



# ANNUAL REPORT 2013

COLLINS FOODS LIMITED  
ABN 13 151 420 781



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## Key dates 2013/2014

2012/13 full year results released	25 June 2013
2012/13 final dividend record date	5 July 2013
2012/13 final dividend payment date	19 July 2013
Annual General Meeting	4 September 2013
End of 2013/14 half year	13 October 2013

2013/14 half year results released	28 November 2013
2013/14 interim dividend record date	9 December 2013
2013/14 dividend payment date	20 December 2013
End of 2013/14 full year	27 April 2014



## COLLINS FOODS



**1968**

COLLINS FOODS OBTAINS KFC FRANCHISE IN QLD

**KFC**

**1969**

COLLINS FOODS OPENS FIRST KFC RESTAURANT IN KEDRON QLD

COLLINS FOODS INTRODUCES DRIVE-THRU FORMAT IN AUSTRALIA

**1979**

**1985**

COLLINS FOODS OPENS FIRST SIZZLER IN AUSTRALIA

**Sizzler**

**1985**

50<sup>TH</sup> KFC RESTAURANT OPENED

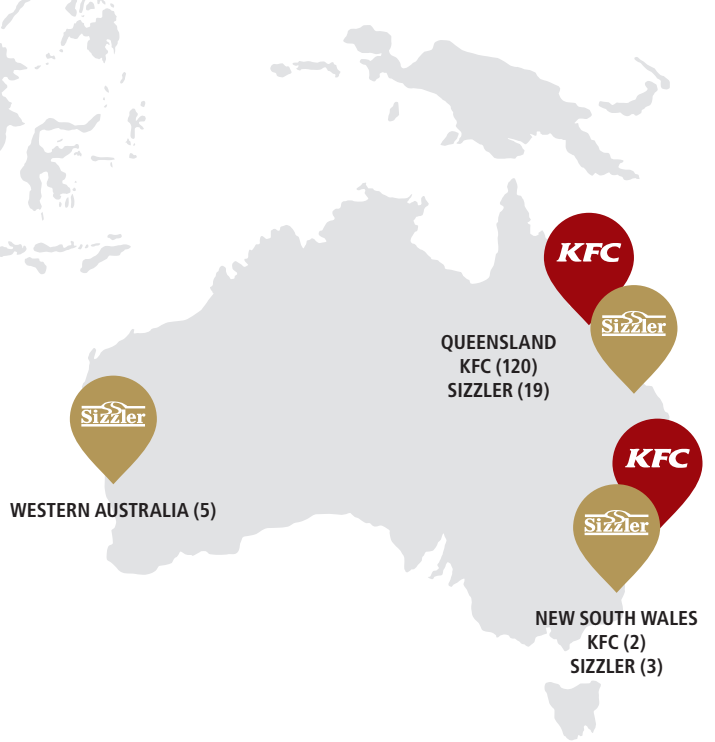
# LAYING FOUNDATIONS FOR GROWTH



Collins Foods Limited and its predecessors have a long and proud history of adapting to changes, innovating and laying new foundations for future growth.

## OUR FOUNDATIONS STRENGTHENED

- Stronger senior management team
- Operating and productivity improvement culture which delivers initiatives
- Strong Yum! relationship
- Remuneration framework further aligned to shareholder interests
- Improved product innovation program
- Stronger Sizzler Asia platform
- Solid pipeline for further restaurant growth in KFC in Queensland



COLLINS FOODS INTRODUCES FIRST KFC FOOD COURT RESTAURANT  
**1989**

**1992**  
SIZZLER EXPANDS INTO ASIA

**2005**  
PACIFIC EQUITY PARTNERS ACQUIRES BUSINESS

**2011**  
COLLINS FOODS LIMITED LISTS ON ASX

**2013**  
COLLINS FOODS OWNS AND OPERATES 122 KFC AND 27 SIZZLER RESTAURANTS IN AUSTRALIA, AND FRANCHISES 56 SIZZLER RESTAURANTS IN ASIA

# CHAIRMAN'S MESSAGE



**Dear Shareholders**  
**Following the disappointments of our first year as a listed company in 2011/12, I am very pleased to say that the 2012/13 year has seen a return to growth in both top line revenues and underlying earnings for the Collins Foods Group.**

The Group's revenues for the year were up 4.4% on prior year to \$423.9 million, driven by strong sales growth from the Group's Queensland network of KFC restaurants. This turnaround, achieved in a retail market which remained subdued, and in the face of increased competition, is a credit to the commitment and energy of the Collins team and its management. It gives us confidence that our KFC restaurants can continue to deliver strong and sustainable growth.

While the very strong performance of our KFC restaurants was enough to carry the Group into overall revenue growth, our Sizzler restaurants recorded store sales slightly below prior year levels. A comprehensive review of our Sizzler business was commenced during the year with the objective of returning the brand to revenue and profit growth in the short term, and re-positioning the brand and its presentation in the medium term. We regard Sizzler, both in Australia and overseas, as a potentially significant growth driver for the business in the years ahead.

## **Strong balance sheet and growing dividend**

The Group has maintained its strong balance sheet throughout the year with comfortable gearing – net debt of \$81 million and undrawn debt facilities of \$40 million.

With the business' return to top-line growth and strong cash flows, the Board has declared a final fully franked dividend for the 2013 financial year of 5.5 cents per share, in line with the Company's dividend policy to pay at least 50% of statutory net profit after tax in dividends. This brings the total dividend for the 2013 financial year to 9.5 cents per share fully franked – a 46% increase on the 2012 year.

## **Board changes**

During the year Mr Stephen Copulos joined the board as a non-executive Director. In addition to being the Managing Director of the Copulos Group, a major shareholder of Collins Foods Limited, Stephen has more than 30 years' experience with businesses and investments, and is currently the Chairman of QSR Pty Ltd which is the largest KFC franchisee in New South Wales.

## **People make our business**

Our business is all about our people, our team of more than 6,000 dedicated and hardworking employees across our KFC and Sizzler restaurants.

At the corporate level, our Company is directed by a highly experienced management team led by Managing Director and Chief Executive Officer Kevin Perkins, who is also one of the Company's largest shareholders. During the year our senior management team has been greatly strengthened by the appointment of Graham Maxwell as Chief Operating Officer and Group Chief Financial Officer. I would like to thank the management team and all our staff at Collins Foods for their commitment and dedication during a year in which the business faced significant challenges. We enter a new year much stronger due to the operational initiatives and strategies put in place during 2012/13 to address those challenges.

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## INNOVATION IS KEY IN AN INDUSTRY WITH INCREASING COMPETITION, AND WE ARE INVESTING SIGNIFICANTLY IN DEVELOPING AND TESTING NEW PRODUCT OFFERINGS.



**Russell Tate**  
Chairman

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### Laying the foundations for growth

With the business continuing to face significant operational challenges stemming from a changing market landscape and competitor set, it is incumbent upon us to continually explore new strategies that will deliver long-term sustainable earnings growth and shareholder value.

A number of operational initiatives have been adopted by management to counter the impact of rising input costs and minimise the extent to which increased costs need to be passed on to customers. These include productivity enhancements, energy saving initiatives and efforts to reduce food wastage, which should ultimately improve margins.

Innovation is key in an industry with increasing competition, and we are investing significantly in developing and testing new product offerings with a particular focus on targeted value plays that resonate with an increasingly budget conscious consumer.

A solid pipeline of new restaurant opportunities for KFC has been identified, and we continue to look for appropriate locations to expand our KFC network. As new restaurants continue to deliver strong returns for the business, it is important that we capitalise on these opportunities for profitable growth. To maximise returns from our capital spend, we are continuing to look for ways to reduce the cost of new restaurant builds and refurbishments; while still improving our customer experience.

For Sizzler, specific strategies are being developed to improve value perceptions including menu changes and choice. You will see these roll out in the coming months, while work on the development of a new Sizzler model is finalised.

In closing I want to thank all of our shareholders for their continued support. The results of the past 12 months I believe demonstrate the resilience of our business through challenging times, and also highlight several attractive growth opportunities available to us.

With a strong focus on the need to continue to grow the top line as we control costs through innovation and operational improvements, I believe we now have in place the right team and the right strategies to continue growing shareholder value.

# CEO'S REPORT



## **The 2012/13 financial year was a challenging 12 months for Collins Foods Group. Pleasingly, despite a difficult retail trading environment and rising input costs, we were able to generate top-line growth and a stronger result from underlying business operations.**

The past year has been a tale of two businesses. Sales growth for the KFC business has improved dramatically following a lacklustre performance in the 2011/12 financial year. However, Sizzler has continued to be hampered by a subdued casual dining segment.

All of our team, from senior management to restaurant staff, have been focused on executing operational strategy initiatives to address the significant trading challenges our businesses faced.

We have achieved major inroads in developing a range of efficiency and productivity enhancing measures to improve the performance of both our KFC and Sizzler businesses. I would like to take this opportunity to thank all of our team for their hard work and dedication over the past 12 months, and their commitment to strengthening our business for the future.

### **Financial performance**

Collins Foods generated revenues of \$423.9 million for the financial period ended 28 April 2013 (FY13), up 4.4% on the prior corresponding financial period (FY12). This growth was largely driven by strong sales growth from the Group's network of KFC restaurants.

The Group generated Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$47.2 million over FY13. This was down 5.0% on the prior year due largely to rising costs that placed increased pressure on margins. What made the past 12 months very challenging was our inability to pass on the full increase in input costs – food, energy and labour costs – given the subdued trading conditions.

Net Profit after Tax (NPAT) was \$16.4 million, up 43.9% on FY12. The FY12 result included significant costs and adjustments relating to the IPO and capital reconstruction of the Group. On a pro forma basis,\* excluding these costs and adjustments in the prior corresponding period, NPAT was down 10.9%.

Whilst the FY12 result also included a number of one-off cost savings, FY13 has seen the introduction of the carbon tax, contributing to a large rise in energy costs.

Excluding the impact of the prior period one-off costs savings and the carbon tax introduction, operational strategies have been effective to drive an improved result for our underlying business operations. Most pleasingly, the net profit result was in line with the directional outlook the company provided at the start of the financial year, even though many companies have been downgrading their earnings forecasts over the past 12 months.

The Group generated operating cashflows of \$41.2 million in FY13, up 15.7% on FY12.

### **Operational performance**

#### **KFC**

KFC same store sales were up 4.2%. This was a significant improvement from the prior year in which we recorded negative same store sales in the midst of weak trading conditions. The improvement has been driven by successful marketing campaigns, as well as recent promotional campaigns that targeted value plays. These campaigns have helped to re-engage customers with the brand, and also support sales growth without cannibalising existing sales.

During the year we opened two new KFC restaurants. The early trading performance of these restaurants has been positive. We also completed the refurbishment of eight restaurants and rebuilt/relocated two restaurants during the year and while the returns on these have improved there is further room for improvement.

Lower gross profit margins and increased costs of operations in KFC were largely the result of promotional discounting, and increased energy and labour costs. Productivity and improvement initiatives helped to combat the increases in input costs, and allowed us to absorb some of the cost increases.

# WE HAVE ACHIEVED MAJOR INROADS IN DEVELOPING A RANGE OF EFFICIENCY AND PRODUCTIVITY ENHANCING MEASURES TO IMPROVE THE PERFORMANCE OF BOTH OUR KFC AND SIZZLER BUSINESSES.



**Kevin Perkins**  
Managing Director/CEO

## Sizzler

Sizzler same store sales were down 2.4%. While this is an improvement on the prior year, it is still disappointing and we are focused on returning this business to same store sales growth. Price sensitivity and relevance continue to affect sales, while rising costs and an inability to pass on costs in full to our customers have reduced margins.

Strong cost of sales controls and operational initiatives helped to counter the impact of reduced sales and increased input costs.

Sizzler franchise operations in Asia continue to expand, with three new franchised locations added to the network in FY13.

We have initiated a review of all areas of the Sizzler business. The first part of the review has been to identify ways to stabilise Sizzler's performance and develop strategies to drive a recovery to acceptable store profitability.

The first part of the review is well progressed with key strategies emanating from the review being actioned.

### Key priorities for 2013/14 and outlook for the business

The quick service restaurant and casual dining landscapes have been changing over the past couple of years. With increasing competition, subdued retail demand, and rising costs, trading conditions remain challenging.

We believe that our strengthened focus on innovation, and operational efficiency initiatives, will be key growth drivers for the business going forward.

Within both KFC and Sizzler we have introduced and continue to roll out a number of operational initiatives aimed at improving efficiency and productivity. These include ways to reduce energy consumption, and better manage staff rosters and job allocations to reduce labour costs; as well as reducing food wastage. Other initiatives include trialling digital menu boards, tandem drive-thrus, and online ordering for our KFC restaurants. We will continue to seek efficiencies that will help minimise the extent to which we need to pass on increasing input costs to our customers in order to maintain affordability and grow the top line.

Product innovation is also a key focus. There are a number of new product launches and promotional campaigns planned for both businesses. Sizzler's new 'Flavours of the Orient' menu was recently launched and will run through until the end of winter. KFC also recently launched its 'Sweet Sesame Chicken' product campaign, and will continue to promote 'non-fried' options and a breakfast menu that is currently being trialled in several of our KFC restaurants.

A key focus for Sizzler will be implementing changes to the current menu formats to provide more flexible pricing options, and introducing a new range of value offerings that will resonate well with customers in the current environment. Our aim is to return Sizzler to same store sales growth over the 2013/14 financial year while also maintaining margins.

In the second part of our review of the Sizzler business, we are undertaking a review of the Sizzler business model, restaurant layout and design, with the goal of achieving a cost efficient and 'investable' model. The aim of this review is to develop an economical restaurant format that delivers improved profitability and can be rolled out nationally over time.

