Guzman y Gomez (Holdings) Limited

ABN 25 125 554 743

Annual Report - 30 June 2023

General information

The financial statements cover Guzman y Gomez (Holdings) Limited as a consolidated entity consisting of Guzman y Gomez (Holdings) Limited (the 'Company' or 'GYG') and the entities it controlled (the 'consolidated entity') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Guzman y Gomez (Holdings) Limited's functional and presentation currency.

Guzman y Gomez (Holdings) Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 5 126-130 Phillip Street Sydney NSW 2000	Level 2 64-76 Kippax Street Surry Hills NSW 2010

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2023. The directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (the 'consolidated entity') consisting of Guzman y Gomez (Holdings) Limited (the 'Company' or 'GYG') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors and Company Secretary

The following persons were directors of Guzman y Gomez (Holdings) Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	**Appointment/Resignation date**
Mr Steven Todd Marks	Appointed 23 May 2007
Mr Robert Jacob Hazan	Appointed 30 May 2007
Mr Stephen Craig Jermyn	Appointed 18 July 2014
Mr Gaetano Alfred Russo	Appointed 18 July 2014
Mr Bruce Eaton Buchanan	Appointed 25 August 2016
Mr Hilton Brett	Appointed 13 August 2018
Mr Thomas Donald Mckenzie Cowan	Appointed 13 August 2018
Ms Jacqueline Coombes	Appointed 24 June 2020
Ms Marina Joanou	Appointed 23 February 2023
Mr Humberto Maradiegue	Resigned 10 November 2022

Company Secretary

Claudine Mary Tarabay is the appointed Company Secretary.

Principal activities

The principal activities of the consolidated entity during the course of the financial year was the sale of Mexican inspired food through a chain of quick service restaurants and the management of a franchise business engaged in the same business. The consolidated entity operates corporate restaurants in Australia and USA and manages franchisee restaurants in Australia, Singapore and Japan. There were no significant changes in the nature of the activities of the consolidated entity during the year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $2,267,000 (30 June 2022: profit of $3,911,000).

Global Network Sales including Franchisees for the Group during the financial year were $758.8 million (2022: $575.0 million). Global restaurant network as 30 June 2023 was 193 restaurants (2022: 168 restaurants)

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) to reflect the core earnings of the Group. Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items.

A reconciliation between statutory net profit after tax ('NPAT') and Underlying EBITDA for the year ended 30 June 2023 and 30 June 2022 is as follows:

2023	Statutory $'000	AASB 16 adjustments $'000	AASB 2 Share-based payments $'000	Costs associated with establishment of US business $'000	Amortisation of reacquired rights $'000	Non-cash revenue(i) $'000	Significant income and Expenses(ii) $'000	Underlying Group $'000	US operating losses $'000	Underlying Australia $'000
Restaurant sales	217,934	-	-	-	-	-	-	217,934	5,959	211,975
Other revenue	41,110	-	-	-	-	-	-	41,110	-	41,110
EBITDA	**29,621**	**(11,213)**	**4,240**	**3,308**	**-**	**487**	**5,662**	**32,105**	**(1,282)**	**33,387**
Depreciation and amortisation	25,555	(10,332)	-	-	(2,747)	-	-	12,476	(328)	12,148
EBIT	**4,066**	**(881)**	**4,240**	**3,308**	**2,747**	**487**	**5,662**	**19,629**	**(1,610)**	**21,239**
Interest paid/ (earned)	3,910	(4,569)	-	-	-	-	-	(659)	-	(659)
NPBT	**156**	**3,688**	**4,240**	**3,308**	**2,747**	**487**	**5,662**	**20,288**	**(1,610)**	**21,898**
Income tax expense	(2,423)	-	-	-	-	-	-	(2,423)	-	(2,423)
NPAT	**(2,267)**	-	-	-	-	-	-	**17,865**	**(1,610)**	**19,475**

(i) Represents amortisation of franchise fees less cash received for new franchisees.

(ii) Among significant income and expenses are $3.80m costs associated with development of IT projects that do not meet the criteria for capitalization in accordance with the IFRIC Software-as-a-Service ("SAAS") guidance that have been expensed as incurred. Other significant expenses also include $3.06m of employee related re-structure and development costs, and $0.69m of normalisation relating to new restaurant costs pre-opening. Included in significant income is the receipt of $1.93m related to compensation from a QLD State Government metro project due to compulsory acquisition of a restaurant.

2022	Statutory $'000	AASB 16 adjustments $'000	AASB 2 Share-based payments $'000	Costs associated with establishment of US business $'000	Amortisation of reacquired rights $'000	Non-cash revenue(i) $'000	Significant income and Expenses(ii) $'000	Underlying Group $'000	US operating losses $'000	Underlying Australia $'000
Restaurant sales	141,690	-	-	-	-	-	-	141,690	2,473	139,217
Other revenue	30,102	-	-	-	-	-	-	30,102	-	30,102
EBITDA	**23,906**	**(7,979)**	**1,436**	**2,174**	**-**	**(96)**	**1,171**	**20,612**	**(682)**	**21,294**
Depreciation and amortisation	14,460	(6,656)	-	-	(947)	-	-	6,857	-	6,857
EBIT	**9,446**	**(1,321)**	**1,436**	**2,174**	**947**	**(96)**	**1,171**	**13,755**	**(682)**	**14,437**
Interest paid/ (earned)	2,835	(2,829)	-	-	-	-	-	6	-	6
NPBT	**6,611**	**1,506**	**1,436**	**2,174**	**947**	**(96)**	**1,171**	**13,749**	**(682)**	**14,431**
Income tax expense	(2,700)	-	-	-	-	-	-	(2,700)	-	(2,700)
NPAT	**3,911**							**11,049**	**(682)**	**11,731**

(i) Represents amortisation of franchise fees less cash received for new franchisees.

(ii) Among significant income and expenses are significant expenses of $1.5m of employee related re-structure and development costs and significant income of $0.6m related to compensation from a QLD State Government metro project due to compulsory acquisition of a restaurant.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Steven Todd Marks	5	5	-	-	-	-
Mr Robert Jacob Hazan	5	5	-	-	-	-
Mr Stephen Craig Jermyn	5	5	-	-	2	2
Mr Gaetano Alfred Russo	5	5	3	3	-	-
Mr Bruce Eaton Buchanan	1	5	1	3	-	-
Mr Hilton Brett	5	5	3	3	2	2
Mr Thomas Donald Mckenzie Cowan	5	5	-	-	-	-
Ms Jacqueline Coombes	4	5	3	3	-	-
Ms Marina Joanou	2	2	-	-	-	-
Mr Humberto Maradiegue	3	3	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Shares under option

Unissued ordinary shares of Guzman y Gomez (Holdings) Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27 June 2017	27 June 2027	$410.15	176
14 February 2020	30 June 2026	$495.00	11,020
28 July 2020	30 June 2026	$495.00	2,366
15 September 2020	30 June 2026	$495.00	543
20 October 2020	30 June 2027	$495.00	650
9 December 2020	30 June 2026	$495.00	160
12 November 2021	30 June 2027	$2,500.00	400
12 November 2021	30 June 2028	$2,500.00	3,200
26 April 2022	30 June 2026	$2,500.00	30
27 May 2022	30 March 2024	$3,270.00	4,122
27 May 2022	30 March 2025	$3,597.00	4,122
27 May 2022	30 March 2026	$3,957.00	4,121
27 March 2023	27 March 2030	$4,000.00	200
27 March 2023	27 March 2030	$4,000.00	350
12 May 2023	12 May 2030	$4,000.00	540
26 May 2023	26 May 2030	$4,000.00	714
5 June 2023	5 June 2030	$4,000.00	981
5 June 2023	5 June 2030	$4,000.00	336
9 June 2023	9 June 2030	$4,000.00	122
12 June 2023	12 June 2030	$4,000.00	898
			35,051

