

# **Pacific Restaurant Group Limited**

ABN 95 129 686 559

## **Options Prospectus for the offer to Eligible Employees of up to 2,150,000 New Options at an exercise price of \$0.1719 per Share**

### **Important notice**

This is an important document that includes key risks of investing in New Options and should be read in its entirety. If you do not understand it, you should consult your professional advisers.

## Key dates and offer statistics

### KEY DATES<sup>1</sup>

Date of Options Prospectus	26 August 2008
Opening Date	12 September 2008
Closing Date	20 October 2008
New Options expected to be issued	21 October 2008
New Option certificates expected to be despatched	22 October 2008

Note 1: These dates are indicative only.

### KEY OPTIONS OFFER STATISTICS

New Options Offer Price	Nil
Number of New Options offered to Eligible Employees <sup>1</sup>	2,150,000
Exercise Price	\$0.1719
Investment status	Any investment in PRG is an unlisted investment with no readily available market in which to realise the investment

Note 1: Allocated to each Eligible Employee in accordance with the Notice of Grant.

KEY FINANCIAL STATISTICS	FY2006	FY2007	YTD 31/01/2008	FY2008	FY2009
	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma Historicals FY2008	Forecast
Sales (\$'000)	7,411	12,364	9,998	15,975	27,157
EBITDA (\$'000)	246	415	(7)	279	2,833
NPAT (\$'000) <sup>1, 2, 3</sup>				(103)	1,607
EPS (cents) <sup>4, 5</sup>				na	3.6
Dividend per Share (fully franked) (cents) <sup>4, 5, 6</sup>				na	0.9
EBITDA multiple <sup>7</sup>				na	3.0
Price earnings multiple at the IPO Offer Price (times) <sup>1, 2, 4, 5</sup>				na	5.5
Forecast dividend yield (fully franked) at the IPO Offer Price (%) <sup>1, 2, 4, 5, 6, 8</sup>				na	4.5%
NTA (undiluted) (cents) <sup>4</sup>				4.0	

Note 1: Assuming no amortisation for purchased intangibles in FY2008 and FY2009 on the basis that such intangibles are solely goodwill and will not be impaired.

Note 2: Including Options expense (in FY2009 only).

Note 3: The actual result for FY2008 will differ from the Pro Forma Historicals FY2008. The actual net profit before tax for FY2008 will represent the financial results for the period from 5 May 2008 to 30 June 2008, being the period of legal ownership of the Businesses by the PRG Group. The Pro Forma Historicals FY2008 is approximately break-even, before expensing once-off costs associated with the Acquisition.

Note 4: Assuming the Subscription and assuming conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share.

Note 5: Undiluted for Options.

Note 6: Assuming 25% of NPAT is distributed.

Note 7: Treating the Convertible Loan as debt.

Note 8: The dividend yield is calculated as the forecast dividend per Share divided by the IPO Offer Price.

Some of the tables in this Options Prospectus may not add up due to rounding to the nearest one-thousand dollars.

## IMPORTANT NOTICE

### Options Offer

This Options Prospectus is issued by PRG. No person is authorised to provide any information or to make any representation about PRG or the Options Offer that is not contained in this Options Prospectus. Potential investors should only rely on the information contained in this Options Prospectus.

The Options Offer is only available to Eligible Employees who are personally invited to accept the Options Offer.

Before deciding to invest in PRG, potential investors should read the entire Options Prospectus. In considering the prospects for PRG, potential investors should consider the risk factors that could affect the performance of PRG, some of which are set out in the Investment highlights Section, Section 1 and Section 7. Potential investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### Lodgement and listing

This Options Prospectus is dated 26 August 2008 and was lodged with ASIC on 26 August 2008. ASIC takes no responsibility for the contents of this Options Prospectus.

PRG does not presently intend to apply for the Options or its Shares to be listed for quotation by the ASX. No New Options will be issued or sold on the basis of this Options Prospectus after later than 13 months after the date of this Options Prospectus.

