	11,429	1,446
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	16,959	14,581
KFC franchise rights written off	3,732	–
Loss on disposal of property, plant and equipment	116	218
Borrowing costs written off on loan extinguishment	10,022	–
Amortisation of borrowing costs	1,371	6,467
Transfer to/(from) provisions:		
Provision for diminution in value of inventory	4	(14)
Provision for employee entitlements	(13)	579
Reversal of impairment of related party receivable	(109)	–
Impairment of related party receivable	–	3,906
Impairment of promissory notes receivable	–	53,229
Release of related party financial liabilities – borrowings	–	(51,093)
Release of related party financial liability – retirement plan	(10,671)	(1,350)
Movement in:		
Income tax payable	(544)	(2,456)
Deferred tax balances	(3,493)	(1,913)
Fringe benefits tax payable	97	(149)
Goods and services tax payable	340	(21)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	222	(240)
Inventory	244	(432)
Prepayments and other assets	1,670	(335)
Receivables from related parties	(410)	(1,278)
Share of profits of associate	(87)	–
(Decrease)/increase in liabilities:		
Trade payables and accruals	(6,789)	13,173
Financing activities included in loss from continuing operations:		
Costs associated with Initial Public Offer	11,535	–
Net operating cash flows	35,625	34,318

Note 34. Non-cash financing and investing activities

	2012 $000	2011 $000
Acquisition of plant and equipment by means of leases	1,717	866
Total acquisition by means of leases	1,717	866

Note 35. Financial risk management

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, interest risk and price risk), liquidity risk and limited credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's activities expose it primarily to the financial risk of changes in interest rates and it utilises interest rate swaps to manage its interest rate risk exposure. The use of financial instruments is governed by the Group's policies approved by the Board of Directors, and are not entered into for speculative purposes.

(a) Market Risk

(i) Foreign exchange risk

During 2012 and 2011, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivable and trade payables in respect of the Group's Asian operations following its acquisition and a portion of the financial guarantee in the prior period, (refer note 19), which were denominated in foreign currencies at the Group level. Management has decided not to hedge this foreign exchange risk exposure. The Group's exposure to foreign currency risk at the reporting date is disclosed in the tables below. The decline in foreign currency risk during 2012 is due to the release of the financial guarantee.

(ii) Cash flow and interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk while borrowings issued at fixed rates expose the Group to fair value interest rate risk. Information about the Group's variable rate borrowings, outstanding interest rate swap contracts and an analysis of maturities at the reporting date is disclosed in note 21.

(iii) Price risk

The Group manages commodity price risk by forward contracting prices on key commodities and by being actively involved in relevant supply co-operatives.

(b) Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks, other trade receivables and with related parties. The Group has adopted a policy of only dealing with creditworthy counterparties and in the situation of no independent rating being available, will assess the credit quality of the customer taking into account its financial position, past experience and other factors.

Trade receivables consist of a small number of customers and ongoing review of outstanding balances is conducted on a periodic basis. The balance outstanding (disclosed in notes 8 and 14) is not past due nor impaired (2011: nil past due). The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Related party transactions are conducted on commercial terms and conditions. Recoverability of these transactions are assessed on an ongoing basis with a provision for doubtful debts having been recognised in relation to an outstanding balance in the prior period (refer note 14). This loss was realised upon acquisition of the related entity during the period, consequently the receivable is now eliminated on consolidation.

Credit risk further arises in relation to financial guarantees given to certain parties (see notes 19, 21 and 26 for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

Note 35. Financial risk management (continued)

(c) Liquidity Risk
The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cash flows. This approach enables the Group to manage short, medium and long term funding and liquidity management as reported in note 21. Non-interest bearing liabilities are due within six months. For maturities of interest bearing liabilities and interest rate swaps of the Group, refer to notes 18 and 21.

(d) Fair Value Estimation
The fair values of financial assets and financial liabilities are estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments is determined using estimated discounted cash flows and market conditions existing at each balance date. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows.

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value for financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flow at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments disclosures require presentation of fair value measurements using the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value.