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Guzman y Gomez (Holdings) Limited were issued during the year ended 30 June 2023 and up to the date of this report through the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
1 August 2022	$495.00	472
18 October 2022	$319.76	3,042
18 October 2022	$495.00	6,569
10 March 2023	$495.00	5
23 March 2023	$495.00	53
3 May 2023	$495.00	800
		10,941

Share capital increased by $4,882,715 as a result of the issue of options during the year.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium of $98,456 in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Gaetano Alfred Russo
Chairman

Mr Steven Todd Marks
Founder and CEO

29 August 2023
Sydney

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The Directors
Guzman y Gomez (Holdings) Limited
Level 5, 126-130 Phillip Street
Sydney NSW 2000

29 August 2023

Dear Board Members,

Guzman y Gomez (Holdings) Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Guzman y Gomez (Holdings) Limited.

As lead audit partner for the audit of the financial report of Guzman y Gomez (Holdings) Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants

Guzman y Gomez (Holdings) Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue			
Revenue	3	259,044	171,792
Cost of food and packaging		(70,428)	(44,194)
Gross profit from restaurants, franchising fees and royalties		188,616	127,598
Other revenue and income	4	17,725	12,787
Expenses			
Marketing expenses	5	(17,580)	(13,987)
Occupancy expenses		(2,281)	(1,681)
Administrative expenses	6	(170,700)	(106,996)
Other expenses		(11,714)	(8,275)
Operating profit		4,066	9,446
Finance income	7	4,593	3,173
Finance costs	8	(8,503)	(6,008)
Profit before income tax expense		156	6,611
Income tax expense	9	(2,423)	(2,700)
(Loss)/profit after income tax expense for the year		(2,267)	3,911
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		399	8
Other comprehensive income for the year, net of tax		399	8
Total comprehensive (loss)/income for the year		(1,868)	3,919

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Guzman y Gomez (Holdings) Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	2023 $'000	2022 $'000
Assets			
Current assets			
Cash and cash equivalents	10	36,504	54,427
Trade and other receivables	11	23,947	16,352
Inventories	12	2,153	1,987
Finance lease receivable	13	10,772	10,898
Other assets	14	3,560	2,799
Total current assets		76,936	86,463
Non-current assets			
Trade and other receivables	11	1,140	594
Property, plant and equipment	15	69,486	36,563
Right-of-use assets	16	98,939	49,127
Finance lease receivable	13	58,561	57,540
Intangibles	17	15,202	15,410
Deferred tax	9	4,243	2,732
Total non-current assets		247,571	161,966
Total assets		324,507	248,429
Liabilities			
Current liabilities			
Trade and other payables	18	32,635	28,008
Contract liabilities	19	1,681	1,352
Borrowings	20	-	3,358
Lease liabilities	21	20,165	16,811
Income tax	9	3,636	-
Provisions	22	8,349	3,524
Total current liabilities		66,466	53,053
Non-current liabilities			
Contract liabilities	19	2,177	1,900
Borrowings	20	3,000	-
Lease liabilities	21	161,552	109,763
Provisions	22	3,347	2,614
Total non-current liabilities		170,076	114,277
Total liabilities		236,542	167,330
Net assets		87,965	81,099
Equity			
Issued capital	23	104,046	99,163
Reserves	24	10,776	6,526
Accumulated losses	25	(26,857)	(24,590)
Total equity		87,965	81,099

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Guzman y Gomez (Holdings) Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	90,255	4,569	(28,501)	66,323
Profit after income tax expense for the year	-	-	3,911	3,911
Other comprehensive income for the year, net of tax	-	8	-	8
Total comprehensive income for the year	-	8	3,911	3,919
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	8,908	-	-	8,908
Share-based payments (note 24)	-	1,436	-	1,436
Option fees received and receivable (note 24)	-	513	-	513
Balance at 30 June 2022	99,163	6,526	(24,590)	81,099

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	99,163	6,526	(24,590)	81,099
Loss after income tax expense for the year	-	-	(2,267)	(2,267)
Other comprehensive income for the year, net of tax	-	399	-	399
Total comprehensive (loss)/income for the year	-	399	(2,267)	(1,868)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 23)	4,883	-	-	4,883
Share-based payments (note 24)	-	3,675	-	3,675
Option fees received and receivable (note 24)	-	176	-	176
Balance at 30 June 2023	104,046	10,776	(26,857)	87,965

Guzman y Gomez (Holdings) Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers		295,589	190,582
Payments to suppliers and employees		(264,820)	(167,681)
		30,769	22,901
Interest received		964	3,173
Interest and other finance costs paid		(304)	(6,008)
Income taxes paid		(298)	(422)
Net cash from operating activities	38	31,131	19,644
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	34	(6,440)	(5,825)
Payments for property, plant and equipment		(39,713)	(19,392)
Payments for intangibles		(2,944)	(7,011)
Proceeds from disposal of business		694	530
Net cash used in investing activities		(48,403)	(31,698)
Cash flows from financing activities			
Proceeds from issue of shares	23	4,883	8,908
Option fees received		245	79
Repayment of borrowings		(358)	(489)
Repayment of lease liabilities		(5,421)	(4,108)
Net cash from/(used in) financing activities		(651)	4,390
Net decrease in cash and cash equivalents		(17,923)	(7,664)
Cash and cash equivalents at the beginning of the financial year		54,427	62,091
Cash and cash equivalents at the end of the financial year	10	36,504	54,427

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Guzman y Gomez (Holdings) Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Guzman y Gomez (Holdings) Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

Foreign currency translation
The financial statements are presented in Australian dollars, which is Guzman y Gomez (Holdings) Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue is recognised when control of the inventory transfers to the customer, which is generally at the time of delivery. Invoices are generated at a point in time upon receipt of goods. There is no significant financing component nor variable consideration.

Franchising revenue
Initial franchising fees are recognised as revenue on a straight-line basis over the term of the respective franchise agreement. This is on the basis that the consolidated entity has determined that the services provided in exchange for the initial fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees. Initial franchising fees are recognised as upfront fees and there is no variable consideration.

Other franchising revenue associated with sales-based royalties and marketing is recognised when the related franchisee sales occurs. Other franchising revenue is recognised at a point in time, based on the revenue percentage.

The consolidated entity also provides services to franchisees which are carried out in accordance with the contract. Service revenue is recognised as the performance obligation is satisfied which is when the services are rendered.

Note 1. Significant accounting policies (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants are assistance by the government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated entity other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the consolidated entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised in profit or loss in the period in which they become receivable. The grant income has been recognised in the consolidated statement of profit and loss on a net basis against the applicable expense category.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period’s tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Guzman y Gomez (Holdings) Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. 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.