### Restrictions on distribution

This Options Prospectus does not constitute an offer or invitation in any jurisdiction or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Options or the Options Offer, or to otherwise permit a public offering of the New Options, in any jurisdiction outside Australia.

The distribution of this Options Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Options Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Please refer to Section 1.19 for information about restrictions that apply to the Shares in certain jurisdictions outside Australia.

### Options Prospectus availability – Electronic Options Prospectus

This Options Prospectus is available to download and view as an electronic prospectus by Australian residents only on PRG's website at [www.pacificrestaurantgroup.com.au](http://www.pacificrestaurantgroup.com.au). The Options Offer constituted by the electronic Options Prospectus is only available to persons receiving the electronic Options Prospectus within Australia. Any person may obtain a free paper copy of the Options Prospectus by telephoning PRG on 0406 265 006 with their request. Persons who access the electronic form of this Options Prospectus should ensure they download and read the entire Options Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Options Prospectus or the complete and unaltered electronic Options Prospectus (whether printed or remaining in an electronic medium).

Other than this Options Prospectus, no information or document on PRG's website is incorporated by reference into this Options Prospectus and any information or document other than this Options Prospectus should not be relied on by potential investors.

### Applications

The Application Form included in this Options Prospectus may only be distributed if it is included in, or accompanied by, a complete and unaltered copy of the Options Prospectus. Applications under the Options Offer must be made by completing a paper copy of the Application Form attached to this Options Prospectus or the Application Form contained in a print-out of the entire downloaded electronic Options Prospectus.

By making an Application, you declare that you were given access to the entire Options Prospectus, together with an Application Form. PRG will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Options Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

### Exposure Period

Under the Corporations Act, PRG is not permitted to process Applications in the period of 7 days after the date of lodgement of this Options Prospectus with ASIC. ASIC may extend this period for up to a further 7 days. The Exposure Period enables the Options Prospectus to be examined by market participants prior to the raising of funds. No preference will be conferred on Applications received during the Exposure Period.

### Definitions and glossary

Certain terms and abbreviations used in this Options Prospectus have defined meanings, which are explained in the glossary in Section 10. The financial amounts in this Options Prospectus are expressed in Australian dollars unless otherwise stated. References to time are to Australian Eastern Standard Time (AEST) unless stated otherwise.

### Privacy

The privacy policy relating to this Options Prospectus is contained in the privacy disclosure statement in Section 12.

### Photographs

Photographs that appear in this Options Prospectus without descriptions are for illustrative purposes only, do not provide any form of endorsement and do not purport to represent PRG. Assets pictured in this Options Prospectus are not assets of PRG unless otherwise stated.

### Optionholders are not Shareholders

The rights and entitlements of Shareholders are referred to under the terms of this Options Prospectus. Only those Optionholders who have exercised their New Options are entitled to the rights and entitlements of a Shareholder, such as the entitlement to dividends.

**Contents**

Chairman's letter ..... 1

Investment highlights..... 3

Section 1 – Details of the Options Offer ..... 6

Section 2 – The PRG business ..... 17

Section 3 – Restaurant industry overview ..... 25

Section 4 – The Board and corporate governance..... 28

Section 5 – Financial information ..... 31

Section 6 – Investigating accountant's report..... 47

Section 7 – Investment risks ..... 54

Section 8 – Material contracts ..... 59

Section 9 – Additional information..... 66

Section 10 – Glossary ..... 75

Section 11 – Corporate directory..... 81

Section 12 – Application Form ..... 82

## Chairman's letter

Dear Employee

On behalf of the Board, I am pleased to offer you the opportunity to become an Optionholder of PRG.

PRG considers you to be a valued Eligible Employee and would like to offer you the opportunity to participate in the growth and success of PRG through ownership of New Options, which are exercisable into Shares. The Board considers that alignment of Eligible Employees interests with those of the Company will result in a "win win" position for both Shareholders and Eligible Employees.