	At 29 April 2012			At 1 May 2011		
	Level 1 $000	Level 2 $000	Level 3 $000	Level 1 $000	Level 2 $000	Level 3 $000
Assets						
Derivative financial instruments	–	–	–	–	542	–
Liabilities						
Derivative financial instruments	–	102	–	–	29	–

For assets that are measured using quoted prices in active markets, fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. The fair value of the derivative financial instruments are estimated using the net present value of a series of cash flows on both the fixed and variable components of the interest rate swaps. These cash flows are based on yield curves which take into account the contractual terms of the derivatives, including the period to maturity and market-based parameters such as interest rates and volatility. Management incorporated non-performance risk by adjusting the present value of each liability position utilising an estimation of credit risk.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk only, as the Group is not exposed to other price risks:

		Interest Rate Risk				Foreign Exchange Risk			
		–1%		+1%		–20%		+20%	
29 April 2012	Carrying amount $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000
Financial assets									
Cash and cash equivalents	19,243	(135)	–	135	–	88	–	(88)	–
Trade and other receivables	1,195	–	–	–	–	34	–	(34)	–
Related party receivables	286	–	–	–	–	57	–	(57)	–
Financial liabilities									
Trade and other payables	45,547	–	–	–	–	(10)	–	10	–
Borrowings	105,000	175	–	(175)	–	–	–	–	–
Derivative financial instruments	102	–	(1,256)	–	1,256	–	–	–	–
Total increase/(decrease)		40	(1,256)	(40)	1,256	169	–	(169)	–

		Interest Rate Risk				Foreign Exchange Risk			
		–1%		+1%		–20%		+20%	
1 May 2011	Carrying amount $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000	Profit $000	Equity $000
Financial assets									
Cash and cash equivalents	43,708	(306)	–	306	–	–	–	–	–
Trade and other receivables	1,256	–	–	–	–	–	–	–	–
Current tax receivable	583	–	–	–	–	–	–	–	–
Related party receivables	14,130	(68)	–	68	–	–	–	–	–
Derivative financial instruments	542	(787)	–	787	–	–	–	–	–
Financial liabilities									
Trade and other payables	51,350	–	–	–	–	–	–	–	–
Borrowings	252,896	902	–	(902)	–	–	–	–	–
Derivative financial instruments	29	(590)	–	590	–	–	–	–	–
Financial Guarantees – $USD Denominated	10,671	–	–	–	–	(2,134)	–	2,134	–
Total increase/(decrease)		(849)	–	849	–	(2,134)	–	2,134	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 36. Business combinations

Summary of acquisition

On 4 August, 2011, CFG Finance Pty. Limited, a subsidiary of the Company, acquired 100% of the issued share capital of SingCo Trading Pte Ltd for one dollar. The primary reason for the acquisition was to ensure the Group has control of all Sizzler trademarks in the Australasian region.

The assets and liabilities arising from the acquisition are as follows:

	Fair value $000
Cash	502
Receivables	338
Other intangibles – Sizzler brand	12,080
Interest in associate	414
Trade and other payables	(12,153)
Deferred tax liability, net	(2,054)
Net identifiable (liabilities) acquired	(873)
Goodwill	873

Acquisition-related costs

Nominal acquisition-related costs were incurred in the purchase of SingCo Trading Pte Ltd and are included in administration expenses in the Consolidated Income Statement.

Revenue and profit contribution

The acquired business contributed revenues of $1.8 million and net profit of $0.3 million to the Group for the period 4 August, 2011 to 29 April, 2012. If the acquisition had occurred on 2 May, 2011, the contributed revenue for the period ended 29 April, 2012 would have been $2.4 million with a corresponding net profit of $0.1 million (after inter-company interest of $0.9 million).

Note 37. Earnings per share

Due to the capital reconstruction accounted for using the principles of reverse acquisition referred to in note 1, the capital structure of the Group changed on 4 August, 2011. Immediately prior to the IPO there were 5,397,214,219 Collins Foods Holdings Pty Limited shares and shadow equity units which represented shares on issue. Following the IPO there were 93,000,003 Collins Foods Limited shares on issue. The EPS calculation (performed in accordance with the accounting policy) has not been disclosed for the prior period on the basis that there were significant changes in share structure throughout this period that would render an EPS disclosure for the prior period irrelevant when compared to the shareholding structure in the period ended 29 April, 2012. For the current period, the weighted average number of shares (79,365,556 shares) has been calculated using an exchange ratio, as defined in the relevant accounting standard, relevant to the transaction's share price to determine the number of equivalent and relevant shares outstanding from the start of the period to 4 August, 2011.

Note 38. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $000
Balance Sheet	
Current assets	90
Non-current assets	242,712
Total assets	242,802
Current liabilities	–
Non-current liabilities	18,499
Total liabilities	18,499
Net assets	224,303
Shareholder's equity	
Issued capital[(i)]	228,426
Accumulated losses/retained earnings	(4,122)
	224,303
(Loss)/profit for the period	(4,122)
Total comprehensive (loss)/income	(4,122)

(i) Represents share capital of the parent entity. This differs from the share capital of the Group due to the capital reconstruction (refer note 1).