The entities have also entered into a tax funding agreement under which the wholly owned entities in the tax consolidated 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.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Stock on hand and equipment for resale is stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 1. Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	Life of the lease (3-15 years)
Plant and equipment	1-20 years
Make good assets	Life of the lease (3-15 years)
Computer equipment	1-8 years
Motor vehicles	1-8 years
Office equipment	1-20 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are not amortised on the basis that they have an indefinite life. Management considers that the useful life of patents and trademarks is indefinite because there is no foreseeable limit to the cash flows these assets can generate. This is reassessed every year. Instead, these assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

Reacquired rights
Significant costs associated with reacquired rights are deferred and amortised on a straight-line basis over a period of 2 to 8 years (based on the period of the franchising contract).

Software-as-a-Service (‘SaaS’) arrangements
SaaS arrangements are service contracts providing the Company with the right to access the cloud provider’s application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other 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 non-financial 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Contract liabilities consist of deferred franchise fees, gift card liabilities and loyalty program liabilities. The consolidated entity’s franchise agreements typically require certain one off fees. These fees include initial fees paid upon executing a franchise agreement. The initial fees are interrelated with the franchise right and not individually distinct from the ongoing services provided to the franchisees. As a result, initial fees are recognised on a straight line basis over the term of the franchise agreement, typically 10 years.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
The consolidated entity as lessee
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Note 1. Significant accounting policies (continued)

The consolidated entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other expenses in the profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The consolidated entity has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the consolidated entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The consolidated entity as lessor
The consolidated entity enters into lease agreements as a lessor for franchisee restaurants.

Leases for which the consolidated entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the consolidated entity is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the consolidated entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the consolidated entity applies AASB 15 to allocate the consideration under the contract to each component.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments as the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact on expenses and equity.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If the equity-settled awards are forfeited, the previously recognised expense is de-recognised immediately.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 1. Significant accounting policies (continued)

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Issued capital
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 the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Deed of cross guarantee
Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries described in note 36 are relieved from the Corporations Act 2001 requirements for the preparation, audit and lodgement of financial reports. It is a condition of the class order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee (Deed). Under the Deed the Company guarantees the payment of all debts of each of the subsidiaries in full, in the event of a winding up. The subsidiaries in turn guarantee the payment of the debts of the Company in full in the event that it is wound up.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

AASB 16 Leases – extension options
Extension and termination options are included in a number of property lease agreements. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. These include relevant factors such as the store performance, the remaining useful life of the store plant & equipment and remaining term of the licence to franchisees where relevant. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if and when an option becomes reasonably certain.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 3. Revenue

	2023 $'000	2022 $'000
Sales revenue (point in time)	217,934	141,690
Franchising revenue - Initial (over time)	600	596
Franchising revenue - Other (point in time)	40,510	29,506
	259,044	171,792

Note 3. Revenue (continued)

	2023 $'000	2022 $'000
Australia:		
Sales revenue	211,975	139,217
Initial franchising revenue	600	596
Other franchising revenue	38,789	28,234
USA:		
Sales revenue	5,959	2,473
Other:		
Other franchising revenue	1,721	1,272
	259,044	171,792

Refer to note 19 for further details regarding deferred franchise fees and other deferred items recognised as contract liabilities.

Note 4. Other revenue and income

	2023 $'000	2022 $'000
Franchising marketing levy revenue	13,252	10,312
Net (loss)/gain on disposal of property, plant and equipment	(63)	40
Gain on sale of franchises (note 34)	271	15
(Loss)/gain on disposal of franchisee assets	-	57
Stock for resale income	128	94
Other revenue	4,137	2,269
Total other revenue and income	17,725	12,787

Included in other income is a compensation claim agreed with Queensland government entity for the compulsory acquisition of one of the consolidated entity's restaurants. A total of $2,475,000 was received of which $1,930,000 was recognised in the current period and $546,000 in the prior year.

During the previous year, the consolidated entity was eligible for certain COVID-19 grants from the Victorian State Government. A total of $705,000 in receipts was recognised as a reduction in employee expenses in the consolidated statement of profit or loss.

Note 5. Marketing expenses

	2023 $'000	2022 $'000
Marketing	13,718	11,278
Marketing - Employee benefits expense	3,862	2,709
	17,580	13,987

Note 6. Expenses

	2023 $'000	2022 $'000
Profit before income tax includes the following specific expenses:		
Cost of food and packaging		
Cost of food and packaging	70,428	44,194
Administrative expenses		
Depreciation		
Leasehold improvements	2,725	1,550
Plant and equipment	3,679	2,334
Computer equipment	931	705
Office equipment	790	584
Make good assets	265	168
Land and buildings right-of-use assets	10,332	6,656
Total depreciation	18,722	11,997
Amortisation		
Software	4,086	1,516
Reacquired rights	2,747	947
Total amortisation	6,833	2,463
Total depreciation and amortisation	25,555	14,460
Employee benefits		
Defined contribution superannuation expense	7,757	5,324
Equity-settled share based payment transactions expense	3,675	1,436
On-costs on equity-settled share based payment	565	-
Employee benefits expense excluding superannuation(ii)	95,034	65,130
Less: Marketing - Employee benefits expense(iii)	(3,862)	(2,709)
	103,169	69,181
Other administrative expenses		
Other administrative expenses	41,838	23,427
Net foreign exchange loss/(gain)		
Net foreign exchange loss/(gain)	138	(72)
Total administrative expenses	170,700	106,996
Rental expenses(i)		
Rental expenses	1,495	1,127

(i) Rental expenses in the current year relate to percentage rents, short term leases and low value leases.
(ii) In the prior year, the consolidated entity was eligible for certain COVID 19 grants from the Victorian State Government. A total of $705,000 in receipts was recognised as a reduction in employee expenses in the statement of profit or loss.
(iii) Employee benefits which are attributable to marketing activities are classified as marketing expenses. Refer to note 5 for details.

Note 7. Finance income

	2023 $'000	2022 $'000
Interest income	901	161
Franchise interest income	62	43
Lease interest income	3,630	2,969
	4,593	3,173

Note 8. Finance costs

	2023 $'000	2022 $'000
Lease interest expense	8,199	5,799
Bank interest	176	70
Other borrowing costs	128	139
	8,503	6,008

Note 9. Income tax

	2023 $'000	2022 $'000
Elements of income tax expense		
Current tax expenses	4,317	489
Deferred tax movement	(1,678)	2,881
Under/(over) provision for tax in prior periods – current tax	27	(32)
Over provision for tax in prior periods – deferred tax	(365)	(638)
Other	122	-
Aggregate income tax expense	2,423	2,700
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(1,678)	2,881
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	156	6,611
Tax at the statutory tax rate of 30%	47	1,983
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	1,012	533
Deferred tax assets not brought to account	1,581	854
Adjustment for reacquired rights in the prior period	(202)	(590)
Over provision for tax in prior periods	(15)	(80)
Income tax expense	2,423	2,700

	2023 $'000	2022 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	5,268	6,211
Potential tax benefit @ 30%	1,580	1,863

Note 9. Income tax (continued)

USA operations
There were $4,845,000 of tax losses relating to the USA operations. These have not been recognised as in the opinion of the directors there is insufficient likelihood that taxable profits will be generated in the USA to recover the tax losses.