There is a solid pipeline of new KFC restaurants and refurbishments planned for the next 12 months to capitalise on attractive growth opportunities that we have identified. The increasing number of restaurants, combined with initiatives to continue growing same store sales, should drive growing revenues and earnings within our KFC business over the 2013/14 financial year.

We have spent the past 12 months addressing the very substantial operating challenges and headwinds that the company faced. We have come out of this period with a stronger, more resilient business and are well placed to return to earnings growth over the next 12 months.

\* 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 were 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 for the entire year 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, performance assessment and, if appropriate, removal of the Chief Executive Officer (CEO);
- approving the appointment and/or removal of the Chief Financial Officer (CFO) and Company Secretary and other members of the senior executive management team where appropriate;
- overseeing and contributing to the performance assessment of members of the senior management executive team; 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 CEO supported by the senior management executive 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 reports to the Board at regular Board meetings, providing updates on initiatives and issues.

Senior management 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 management 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 management executives is reviewed at least annually. The Committee reviews the performance of the CEO, while the CEO is responsible for performance reviews of senior management executives.

Performance evaluations for the CEO and other senior management executives were undertaken during the year in accordance with the above process.

## 2. Structure of the Board to add value

### Board composition

Consistent with its Charter, 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.

Following the appointment of a new Board member in April this year, the Board is currently comprised of five Directors (the Company's Constitution provides for a minimum of three and a 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.

Four of the Company's five 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. Three of the Company's four 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 roles 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 could 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 with the exception of Mr Copulos, who is not considered independent on the following basis:

- Mr Copulos is Managing Director of the Copulos Group, a substantial shareholder in the Company.

In accordance with the Corporations Act 2001 (Cth) and the Constitution of the Company, Directors are restricted in their 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.

#### **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 approval by the Board.

#### **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.

# CORPORATE GOVERNANCE STATEMENT

## 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.

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.

Performance evaluations for the Board and each Director were undertaken during the year in accordance with the above process.

## Board Committees

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

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

Charters specify the responsibilities, composition, membership requirements, reporting processes and the manner in which the Committees are 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 its 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 the Company 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 measurable 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 other objectives of the organisation's businesses including 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.

	2013 Actual		2012 Actual	
	Number	%	Number	%
Number of women employees in the whole organisation	3,525	53%	3,466	53%
Number of women in senior executive <sup>1</sup> positions	5	26%	4	24%
Number of women on the Board	1	20%	1	25%

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

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

## 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:

- reviewing, assessing and recommending the Board approve the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- overseeing the implementation and effective operation of the Company's Risk Management system by management;
- monitoring the adequacy and effectiveness of the Company's internal control framework including administrative, operating, accounting and financial controls to produce reliable financial reporting information and compliance with legal and regulatory obligations;
- making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditors, their terms of engagement and scope of audits;
- monitoring the effectiveness and independence of the external auditors;
- determining whether or not a formal internal audit function should be in place and recommending the approval of the appointment (and if appropriate, the removal) of the internal auditor; and
- monitoring and reviewing Management's performance in establishing systems to provide for safe operations and for safety management in all the Company's workplaces.

In carrying out its responsibilities, the Committee is authorised to:

- have access to, and meet with, auditors (external and internal), employees of the Company and any external advisors without executives or management of the Company being present; and
- seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties.

Consistent with its Charter, the Audit and Risk Committee is currently comprised of four non-executive Directors, is chaired by an independent Chairperson who is not Chair of the Board and consists of a majority of independent Directors. 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, as 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 its 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 potentially price or value sensitive information to the Company Secretary, who is then responsible for ensuring this information is advised to the Disclosure Committee which then makes recommendations to the Board.

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.

# CORPORATE GOVERNANCE STATEMENT

## 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.

Key risk registers and business risk registers, 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. Key risk registers are reviewed periodically, but at least twice 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 programs 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 CEO and the 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.

## Risk profile

Risks which the Company is subject to include:

- economic and market environment changes;
- 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; and
- 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:

- reviewing and making recommendations to the Board with respect to the Company's remuneration principles, framework and policy for senior executives and Directors;
- providing advice in relation to remuneration packages of senior management executives, non-executive Directors and executive Directors;
- reviewing and making recommendations to the Board with respect to Company incentive schemes, including the implementation and operation of equity-based incentive plans, bonus plans and other employee benefit programs; and
- reviewing the Company's recruitment, retention and termination policies.

In carrying out its responsibilities, the Committee is authorised to obtain outside professional advice as it determines necessary and it has received briefings during the year from external remuneration experts on various matters.

Consistent with its Charter, the Remuneration and Nomination Committee is currently comprised of three 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'.

# 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 28 April 2013.

## 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
Stephen Copulos	12 April 2013

## 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.

## Operating and financial review

### Group overview

The Group's business is the operation, management and administration of restaurants, currently comprising two restaurant brands, KFC Restaurants and Sizzler Restaurants.

The Group operates 122 franchised KFC restaurants in Queensland and northern New South Wales, which compete in the quick service restaurant market, and owns and operates 27 Sizzler restaurants in Australia, which operate in the casual dining restaurant market. In addition, the Group is a franchisor of the Sizzler brand in South East Asia, with 56 franchised stores predominantly in Thailand, but also in China and Japan.

The KFC brand is owned globally by Yum! and is one of the world's largest restaurant chains. The Group is the largest franchisee of KFC restaurants in Australia.

In the casual dining market in which it operates, Sizzler, competes with other casual dining concepts as well as pubs and clubs, fast food and home cooking. Sizzler is a small to modest sized market participant.

The Group relies on the regular supply of a number of key input products in its operations. Of these, chicken is the most significant input product. The Group maintains relationships with a number of suppliers for its key inputs to help mitigate supply and supplier dependency risks.

### Group financial performance

Key statutory financial metrics in respect of the current financial period and the prior financial period are summarised in the following table:

	2012/13	2011/12	% Change
Total revenue (\$m)	423.9	406.0	4.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	47.2	49.7	(5.0%)
Earnings before interest and tax (EBIT) (\$m)	29.8	32.8	(9.1%)
Profit before related income tax expense (\$m)	23.7	7.2	229.2%
Income tax (expense)/benefit (\$m)	(7.3)	4.3	(269.8%)
Net profit attributable to members (NPAT) (\$m)	16.4	11.4	43.9%
Earnings per share (EPS) (cents)	17.6	14.4	22.2%
Total dividends paid/payable in relation to financial period (cents per share)	9.5	6.5	46.2%
Net assets (\$m)	185.5	179.3	3.5%
Operating cash flow (\$m)	41.2	35.6	15.7%

# DIRECTORS' REPORT

The Group's net assets increased by 3.5% compared with the prior corresponding period, which is largely consistent with and attributable to the current financial period's after tax profit less dividends paid.

After a reduction in debt levels during the prior corresponding period, borrowings of the Group have been maintained at the same levels during the period and the Group's undrawn debt facilities of \$39.8 million remain available.

The increase in net operating cash flows from operations, of 15.7% on the prior corresponding period, reflects the flow through effect from increased sales, lower interest payments from a reduced debt balance and lower interest rates, offset to an extent by increased tax payments, with tax losses of the prior period utilised in the current period.

The 2011/12 result included significant one-off costs and adjustments relating to the Initial Public Offering (IPO) and capital reconstruction of the Group. On a pro forma basis, excluding these one-off costs and adjustments in the prior corresponding period, the comparison of key financial metrics is as follows:

	2012/13	2011/12	% Change
Total revenue (\$m)	423.9	406.5	4.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	47.2	51.1	(7.6%)
Net profit attributable to members (NPAT) (\$m)	16.4	18.4	(10.9%)
Earnings per share (EPS) (cents)	17.6	19.8	(11.1%)

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 were not expected to recur in the future.

NPAT has decreased by 10.9% this financial period, compared with the prior corresponding period pro forma, due largely to one-off cost savings generated in the prior period.

The other major cost impact on the Group this period has been the introduction of the carbon tax, which, along with general energy costs increases, has contributed to a 20% increase in energy costs.

Excluding the impact of the prior period one-off cost savings and the carbon tax introduction, operational strategies resulted in improved underlying business operations. Increased revenues generated (4.3% pro forma increase) coupled with cost controls and productivity and efficiency initiatives contributed to largely offset cost increases, including the impact of the carbon tax and increased administrative costs associated with operating as a publicly listed Company.

## Review of operations

### *KFC Restaurants (KFC)*

Revenues in KFC were up 5.8% on the prior corresponding period to \$318.2 million, driven by increased restaurant numbers (+1) as well as positive same store sales growth (+4.2%).

Whilst retail conditions remain challenging, strong summer marketing campaigns, targeted value offers and new product offerings have proven successful in driving an increase in sales, predominantly in free standing and dual branded locations. Food court locations have continued to underperform compared to both historical performance and other locations.

KFC EBITDA was down \$2.3 million (160bps) on the previous corresponding period pro forma, due to lower gross profit margins and increased costs of operations. Lower margin sales were a reflection of the continuing competitive trading environment, with promotional discounting a key instrument used to drive sales. The increases in the costs of operations were largely driven by increased energy costs resulting from the carbon tax and labour costs (including indirect labour restructuring costs of \$0.7 million).

Other productivity and efficiency improvement initiatives, including a new service flow operating platform, have also been key to controlling operating costs. These are discussed further in the strategy and performance section below.

In meeting its restaurant refurbishment obligations with Yum! and investing in new restaurant capital, KFC invested \$11.5 million in new restaurant and refurbishment capital. Returns on capital spend have shown improvement on the previous corresponding period but are still on average tracking below historical returns.

### **Sizzler Restaurants (Sizzler)**

Revenues in Sizzler were down 0.2% on the prior corresponding period pro forma to \$105.6 million, with same store sales declining by 2.4%, which was lower than anticipated (our expectation was a 1.9% increase).

The retail conditions in the casual dining market have remained subdued and highly competitive. Whilst the Legendary Sizzler Salad Bar marketing campaign, targeted soft trade period promotions and key event promotions helped to drive sales, market feedback is that Sizzler needs to further improve its value proposition and relevance. We have developed strategies to address these issues which are outlined further under the strategy and future performance section below.

Sizzler EBITDA was down \$0.6 million (60bps) on the previous corresponding period pro forma, due largely to lower gross profit margins and increased costs of operations. Gross profit margins reflect levels of promotional discounting to drive sales countered by strong cost of sales controls in the face of reduced sales. The increase in the costs of operations were primarily driven by increased energy costs and labour costs.

Sizzler franchise operations in Asia contributed an increase of \$0.2 million to this result over the prior corresponding period pro forma, as a result of an increase in restaurant numbers and the application of full royalty rates.

### **Strategy and future performance Group**

The strategies and growth prospects for the Group's existing business operations are outlined below. At a Group level, the short-term strategy is to support the existing businesses to deliver on their strategies. The medium-term strategy (or as opportunities arise) is to further build economies of scale and grow the Group's returns. This could be through KFC expansion opportunities in other states and territories or the acquisition or development of other operations in the retail food and restaurant industry sector.

### **KFC Restaurants (KFC)**

Whilst KFC expects the retail environment to remain challenging in the short term and upwards pressure on input costs to continue, more recent growth patterns of the sector in Queensland, and of the underlying KFC business, are expected to continue.

Key strategies which underpin this growth are:

- implementing revised strategies for the management and operation of food courts;
- developing a breakfast offering (trials underway);
- the rollout of digital menu boards (trials underway);
- developing an electronic ordering solution;
- improving operational efficiencies through service flow changes and the rollout of tandem drive-thrus;
- implementing revised strategies to reduce utility usage and further reduce maintenance costs;
- opening new stores in underdeveloped territories/growth corridors (five to seven planned for the next financial period);
- reducing the cost of new store builds and refurbishments; and
- improving people capability.

### **Sizzler Restaurants (Sizzler)**

As indicated above, as a result of the profit decline and market feedback, we have instigated a review of all areas of the Sizzler business. The first part of the review has been to identify ways to stabilise Sizzler's performance and develop strategies to drive a recovery to acceptable store profitability. The second part of the review is to review the format, layout and design for a cost efficient and 'investable' model.

The first part of the review is well progressed. The key strategies emanating from this review are:

- to provide greater menu choice and flexibility through unbundling the menu, allowing guests to build their meal through add-ons and trade-ups;
- to deliver regular and exciting food news through menu changes and regular add-on products;
- improving overall food quality and presentation; and
- Improving guest experience through an enhanced hospitality program and upgrading key touch points.

The second part of the review is expected to be completed during the second and third quarters of the financial period ending 27 April 2014.

In relation to its Asian operations, Sizzler's strategy is to continue to expand the number of franchised site locations at an expected rate of five per year.

# DIRECTORS' REPORT

## Material risks

The material risks faced by the Group that have the potential to have an effect on the financial prospects of the Group, disclosed above, and how the Group manages these risks, include:

- **reduction in consumer demand** – given our reliance on consumer discretionary spending, adverse changes to the general economic landscape in Australia or consumer sentiment for our products could impact our financial results. We address this risk through keeping abreast of economic and consumer data/research, innovative product development, broadening of the menu offering (i.e. to include grilled product offerings) and brand building;
- **negative change to relationship with Yum!** – given our obligations to Yum! through our Master Franchise Agreement and Facilities Action Deed, a negative change in the relationship could impact significantly our ability to open planned new stores, reduce the cost of new store builds and refurbishments and implement other growth and operational changes. We address this risk through maintaining a close working relationship with Yum!, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance with obligations;
- **safety** – given we employ people to run and operate restaurants providing food products to the public, a health or safety incident in our operations or health incident of a supplier or involving the input products we use could impact our financial results. We address this risk through robust internal food safety and sanitation practices and occupational health and safety practices, audit programs, customer complaint processes, supplier partner selection protocols and communication policy and protocols;
- **failure of growth drivers** – given that a number of growth drivers are in development stage, failure of these drivers to produce expected results could impact our financial results. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews; and
- **margin risk** – given the highly competitive environment of the industry and high reliance on labour, produce, food and energy inputs, increases in the costs of these inputs could impact our financial results. We address this risk through brand building initiatives, keeping abreast of legislative changes, maintaining long-term supplier relationships, group supply arrangements with Yum!, productivity and service flow initiatives, flexibility of operations and open communications with labour unions.