PRG lodged a separate IPO Prospectus with ASIC on 29 May 2008 which was varied by the Supplementary Prospectus that PRG lodged with ASIC on 12 August 2008. The main effect of the Supplementary Prospectus was that the offer price of the Shares under the IPO Prospectus was reduced. The Directors considered the reduction to be necessary due to the recent changes to the capital markets which have resulted in substantially weaker market conditions. The Directors are of the opinion that the reduction in the offer price of the Shares under the IPO Prospectus does not impact on PRG's underlying earnings.

The IPO Prospectus was closed on 20 August after the successful raising of \$3,049,775, resulting in the issue of an additional 15,317,805 Shares.

PRG will use all the funds it has raised from the IPO Offer to fund the Acquisition and expansion of the Businesses. Under this Options Prospectus, funds will be raised only if Eligible Employees apply for and exercise their New Options, however, the main objective of the Options Offer is to provide rewards and incentives to Eligible Employees.

PRG is a company that was incorporated on 13 February 2008 and, on 5 May 2008, the PRG Group acquired a number of restaurant Businesses. The PRG Group already has four restaurants in operation, spread across Sydney (two), Brisbane and Canberra (one each), and, in addition, is aiming to establish its fifth restaurant in Melbourne.

The PRG Group is a group of diversified restaurant brands that attracts the CBD and inner-city corporate market while appealing to the casual weekend diner and growing international tourism to Australian markets. PRG supports its brands to encourage confidence through diversified economic climates.

The PRG Group uses some of the most up-to-date technologies to support its Businesses, including one of the industry's leading customer relationship management systems to ensure that it knows its customers.

The "Kingsleys" brand is synonymous with consistency and quality and its reputation with domestic and international suppliers has resulted in access to quality produce. These relationships will become increasingly relevant to the PRG Group's growth and profitability.

These factors provide a solid platform for further growth which is expected to have the following three key components:

- growing the number of restaurants and organic growth for each existing or new restaurant
- exploiting and maximising operational synergies from those operations
- developing additional restaurants around new concepts and brand names.

We believe that an investment in PRG offers the opportunity to become a shareholder in a company that has:

- a profitable model and Businesses with a track record
- Businesses with brand recognition and brand loyalty
- a scalable business that has delivered consistent net profit growth
- a highly experienced management team.

The Existing Shareholders intend to remain as Shareholders and work towards achieving the success of PRG.

As an Existing Shareholder in PRG, my passion for business grows on the back of a consummate goal to create the ultimate restaurant experience – it is not all about the food, the wine, the service or the venue, it is about the experience.

Details of the Options Offer, IPO Offer and the Businesses and a number of the risks of investing in PRG are contained in this Options Prospectus and I encourage you to read it carefully. Together with my fellow Directors, I look forward to welcoming you as an Optionholder and sharing with you in what we anticipate will be a very rewarding future.

Yours faithfully

Kingsley Smith  
Chairman

## Investment highlights

PRG is an unlisted public company and was incorporated on 13 February 2008. It was established for the purpose of acquiring, through its subsidiaries, the Businesses, which carry on restaurant trading currently on the east coast of Australia. The Acquisition was completed on 5 May 2008. Any reference to prior trading history of the Businesses relates to that previously carried on by the Vendors.

PRG lodged the IPO Prospectus with ASIC on 29 May 2008 which was varied by the Supplementary Prospectus that PRG lodged with ASIC on 12 August 2008. The IPO Prospectus was closed on 20 August after the successful raising of \$3,049,775, resulting in the issue of an additional 15,317,805 Shares. PRG will use all the funds raised from the IPO Offer to fund the Acquisition and expansion of the Businesses.

### Proven track record

- The Kingsleys name has been associated with successful restaurants since 1994 and that, coupled with the growth since then into what is now the PRG Group's business, provides a platform for growth.
- Investors are investing in an established, and what is considered to be a successful, operation.
- As set out below, Kingsleys restaurants have achieved consistent sales growth and demonstrate sound forecast EBITDA results.