	2023 $'000	2022 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	489
Allowance for expected credit losses	34	19
Property, plant and equipment	(4,435)	(4,529)
Contract liabilities	2,171	713
Employee benefits	1,323	1,021
Leases	2,580	2,645
Provisions	1,469	1,080
Other liabilities	1,026	413
Blackhole expenditure	31	881
Reacquired Rights	44	-
Deferred tax asset	4,243	2,732
Movements:		
Opening balance	2,732	5,554
Credited/(charged) to profit or loss	1,678	(2,881)
Other adjustments	(167)	59
Closing balance	4,243	2,732

	2023 $'000	2022 $'000
Provision for income tax		
Provision for income tax	3,636	-

Note 10. Cash and cash equivalents

	2023 $'000	2022 $'000
Current assets		
Cash on hand	144	115
Cash at bank	21,360	14,273
Cash on deposit	15,000	40,039
	36,504	54,427

Note 11. Trade and other receivables

	2023 $'000	2022 $'000
Current assets		
Trade receivables	11,131	7,195
Less: Allowance for expected credit losses	(200)	(200)
	10,931	6,995
Other receivables	12,747	9,069
Employee loans	269	288
	23,947	16,352
Non-current assets		
Trade receivables	773	-
Employee loans	367	594
	1,140	594

Allowance for expected credit losses
The consolidated entity has recognised a loss of $nil (2022: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

There was no movement provision for expected credit losses during the current year.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 $'000	2022 $'000	2023 $'000	2022 $'000
0 to 3 months overdue	-	-	10,112	5,815	-	-
3 to 6 months overdue	0.847%	-	826	194	7	-
Over 6 months overdue	100.000%	16.870%	193	1,186	193	200
			11,131	7,195	200	200

Note 12. Inventories

	2023 $'000	2022 $'000
Current assets		
Stock on hand - at cost	1,218	984
Equipment for resale - at cost	935	1,003
	2,153	1,987

Note 13. Finance lease receivable

	2023 $'000	2022 $'000
Current assets		
Lease receivable	10,772	10,898
Non-current assets		
Lease receivable	58,561	57,540

Set out below are the carrying amounts of investment in lease assets and the movements during the year:

	2023 $'000	2022 $'000
Opening balance	68,438	59,604
Net additions	11,842	18,791
Accretion of interest	3,630	2,970
Franchisee lease receipts[a]	(14,577)	(12,927)
Closing balance	69,333	68,438

[a] Payments under the property licence deed are paid directly by the franchisee and so are excluded from the consolidated statement of cash flows.

Lessor commitments
Future minimum rentals receivable under non-cancellable finance leases as at end of the year are as follows:

	2023 $'000	2022 $'000
Committed at the reporting date and recognised as assets, receivable		
1 year or less	14,133	14,566
Between 1 and 2 years	12,709	13,449
Between 2 and 3 years	10,693	11,911
Between 3 and 4 years	9,679	9,783
Between 4 and 5 years	8,638	8,680
Over 5 years	30,142	28,080
Total commitment	85,994	86,469
Less: Future finance charges	(16,661)	(18,031)
Net commitment recognised as assets	69,333	68,438

There were no operating leases for the year ended 30 June 2022.

Note 14. Other assets

	2023 $'000	2022 $'000
Current assets		
Prepayments	3,130	2,241
Security deposits	430	558
	3,560	2,799

Note 15. Property, plant and equipment

	2023 $'000	2022 $'000
Non-current assets		
Leasehold improvements - at cost	45,258	25,382
Less: Accumulated depreciation	(8,041)	(5,509)
Less: Impairment	(4,760)	(4,530)
	32,457	15,343
Plant and equipment - at cost	26,696	17,841
Less: Accumulated depreciation	(8,788)	(5,297)
Less: Impairment	(1,997)	(1,978)
	15,911	10,566
Computer equipment - at cost	5,548	4,604
Less: Accumulated depreciation	(3,129)	(2,220)
Less: Impairment	(192)	(186)
	2,227	2,198
Office equipment - at cost	5,361	4,339
Less: Accumulated depreciation	(2,035)	(1,455)
Less: Impairment	(439)	(417)
	2,887	2,467
Make good assets - at cost	3,108	2,713
Less: Accumulated depreciation	(1,318)	(1,080)
Less: Impairment	(138)	(138)
	1,652	1,495
Site construction assets - at cost	14,352	4,494
	69,486	36,563

Note 15. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values of property, plant and equipment (excluding site construction assets) at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $'000	Plant and equipment $'000	Computer equipment $'000	Office equipment $'000	Make good assets $'000	Total $'000
Balance at 1 July 2021	7,912	7,739	1,879	1,994	986	20,510
Additions	8,991	3,975	1,066	1,128	677	15,837
Additions through business combinations (note 34)	-	1,460	-	-	-	1,460
Disposals	-	(331)	(45)	(76)	-	(452)
Exchange differences	(10)	(8)	(3)	(6)	-	(27)
Depreciation expense	(1,550)	(2,269)	(699)	(573)	(168)	(5,259)
Balance at 30 June 2022	15,343	10,566	2,198	2,467	1,495	32,069
Additions	18,158	9,002	959	1,302	440	29,861
Additions through business combinations (note 34)	1,848	145	6	8	-	2,007
Disposals	(168)	(121)	(16)	(100)	(18)	(423)
Exchange differences	1	(2)	11	-	-	10
Depreciation expense	(2,725)	(3,679)	(931)	(790)	(265)	(8,390)
Balance at 30 June 2023	32,457	15,911	2,227	2,887	1,652	55,134

Impairment of assets

At the end of each reporting period, the consolidated entity reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

For impairment testing purposes, the consolidated entity has determined that each store is a separate CGU. Each CGU is tested for impairment at the end of the reporting period if there are indicators of impairment. The value in use of each CGU is calculated based on the board-approved forecast for the next 12 months after the reporting date. Cash flows beyond the first year are projected based on long term growth rates to the end of the lease term. No impairment of non-current assets was recognised during the year.

Note 16. Right-of-use assets

	2023 $'000	**2022 $'000**
Non-current assets		
Land and buildings - right-of-use	128,751	68,566
Less: Accumulated depreciation	(29,812)	(19,439)
	98,939	49,127

Note 16. Right-of-use assets (continued)

The consolidated entity has lease contracts for offices and restaurants (‘principal leases’). under agreements of typically 5 to 20 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Where the consolidated entity does not operate a corporate restaurant from the premises, it licences the premises to franchisees by way of a property licence deed under which the franchisees assume the lease liabilities for the term of the property licence deed (‘franchisee leases’). In most cases, the consolidated entity retains ultimate liability for the lease obligations. On adoption of AASB 16, the consolidated entity recognised lease liabilities related to principal and franchisee leases, with right-of-use assets recognised for principal leases and finance lease receivables relating to franchisee leases where the property licence meets the definition of a finance lease.