## Dividends

Dividends paid to members during the financial period were as follows:

	Cents per share	Total amount \$000	Franked/ Unfranked	Date of payment
Final ordinary dividend for the financial period ended 29 April 2012	6.5	6,045	Franked	27 July 2012
Interim ordinary dividend for the financial period ended 28 April 2013	4.0	3,720	Franked	21 December 2012
		9,765		

In addition to the above dividends, since the end of the financial period, the Directors of the Company have declared the payment of a fully franked final dividend of 5.5 cents per ordinary share (\$5.1 million) to be paid on 19 July 2013 (refer to Note 22 of the Financial Report).

## Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial period under review.

## 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. Additional comments on expected results of operations of the Group are included in the review of operations section of this Report.

## 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
<b>Russell Tate</b>	<p>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.</p> <ul style="list-style-type: none"> <li>– B. Com (Econ.)</li> </ul> <p><b>Other Directorships – current or held within last three years</b></p> <ul style="list-style-type: none"> <li>– Macquarie Radio Network Limited (Chairman, since 2009)</li> <li>– Central Coast (Gosford) Stadium (Chairman, since 2002)</li> <li>– One Big Switch Pty Ltd (Chairman, since 2012)</li> <li>– STW Communications Group Limited (1994 to 2011)</li> <li>– Waratahs Rugby Limited (2009 to 2011)</li> </ul>	<p>Independent non-executive Chair</p> <p>Audit and Risk Committee Member</p> <p>Remuneration and Nomination Committee Member</p>
<b>Kevin Perkins</b>	<p>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 33 years' experience with the Collins Foods Group, having overseen its growth both domestically and overseas over that time.</p> <p>Kevin is one of the franchisee presidents currently sitting on the KFC International Brand Council, an informal advisory group of Yum! franchisees.</p>	<p>Managing Director</p> <p>Remuneration and Nomination Committee Member</p>
<b>Newman Manion</b>	<p>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).</p> <p>Most recently Newman was Vice-President, Operations for Yum!'s Asian franchise business (from 2004 until 2010).</p>	<p>Independent non-executive Director</p> <p>Audit and Risk Committee Member</p> <p>Remuneration and Nomination Committee Chair</p>
<b>Bronwyn Morris</b>	<p>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.</p> <ul style="list-style-type: none"> <li>– B. Com, FCA, FAICD</li> <li>– Councillor – Queensland division of the Australian Institute of Company Directors</li> </ul> <p><b>Other Directorships – current or held within last three years</b></p> <ul style="list-style-type: none"> <li>– Care Australia (since 2007)</li> <li>– Royal Automobile Club of Queensland Limited (since 2008)</li> <li>– Children's Health Foundation Queensland (Deputy Chair, since 2011)</li> <li>– Brisbane Club Limited (since 2007)</li> <li>– Prime Pacific Seafood Pty Ltd (since 2013)</li> <li>– Spotless Group Limited (2007 to 2012)</li> <li>– QIC Limited (2006 to 2012)</li> <li>– Gold Coast 2018 Commonwealth Games Bid Limited (2010 to 2012)</li> </ul>	<p>Independent non-executive Director</p> <p>Audit and Risk Committee Chair</p> <p>Remuneration and Nomination Committee Member</p>

# DIRECTORS' REPORT

Director	Experience, qualifications and directorships	Special responsibilities
<b>Stephen Copulos</b>	<p>Stephen is the Managing Director of The Copulos Group, a major shareholder of Collins Foods. He is also currently the Chairman of QSR Pty Ltd, which is the largest KFC franchisee in New South Wales, and Chairman of ASX listed Crusader Resources Ltd. Stephen has over 30 years of experience in a variety of businesses and investments, in a wide range of industries including fast food, hospitality, manufacturing, mining and property development.</p> <p>Stephen has over 14 years' experience as a company director of both listed and unlisted public companies.</p> <p><b>Other Directorships – current or held within last three years</b></p> <ul style="list-style-type: none"> <li>– Crusader Resources Limited (Chairman, since 2013)</li> <li>– Steelmin Limited (since 2011)</li> <li>– Medivac Limited (2007 to 2011)</li> <li>– Healthlinx Limited (2007 to 2011)</li> </ul>	<p>Non-executive Director</p> <p>Audit and Risk Committee Member</p>

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
Stephen Copulos	12,000,000

## Company Secretary

The Company Secretary is Rebecca Wiley who was appointed to the role on 29 June 2012. Rebecca has extensive experience in company secretarial, accounting, compliance and related fields. A Chartered Accountant and Chartered Secretary, Rebecca's prior roles include Company Secretary of Colorado Group Ltd.

Simon Perkins and David Nash also held the positions of joint Company Secretaries during the financial period. Simon Perkins was appointed Company Secretary on 15 July 2011 and David Nash was appointed joint Company Secretary on 11 October 2011. Both resigned from these positions on 29 June 2012.

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 28 April 2013, 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 <sup>1</sup>	Meetings attended	Number of meetings <sup>1</sup>	Meetings attended	Number of meetings <sup>1</sup>	Meetings attended
Russell Tate	8	8	6	6	4	4
Kevin Perkins	8	8	*	*	4	4
Newman Manion	8	8	6	6	4	4
Bronwyn Morris	8	8	6	6	1	–
Stephen Copulos	–	–	–	–	*	*

<sup>1</sup> Number of meetings represents the number of meetings held during the time the Director held office or membership of a Committee during the period. No meetings were held after Stephen Copulos' appointment on 12 April 2013 to 28 April 2013, the end of the period.

\* Not a member of the relevant Committee.

## Remuneration Report

This Remuneration Report sets out remuneration information for the Group's non-executive Directors, executive Directors and other Key Management Personnel 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.

In the Group's prior period Remuneration Report for the period ended 29 April 2012 (2012 Remuneration Report), the Board indicated its intention to introduce a Long Term Incentive Plan (LTIP), to further increase alignment of the Group's remuneration structure with the long-term interests of shareholders. During the year, a LTIP has been designed and has since been approved by the Board, detail of which is outlined later in this report and will be discussed at the AGM. The LTIP is to apply for the financial period ending 27 April 2014 (2013/14) and does not impact the current financial period or its disclosures.

Where comparative information is provided in this report, it includes information relating to Collins Foods Holding Pty Ltd (Former Parent) and the entities it controlled (Former Group) for the period from 2 May 2011 to 3 August 2011, combined with information relating to the current Group companies for the remainder of the comparative financial period.

This report contains the following sections:

- A. Key management personnel disclosed in this report.
- B. Remuneration governance.
- C. Use of remuneration consultants.
- D. Most recent AGM – Remuneration Report comments and voting.
- E. Non-executive Director remuneration.
- F. Executive remuneration principles and strategy.
- G. Remuneration structure and performance/shareholder wealth creation.
- H. Details of KMP remuneration.
- I. KMP service agreements.

### A. 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 the Group, including any Director of the Group.

KMP of the Group for the financial period are as follows:

Name	Position
Russell Tate	Non-executive Director
Newman Manion	Non-executive Director
Bronwyn Morris	Non-executive Director
Stephen Copulos	Non-executive Director (from 12 April 2013)
Kevin Perkins	Executive Director
Graham Maxwell	Chief Operating Officer and Group Chief Financial Officer (from 4 March 2013)
Martin Clarke	Chief Executive Officer – KFC
Phillip Coleman	Chief Executive Officer – Sizzler (from 30 April 2012)
John Hands	Chief Supply and Information Officer
Simon Perkins	Chief Financial Officer – Global (until 29 June 2012)

Details and disclosures relating to KMP who held office in the prior financial period have been included in this report as required.

# DIRECTORS' REPORT

## Remuneration Report (continued)

### B. Remuneration governance

The Board has charged its Remuneration and Nomination Committee with responsibility for reviewing and monitoring key remuneration policies and practices of the Group and making recommendations to the Board.

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

- the Group's remunerations principles, framework and policy for senior executives and Directors;
- remuneration levels of senior management executives and executive Directors;
- the operation of incentives plans and other employee benefit programs which apply to senior executives; 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.

In carrying out its responsibilities, the Committee is authorised to obtain external professional advice as it determines necessary.

### C. Use of remuneration consultants

During the year, the Committee engaged external remuneration specialists from Ernst & Young to assist with the design of a long-term incentive plan for the Group. For the purposes of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, the reports and information provided under this engagement did not contain any remuneration recommendations in relation to the KMP of the Group.

### D. Most recent AGM – Remuneration Report comments and voting

At the most recent AGM in 2012, no comments were made on the Remuneration Report with 94% of votes cast at the meeting in favour of the adoption of the Remuneration Report.

### E. Non-executive Director remuneration

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

- 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.

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.

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.

During the year a review of the fees which had applied since the listing of the Company was undertaken with reference to external market data reports.

Only two minor changes were made. The fee for the Remuneration and Nomination Committee Chair role was increased by \$5,000. Following her appointment to the Remuneration and Nomination Committee, Ms Morris requested that no change be made to her total fees and as a result the fee for the Audit and Risk Committee Chair role was reduced by \$5,000. The following annual fees (excluding superannuation) have applied.

Position	From 18 February 2013	From 10 June 2011 to 17 February 2013
<b>Base fees</b>		
Chair (including all Committee memberships)	\$180,000	\$180,000
Other non-executive Directors	\$85,000	\$85,000
<b>Additional fees</b>		
Audit and Risk Committee, Chair	\$15,000	\$20,000
Audit and Risk Committee, Member	\$5,000	\$5,000
Remuneration and Nomination Committee, Chair	\$10,000	\$5,000
Remuneration and Nomination Committee, Member	\$5,000	\$5,000

## F. Executive remuneration principles and strategy

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 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.

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.

The executive remuneration framework components and their links to performance outcomes are outlined below:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed Remuneration	Base pay and benefits including superannuation	To provide competitive fixed remuneration set with reference to position and responsibilities in the context of the market	Group and individual performance assessments are considered in annual remuneration review
Short Term Incentive Plan (STIP)	Cash bonus payment	Rewards executives for their contribution to the achievement of Group and/or divisional outcomes	EBITDA targets must be met in order for bonus to be paid
LTIP (with effect from financial period ending 27 April 2014)	Awards in the form of performance rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	Earnings per share (EPS) targets over three year period must be met in order for rights to vest

The Group's aim is to reward executives with an appropriate level and mix of remuneration to attract, retain and motivate them to build long-term value for the Group and its shareholders.

The introduction of the LTIP will change the remuneration mix for KMP, increasing the proportion of an executive's target pay which is at risk.

# DIRECTORS' REPORT

## Remuneration Report (continued)

The following diagrams summarise the CEO and other KMP executives' target remuneration mix for the financial period.

CEO	59% Fixed	41% STI
Other KMP executives	70% Fixed	30% STI

The following diagrams show the anticipated range of remuneration mix for the current KMP by year three of the new LTIP. The effect of the transition is that an increasing percentage of the executive's remuneration is 'at risk' and directly linked to Group performance in both the short and longer term.

CEO	57% Fixed	37% STI	6% LTI
Other KMP executives	57% Fixed	27% STI	16% LTI

### Fixed remuneration

Fixed remuneration consists of base salary, superannuation contributions and other benefits. Other benefits include non-cash benefits such as employee health insurance costs paid by the Group and car and other allowances. The Group pays fringe benefits tax on these benefits where required.

Fixed remuneration for executives is reviewed annually and on promotion and is benchmarked against market data for comparable roles in the market. There are no guaranteed base pay increases included in any executive's contract.

### Variable remuneration

#### Short-term incentives

Incentives under the Group's STIP are at risk components of remuneration for executives provided in the form of cash.

The STIP entitles executives to earn an annual cash reward payment 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 STI opportunity percentage is 70% of base salary. For other executive KMPs, the average target STI opportunity percentage is approximately 50% of base salary.

For the period covered by this report, the primary key performance indicator common to all participants was EBITDA. The benchmark EBITDA level at which the target STI opportunity would become payable was 110% of the annual Group budgeted EBITDA (prior to allowing for any payments under the STIP). A proportion of target incentives would become payable on a sliding scale for achievement above a minimum EBITDA level up to a maximum EBITDA level. At the minimum EBITDA level of 101% of the annual Group Budgeted EBITDA, 5% of target STI opportunity would be payable. At the maximum EBITDA level of 125% of the annual Group Budgeted EBITDA, 220% of target STI opportunity would be payable.

For the CEO, the EBITDA benchmarks were set with reference to the actual EBITDA achieved for the year ended 29 April 2012, in place of the annual Group Budgeted EBITDA for the financial period. The CEO EBITDA benchmarks were at higher levels than the benchmarks applying to other KMP executives.

The Group's financial performance for the financial period ended 28 April 2013 did not result in any KMP being eligible for a STIP 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

In the 2012 Remuneration Report, the Board recognised that the KMP share escrow arrangements were coming to an end and had instigated a review of long-term incentives with the view to the introduction of a new LTIP.

In conjunction with assistance provided by external remuneration specialists, the Board on advice of the Remuneration and Nomination Committee has approved an LTIP, as outlined below.