**Table 1: Key financial statistics at a glance**

	FY2006	FY2007	YTD 31/01/2008	FY2008	FY2009
	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma Historicals FY2008	Forecast
Sales (\$'000)	7,411	12,364	9,998	15,975	27,157
EBITDA (\$'000)	246	415	(7)	279	2,833
Depreciation and amortisation (\$'000)	(99)	(236)	(173)	(280)	(470)
Options expense (\$'000)	na	na	na		(164)
EBIT (\$'000)	147	179	(180)	(1)	2,199
Net interest income / (expense) (\$'000)				(146)	(74)
Net profit before tax (\$'000) <sup>1, 2, 3</sup>				(147)	2,125
Income tax benefit/(expense) (@ notional 30%) (\$'000)				44	(518)
NPAT (\$'000) <sup>1, 2, 3</sup>				(103)	1,607
EBITDA (%)				1.7%	10.4%
NPAT (%)				(0.6%)	5.9%
EPS (cents) <sup>4, 5</sup>				na	3.6
Dividend per Share (fully franked) (cents) <sup>4, 5, 6</sup>				na	0.9
Price earnings multiple at the IPO Offer Price (times) <sup>1, 2, 4, 5</sup>				na	5.5
EBITDA Multiple <sup>7</sup>				na	3.0
Forecast dividend yield (fully franked) at the IPO Offer Price (%) <sup>1, 2, 4, 5, 6, 8</sup>				na	4.5%
NTA (undiluted) (cents) <sup>4</sup>				4.0	

---

Note 1: Assuming no amortisation for purchased intangibles in FY2008 and FY2009 on the basis that such intangibles are solely goodwill and will not be impaired.

Note 2: Including Options expense (in FY2009 only).

Note 3: The actual result for FY2008 will differ from the Pro forma Historicals FY2008. The actual net profit before tax for FY2008 will represent the financial results for the period from 5 May 2008 to 30 June 2008, being the period of legal ownership of the Businesses by the PRG Group. The Pro Forma Historicals FY2008 is approximately break-even, before expensing once-off costs associated with the Acquisition.

Note 4: Assuming the Subscription and assuming conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share.

Note 5: Undiluted for Options.

Note 6: Assuming 25% of NPAT is distributed.

Note 7: Treating the Convertible Loan as debt.

Note 8: The dividend yield is calculated as the forecast dividend per Share divided by the IPO Offer Price.

---

### **Strong growth prospects**

- Table 1 indicates rapid growth is forecast for the PRG Group between FY2008 and FY2009.
- The Directors believe that there will be continued growth of the business.
- Refer to the FY2009 Forecast set out in the table at Section 5.2 and the discussion in Section 5.4 of the immediate and long-term growth of the PRG Group.

### **Dividend policy favours growth**

- The Constitution provides that if, in respect of any financial year ending on or before 30 June 2010, PRG has after-tax profits available for distribution, PRG will not distribute more than 25% of the after-tax profits by way of dividends. Instead, profits will be re-invested in the growth of the business.
- PRG will distribute after-tax profits in the form of fully franked dividends to Shareholders, subject to the restriction in the Constitution and general business and financial conditions, working capital requirements, its taxation position, future capital expenditure requirements, the availability of sufficient franking credits and any other factors the Board considers relevant. Dividends, to the extent that they are paid, are expected to be payable in arrears for half-yearly periods ending 30 June and 31 December.

Only those Optionholders who have exercised their Options are entitled to any dividends.

### **Adoption of successful international restaurant group models**

- PRG has put in place a corporate structure and management team that is styled on successful international restaurant group models. PRG will be overseen by a properly constituted Board and will benefit from the hands-on management of Kingsley Smith, who will, in turn, be supported by a professional team of key management staff. Expertise and know-how will be shared across the PRG Group, common systems and suppliers will be used, and strong brand identity and service levels will be maintained across the PRG Group.
- The PRG Group focuses much effort on supply chain management to increase quality and reduce costs.

### **Strong, iconic locations with good lease conditions**

- The PRG Group carefully selects its restaurant locations on the basis of a solid knowledge of what works. Water or city views and proximity to CBDs are all key elements of selecting the right venue.
- In addition, due to the Businesses' length of continuing operations, the PRG Group is able to negotiate long-term leases with favourable terms. A well-negotiated, affordable lease is vital to the success of any restaurant.