In addition, there are a number of leases for which the head lease is longer than the sub-lease to the franchisee. In these circumstances the sub-lease is classified as an operating lease.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $'000
Balance at 1 July 2021	46,032
Additions	9,751
Depreciation expense	(6,656)
Balance at 30 June 2022	49,127
Additions	60,144
Depreciation expense	(10,332)
Balance at 30 June 2023	98,939

For other AASB 16 lease disclosures, refer to the following:

- note 6 for details of interest on lease liabilities and other expenses;
- note 21 for lease liabilities at the end of the reporting period;
- note 27 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 17. Intangibles

	2023 $'000	2022 $'000
Non-current assets		
Goodwill - at cost	1,373	874
Less: Impairment	(97)	(97)
	1,276	777
Patents and trademarks - at cost	504	472
Software - at cost	14,138	11,232
Less: Accumulated amortisation	(6,923)	(2,843)
	7,215	8,389
Reacquired rights - at cost	11,195	7,316
Less: Accumulated amortisation	(4,988)	(2,241)
	6,207	5,075
Intangible assets under construction - at cost	-	697
	15,202	15,410

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Patents and trademarks $'000	Software $'000	Reacquired rights $'000	Intangible assets under construction $'000	Total $'000
Balance at 1 July 2021	777	435	1,690	1,654	1,939	6,495
Additions	-	37	1,996	-	4,977	7,010
Additions through business combinations (note 34)	-	-	-	4,368	-	4,368
Transfers in/(out)	-	-	6,219	-	(6,219)	-
Amortisation expense	-	-	(1,516)	(947)	-	(2,463)
Balance at 30 June 2022	777	472	8,389	5,075	697	15,410
Additions	-	32	2,912	-	-	2,944
Additions through business combinations (note 34)	499	-	-	3,879	-	4,378
Write off of assets	-	-	-	-	(697)	(697)
Amortisation expense	-	-	(4,086)	(2,747)	-	(6,833)
Balance at 30 June 2023	1,276	504	7,215	6,207	-	15,202

Impairment testing

Goodwill acquired through business combinations has been allocated to the Guzman y Gomez Australia Group of CGUs.

Note 18. Trade and other payables

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	13,996	12,946
Other payables	18,639	15,062
	32,635	28,008

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of 30 days.

Note 19. Contract liabilities

	2023 $'000	2022 $'000
Current liabilities		
Contract liabilities	1,681	1,352
Non-current liabilities		
Contract liabilities	2,177	1,900

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $3,858,000 as at 30 June 2023 ($3,252,000 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	2023 $'000	2022 $'000
Within 1 year	1,681	1,352
More than 1 year	2,177	1,900
	3,858	3,252

Note 20. Borrowings

	2023 $'000	2022 $'000
Current liabilities		
Amortising facility	-	375
Growth facility	-	3,000
Less: unamortised borrowing costs	-	(17)
	-	3,358
Non-current liabilities		
Growth facility	3,000	-

Note 20. Borrowings (continued)

During the year, the consolidated entity has renewed the growth facility – This facility of $3,000,000 has a term of three years and expires on 19 May 2026.

The weighted average effective interest rate on bank loans at 30 June 2023 is 5.97% (2022: 3.50%).

The facilities are subject to a number of financial covenants. The consolidated entity was in compliance with these financial covenants at 30 June 2023 and 30 June 2022.

The amortising facility was fully repaid during the year.

Assets pledged as security
All banking facilities are secured by way of a floating charge over the assets of the consolidated entity.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	2023 $'000	2022 $'000
Total facilities		
Amortising facility	-	375
Growth facility	3,000	3,000
	3,000	3,375
Used at the reporting date		
Amortising facility	-	375
Growth facility	3,000	3,000
	3,000	3,375
Unused at the reporting date		
Amortising facility	-	-
Growth facility	-	-
	-	-

Note 21. Lease liabilities

	2023 $'000	2022 $'000
Current liabilities		
Lease liability	20,165	16,811
Non-current liabilities		
Lease liability	161,552	109,763

Refer to note 27 for maturity analysis of lease liabilities.

Note 22. Provisions

	2023 $'000	2022 $'000
Current liabilities		
Annual leave	3,692	2,875
Long service leave	354	354
Other employee benefits*	4,303	295
	8,349	3,524
Non-current liabilities		
Long service leave	563	267
Lease make good	2,784	2,347
	3,347	2,614

* In the prior year, the consolidated entity appointed several executive employees in the US North American Leadership Team ('NALT'). As part of these employment agreements, the consolidated entity established an incentive plan for these employees which provided for, at the discretion of the board of directors, granting of performance rights which were set out in the financial report for the year ended 30 June 2022.

In March 2023, the employment of the NALT employees ceased through resignation or termination by the consolidated entity. In June 2023 the former NALT filed a complaint with the Superior Court of the State of California (USA) making a number of allegations against certain directors and the consolidated entity. The directors consider the allegations without merit and are in the process of preparing a response to the complaint. Included in other employee provisions is an amount of $754,834 provided for severance of these employees in accordance with the terms of their respective employee agreements which represents the directors' best estimate of amounts which may be payable as a result of the matter.

Whilst the matter is at the early stages and any claim will be vigorously defended by the consolidated entity, resolution of the matter may result in amounts payable which differ from the provisions recognised.

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2023	Lease make good $'000
Carrying amount at the start of the year	2,347
Additional provisions recognised	440
Amounts used	(3)
Carrying amount at the end of the year	2,784

Note 23. Issued capital

	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares - fully paid	339,665	328,724	104,046	99,163

Note 23. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 Jul 2021	324,727		90,255
Exercise of options-2019 plan	1 Jul 2021	200	$495.00	99
Exercise of options-2019 plan	13 Jan 2022	50	$495.00	25
Exercise of options-2019 plan	25 Feb 2022	200	$4,950.00	99
Issue of shares	10 Mar 2022	3,532	$2,457.00	8,678
Exercise of options-2019 plan	4 Apr 2022	5	$4,950.00	2
Exercise of options-2019 plan	1 Jun 2022	10	$495.00	5
		-	$0.00	-
Balance	1 Jul 2022	328,724		99,163
Exercise of options-2019 plan	1 Aug 2022	472	$495.00	234
Exercise of options-2015 plan	18 Oct 2022	3,042	$319.76	973
Exercise of options-2019 plan	18 Oct 2022	6,569	$495.00	3,251
Exercise of options-2019 plan	23 Mar 2023	5	$495.00	3
Exercise of options-2019 plan	3 May 2023	53	$495.00	26
Exercise of options-2019 plan	30 Jun 2023	800	$495.00	396
Balance	30 June 2023	339,665		104,046

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Options on issue

Detail in relation to options issued as part of long-term incentive plans is set out in note 39.

Note 24. Reserves

	2023 $'000	2022 $'000
Foreign currency reserve	405	6
Share-based payments reserve	10,371	6,520
	10,776	6,526

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Refer note 39 for further details.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency $'000	Share-based payments $'000	Total $'000
Balance at 1 July 2021	(2)	4,571	4,569
Foreign currency translation	8	-	8
Share-based payment expense	-	1,436	1,436
Option fees received and receivable	-	513	513
Balance at 30 June 2022	6	6,520	6,526
Foreign currency translation	399	-	399
Share-based payment expense	-	3,675	3,675
Option fees received and receivable	-	176	176
Balance at 30 June 2023	405	10,371	10,776

Note 25. Accumulated losses

	2023 $'000	2022 $'000
Accumulated losses at the beginning of the financial year	(24,590)	(28,501)
(Loss)/profit after income tax expense for the year	(2,267)	3,911
Accumulated losses at the end of the financial year	(26,857)	(24,590)

Note 26. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 27. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity'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 consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. Finance identifies and evaluates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Price risk
The consolidated entity is exposed to price risk in the form of commodities - meats, tomatoes and avocado prices.