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### ***New LTIP summary***

Why introduce a LTIP?	To ensure the Group's remuneration framework is aligned with both the Group's business strategy and the long-term interests of shareholders.
Who participates in the new LTIP?	The initial participants in the plan are KMP executives and other select senior executives.
What form are the LTIP awards?	Awards will be granted in the form of performance rights, which comprise rights to acquire ordinary shares in the Company for nil consideration, subject to achievement of predetermined vesting conditions.
What quantum of awards will participants receive under the LTIP?	A guiding principle for the initial grant is for awards to generally equate to 30% to 40% of a participant's target STI opportunity, with the exception of the initial grant to Graham Maxwell. Under his contract of employment, Graham Maxwell is entitled to an initial grant equivalent to 1.5 times his base salary.
When are the grants made?	Performance rights will be granted annually at the sole discretion of the Board, with the first grant of awards to be made as soon as practicable after the Company's 2013 AGM.
When do the awards vest?	LTIP performance rights vest three years following the date of grant, subject to achievement of EPS targets. For the initial grant, performance will be tested following determination of the basic EPS for the financial period ending 1 May 2016, compared to the basic EPS for the financial period ended 28 April 2013.
How is EPS measured?	EPS will be measured on an absolute basis, calculating the compound growth in the Company's basic EPS attributable to ordinary equity holders of the Company over the performance period, with reference to the disclosed EPS in the Company's annual audited financial reports. The Board retains a discretion to adjust the EPS performance condition to ensure that participants are not penalised nor provided with a windfall benefit arising from matters outside of management's control that affect EPS (for example, excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).
What EPS targets are required for vesting of awards?	Performance rights will vest on a proportionate basis ranging from 20% to 100% of rights granted for achievement of a minimum EPS target up to a maximum EPS target. For the first grant of awards, the minimum EPS target is 6% compound annual growth rate (CAGR) and the maximum EPS target is 10% CAGR.
What happens if the awards do not vest?	To the extent that performance hurdles are not met at the end of the three year performance period, performance will not be re-tested and rights will lapse.

The Remuneration and Nomination Committee considered alternative performance measures, including market based measures, but after consideration of a variety of factors including the Group's business objectives, the fact the Group is not a capital intensive business and the lack of a meaningful comparator group, determined that EPS was an appropriate measure. EPS aligns with the Group's business objectives and shareholder interests, is straightforward, simple to communicate and a commonly used measure by other ASX listed companies.

In relation to the setting of performance target levels, the Remuneration and Nomination Committee took into account the current structure and operation of the STIP under which target performance levels at which target rewards are payable are set at stretch levels.

# DIRECTORS' REPORT

## Remuneration Report (continued)

### G. Remuneration structure and 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 financial periods prior to the 2011/12 period.

	2012/13	2011/12 <sup>1</sup>
EBITDA (\$m)	47.2	51.1 <sup>2</sup>
NPAT (\$m)	16.4	18.4 <sup>2</sup>
Dividends paid/payable in relation to financial period (cents per share)	9.5	6.5
EPS (cents)	17.6	19.8 <sup>2</sup>
Change in share price (\$)	0.74	(1.38)
Short-term incentive payments as % of target payments	0%	0% <sup>3</sup>

1 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 were prepared as a continuation of the Collins Foods Holding Pty Ltd consolidated group.

2 Represent pro forma measures. 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 were not expected to recur in the future.

3 Excluding special IPO bonuses.

Both the STIP and new LTIP are subject to achievement of pre-determined performance measures linked to the above financial metrics.

### H. Details of KMP remuneration

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

2013	Short-term employee benefits		Post-employment benefits		Long-term benefits	
	Cash salary and fees \$	Non-monetary benefits \$	Other <sup>4</sup> \$	Super-annuation \$	Long service leave \$	Total \$
<b>Non-executive directors</b>						
Russell Tate	180,000	–	–	16,200	–	196,200
Newman Manion	95,961	–	–	8,637	–	104,598
Bronwyn Morris	105,000	–	–	9,450	–	114,450
Stephen Copulos <sup>1</sup>	3,808	–	–	–	–	3,808
	384,769	–	–	34,287	–	419,056
<b>Executive directors</b>						
Kevin Perkins	700,411	34,151	–	67,208	11,967	813,737
<b>Other executive KMP</b>						
Graham Maxwell <sup>2</sup>	70,562	6,783	32,914	8,501	1,026	119,786
Martin Clarke	217,356	9,580	–	18,180	6,136	251,252
John Hands	262,097	5,979	–	22,248	5,878	296,202
Phillip Coleman	216,518	9,573	–	17,100	14,850	258,041
Simon Perkins <sup>3</sup>	77,891	1,657	–	6,106	1,131	86,785
	1,544,835	67,723	32,914	139,343	40,988	1,825,803
<b>Total Group</b>	<b>1,929,604</b>	<b>67,723</b>	<b>32,914</b>	<b>173,630</b>	<b>40,988</b>	<b>2,244,859</b>

1 Appointed 12 April 2013. Mr Copulos' remuneration is paid to a corporate entity under a Consulting Agreement with the Company for the provision of his services as a non-executive Director.

2 Appointed 4 March 2013.

3 For period from 29 April 2012 to 29 June 2012 whilst Simon Perkins was a KMP of the Group.

4 Other short-term employee benefits relate to a sign on payment received on commencement of employment with the Group.



All remuneration received was fixed in nature. No remuneration was received for at risk elements.

Under the Group's STIP, no bonus amounts vested with all entitlements forfeited as a result of performance criteria not being met.

Details of remuneration received by the Directors and other KMP of the Group (and former group) for the previous financial period are set out in the following table.

2012 Name	Short-term employee benefits		Post-employment benefits		Long-term benefits		Total \$
	Cash salary and fees \$	Cash bonus <sup>6</sup> \$	Non-monetary benefits \$	Super- annuation \$	Long service leave \$		
<b>Non-executive directors</b>							
Russell Tate <sup>1</sup>	96,923	–	–	8,723	–	105,646	
Newman Manion <sup>1</sup>	67,596	–	–	6,084	–	73,680	
Bronwyn Morris <sup>1</sup>	78,750	–	–	7,087	–	85,837	
Robert Koczkar <sup>2</sup>	–	–	–	–	–	–	
Shannon Wolfers <sup>2</sup>	–	–	–	–	–	–	
	243,269	–	–	21,894	–	265,163	
<b>Executive directors</b>							
Kevin Perkins <sup>3</sup>	591,304	–	32,903	53,574	12,446	690,227	
Simon Perkins <sup>4</sup>	113,102	167,000	1,902	23,850	2,271	308,125	
<b>Other executive KMP</b>							
Simon Perkins <sup>4</sup>	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 <sup>5</sup>	58,562	67,000	1,641	10,440	1,836	139,479	
Adrian Argent <sup>5</sup>	38,269	–	4,743	3,181	1,006	47,199	
Trevor McDonald <sup>5</sup>	33,984	–	2,314	2,825	547	39,670	
Pamela Martin <sup>5</sup>	42,570	–	6,437	3,543	1,202	53,752	
Phillip Coleman <sup>5</sup>	45,872	–	1,905	3,330	1,529	52,636	
George Ryland <sup>5</sup>	50,171	–	1,731	3,713	1,031	56,646	
	1,938,404	244,187	90,254	193,170	47,307	2,513,322	
<b>Total Group</b>	<b>2,181,673</b>	<b>244,187</b>	<b>90,254</b>	<b>215,064</b>	<b>47,307</b>	<b>2,778,485</b>	

1 Appointed 10 June 2011. Remuneration was paid from 4 August 2011. For Russell Tate, no remuneration was drawn for the final quarter of the financial period.

2 Resigned from Former Group on 3 August 2011.

3 Kevin Perkins did not draw any remuneration for the final quarter of the financial period.

4 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.

5 Includes period from 1 May 2011 to 3 August 2011 for the executive's position as KMP in respect of the Former Group.

6 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.

# DIRECTORS' REPORT

## Remuneration Report (continued)

### I. KMP service agreements

Key details of the service agreements of Kevin Perkins, Managing Director/CEO and Graham Maxwell, COO and Group CFO are as follows:

- three year contract commencing 4 August 2011 and 4 March 2013 respectively;
- may be terminated by either party after 30 months of the contract have expired with six 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.

Name	Position	Contract duration	Minimum notice period (months)	
			Termination by Executive	Termination by Group
Martin Clarke	CEO – KFC	Ongoing	1	3
John Hands	CSO/CIO	Ongoing	2	12
Phillip Coleman	CEO – Sizzler	Ongoing	2	12
Simon Perkins	CFO – Global (until 29 June 2012)	Ongoing	3	12

<sup>1</sup> Provision is also made for the Group to be able to terminate these agreements on three months' notice in certain circumstances of serious ill health or incapacity of the executive.

### 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 (PricewaterhouseCoopers) 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:

	2013 \$	2012 \$
Other assurance services		
PricewaterhouseCoopers Australian firm		
Agreed upon procedures in respect of franchisee sales	9,700	–
Store sales certificates	10,300	10,000
Agreed upon procedures for covenant calculations	18,800	18,330
Total remuneration for assurance services	38,800	28,330
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	25,000	29,000
Tax advice and consulting	11,000	5,000
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	3,654	3,565
Total remuneration for taxation services	39,654	37,565
Transaction services		
PricewaterhouseCoopers Australian firm		
Transaction compliance services	–	864,067
Total remuneration for transaction services	–	864,067
<b>Total remuneration for non-audit services</b>	<b>78,454</b>	<b>929,962</b>

### 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 26.

### 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

PricewaterhouseCoopers 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**  
Chairman

Brisbane  
25 June 2013

# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

As lead auditor for the audit of Collins Foods Limited for the period ended 28 April 2013, 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.

A handwritten signature in black ink, appearing to read 'Steven Bosiljevac', with a long horizontal flourish extending to the right.

Steven Bosiljevac  
Partner  
PricewaterhouseCoopers

Brisbane  
25 June 2013

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# CONSOLIDATED BALANCE SHEET

As at 28 April 2013

	Note	2013 \$000	2012 \$000
<b>Current assets</b>			
Cash and cash equivalents	7	23,556	19,243
Receivables	8	3,829	1,820
Inventories	9	4,406	4,272
<b>Total current assets</b>		<b>31,791</b>	<b>25,335</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	59,149	57,549
Intangible assets, net	11	234,506	235,818
Deferred tax assets, net	12	14,717	14,741
Receivables	13	30	317
Investment accounted for using the equity method	14	593	501
<b>Total non-current assets</b>		<b>308,995</b>	<b>308,926</b>
<b>Total assets</b>		<b>340,786</b>	<b>334,261</b>
<b>Current liabilities</b>			
Trade and other payables	15	39,813	45,318
Current tax liabilities		4,157	0
Derivative financial instruments	16	743	19
Provisions	17	3,750	3,553
<b>Total current liabilities</b>		<b>48,463</b>	<b>48,890</b>
<b>Non-current liabilities</b>			
Borrowings	18	104,710	104,480
Derivative financial instruments	16	254	83
Provisions	19	1,864	1,540
<b>Total non-current liabilities</b>		<b>106,828</b>	<b>106,103</b>
<b>Total liabilities</b>		<b>155,291</b>	<b>154,993</b>
<b>Net assets</b>		<b>185,495</b>	<b>179,268</b>
<b>Equity</b>			
Contributed equity	20	182,098	182,098
Reserves	21	(213)	163
Retained earnings/(accumulated losses)	22	3,610	(2,993)
<b>Total equity</b>		<b>185,495</b>	<b>179,268</b>

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

# CONSOLIDATED INCOME STATEMENT

For the reporting period ended 28 April 2013

	Note	2013 \$000	2012 \$000
Revenue	4	423,885	405,970
Cost of sales		(201,711)	(192,587)
Gross profit		222,174	213,383
Selling, marketing and royalty expenses		(89,514)	(83,814)
Occupancy expenses		(33,327)	(31,378)
Restaurant related expenses		(42,830)	(42,699)
Administration expenses		(25,488)	(32,381)
Other expenses	5	(2,096)	(1,756)
Other income	4	858	11,400
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		29,777	32,755
Finance income	5	204	790
Finance costs	5	(6,386)	(26,453)
Share of net profit of associate accounted for using the equity method	14	92	87
<b>Profit from continuing operations before income tax</b>		<b>23,687</b>	<b>7,179</b>
Income tax (expense)/benefit	6	(7,319)	4,250
<b>Profit from continuing operations</b>		<b>16,368</b>	<b>11,429</b>
<b>Net profit attributable to members of Collins Foods Limited</b>		<b>16,368</b>	<b>11,429</b>
Basic earnings per share	34	17.60cps	14.40cps
Diluted earnings per share	34	17.60cps	14.40cps
Weighted average basic ordinary shares outstanding	34	93,000,003	79,365,556
Weighted average diluted ordinary shares outstanding	34	93,000,003	79,365,556

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 28 April 2013

	Note	2013 \$000	2012 \$000
<b>Net profit attributable to members of Collins Foods Limited</b>		16,368	11,429
<b>Other comprehensive income/(expense):</b>			
Exchange difference upon translation of foreign operations	21	201	260
Cash flow hedges	21	(824)	(139)
Income tax relating to components of other comprehensive income	6	247	42
Other comprehensive (expense)/income for the reporting period, net of tax		(376)	163
<b>Total comprehensive income for the reporting period</b>		<b>15,992</b>	<b>11,592</b>
<b>Total comprehensive income for the reporting period is attributable to:</b>			
<b>Owners of the parent</b>		<b>15,992</b>	<b>11,592</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period ended 28 April 2013