(b) Guarantees entered into by the parent entity

The parent entity has provided unsecured financial guarantees in respect of bank loan facilities amounting to $105 million as stated in note 21. In addition, there are cross guarantees given by the parent entity as described in note 26. All controlled entities will together be capable of meeting their obligations as and when they fall due by virtue to the Deed of Cross Guarantee dated 23 February, 2012. No liability was recognised by the parent entity in relation to these guarantees, as their fair value is considered immaterial.

(c) Contingent liabilities of the parent entity

Except as described above in relation to guarantees, the parent entity did not have any contingent liabilities as at 29 April, 2012.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 31 to 91 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 29 April, 2012 and of its performance for the period ended on that date; and

(b) there are reasonable grounds to believe that Collins Foods Limited will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in note 26.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

R Tate
Director

Brisbane
29 June 2012

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Collins Foods Limited

Report on the financial report

We have audited the accompanying financial report of Collins Foods Limited (the company), which comprises the balance sheet as at 29 April 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Collins Foods Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period end or from time to time during the reporting period.

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 is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the 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. These Auditing 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 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 entity's preparation and fair presentation of the financial report 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 entity'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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, GPO BOX 150, BRISBANE QLD 4001
DX 77 Brisbane, Australia
T +61 7 3257 5000, F +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Collins Foods Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Collins Foods Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 29 April 2012 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 27 of the directors' report for the period ended 29 April 2012. 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.

Auditor's opinion

In our opinion, the remuneration report of Collins Foods Limited for the period ended 29 April 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
29 June 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 June 2012.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Number of shareholders of ordinary shares
1–1,000	413
1,001–5,000	693
5,001–10,000	259
10,001–100,000	282
100,001 and over	44

There were 102 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders
The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares
J P Morgan Nominees Australia Limited	15,636,987	16.81%
HSBC Custody Nominees (Australia) Limited	13,780,683	14.82%
National Nominees Limited	11,572,042	12.44%
Citicorp Nominees Pty Limited	10,704,917	11.51%
Kevin Perkins	7,000,833	7.53%
HSBC Custody Nominees (Australia) Limited <CW A/C>	5,025,000	5.40%
AMP Life Limited	3,250,136	3.49%
UBS Wealth Management Australia Nominees Pty Ltd	2,229,005	2.40%
Cogent Nominees Pty Limited	2,023,369	2.18%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	751,058	0.81%
Queensland Investment Corporation	729,922	0.78%
Cogent Nominees Pty Limited <SMP Accounts>	615,305	0.66%
Mrs Heather Lynnette Grace	547,801	0.59%
Gibsbourne Pty Ltd	422,423	0.45%
Plymouth Pty Ltd	400,000	0.43%
Adrian Mark Argent	350,014	0.38%
UBS Nominees Pty Ltd	350,000	0.38%
Deep Investments Pty Ltd	335,000	0.36%
Perkins Family Investment Corporation Pty Ltd	300,000	0.32%
Barrijag Pty Ltd <The Hadley Family A/C>	250,000	0.27%

SHAREHOLDER INFORMATION

C. Substantial holders

Substantial holders (including associate holdings) in the Company, based on the most recent substantial holder notices lodged with the Company and the ASX, are set out below:

	Ordinary shares	
Name	Number held	Percentage
Allan Gray Australia Pty Ltd	17,455,661	18.77%
Westpac Banking Corporation	7,494,727	8.06%
Kevin Perkins	7,000,833	7.53%
National Australia Bank Limited	6,881,520	7.40%
AMP Limited	6,743,863	7.25%
Commonwealth Bank of Australia	5,521,063	5.94%
Copulos Group	5,000,000	5.38%
Pengana Capital Limited	5,000,000	5.38%

D. Restricted Securities

7,685,053 ordinary shares are subject to escrow as follows:

Number of ordinary shares subject to escrow	Date the escrow period ends
4,184,636	4 July 2012
3,500,417	3 business days after the announcement of Collins Foods Limited's audited financial results for the financial year ending 28 April 2013

E. Ordinary shares voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote.

CORPORATE DIRECTORY

Directors
Russell Tate, Chair
Kevin Perkins, Managing Director/CEO
Newman Manion
Bronwyn Morris

Company Secretary
Simon Perkins
David Nash (Joint Company Secretary)

Principal Registered Office in Australia
16–20 Edmondstone Street
Newmarket QLD 4051

Share Register
Link Market Services
Level 15, 324 Queen Street
Brisbane QLD 4000

Auditor
PricewaterhouseCoopers
Riverside Centre
123 Eagle Street
GPO Box 150
Brisbane Qld 4000

Stock Exchange Listings
Collins Foods Limited shares are listed on the Australian Securities Exchange.

Website Address
www.collinsfg.com.au

COLLINS FOODS LIMITED

KFC Sizzler