Interest rate risk
The consolidated entity's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2023		2022	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	5.97%	3,000	3.50%	3,358
Net exposure to cash flow interest rate risk		3,000		3,358

An official increase/decrease in interest rates of 50 (2022: 50) basis points would have an adverse/favourable effect on profit before tax and equity of $15,000 and $11,000 respectively (2022: $17,000 and $12,000 respectively) per annum.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2023 ($986,000 as at 30 June 2022).

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 27. Financial instruments (continued)

Allowance for expected credit losses
Refer to note 11 for further details regarding allowance for expected credit losses.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Refer to note 20 for further details regarding financing arrangements.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	13,996	-	-	-	13,996
Other payables	-	18,639	-	-	-	18,639
Interest-bearing - variable						
Borrowings	5.97%	-	-	3,000	-	3,000
Lease liability	5.34%	30,132	27,820	68,960	130,183	257,095
Total non-derivatives		62,767	27,820	71,960	130,183	292,730

2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	12,946	-	-	-	12,946
Other payables	-	15,062	-	-	-	15,062
Interest-bearing - variable						
Borrowings	3.50%	3,493	-	-	-	3,493
Lease liability	4.33%	24,402	23,014	53,777	68,170	169,363
Total non-derivatives		55,903	23,014	53,777	68,170	200,864

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

The contractual maturities of lease liabilities set out above include those leases which are sub-let to franchisees.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 28. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2023 $	2022 $
Short-term employee benefits	2,008,869	1,296,229
Post-employment benefits	924,453	256,963
Share-based payments	1,338,831	580,311
	4,272,153	2,133,503

Loans to key management personnel

Executive LTI Plan
As set out in note 39, under the Key Executive LTIP, Key Executives may be offered options to acquire ordinary shares in the Company. The Board may offer a limited recourse loan to an eligible participant to fund payment of amounts payable on acquisition of the options, or any amount payable on exercise of the option. The term of each loan is 7 years from issue date and is interest-bearing. On 27 May 2022 the consolidated entity entered into a limited recourse loan agreement with Mr Steven Marks to the value of $665,000. This was treated as part of the equity-settled share based payment.

2019 plan
On 14 February 2020 the consolidated entity entered into loan agreements with key management personnel under the 2019 Guzman y Gomez Long Term Incentive Plan (see note 39). These loans are full recourse, are repayable over seven years and attract interest at the Australian Taxation Office benchmark interest rate. The loans were issued to these key management personnel to acquire options under the incentive plan. The total loans issued to key management personnel, were repaid during the year.

	2023 $'000	2022 $'000
Mr Michael Owen Hirschowitz	-	227,365
Mr Bruce Eaton Buchanan	-	11,298
	-	238,663

During the year additional loan agreements were entered into with employees to acquire options under the incentive plan. These loans are limited recourse and were accordingly treated as part of the equity-settled share based payment.

2015 plan
On 10 September 2015, the consolidated entity entered into limited recourse loan agreements with Mr Steven Marks to the value of $117,000. The loans had a maturity date of 10 September 2022 and attract interest at the Australian Taxation Office benchmark interest rate. The sole purpose of the loans was for the acquisition of options under the entity's 2015 option plan. The loans have been settled during the year.

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	2023 $	2022 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	276,507	196,742
Other services - Deloitte Touche Tohmatsu		
Financial statements compilation	-	21,000
Other regulatory assurance services	15,787	13,047
Other non-audit services	14,000	11,773
	29,787	45,820
	306,294	242,562

Note 30. Contingent liabilities

The consolidated entity has a contingent liability of $3,405,584 relating to bank guarantees provided by the consolidated entity for the financial year ended 30 June 2023 (2022: $2,976,000).

The consolidated entity holds a number of leases on behalf of Guzman y Gomez franchises. All lease costs and liabilities are transferred to the franchisee through a property licence deed, however, in the event a franchisee is unable to settle their present and/or future lease obligations, the consolidated entity would assume all lease liabilities. These obligations are recognised as lease liabilities at 30 June 2023.

Note 31. Commitments

	2023 $'000	2022 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	7,906	3,897
Lease commitments - operating		
Future minimum rentals receivable under non-cancellable operating leases as at end of the year are as follows:		
Within one year	2,213	-
One to five years	10,652	-
More than five years	39,812	-
Total undiscounted lease payments	52,677	-

There were no operating leases commitments as at 30 June 2022.

Note 32. Related party transactions

Parent entity
Guzman y Gomez (Holdings) Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 35.

Note 32. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 28.

Transactions with related parties
The following transactions occurred with related parties:

	2023 $	2022 $
Payment of rent and outgoings to a director related entity(1):		
Corporate stores	1,504,729	1,373,545
Franchisees	809,075	908,670
Consulting fees paid to other related party(2)	54,506	-

(1) Scentre Group is a related party of the consolidated entity through a common director. Amounts above represent the payment of rent and outgoings for the period which Scentre Group was a related party of the consolidated entity.
(2) ROKT Pty Ltd is a related party of the consolidated entity through a common director. Amounts above represent the payment of consulting fees paid for the period which ROKT Pty Ltd was a related party of the consolidated entity.

Receivable from and payable to related parties
There were no trade receivables nor trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date, other than employee loans to key management personnel as disclosed in note 28.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 $'000	2022 $'000
Loss after income tax	(20,943)	(317)
Total comprehensive loss	(20,943)	(317)

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2023 **$'000**	**2022** **$'000**
Total current assets	68,237	81,571
Total assets	69,471	82,209
Total current liabilities	134	3,663
Total liabilities	3,134	3,663
Equity		
Issued capital	104,046	99,163
Share-based payments reserve	10,371	6,520
Accumulated losses	(48,080)	(27,137)
Total equity	66,337	78,546

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022, other than those disclosed in note 36

Contingent liabilities
The parent entity is a party to the contingent liabilities of the consolidated entity disclosed in note 30 and by virtue of the deed of cross guarantee as set out in note 36.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Business combinations

Restaurant acquisitions
During the current and prior year the consolidated entity acquired a number of Guzman y Gomez branded restaurants from franchisees. Details of consideration paid and the fair value of identified net assets acquired is set out below.

Note 34. Business combinations (continued)

	2023 $'000	2022 $'000
Consideration on acquisition	6,456	5,830
Less: cash acquired	(16)	(5)
Net cash paid on acquisition	6,440	5,825
Assets and liabilities acquired:		
Property, plant and equipment	2,007	1,460
Reacquired rights	3,879	4,368
Other assets	55	54
Net assets acquired	5,941	5,882
Goodwill/(bargain purchase) on acquisition	499	(57)

Acquisition accounting for acquisitions in the current year was completed at 30 June 2023.

The acquired restaurants contributed $16,954,000 in revenue and $1,870,000 in profit after tax in the period from acquisition to 30 June 2023. The restaurants would have contributed $19,343,000 in revenue and $2,208,000 in profit after tax in the year if they had been acquired on 1 July 2022.

Restaurant disposals
During the current and prior year, the consolidated entity disposed of a number of Guzman y Gomez branded restaurants to franchisees. Details of consideration received, carrying value of identified net assets disposed and the gain or loss on sale are set out below.