	Note	Contributed Equity \$000	Reserves \$000	(Accumulated losses)/ retained earnings \$000	Total Equity \$000
<b>2012</b>					
<b>Beginning of the reporting period</b>		55,530	0	(14,422)	41,108
Profit for the reporting period		0	0	11,429	11,429
Other comprehensive income		0	163	0	163
Total comprehensive income for the reporting period		0	163	11,429	11,592
Transactions with owners in their capacity as owners:					
Shares issued during the reporting period	20	131,993	0	0	131,993
Less capital raising costs (net of tax)	20	(5,425)	0	0	(5,425)
<b>End of the reporting period</b>		<b>182,098</b>	<b>163</b>	<b>(2,993)</b>	<b>179,268</b>
<b>2013</b>					
<b>Beginning of the reporting period</b>		182,098	163	(2,993)	179,268
Profit for the reporting period		0	0	16,368	16,368
Other comprehensive expense		0	(376)	0	(376)
Total comprehensive income for the reporting period		0	(376)	16,368	15,992
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	22	0	0	(9,765)	(9,765)
<b>End of the reporting period</b>		<b>182,098</b>	<b>(213)</b>	<b>3,610</b>	<b>185,495</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 28 April 2013

	Note	2013 \$000	2012 \$000
<b>Cash flows from operating activities:</b>			
Receipts from customers		465,598	446,000
Payments to suppliers and employees		(388,856)	(371,831)
GST paid		(26,629)	(22,995)
Interest received – external parties		231	354
Interest received – related parties		0	86
Interest and other borrowing costs paid		(6,202)	(16,204)
Income tax (paid)/received		(2,922)	215
Net operating cash flows	30	41,220	35,625
<b>Cash flows from investing activities:</b>			
Payment for acquisition of subsidiary, net of cash acquired	33	0	502
Purchase of franchise rights		(90)	(88)
Payments for plant and equipment		(17,918)	(18,797)
Net investing cash flows		(18,008)	(18,383)
<b>Cash flow from financing activities:</b>			
Proceeds from borrowings – bank loan facilities		0	105,000
Repayment of borrowings and other obligations		(64)	(262,530)
Loans advanced – related parties		0	(139)
Repayment of lending – related parties		281	0
Refinance fees paid		0	(696)
Dividends paid	22	(9,765)	0
Proceeds from share issue		0	201,740
Repurchase of shares		(9,377)	(60,371)
Costs associated with IPO		0	(24,711)
Net financing cash flows		(18,925)	(41,707)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,287</b>	<b>(24,465)</b>
Cash and cash equivalents at the beginning of the reporting period		19,243	43,708
Effects of exchange rate changes on cash and cash equivalents		26	0
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>7</b>	<b>23,556</b>	<b>19,243</b>
Non-cash financing and investing activities	31		

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 reporting period ending on the Sunday nearest to 30 April. The 2013 reporting period comprised the fifty-two weeks which ended on 28 April 2013 (2012 was a fifty-two week reporting period ended on 29 April 2012).

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

In the 2012 reporting period Collins Foods Limited determined that the acquisition of Collins Foods Holding Pty Limited (Former Parent Entity) by its wholly owned subsidiary did 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 was on the basis that the transaction was 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. Accordingly, the consolidated financial statements have been prepared as a continuation of the financial statements of the accounting acquirer, Collins Foods Holding Pty Limited.

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 all other controlled entities from the date of their 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 Consolidated Statement of Cash Flows comprise the resulting consolidated statements of Collins Foods Holding Pty Limited and its controlled entities, plus the results of the other controlled entities of the Group from the date of their acquisition.

### Compliance with IFRS

The Consolidated Financial Statements of the Group 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 23 on subsidiaries). All transactions and balances between companies in the Group are eliminated on consolidation. Subject to the capital reconstruction noted above, 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Statement of significant accounting policies (continued)

### 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 bonuses. 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 (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, 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.

### 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 transaction 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 is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Statement of significant accounting policies (continued)

### 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 and equipment	Straight line	8 years
Software	Straight line	3 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 reporting 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.

### 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 licences which provide a benefit for more than one reporting period are deferred and amortised over the remaining term of the franchise licence. 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 13) in the Consolidated Balance Sheet.

Available-for-sale financial assets comprise principally of 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:

- 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
- 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 15).

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 19 and 20 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 re-measured at each reporting date with changes in the fair value recorded through profit and loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Statement of significant accounting policies (continued)

### 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 coordinated 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.

### 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 values 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.

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 reporting 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 28 April 2013, are as follows:

AASB amendment	Affected standards	Application date of standard*	Application date for the Group*
AASB 2009-11 AASB 2010-7 AASB 2012-6	AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> and AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	01-January-2015	04-May-2015
AASB 2011-4	AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	01-July-2013	28-April-2014
AASB 13 and AASB 2011-8	AASB 13 <i>Fair Value Measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	01-January-2013	29-April-2013
AASB 2011-9	AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	01-July-2012	29-April-2013
AASB 10	AASB 10 <i>Consolidated Financial Statements</i>	01-January-2013	29-April-2013
AASB 11	AASB 11 <i>Joint Arrangements</i>	01-January-2013	29-April-2013
AASB 119, AASB 2011-10 and AASB 2011-11	Revised AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> and AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	01-January-2013	29-April-2013
AASB 2012-3	<i>Offsetting Financial Assets and Financial Liabilities</i>	01-July-2014	04-May-2015
AASB 2012-2	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	01-July-2013	28-April-2014
AASB 112, Revised AASB 127 and Revised AASB 128	AASB 12 <i>Disclosure of Interests in Other Entities</i> , revised AASB 127 <i>Separate Financial Statements</i> , AASB 128 <i>Investments in Associates and Joint Ventures</i>	01-January-2013	29-April-2013
AASB 2012-5	Amendments arising from the 2009-2011 annual improvements project	01-January-2013	29-April-2013

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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:

#### *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.

#### *Review for impairment triggers of the 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 Note 11).

## Note 3. Segment information

### 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.

### 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:

	KFC Restaurants \$000	Sizzler Restaurants \$000	Shared Services \$000	All other segments \$000	Total \$000
<b>2013</b>					
Total segment revenue	318,245	105,640	0	0	423,885
Adjusted EBITDA	44,700	10,090	(8,062)	494	47,222
Depreciation, amortisation and impairment	11,419	4,186	1,836	4	17,445
Finance costs – net <sup>(i)</sup>	0	(1)	6,188	(5)	6,182
Income tax expense					7,319
<b>2012</b>					
Total segment revenue	300,758	105,212	0	0	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	0	0	0	3,732
Reversal of provisions	0	0	(10,671)	0	(10,671)
Finance costs – net <sup>(i)</sup>	0	405	25,264	(6)	25,663
Income tax benefit					(4,250)

(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.

	KFC Restaurants \$000	Sizzler Restaurants \$000	Shared Services \$000	All other segments \$000	Total \$000
<b>2013</b>					
Assets	384,208	72,010	35,006	4,614	495,838
Inter-segment eliminations	(143,572)	(11,480)	0	0	(155,052)
	240,636	60,530	35,006	4,614	340,786
Liabilities	4,729	1,755	303,499	360	310,343
Inter-segment eliminations	0	(111)	(154,487)	(454)	(155,052)
	4,729	1,644	149,012	(94)	155,291
<b>2012</b>					
Assets	389,949	69,522	30,301	3,857	493,629
Inter-segment eliminations	(152,200)	(6,389)	0	(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	0	(1,798)	(157,570)	0	(159,368)
	3,647	1,262	150,134	(50)	154,993

### Other segment information

#### 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.

#### 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 reorganisation and IPO income and expenditure from the operating segments including restructuring costs and legal expenses. Impairment of property, plant, equipment and franchise rights are excluded to the extent they are isolated non-recurring events relating to individual restaurants. Net finance costs (including the impact of derivative financial instruments) are not allocated to segments as financing activities are 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:

	2013 \$000	2012 \$000
Adjusted EBITDA	47,222	51,418
Finance costs – net	(6,182)	(25,663)
Release of related party financial liability – retirement plan	0	10,671
Investment services fees	0	(264)
Tracking stock	0	235
Costs of the IPO expensed	0	(8,614)
Depreciation	(15,672)	(14,288)
Amortisation	(1,572)	(1,512)
Impairment of property, plant and equipment	(162)	(976)
Impairment of KFC franchise rights	(39)	(183)
KFC franchise rights written off	0	(3,732)
Share of net profit of associate accounted for using the equity method	92	87
Profit from continuing operations before income tax	23,687	7,179

## Note 4. Revenue and other income

	2013 \$000	2012 \$000
<b>Revenue from continuing operations</b>		
Sales revenue		
Sale of goods	421,385	404,177
	421,385	404,177
Other Revenue		
Franchise revenue from external parties	2,500	1,793
Total revenue	423,885	405,970
<b>Other income</b>		
Traineeship income	332	290
Other	526	330
Reversal of impairment of related party receivable <sup>(i)</sup>	0	109
Gain on release of guarantee of related party financial liability – retirement plan <sup>(i)</sup>	0	10,671
Total other income	858	11,400

(i) These items of reorganisation and IPO income occurred 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

	2013 \$000	2012 \$000
Profit from continuing operations before income tax includes the following specific expenses:		
<b>Depreciation, amortisation and impairment:</b>		
Depreciation:		
Buildings	73	73
Leasehold improvements	8,363	7,412
Plant and equipment	7,236	6,612
Equipment under finance lease	0	191
	15,672	14,288
Amortisation of:		
Franchise rights	385	473
Sizzler brand – Australia	563	563
Sizzler brand – Asia	624	476
	1,572	1,512
Impairment of:		
Property, plant and equipment	162	976
KFC franchise rights	39	183
	201	1,159
Total depreciation, amortisation and impairment	17,445	16,959
<b>Finance income and costs:</b>		
Interest income:		
Interest from external parties	(204)	(334)
Interest from related parties	0	(456)
Interest expense:		
Finance lease interest	0	41
Bank loan interest	5,920	13,135
Interest on undesignated cash flow hedges	187	1,910
Transfer from cash flow hedge reserve	49	(26)
Amortisation of borrowing costs	230	1,371
Borrowing costs written off on loan extinguishment <sup>(i)</sup>	0	10,022
Net finance costs	6,182	25,663
<b>Employee benefits expense:</b>		
Wages and salaries	108,783	102,626
Defined contribution superannuation expense	8,413	7,751
Employee entitlements	7,559	6,784
Total employee benefits expense	124,755	117,161
<b>Operating lease rentals:</b>		
Minimum lease payments	21,485	20,023
Contingent rentals	1,634	1,685
Total rent expense relating to operating leases	23,119	21,708

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 5. Expenses (continued)

	2013 \$000	2012 \$000
KFC franchise rights written off <sup>(i)</sup>	0	3,732
Inventory write-downs	55	24
Costs of the IPO expensed <sup>(i)</sup>	0	8,614
<b>Other expenses:</b>		
Net loss on disposal of property, plant and equipment	209	116
Bank transaction fees	842	714
Other miscellaneous expenses	1,045	926
	2,096	1,756

(i) These items of reorganisation and IPO expense were incurred 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

	2013 \$000	2012 \$000
<b>Income tax expense/(benefit)</b>		
Current tax	7,042	344
Deferred tax	271	(4,530)
Under/(over) provided in prior reporting periods	6	(64)
	7,319	(4,250)
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations <sup>(i)</sup>	7,319	(4,250)
Aggregate income tax expense/(benefit)	7,319	(4,250)
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Increase in deferred tax assets (Note 12)	612	(3,696)
Decrease in deferred tax liabilities (Note 12)	(341)	(834)
	271	(4,530)
<b>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable:</b>		
Profit from continuing operations before income tax expense/(benefit)	23,687	7,179
Tax at the Australian tax rate of 30%	7,106	2,153
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible entertainment	11	46
Other non-deductible expenses	251	923
R&D claim – net of non-deductible expenses	0	(22)
Withholding tax credits not brought to account	387	276
Non-assessable income received	(442)	(192)
Gain on release of guarantee of related party financial liability – retirement plan	0	(3,201)
	7,313	(17)
Tax asset base adjustment <sup>(ii)</sup>	0	(4,169)
Amounts over provided in prior reporting periods	6	(64)
Income tax expense/(benefit)	7,319	(4,250)

(i) The prior reporting period tax benefit includes \$6.6 million associated with the IPO and capital restructuring costs.

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

	2013 \$000	2012 \$000
<b>Tax expense/(income) relating to items of other comprehensive income</b>		
Cash flow hedges (Note 12)	(247)	(42)
	(247)	(42)
<b>Tax losses</b>		
Unused capital tax losses for which no deferred tax asset has been recognised	61,276	61,276
Potential tax benefit @ 30%	18,383	18,383
All unused tax losses were incurred by Australian entities.		
<b>Amounts recognised directly in equity</b>		
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	0	465
Net deferred tax – credited directly to equity	0	1,860
	0	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.

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 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 Company may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 7. Current assets – cash and cash equivalents

	2013 \$000	2012 \$000
Cash at bank and on hand	23,556	19,243
	23,556	19,243

Cash at bank and on hand has an average floating interest of 2.8% (2012: 4.0%).

## Note 8. Current assets – receivables

	2013 \$000	2012 \$000
Trade receivables	2,002	1,168
Interest receivable	0	27
Prepayments	1,827	625
	3,829	1,820

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 13).

## Note 9. Current assets – inventories

	2013 \$000	2012 \$000
Raw materials and stores, at cost	4,416	4,287
Provision for diminution in value	(10)	(15)
	4,406	4,272

Inventories recognised as an expense during the reporting period ended 28 April 2013 amounted to \$139,698,000 (2012: \$134,048,000).