### **High level of customer loyalty**

- The Kingsleys name has had a strong customer following since its inception in 1994. Since 2000, PRG has built a customer database of over 70,000 patrons, with a customer list of over 17,000 people contactable by email and over 50% of customers are repeat customers.

- Restaurants in the PRG Group enjoy word-of-mouth promotion for various reasons including their strong reputation for premium casual dining.

#### **Industry-leading technology**

- The PRG Group uses Respak, an innovative customer relationship management and reservation system that seamlessly integrates with its Micros point-of-sale software and on-line reporting system (MyMicros), allowing for up-to-the-minute reporting and control.

#### **Key investment risks**

An investment in PRG exposes investors to certain risks which include (but are not limited to):

- value of an Optionholder's Shares, following exercise of their New Options, may be less than the Exercise Price ie. "out of the money". Moreover, as PRG is an unlisted public company, Eligible Employees may not be able to readily trade their Shares, once their New Options have been exercised, or realise their investment
- the general economic environment
- growth proving to be more difficult than anticipated
- an inability to secure appropriate additional property leases
- information technology issues
- the influence over PRG of the Existing Shareholders whose Shares, on the basis of the Subscription achieved, will initially represent 62.0% of the issued Shares on completion of the IPO Offer, reducing to 55.9% upon conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share, which is expected to occur on or about 19 November 2008
- reliance on key personnel
- the ability to maintain reputation and brand
- the intellectual property licences held by PRG are exclusive only in respect of restaurant services in Australia and subject to limited exceptions
- supply chain management
- litigation risk, including product liability
- competition
- changing consumer preferences and diet.

Please refer to Section 7 for more information on these and other risk factors that could adversely affect PRG's financial performance and the value of Shares and New Options.

While there are limited risks in accepting New Options (as there is no need to pay anything for them), to the extent that the New Options have any value, that value may be taxable. Further details of the taxation consequences arising from any investment are set out in section 1.17.

There are also risks associated with exercising New Options to subscribe for Shares. We urge you to seek your own professional advice as to whether to accept the Options Offer and ultimately whether to exercise the New Options. Eligible Employees should carefully consider these risk factors, together with the other information in or taken to be included in this Options Prospectus and seek their own professional advice in relation to the risks associated with an investment in PRG.

## Section 1 – Details of the Options Offer

This Section provides an overview of the Options Offer and must be read in conjunction with the remainder of the Options Prospectus.

### 1.1 Background

On 29 May 2008, PRG lodged the IPO Prospectus with ASIC which was varied by the Supplementary Prospectus that PRG lodged with ASIC on 12 August 2008, in relation to the initial public offer of a maximum of 31,645,401 Shares and a minimum of 15,067,805 Shares at an issue price of \$0.1991 per Share to raise a maximum of \$6,300,599 and a minimum of \$3,000,000. The main effect of the Supplementary Prospectus was that the offer price of the Shares under the IPO Prospectus was reduced due to weaker capital market conditions. PRG will use all the funds raised from the IPO Offer to fund the Acquisition and expansion of the Businesses.

The IPO Prospectus was closed on 20 August after the successful raising of \$3,049,775, resulting in the issue of an additional 15,317,805 Shares.

Under this Options Prospectus, PRG is offering Eligible Employees a total of 2,150,000 New Options. The Options Offer to Eligible Employees is designed to encourage Eligible Employees to have greater involvement in PRG's objectives and to provide an incentive to Eligible Employees by offering them an opportunity to participate in the growth and success of PRG through ownership of New Options, which are exercisable into Shares. PRG hopes this will encourage Eligible Employees to continue providing their services to PRG.

### 1.2 Description of the Options Offer

Under this Options Prospectus, PRG is offering a total of 2,150,000 New Options to Eligible Employees with each Eligible Employee being offered the number of New Options specified in the Eligible Employees Notice of Grant. The terms and conditions of the New Options are set out in section 1.3 below and the in Notice of Grant.