	2023 $'000	2022 $'000
Consideration on disposal	696	532
Less: cash disposed	(2)	(2)
Net cash received on disposal	694	530
Assets and liabilities disposed:		
Property, plant and equipment	415	504
Other assets	57	22
Other liabilities	(49)	(11)
Net assets disposed	423	515
Gain on disposal (note 4)	271	15

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2023 %	2022 %
Guzman y Gomez Franchising Pty Limited	Darlinghurst, Australia	100.00%	100.00%
Guzman y Gomez Pty Limited	Darlinghurst, Australia	100.00%	100.00%
Guzman y Gomez Restaurant Group Pty Limited	Darlinghurst, Australia	100.00%	100.00%
Guzman y Gomez Leasing Pty Limited	Darlinghurst, Australia	100.00%	100.00%
Guzman y Gomez Corp	Delaware, United States	100.00%	100.00%
Guzman y Gomez Naperville, LLC	Illinois, United States	100.00%	100.00%
Guzman y Gomez Willowbrook LLC	Illinois, United States	100.00%	100.00%
Guzman y Gomez Buffalo Grove LLC	Illinois, United States	100.00%	100.00%
Guzman y Gomez Orlando Park LLC	Illinois, United States	100.00%	100.00%
Guzman y Gomez Schaumburg LLC	Illinois, United States	100.00%	100.00%

Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Guzman y Gomez Franchising Pty Limited
Guzman y Gomez Leasing Pty Limited
Guzman y Gomez Pty Limited
Guzman y Gomez Restaurant Group Pty Limited
Guzman y Gomez (Holdings) Limited (Holding Entity)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Guzman y Gomez (Holdings) Limited, they also represent the 'Extended Closed Group'.

Note 36. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	**2023 $'000**	**2022 $'000**
Revenue	253,207	169,368
Cost of food and packaging	(67,918)	(43,208)
Other revenue and income	17,784	12,747
Marketing expenses	(17,523)	(13,987)
Occupancy expenses	(2,188)	(1,646)
Administrative expenses	(162,719)	(103,112)
Other expenses	(34,359)	(7,985)
Operating profit/(loss)	(13,716)	12,177
Finance income	4,594	3,173
Finance costs	(8,227)	(5,886)
(Loss)/profit before income tax expense	(17,349)	9,464
Income tax expense	(2,423)	(2,700)
(Loss)/profit after income tax expense	(19,772)	6,764
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	(19,772)	6,764

Note 36. Deed of cross guarantee (continued)

Statement of financial position	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	35,786	54,289
Trade and other receivables	25,264	21,791
Inventories	712	1,969
Finance lease receivable	10,772	10,898
Other assets	3,560	2,799
	76,094	91,746
Non-current assets		
Trade and other receivables	506	594
Property, plant and equipment	54,115	34,001
Right-of-use assets	90,697	46,352
Finance lease receivable	58,561	57,540
Intangibles	14,689	15,339
Deferred tax	4,243	2,732
	222,811	156,558
Total assets	298,905	248,304
Current liabilities		
Trade and other payables	30,297	26,914
Contract liabilities	1,676	1,349
Borrowings	-	3,358
Lease liabilities	19,831	16,655
Income tax	3,636	-
Provisions	7,766	3,420
	63,206	51,696
Non-current liabilities		
Contract liabilities	2,177	1,900
Borrowings	3,000	-
Lease liabilities	153,280	106,952
Provisions	3,138	2,614
	161,595	111,466
Total liabilities	224,801	163,162
Net assets	74,104	85,142
Equity		
Issued capital	104,046	99,163
Reserves	10,371	6,520
Accumulated losses	(40,313)	(20,541)
Total equity	74,104	85,142

Note 37. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 38. Cash flow information

Reconciliation of (loss)/profit after income tax to net cash from operating activities

	2023 $'000	2022 $'000
(Loss)/profit after income tax expense for the year	(2,267)	3,911
Adjustments for:		
Depreciation and amortisation	25,555	14,460
Write off of property, plant and equipment	697	-
Net loss/(gain) on disposal of property, plant and equipment	63	(40)
Share-based payments	3,675	1,436
Profit on the sale of business	(271)	(15)
Gain on disposal of franchisee assets	-	(57)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(8,387)	(11,130)
Increase in inventories	(166)	(303)
Decrease/(increase) in deferred tax assets	(1,510)	2,822
Increase in other operating assets	(760)	(743)
Increase in trade and other payables	4,676	10,809
Increase in provision for income tax	3,636	-
Increase/(decrease) in other provisions	6,190	(1,506)
Net cash from operating activities	31,131	19,644

Non-cash investing and financing activities

	2023 $'000	2022 $'000
Additions to the right-of-use assets	71,986	29,584
Franchisee lease payments	(11,422)	(10,999)
	60,564	18,585

Changes in liabilities arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2021	3,847	112,097	115,944
Net cash used in financing activities	(489)	(4,108)	(4,597)
Acquisition of leases	-	29,584	29,584
Franchisee lease payments*	-	(10,999)	(10,999)
Balance at 30 June 2022	3,358	126,574	129,932
Net cash used in financing activities	(358)	(5,421)	(5,779)
Acquisition of leases	-	71,986	71,986
Franchisee lease payments*	-	(11,422)	(11,422)
Balance at 30 June 2023	3,000	181,717	184,717

* Sub-lease payments are paid directly by the franchisee and so are excluded from the consolidated statement of cash flows.

Note 39. Share-based payments

Key Executive LTI Plan

The Key Executive Long Term Incentive Plan ("Key Executive LTIP") was established by the consolidated entity in December 2021 for its most senior executives ("Key Executives"). The objective of the Key Executive LTIP is to assist in the reward, retention and motivation of Key Executives and link the reward of the Key Executives to substantial shareholder value creation.

Under the Key Executive LTIP, Key Executives may be offered options to acquire ordinary shares in the Company. The Board may offer a limited recourse loan to an eligible participant to fund payment of amounts payable on acquisition of the options, or any amount payable on exercise of the option). The term of each loan is 7 years from issue date and is interest-bearing.

The incentive plan entitles Key Executives to options in the Company. Each option represents a right to acquire one ordinary share in the Company on the exercise of the option, subject to achievement of the Vesting Conditions as set out in the Terms and the Plan Rules.

Where the Key Executive enters into the limited recourse loans with the consolidated entity, the option fee is included as a portion of the exercise price.

Options were issued in 2022 to Mr Steven Marks as set out below.

The fair value of the options issued at grant date was assessed through a combination of binomial and Black-Scholes models of valuation. The significant inputs into the model were the value and volatility of the underlying asset, the exercise price, the risk free rate, dividend yields and the life of the option. As an unlisted public company, the issued shares in the Company are not publicly traded and it is not possible to observe any reliable share price volatility. As a result, the valuation has been based upon the assessment of volatility of publicly traded securities whose activities were broadly comparable to that of the Company and assessing their standard deviation of continuously compounded share returns over a four year period. This fair value assessment as at grant date has formed the basis of the value of the equity instruments accounted for at financial year end.

2019 plan

The 2019 Guzman y Gomez Long Term Incentive Plan was established by the consolidated entity in June 2019 whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the Company to employees, directors or any person as declared by the board of the consolidated entity.