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

	2013 \$000	2012 \$000
<b>Freehold land</b>		
Cost		
Opening balance	3,534	3,534
Additions	1,299	0
Transfers from construction in progress	72	0
Closing balance	4,905	3,534
<b>Buildings</b>		
Cost		
Opening balance	1,573	1,567
Additions	261	6
Transfers from construction in progress	11	0
Closing balance	1,845	1,573
Accumulated depreciation		
Opening balance	(603)	(530)
Depreciation	(73)	(73)
Closing balance	(676)	(603)
Net book value	1,169	970
<b>Leasehold improvements</b>		
Cost		
Opening balance	71,353	59,549
Additions	2,362	2,118
Transfers from construction in progress	5,396	10,206
Disposals	(988)	(520)
Closing balance	78,123	71,353
Accumulated depreciation and impairment		
Opening balance	(43,671)	(36,169)
Depreciation	(8,363)	(7,412)
Impairment charge	(96)	(567)
Disposals	902	477
Closing balance	(51,228)	(43,671)
Net book value	26,895	27,682
<b>Plant and equipment</b>		
Cost		
Opening balance	56,295	42,977
Additions	3,529	4,620
Transfers from construction in progress	2,255	4,337
Transfers from equipment under finance lease	0	6,266
Disposals	(1,483)	(1,905)
Closing balance	60,596	56,295

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2013 \$000	2012 \$000
Accumulated depreciation and impairment		
Opening balance	(32,203)	(22,474)
Depreciation	(7,236)	(6,612)
Impairment charge	(66)	(409)
Transfers from equipment under finance lease	0	(4,549)
Disposals	1,390	1,841
Closing balance	(38,115)	(32,203)
Net book value	22,481	24,092
<b>Equipment under finance lease</b>		
Cost		
Opening balance	0	6,266
Transfers to plant and equipment	0	(6,266)
Closing balance	0	0
Accumulated depreciation		
Opening balance	0	(4,358)
Depreciation	0	(191)
Transfers to plant and equipment	0	4,549
Closing balance	0	0
Net book value	0	0
<b>Construction in progress</b>		
Cost		
Opening balance	1,271	2,381
Additions	10,192	13,442
Transfers to leasehold improvements and plant and equipment	(7,734)	(14,543)
Disposals	(30)	(9)
Closing balance	3,699	1,271
<b>Total property, plant and equipment, net</b>	<b>59,149</b>	<b>57,549</b>

## Note 11. Non-current assets – intangible assets

	2013 \$000	2012 \$000
<b>Goodwill</b>		
Cost		
Opening balance	211,565	210,675
Purchase of controlled entities	0	873
Foreign currency translation	15	17
Closing balance	211,580	211,565
Net book value	211,580	211,565
<b>Franchise rights</b>		
Cost		
Opening balance	5,232	8,026
Additions	90	5,232
KFC franchise rights written off <sup>(i)</sup> (refer Note 5)	0	(8,026)
Closing balance	5,322	5,232
Accumulated amortisation and impairment		
Opening balance	(485)	(4,123)
KFC franchise rights written off <sup>(i)</sup> (refer Note 5)	0	4,294
Amortisation	(385)	(473)
Impairment charge	(39)	(183)
Closing balance	(909)	(485)
Net book value	4,413	4,747
<b>Sizzler brand – Australia</b>		
Cost		
Opening balance	11,261	11,261
Closing balance	11,261	11,261
Accumulated amortisation		
Opening balance	(3,594)	(3,031)
Amortisation	(563)	(563)
Closing balance	(4,157)	(3,594)
Net book value	7,104	7,667
<b>Sizzler brand – Asia</b>		
Cost		
Opening balance	12,315	0
Purchase of controlled entities (refer Note 33)	0	12,080
Foreign currency translation	204	235
Closing balance	12,519	12,315
Accumulated amortisation		
Opening balance	(476)	0
Foreign currency translation	(10)	0
Amortisation	(624)	(476)
Closing balance	(1,110)	(476)
Net book value	11,409	11,839
<b>Total intangible assets, net</b>	<b>234,506</b>	<b>235,818</b>

(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 11. Non-current assets – intangible assets (continued)

### Impairment test for indefinite life intangibles

#### Allocation of Goodwill

Segment	KFC Restaurants		Sizzler Restaurants	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Carrying value	183,529	183,529	28,051	28,036

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.

#### Key assumptions used for value-in-use calculations

	KFC Restaurants	Sizzler Restaurants
<b>2013</b>	<p>The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2014 through to the end of the 2018 reporting period which average 2.9%.</p> <p>Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2013 and prior reporting periods and are considered reasonable in comparison with industry predictions of 2.5% to 3%. A pre-tax discount rate of 12.9% 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 2.75% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.</p>	<p>The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2014 through to the end of the 2018 reporting period which average 2.1%.</p> <p>Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2013 and prior reporting periods and are considered reasonable in comparison with industry predictions of 2.5% to 3%. A pre-tax discount rate of 13.9% 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 2.5% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.</p>
<b>2012</b>	<p>The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2013 through to the end of the 2017 reporting period which average 0.4%.</p> <p>Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2012 and prior reporting 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% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.</p>	<p>The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2013 through to the end of the 2017 reporting period which average 1.3%.</p> <p>Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2012 and prior reporting 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% 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% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.</p>

## Note 12. Non-current assets – deferred tax assets, net

	2013 \$000	2012 \$000
<b>Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Depreciation	14,308	14,070
Employee benefits	3,135	3,036
Provisions	1,290	548
Receivables	86	35
Capitalised costs	1,668	2,606
Tax losses	0	804
	20,487	21,099
Amounts recognised in other comprehensive income:		
Cash flow hedges	289	42
Deferred tax assets	20,776	21,141
Movements:		
Opening balance	21,141	15,031
Credited to the Consolidated Statement of Changes in Equity	0	2,372
(Charged)/credited to the Consolidated Income Statement (Note 6)	(612)	3,696
Credited/(charged) to other comprehensive income (Note 6)	247	42
Closing balance	20,776	21,141
Deferred tax assets to be recovered within 12 months	5,912	5,119
Deferred tax assets to be recovered after more than 12 months	14,864	16,022
	20,776	21,141
<b>Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Inventories	644	639
Franchise fees/Sizzler brand	5,394	5,737
Prepayments	21	24
Deferred tax liabilities	6,059	6,400
Movements:		
Opening balance	6,400	5,180
Acquisition of subsidiaries (see Note 33)	0	2,054
Credited to the Consolidated Income Statement (Note 6)	(341)	(834)
Closing balance	6,059	6,400
Deferred tax liabilities to be recovered within 12 months	1,140	1,138
Deferred tax liabilities to be recovered after more than 12 months	4,919	5,262
	6,059	6,400
Deferred tax assets	20,776	21,141
Deferred tax liabilities	(6,059)	(6,400)
<b>Deferred tax assets, net</b>	<b>14,717</b>	<b>14,741</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 13. Non-current assets – receivables

	2013 \$000	2012 \$000
Loans to related parties	5	286
Provision for impairment of loans to related parties	(5)	0
	0	286
Security deposits	30	31
	30	317

### 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:

	Notes	Floating interest rate \$000	Fixed interest maturing in:		Non- interest bearing \$000	Total \$000	Average interest rate	
			5 years or less \$000	More than 5 years \$000			Floating	Fixed
<b>2013</b>								
Trade and interest receivables	8	0	0	0	2,002	2,002		
Other receivables	13	0	0	0	30	30		
		0	0	0	2,032	2,032		
<b>2012</b>								
Trade and interest receivables	8	0	0	0	1,195	1,195		
Related party receivables	13	0	0	0	286	286		
Other receivables	13	0	0	0	31	31		
		0	0	0	1,512	1,512		

### Credit risk

There is no concentration of credit risk with respect to external current and non-current receivables.

## Note 14. Non-current assets – investment accounted for using the equity method

	2013 \$000	2012 \$000
Interest in associate	593	501
	593	501
Opening balance	501	0
Acquisition of investment accounted for using the equity method	0	414
Share of net profit of associate accounted for using the equity method	92	87
Closing balance	593	501
Summarised financial information of associate		
Assets:		
Current assets		
Cash and cash equivalents	537	491
Receivables	76	27
Total assets	613	518
Liabilities:		
Current liabilities		
Trade and other payables	20	17
Total liabilities	20	17
Net assets	593	501
Equity:		
Retained earnings	593	501

## Note 15. Current liabilities – trade and other payables

	2013 \$000	2012 \$000
Trade payables and accruals – unsecured	30,952	27,330
Other payables <sup>(i)</sup>	8,861	17,988
Total payables	39,813	45,318

(i) The prior reporting period includes \$9.3 million of consideration payable for the re-purchase of the Former Parent Entity.

## Note 16. Derivative financial instruments

	2013 \$000	2012 \$000
Current liabilities		
Interest rate swap contracts – cash flow hedges	743	19
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	254	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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 16. Derivative financial instruments (continued)

### 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 3.1% (2012: 4.38%) plus margins which vary with the gearing of the Group. At balance date, the weighted average margin was 1.9% (2012: 1.9%). 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% (2012: 76%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rate is 3.71% (2012: 3.71%) and the variable rates are BBSY which at balance date was 3.1% (2012: 4.38%).

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

	Notional Principal Amount	
	2013 \$000	2012 \$000
Less than 1 year	0	0
1–2 years	80,000	0
2–3 years	0	80,000
	80,000	80,000

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 cashflow 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 cashflow 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 \$1 million (2012: payables totalling \$0.1 million).

### Credit risk exposures

At 28 April 2013 the contracts gave rise to payables for unrealised losses on derivative instruments of \$1 million (2012: \$0.1 million) for the Group from interest rate swap contracts. Management has 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 18 and Note 32 for the Group's exposure to interest rate risk on interest rate swaps.

## Note 17. Current liabilities – provisions

	2013 \$000	2012 \$000
Employee entitlements	3,633	3,485
Make good provision	117	68
Total current liabilities – provisions	3,750	3,553



## Note 18. Non-current liabilities – borrowings

	2013 \$000	2012 \$000
Bank loan – unsecured	105,000	105,000
Fees on bank loan – capitalised	(290)	(520)
Total non-current liabilities – borrowings	104,710	104,480

### 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	10,000
Revolving cash advance facility – Facility A	5,000	5,000
Revolving cash advance facility – Facility B	25,000	25,000
	40,000	40,000
Used at balance date		
Working capital facility	179	227
Revolving cash advance facility – Facility A	0	0
Revolving cash advance facility – Facility B	0	0
	179	227
Unused at balance date		
Working capital facility	9,821	9,773
Revolving cash advance facility – Facility A	5,000	5,000
Revolving cash advance facility – Facility B	25,000	25,000
	39,821	39,773
<b>Bank loan facilities excluding credit standby arrangements:</b>		
Total facilities less mandatory scheduled or prepaid repayments made	105,000	105,000
Used at balance date	105,000	105,000
Unused at balance date	0	0

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 million and \$25 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 reporting period for Facility A was \$105 million (2012: \$105 million), while Facility B remained undrawn.
- The rate of interest under Facility A and Facility B was BBSY which at balance date was 3.1% (2012: 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% (2012: 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% (2012: 0.95%) and was payable quarterly in arrears.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 18. Non-current liabilities – borrowings (continued)

### Working Capital

- The Working Capital Facility provides for the same three-year term as the Syndicated Facility, expiring on 3 August 2014. It was initially allocated to a \$2 million revolving cash advance facility, a \$6.7 million overdraft facility, a \$1 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 (2012: \$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 1.1% (depending upon the gearing ratio of the Company). At balance date, this commitment fee rate was 0.95% (2012: 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 3.4% (2012: 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 1.9% (2012: 1.9%). 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 Facility 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 million and \$135 million respectively. The amended senior facility provided for a three-year term expiring on 28 June 2013. The amended Mezzanine Facility was for \$70 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.

- The rate of interest under Facility A and Facility B was BBSY plus the applicable margin of between 3.25% and 4.25% for Facility A and between 3.5% and 4.5% for Facility B depending upon the gearing ratio of the Company. Under the Mezzanine Facility, the rate of interest was 8% fixed rate cash pay interest due quarterly and 8% 'PIK' interest which was capitalised quarterly.

### Capital expenditure facility

- The amended Senior Facilities also provided for a \$30 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 3.5% and 4.5%, depending upon the gearing ratio of the Company. 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 million revolving cash advance facility, a \$4.8 million overdraft facility, a \$3 million leasing facility and a \$0.2 million letter of credit facility. Any undrawn amount under either option could be reallocated at any time by the borrowers to either of the other options.
- 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).
- 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 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). 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 believes 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. These facilities were secured by first mortgages over the Group's freehold land and buildings and a floating charge over the other assets. Upon repayment of these loan facilities on 4 August 2011, these mortgages and charges were released.

### 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 32.

	Notes	Floating interest rate \$000	Fixed interest maturing in:		Non-interest bearing \$000	Total \$000	Average interest rate	
			5 years or less \$000	More than 5 years \$000			Floating	Fixed
<b>2013</b>								
Trade and other payables	15	0	0	0	39,813	39,813		
Borrowings	18	105,000	0	0	0	105,000	3.1%	
Derivative financial instruments*	16	(80,000)	80,000	0	0	0	3.1%	3.7%
		25,000	80,000	0	39,813	144,813		
<b>2012</b>								
Trade and other payables	15	0	0	0	45,547	45,547		
Borrowings	18	105,000	0	0	0	105,000	4.4%	
Derivative financial instruments*	16	(80,000)	80,000	0	0	0	4.4%	3.7%
		25,000	80,000	0	45,547	150,547		

\* Notional principal amounts.

### Fair value

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

	2013		2012	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
Bank loan (net of establishment costs)	104,710	105,050	104,480	105,050
	104,710	105,050	104,480	105,050

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 18. Non-current liabilities – borrowings (continued)

### Maturities of financial liabilities

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

- all non-derivative financial liabilities; and
- 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
<b>At 28 April 2013</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Non-derivatives</b>						
Trade and other payables	39,813	0	0	0	39,813	39,813
Borrowings	5,863	106,574	0	0	112,437	104,710
Total non-derivatives	45,676	106,574	0	0	152,250	144,523
<b>Derivatives</b>						
Net settled (interest rate swaps)	(757)	(263)	0	0	(1,020)	(997)
<b>At 29 April 2012</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Non-derivatives</b>						
Trade and other payables	45,547	0	0	0	45,547	45,547
Borrowings	6,057	6,057	112,667	0	124,781	104,480
Total non-derivatives	51,604	6,057	112,667	0	170,328	150,027
<b>Derivatives</b>						
Net settled (interest rate swaps)	(21)	(116)	29	0	(108)	(102)

## Note 19. Non-current liabilities – provisions

	2013 \$000	2012 \$000
Employee entitlements	1,784	1,324
Tracking stock bonus plan	0	55
Make good provision	80	161
	1,864	1,540

The non-current provision for employee entitlements in respect of long service leave includes all conditional entitlements 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.

## Note 20. Contributed equity

		Parent entity		
		Shadow equity \$000	Share capital \$000	Total equity \$000
Balance	1 May 2011	6,611	48,919	55,530
Shares issued during the period <sup>(i)</sup>	4 August 2011	0	131,993	131,993
Capital reconstruction (refer Note 1)	4 August 2011	(6,611)	6,611	0
Less capital raising costs (net of tax)	4 August 2011	0	(5,425)	(5,425)
Balance	29 April 2012	0	182,098	182,098
Balance	28 April 2013	0	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 paid on 26 June 2012).

	Parent entity	
	2013 Shares	2012 Shares
Share capital		
Ordinary shares – fully paid	93,000,003	93,000,003
	93,000,003	93,000,003

### 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	29 April 2012	93,000,003
Balance	28 April 2013	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 20. Contributed equity (continued)

### Equity of former parent company

Movements in share capital were as follows:

Details	Date	Number of shares
Ordinary shares		
Balance	1 May 2011	2
Capital reconstruction (refer Note 1)	4 August 2011	(2)
Balance	29 April 2012 and 28 April 2013	0
Active ordinary shares		
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 and 28 April 2013	0
Passive ordinary shares		
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 and 28 April 2013	0
Active preferred ordinary shares		
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 and 28 April 2013	0
Passive preferred ordinary shares		
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 and 28 April 2013	0
A-Class performance shares		
Balance	1 May 2011	2,942,500
Capital reconstruction (refer Note 1)	4 August 2011	(2,942,500)
Balance	29 April 2012 and 28 April 2013	0
B-Class performance shares		
Balance	1 May 2011	2,942,500
Capital reconstruction (refer Note 1)	4 August 2011	(2,942,500)
Balance	29 April 2012 and 28 April 2013	0
Deferred shares		
Balance	1 May 2011	200,000
Capital reconstruction (refer Note 1)	4 August 2011	(200,000)
Balance	29 April 2012 and 28 April 2013	0

Movements in shadow equity during the reporting period were as follows:

Details	Date	Number of shares
Shadow equity units which represent active ordinary shares		
Balance	1 May 2011	4,359,653
Capital reconstruction (refer Note 1)	4 August 2011	(4,359,653)
Balance	29 April 2012 and 28 April 2013	0
Shadow equity units which represent passive ordinary shares		
Balance	1 May 2011	435,965,300
Capital reconstruction (refer Note 1)	4 August 2011	(435,965,300)
Balance	29 April 2012 and 28 April 2013	0
Shadow equity units which represent active preferred ordinary shares		
Balance	1 May 2011	177,689
Capital reconstruction (refer Note 1)	4 August 2011	(177,689)
Balance	29 April 2012 and 28 April 2013	0
Shadow equity units which represent passive preferred ordinary shares		
Balance	1 May 2011	17,768,900
Capital reconstruction (refer Note 1)	4 August 2011	(17,768,900)
Balance	29 April 2012 and 28 April 2013	0

#### 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 attaching 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 20. Contributed equity (continued)

### 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 Share 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, or 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.

### 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 attached to these shares. Every year 20% of the B-Class performance shares became capable of conversion, when an exit event occurred, 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 were 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 were 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 sub-division 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.
- 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 21. Reserves

	2013 \$000	2012 \$000
Hedging – cash flow hedges	(674)	(97)
Foreign currency translation	461	260
	(213)	163
Movements in hedging reserve – cash flow hedges:		
Opening balance	(97)	0
Revaluation – gross	(894)	(102)
Deferred tax (Note 12)	268	31
Transfer to net profit – gross	70	(37)
Deferred tax (Note 12)	(21)	11
Closing balance	(674)	(97)
Movements in foreign currency translation reserve:		
Opening balance	260	0
Exchange fluctuations arising on net assets of foreign operations	201	260
Closing balance	461	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 22. Retained earnings/(accumulated losses)

	2013 \$000	2012 \$000
Retained earnings/(accumulated losses):		
Opening balance	(2,993)	(14,422)
Net profit	16,368	11,429
Dividend provided for or paid	(9,765)	0
Closing balance	3,610	(2,993)
Dividends:		
Dividends paid of \$0.105 per fully paid share:	9,765	0
	9,765	0
Franking credits available for the subsequent reporting period based on a tax rate of 30%	44,010	44,583

The above amount represents the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the reporting period;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that may be prevented from being distributed in the subsequent reporting period.

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

Since the end of the reporting period, the Directors of the Company have declared the payment of a fully franked final dividend of 5.5 cents per ordinary share (\$5.1 million) to be paid on 19 July 2013. The aggregate amount of the dividend to be paid on that date, but not recognised as a liability at the end of the reporting period, is \$5,115,000.

## Note 23. Subsidiaries and Deed of Cross Guarantee

The Consolidated Financial Statements at 28 April 2013 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	
				2013	2012
CFG Finance Pty Limited	(b) (d)	Australia	CFGF	100	100
Collins Foods Holding Pty. Limited	(b) (d)	Australia	CFH	100	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	100
Sizzler International Marks LLC	(e)	Delaware, USA	SIM	100	100
Sizzler Asia Holdings LLC	(e)	Delaware, USA	SAH	100	100
Sizzler South East Asia LLC	(e) (f)	Delaware, USA	SSEA	100	100
Sizzler New Zealand LLC	(e) (f)	Delaware, USA	SNZ	100	100
Sizzler Restaurant Services LLC	(e) (f)	Delaware, USA	SRS	100	100

### Notes

- Collins Foods Limited is domiciled in Brisbane, Australia. The Registered office is located at 16 Edmondstone Street, Newmarket QLD 4051.
- 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.
- 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.
- 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 Holdings Pty Limited, was holding company of the group acquired by the Company on 4 August 2011.
- 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.
- Originally incorporated in Nevada, upon conversion to a LLC became registered in Delaware.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 23. Subsidiaries and Deed of Cross Guarantee (continued)

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	
	2013 \$000	2012 \$000
<b>Consolidated Income Statement</b>		
Sales revenue	421,385	404,177
Cost of sales	(201,711)	(192,587)
Gross profit	219,674	211,590
Selling, marketing and royalty expenses	(89,514)	(83,790)
Occupancy expenses	(33,327)	(31,378)
Restaurant related expenses	(42,830)	(42,699)
Administration expenses	(24,281)	(31,418)
Other expenses	(2,070)	(1,716)
Other income	858	11,291
Finance revenue	202	1,196
Finance costs	(6,386)	(26,453)
<b>Profit from continuing operations before income tax</b>	<b>22,326</b>	<b>6,623</b>
Income tax (expense)/benefit	(6,992)	4,480
<b>Profit from continuing operations</b>	<b>15,334</b>	<b>11,103</b>
<b>Statement of Consolidated Comprehensive Income</b>		
<b>Profit from continuing operations</b>	<b>15,334</b>	<b>11,103</b>
<b>Other comprehensive income:</b>		
Exchange difference upon translation of foreign operations	201	260
Cash flow hedges	(824)	(139)
Income tax relating to components of other comprehensive income	247	42
<b>Other comprehensive income for the reporting period, net of tax</b>	<b>(376)</b>	<b>163</b>
<b>Total comprehensive income for the reporting period</b>	<b>14,958</b>	<b>11,266</b>
Total comprehensive income for the reporting period is attributable to:		
Owners of the parent	14,958	11,266
<b>Summary of movements in consolidated retained profits</b>		
<b>Retained profits/(losses) at the beginning of the reporting period</b>	<b>(3,261)</b>	<b>(14,364)</b>
Profit for the reporting period	15,334	11,103
Dividends provided for or paid	(9,765)	0
<b>Retained earnings/(accumulated losses) at the end of the reporting period</b>	<b>2,308</b>	<b>(3,261)</b>

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

	Closed Group	
	2013 \$000	2012 \$000
<b>Current assets</b>		
Cash and cash equivalents	23,223	18,804
Receivables	3,748	3,450
Inventories	4,406	4,272
<b>Total current assets</b>	<b>31,377</b>	<b>26,526</b>
<b>Non-current assets</b>		
Property, plant and equipment	59,149	57,549
Intangible assets, net	222,032	223,040
Deferred tax assets, net	16,680	16,762
Receivables	30	31
Other financial assets	9,827	9,827
<b>Total non-current assets</b>	<b>307,718</b>	<b>307,209</b>
<b>Total assets</b>	<b>339,095</b>	<b>333,735</b>
<b>Current liabilities</b>		
Trade and other payables	39,729	45,234
Current tax liabilities	4,157	0
Derivative financial instruments	743	19
Provisions	3,750	3,553
<b>Total current liabilities</b>	<b>48,379</b>	<b>48,806</b>
<b>Non-current liabilities</b>		
Borrowings	104,710	104,480
Derivative financial instruments	254	83
Provisions	1,864	1,540
<b>Total non-current liabilities</b>	<b>106,828</b>	<b>106,103</b>
<b>Total liabilities</b>	<b>155,207</b>	<b>154,909</b>
<b>Net assets</b>	<b>183,888</b>	<b>178,826</b>
<b>Equity</b>		
Contributed equity	182,098	182,098
Reserves	(518)	(11)
Retained profits/(accumulated losses)	2,308	(3,261)
<b>Total equity</b>	<b>183,888</b>	<b>178,826</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 24. Commitments for expenditure

	Closed Group	
	2013 \$000	2012 \$000
<b>Capital commitments</b>		
Property, plant and equipment:		
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities, payable	7,621	5,112
<b>Operating Leases</b>		
Operating leases relate to land, buildings and equipment with lease terms ranging from three to 25 years and expire on varying dates through 2027. 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	24,984	24,311
Later than one year but not later than five years	60,563	63,377
Later than five years	22,103	19,309
	107,650	106,997
Less recoverable Goods and Services Tax	(9,783)	(9,727)
Minimum lease payments	97,867	97,270

## Note 25. Related parties

### Parent entity

The parent entity and ultimate parent entity within the Group is Collins Foods Limited.

### Key management personnel

Key management personnel include the directors for the parent entity and directors and executives for the Group. All disclosures relating to key management personnel are disclosed in Note 26.

### Subsidiaries

The ownership interests in subsidiaries are set out in Note 23.

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.

### Transactions with related parties

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

Transaction type	Class of related party	Whole Dollars	
		2013 \$	2012 \$
<b>Loans to related parties</b>			
Interest receivable	Related entity <sup>(i)</sup>	0	410,104
<b>Other transactions</b>			
Operating expenses paid for	Related entity <sup>(i)</sup>	0	139,428
Acquisition of loan owing by related party	Related entity <sup>(i)</sup>	0	11,921,786
Acquisition of a related party receivable	Related entity – Associate	0	177,012
Reversal of a provision for impairment of a related party receivable	Related entity – Associate	0	108,988
Loan repayment from a related party	Related entity – Associate	(281,206)	0
Provision for impairment of a related party receivable	Related entity – Associate	(4,794)	0
<b>Aggregate unsecured amounts receivable from, and payable to, related parties at balance date:</b>			
Non-current assets – Receivables	Related entity – Associate	0	286,000

(i) Prior to acquisition of related party (refer Note 33).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 26. Key Management Personnel compensation and equity instrument disclosures

### Key Management Personnel compensation

Short-term employee benefits	2,030,241	2,516,114
Post-employment benefits	173,630	215,064
Long-term benefits	40,988	47,307
	2,244,859	2,778,485

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

### Equity instrument disclosures relating to Key Management Personnel

#### 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.

2013 Ordinary Shares	Balance at start of period	Changes during the period <sup>1</sup>	Balance at the end of the period
<b>Directors</b>			
Russell Tate	20,001	–	20,001
Newman Manion	20,001	–	20,001
Bronwyn Morris	5,001	–	5,001
Kevin Perkins	7,340,833	–	7,340,833
Stephen Copulos	–	12,000,000	12,000,000
<b>Other Key Management Personnel</b>			
Graham Maxwell	–	–	–
Martin Clarke	126,262	–	126,262
John Hands	210,409	–	210,409
Phillip Coleman	11,571	–	11,571
Simon Perkins	168,402	(168,402)	–

<sup>1</sup> Changes include recognition/de-recognition of shares held upon becoming/ceasing to be a Director or other KMP of the Group.