The plan was established as a means by which the consolidated entity has sought to reward performance in support of the achievement of the business strategy. The incentive plan entitles eligible employees to options in the Company. Each option represents a right to acquire one ordinary share in the Company on the exercise of the option, subject to achievement of the Vesting Conditions as set out in the Terms and the Plan Rules.

The options are granted in accordance with performance guidelines established by the Board. The consolidated entity has no legal or constructive obligation to repurchase or settle the options in cash.

Certain options will vest and be exercisable upon the option holder remaining in service at the testing date at either 30 June 2022 or 30 June 2023, and certain options only vest upon an IPO event.

On 29 January 2021, Magellan Financial Group Limited ("Magellan") completed its investment in the Company. Magellan acquired an 11% shareholding (on a fully diluted basis) in the Company from existing shareholders. In accordance with a resolution of the directors certain options were early vested in conjunction with the Magellan investment in the Company.

The fair value of the options issued at grant date was assessed through a combination of binomial and Black-Scholes models of valuation. The significant inputs into the model were the value and volatility of the underlying asset, the exercise price, the risk free rate, dividend yields and the life of the option. As an unlisted public company, the issued shares in the Company are not publicly traded and it is not possible to observe any reliable share price volatility. As a result, the valuation has been based upon the assessment of volatility of publicly traded securities whose activities were broadly comparable to that of the Company and assessing their standard deviation of continuously compounded share returns over a four year period. This fair value assessment as at grant date has formed the basis of the value of the equity instruments accounted for at financial year end.

Note 39. Share-based payments (continued)

2015 plan

The 2015 Guzman y Gomez Long Term Incentive Plan was established by the Company in August 2015 whereby the Company, at the discretion of the Board, granted options over ordinary shares in the Company to employees, directors or any person as declared by the board of the Company.

The plan was established as a means by which the consolidated entity sought to reward performance in support of the achievement of the business strategy. The incentive plan entitles eligible employees to options in the Company. Each option represents a right to acquire one ordinary share in the Company on the exercise of the option, subject to achievement of the Performance Hurdles and Vesting Conditions as set out in the Terms and the Plan Rules.

The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. The consolidated entity has no legal or constructive obligation to repurchase or settle the options in cash. The options have all vested.

The fair value of the options issued at grant date was assessed by an independent valuer who adopted a combination of binomial and Black-Scholes models of valuation. The significant inputs into the model were the value and volatility of the underlying asset, the exercise price, the risk free rate, dividend yields and the life of the option. As an unlisted public company, the issued shares in the Company are not publicly traded and it is not possible to observe any reliable share price volatility. As a result, the valuation has been based upon the assessment of volatility of publicly traded securities whose activities were broadly comparable to that of the Company and assessing their standard deviation of continuously compounded share returns over a four year period. This independent fair value assessment as at grant date has formed the basis of the value of the equity instruments accounted for at financial year end.

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

During the year, the following options under each of the Company’s incentive plans were on issue. The tables also disclose the number granted, exercised or otherwise forfeited during the period:

2022-Key Executive LTI Plan

Grant date	Expiry date	Exercise price	Number at the start of the year	Number Granted	Number Exercised	Number Expired/ forfeited/ other	Number at the end of the year
27/05/2022	30/03/2024	$3,270.00	4,122	-	-	-	4,122
27/05/2022	30/03/2025	$3,597.00	4,122	-	-	-	4,122
27/05/2022	30/03/2026	$3,957.00	4,121	-	-	-	4,121
			12,365	-	-	-	12,365

Note 39. Share-based payments (continued)

2019 plan

Grant date	Expiry date	Exercise price	Number at the start of the year	Number Granted	Number Exercised	Number Expired/ forfeited/ other	Number at the end of the year
14/02/2020	30/06/2026	$495.00	2,866	-	(782)	-	2,084
14/02/2020	30/06/2026	$495.00	15,661	-	(6,725)	-	8,936
28/07/2020	30/06/2026	$495.00	1,500	-	-	-	1,500
28/07/2020	30/06/2026	$495.00	866	-	-	-	866
15/09/2020	30/06/2026	$495.00	815	-	(242)	(30)	543
20/10/2020	30/06/2027	$495.00	800	-	(150)	-	650
09/12/2020	30/06/2026	$495.00	160	-	-	-	160
26/04/2022	30/06/2026	$495.00	30	-	-	-	30
12/11/2021	30/06/2028	$2,500.00	1,325	-	-	(225)	1,100
12/11/2021	30/06/2028	$2,500.00	2,100	-	-	(450)	1,650
26/04/2022	30/06/2028	$2,500.00	450	-	-	-	450
12/11/2021	30/06/2027	$2,500.00	400	-	-	-	400
11/07/2022	30/06/2029	$3,500.00	-	250	-	(250)	-
27/03/2023	27/03/2030	$4,000.00	-	200	-	-	200
27/03/2023	27/03/2030	$4,000.00	-	350	-	-	350
12/05/2023	12/05/2030	$4,000.00	-	540	-	-	540
26/05/2023	26/05/2030	$4,000.00	-	714	-	-	714
05/06/2023	05/06/2030	$4,000.00	-	981	-	-	981
05/06/2023	05/06/2030	$4,000.00	-	336	-	-	336
09/06/2023	09/06/2030	$4,000.00	-	122	-	-	122
12/06/2023	12/06/2030	$4,000.00	-	898	-	-	898
			26,973	4,391	(7,899)	(955)	22,510

2015 plan

Grant date	Expiry date	Exercise price	Number at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Number at the start of the year
11/09/2015	10/09/2025	$319.76	3,042	-	(3,042)	-	-
27/06/2017	27/06/2027	$410.15	176	-	-	-	176
			3,218	-	(3,042)	-	176

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
11/07/2022	30/06/2029	$3,500.00	$3,500.00	35.00%	-	3.37%	$1,272.00
27/03/2023	27/03/2030	$4,000.00	$4,000.00	35.00%	-	3.05%	$1,602.51
27/03/2023	27/03/2030	$4,000.00	$4,000.00	35.00%	-	3.05%	$1,706.21
12/05/2023	12/05/2030	$4,000.00	$4,000.00	35.00%	-	3.15%	$1,715.44
26/05/2023	26/05/2030	$4,000.00	$4,000.00	35.00%	-	3.56%	$1,753.32
05/06/2023	05/06/2030	$4,000.00	$4,000.00	35.00%	-	3.63%	$1,759.79
05/06/2023	05/06/2030	$4,000.00	$4,000.00	35.00%	-	3.63%	$1,655.91
09/06/2023	09/06/2030	$4,000.00	$4,000.00	35.00%	-	3.82%	$1,777.34
12/06/2023	12/06/2030	$4,000.00	$4,000.00	35.00%	-	3.82%	$1,777.34

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 36 to the financial statements.

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

On behalf of the directors

Mr Gaetano Alfred Russo	Mr Steven Todd Marks
Chairman	Founder and CEO

29 August 2023
Sydney

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Independent Auditor's Report to the Members of Guzman y Gomez (Holdings) Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Guzman y Gomez (Holdings) Limited (the "Company") and its controlled entities (the "consolidated entity") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- giving a true and fair view of the consolidated entity financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

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

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

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants

Sydney, 29 August 2023