2012	Balance at start of period (Former Parent Company Shares) <sup>1</sup>	Capital Reconstruction <sup>2</sup>	Purchase of Shares	Balance at the end of the period (Company Shares)
<b>Directors</b>				
Russell Tate				
Ordinary	–	–	20,001	20,001
Newman Manion				
Ordinary	–	–	20,001	20,001
Bronwyn Morris				
Ordinary	–	–	5,001	5,001
Kevin Perkins				
Active/Ordinary	18,291,011	(11,290,178)	340,000	7,340,833
Passive	1,829,101,100	(1,829,101,100)	–	–
Performance	455,000	(455,000)	–	–
Robert Koczkar				
Active/Ordinary	153,426	*	*	–
Passive	15,342,600	*	*	–



2012	Balance at start of period (Former Parent Company Shares) <sup>1</sup>	Capital Reconstruction <sup>2</sup>	Purchase of Shares	Balance at the end of the period (Company Shares)
<b>Other Key Management Personnel</b>				
Simon Perkins				
Active/Ordinary	1,803,931	(1,635,529)	—	168,402
Passive	180,393,100	(180,393,100)	—	—
Performance	400,000	(400,000)	—	—
Deferred	200,000	(200,000)	—	—
James Ryan				
Active/Ordinary	1,535,227	(1,356,080)	—	179,147
Passive	153,522,700	(153,522,700)	—	—
Performance	400,000	(400,000)	—	—
Martin Clarke				
Active/Ordinary	270,505	(144,243)	—	126,262
Passive	27,050,500	(27,050,500)	—	—
Performance	65,000	(65,000)	—	—
John Hands				
Active/Ordinary	1,126,951	(916,542)	—	210,409
Passive	112,695,100	(112,695,100)	—	—
Performance	200,000	(200,000)	—	—
David Nash				
Active/Ordinary	518,917	*	*	—
Passive	51,891,700	*	*	—
Performance	200,000	*	*	—
Adrian Argent				
Active/Ordinary	749,873	*	*	—
Passive	74,987,300	*	*	—
Performance	200,000	*	*	—
Trevor McDonald				
Active/Ordinary	262,501	*	*	—
Passive	26,250,100	*	*	—
Performance	65,000	*	*	—
Pamela Martin				
Active/Ordinary	766,987	*	*	—
Passive	76,698,700	*	*	—
Performance	200,000	*	*	—
Phillip Coleman				
Active/Ordinary	495,792	*	*	—
Passive	49,579,200	*	*	—
Performance	200,000	*	*	—
George Ryland				
Active/Ordinary	234,250	*	*	—
Passive	23,425,000	*	*	—
Performance	200,000	*	*	—

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

1 Shares held in Collins Foods Holding Pty Limited (the Former Parent Company), which were either active ordinary shares, active preferred ordinary shares, A-class or B-class performance shares or deferred shares (refer Note 20 for a description of the rights attaching to these share classes).

2 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 20); the exchange of active share classes by certain shareholders of the Former Parent Company for cash consideration; 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); the exchange of passive ordinary share classes by all shareholders of the Former Parent Company for nil consideration on 4 August 2011; the exchange of A-class performance shares in the Former Parent Company for nil consideration and B-class performance shares for cash consideration (the total cash consideration received or receivable by KMP for performance share classes in the capital reconstruction was \$82,548); and the exchange of deferred shares for nil consideration.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Note 26. Key Management Personnel compensation and equity instrument disclosures (continued)**

### **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 Directors and Director-related entities.

### **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.

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 33.

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 27. 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:

- Management employees – a non-contributory accumulated benefits scheme which is administered by Plum Financial Services Limited.
- Staff – non-contributory accumulated benefits plans which are administered by Westpac Financial Services Group Limited, Sunsuper or Australian Retirement Fund.

## **Note 28. Contingencies**

### **Contingent liabilities**

The parent entity and certain controlled entities indicated in Note 23 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 18, 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 29. 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	
	2013 \$	2012 \$
<b>Assurance services</b>		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	280,090	313,810
Audit and review of financial reports and other audit work for foreign subsidiary	20,300	20,000
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	20,600	20,000
	320,990	353,810
Other assurance services		
PricewaterhouseCoopers Australian firm		
Agreed upon procedures in respect of franchisee sales	9,700	0
Store sales certificates	10,300	10,000
Agreed upon procedures for covenant calculations	18,800	18,330
	38,800	28,330
Total remuneration for assurance services	359,790	382,140
<b>Taxation services</b>		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	25,000	29,000
Tax advice and consulting	11,000	5,000
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	3,654	3,565
Total remuneration for taxation services	39,654	37,565
<b>Transaction services</b>		
PricewaterhouseCoopers Australian firm		
Transaction compliance services	0	864,067
Total remuneration for transaction services	0	864,067
<b>Total remuneration for services</b>	<b>399,444</b>	<b>1,283,772</b>

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 30. Notes to the Consolidated Statement of Cash Flows

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

	2013 \$000	2012 \$000
Profit from continuing operations	16,368	11,429
<b>Adjustments for non-cash income and expense items:</b>		
Depreciation, amortisation and impairment	17,445	16,959
KFC franchise rights written off	0	3,732
Loss on disposal of property, plant and equipment	209	116
Borrowing costs written off on loan extinguishment	0	10,022
Amortisation of borrowing costs	230	1,371
Transfer to/(from) provisions:		
Provision for diminution in value of inventory	0	4
Reversal of provision for diminution in value of inventory	(5)	0
Provision for employee entitlements	553	(13)
Reversal of impairment of related party receivable	0	(109)
Impairment of related party receivable	5	0
Release of related party financial liability – retirement plan	0	(10,671)
Movement in:		
Income tax payable	4,157	(544)
Deferred tax balances	240	(3,493)
Fringe benefits tax payable	70	97
Goods and services tax payable	(82)	340
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in assets:		
Receivables	(806)	222
Inventory	(129)	244
Prepayments and other assets	(1,200)	1,670
Receivables from related parties	0	(410)
Share of profits of associate	(92)	(87)
Increase/(decrease) in liabilities:		
Trade payables and accruals	4,257	(6,789)
<b>Financing activities included in loss from continuing operations:</b>		
Costs associated with Initial Public Offer	0	11,535
Net operating cash flows	41,220	35,625

## Note 31. Non-cash financing and investing activities

	2013 \$000	2012 \$000
Acquisition of plant and equipment by means of leases	0	1,717
Total acquisition by means of leases	0	1,717

## Note 32. 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 they are not entered into for speculative purposes.

### Market risk

#### *Foreign exchange risk*

During 2013 and 2012, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivables and trade payables in respect of the Group's Asian operations following its acquisition 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 is disclosed in the tables below.

#### *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 18.

#### *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.

### 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 13) is not past due nor impaired (2012: 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 is assessed on an ongoing basis.

Credit risk further arises in relation to financial guarantees given to certain parties (see Notes 18 and 23 for details).

### 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 18. 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 16 and 18.

### 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 values 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 32. Financial risk management (continued)

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- 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 28 April 2013			At 29 April 2012		
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Assets</b>						
Derivative financial instruments	0	0	0	0	0	0
<b>Liabilities</b>						
Derivative financial instruments	0	997	0	0	102	0

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 values 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:

	Carrying amount \$000	Interest Rate Risk				Foreign Exchange Risk			
		-1%		+1%		-20%		+20%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
<b>28 April 2013</b>									
<b>Financial assets</b>									
Cash and cash equivalents	23,556	(165)	0	165	0	67	0	(67)	0
Trade and other receivables	2,002	0	0	0	0	38	0	(38)	0
<b>Financial liabilities</b>									
Trade and other payables	39,813	0	0	0	0	(10)	0	10	0
Current tax liabilities	4,157	0	0	0	0	0	0	0	0
Borrowings	105,000	175	0	(175)	0	0	0	0	0
Derivative financial instruments	997	0	(733)	0	733	0	0	0	0
Total increase/(decrease)		10	(733)	(10)	733	95	0	(95)	0

	Carrying amount \$000	Interest Rate Risk				Foreign Exchange Risk			
		-1%		+1%		-20%		+20%	
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
<b>29 April 2012</b>									
<b>Financial assets</b>									
Cash and cash equivalents	19,243	(135)	0	135	0	88	0	(88)	0
Trade and other receivables	1,195	0	0	0	0	34	0	(34)	0
Related party receivables	286	0	0	0	0	57	0	(57)	0
<b>Financial liabilities</b>									
Trade and other payables	45,547	0	0	0	0	(10)	0	10	0
Borrowings	105,000	175	0	(175)	0	0	0	0	0
Derivative financial instruments	102	0	(1,256)	0	1,256	0	0	0	0
Total increase/(decrease)		40	(1,256)	(40)	1,256	169	0	(169)	0

### Note 33. 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 reporting period ended 29 April 2012 would have been \$2.4 million with a corresponding net profit of \$0.1 million (after intercompany interest of \$0.9 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 34. Earnings per share

	2013 cents	2012 cents
<b>Basic earnings per share</b>		
From continuing operations	17.60	14.40
	17.60	14.40
<b>Diluted earnings per share</b>		
From continuing operations	17.60	14.40
	17.60	14.40
	2013 \$000	2012 \$000

### (a) Basic earnings per share

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

Profit for the reporting period	16,368	11,429
Earnings used in the calculation of basic EPS from continuing operations	16,368	11,429

	2013 Number of shares	2012 Number of shares
Weighted average number of ordinary shares for the purpose of basic EPS	93,000,003	79,365,556

	2013 \$000	2012 \$000
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### (b) Diluted earnings per share

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

Profit for the reporting period	16,368	11,429
Earnings used in the calculation of basic EPS from continuing operations	16,368	11,429

	2013 Number of shares	2012 Number of shares
Weighted average number of ordinary shares for the purpose of basic EPS	93,000,003	79,365,556

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. For the prior 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 35. Parent entity financial information

### Summary financial information

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

	2013 \$000	2012 \$000
<b>Balance Sheet</b>		
Current assets	89	90
Non-current assets	242,144	242,712
<b>Total assets</b>	<b>242,233</b>	<b>242,802</b>
Current liabilities	4,906	0
Non-current liabilities	8,787	18,499
<b>Total liabilities</b>	<b>13,693</b>	<b>18,499</b>
<b>Net assets</b>	<b>228,540</b>	<b>224,303</b>
Shareholder's equity		
Issued capital <sup>(i)</sup>	228,426	228,426
Retained earnings/(Accumulated losses)	114	(4,122)
	228,540	224,303
Profit/(loss) for the reporting period	14,001	(4,122)
Total comprehensive income/(expense)	14,001	(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).

### 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 18. In addition, there are cross guarantees given by the parent entity as described in Note 23. 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.

### 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 28 April 2013.

# DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 27 to 79 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 28 April 2013 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 23 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 23.

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.

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



**Russell Tate**

Director

Brisbane

25 June 2013

# 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 28 April 2013, 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 financial 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, 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 financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# INDEPENDENT AUDITOR'S REPORT



## *Independence*

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

## *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 28 April 2013 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 17 to 24 of the directors' report for the period ended 28 April 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Collins Foods Limited for the period ended 28 April 2013, complies with section 300A of the *Corporations Act 2001*.

A stylized signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature of Steven Bosiljevac, written in black ink.

Steven Bosiljevac  
Partner

Brisbane  
25 June 2013

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 June 2013.

## 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	1,137
1,001–5,000	1,894
5,001–10,000	682
10,001–100,000	495
100,001 and over	41

There were 49 holders of less than a marketable parcel of ordinary shares.

## B. Equity security holders

The names of the 20 largest holders of the only class of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares
Citicorp Nominees Pty Limited	11,583,000	12.45%
JP Morgan Nominees Australia Limited	10,710,138	11.52%
HSBC Custody Nominees (Australia) Limited <CW A/C>	10,678,000	11.48%
HSBC Custody Nominees (Australia) Limited	10,434,836	11.22%
National Nominees Limited	8,160,492	8.77%
Mr Kevin Perkins	7,000,833	7.53%
Spacetime Pty Ltd <Copulos Exec S/F No 1 A/C>	1,322,000	1.42%
UBS Wealth Management Australia Nominees Pty Ltd	1,088,558	1.17%
Hooks Enterprises Pty Ltd <Hoeksema Superfund A/C>	560,000	0.60%
Mrs Heather Lynnette Grace	547,801	0.59%
Brazil Farming Pty Ltd	500,000	0.54%
Michael Kemp Pty Ltd <Michael Kemp A/C>	410,000	0.44%
Plymouth Pty Ltd	400,000	0.43%
Adrian Mark Argent	350,014	0.38%
Ward McKenzie Pty Ltd	305,000	0.33%
Perkins Family Investment Corporation Pty Ltd	300,000	0.32%
SM & RW Brown Pty Ltd <Robert and Sally Brown SF A/C>	270,000	0.29%
Avanteos Investments Limited <2477966 DNR A/C>	240,847	0.26%
JP Morgan Nominees Australia Limited <Cash Income A/C>	224,925	0.24%
Mr John Hands	210,409	0.23%

# 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	
	Number held	Percentage
Allan Gray Australia Pty Ltd	17,455,661	18.77%
Copulos Group	11,500,000	12.37%
Kevin Perkins	7,000,833	7.53%
National Australia Bank Limited	5,900,563	6.35%
Commonwealth Bank of Australia	5,521,063	5.94%
Pengana Capital Limited	5,000,000	5.38%

## D. Restricted Securities

3,500,417 ordinary shares are subject to voluntary escrow as follows:

Number of ordinary shares subject to escrow	Date the escrow period ends
3,500,417	28 June 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.

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# CORPORATE DIRECTORY

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## **Directors**

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

## **Company Secretary**

Rebecca Wiley

## **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  
T 1300 554 474

## **Auditor**

PricewaterhouseCoopers  
Riverside Centre,  
123 Eagle Street,  
Brisbane QLD 4000

## **Stock Exchange Listings**

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

## **Website Address**

[www.collinsfg.com.au](http://www.collinsfg.com.au)



**CFL**  
COLLINS FOODS LIMITED



**KFC** **Sizzler**