Each Option gives the Eligible Employee a right to subscribe for one Share in PRG at the Exercise Price, prior to the Expiry Date. All Shares issued on exercise of the New Options are new Shares and will rank equally with all other existing issued shares. The rights attaching to the Shares are set out in Section 9.2.

The Options Offer is not underwritten and there is no minimum subscription for the Options Offer and the Options Offer will proceed irrespective of how many Options Offers are accepted.

### 1.3 Terms and Conditions of the New Options

#### (1) Vesting, exercise period and Expiry Date

The New Options are subject to vesting in one, two or three tranches on 1 July 2009, 1 July 2010 and 1 July 2011, depending on the terms of the individual Optionholder's grant as set out in the Eligible Employee's Notice of Grant. Although PRG does not presently intend to apply for the New Options to be listed for quotation on a recognised stock exchange, all New Options will vest on the date that PRG has satisfied all conditions to be admitted for quotation on a recognised stock exchange (if applicable).

A New Option cannot be exercised until it is vested and will lapse if it is not exercised before the Expiry Date.

The New Options are exercisable at any time during the Exercise Period.

The New Options expire on the Expiry Date, which is the earlier of:

- (a) the date that is 5 years after the date of vesting;

(b) the date that is 5 business days after the date PRG satisfies all conditions to be admitted for quotation on a recognised stock exchange; and

(c) cessation of employment or directorship in accordance with Section 1.3(5).

(2) Exercise price

Each Option entitles the Optionholder to acquire one Share on the payment of the Exercise Price.

(3) Voting and dividends

The Optionholder is not entitled to exercise any voting rights or receive any dividends declared by PRG until the New Options are vested, exercised and the Shares issued.

(4) Transfers

Subject to the Constitution, Corporations Act and any other applicable laws, New Options are non-transferable except upon death when they may be transferred to a beneficiary of the Optionholder's estate.

(5) Cessation of employment or directorship

If an Optionholder ceases to be employed by, or a director of, the PRG Group or KRG due to the Optionholder's resignation, retirement, retrenchment by reason of redundancy or permanent disability, or death, all vested New Options granted to that Optionholder must be exercised by that Optionholder on or before 5:00pm (EST) on the 30<sup>th</sup> day immediately following the date of cessation of employment or directorship, after which those vested New Options (together with any unvested New Options) will lapse.

If an Optionholder ceases to be employed by, or a director of, the PRG Group or KRG for any reason other than those contemplated above, all vested and unvested New Options granted to that Optionholder will lapse at 5:00pm (EST) on the date of cessation of employment or directorship.

(6) Participation rights or entitlements

There are no participating rights or entitlements inherent in the New Options and Optionholders will not be entitled to participate in any new issues of securities offered to Shareholders during the currency of the New Options. However PRG will send a notice to each Optionholder at least 9 Business Days before the relevant record date. This will give the Optionholder the opportunity to exercise any vested New Options before the date for determining entitlements to participate in the offer. Shares allotted on the exercise of the New Options will rank equally with all Shares then on issue.

(7) Bonus offer

If the Company conducts a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which a New Option is exercisable will be increased by the number of Shares that the holder would have received if the New Option had been exercised before the date for calculating entitlements to the pro rata issue.

(8) Reorganisation of capital

If there is a reorganisation of PRG's issued share capital (including consolidation, subdivision, reduction or return) on or prior to the Expiry Date, all rights of the Optionholder will be reorganised so that the number of Shares to be issued on the exercise of the New Option will be adjusted as the Board deems appropriate so that the benefits conferred on Optionholders after the reorganisation are the same as the benefits conferred before the reorganisation.

## (9) Method of Exercise

The New Options may be exercised by the Optionholder at any time during the Exercise Period by lodging with PRG:

- (a) the New Option certificate;
- (b) a duly completed and signed Exercise Notice; and
- (c) an amount equal to the Exercise Price multiplied by the number of New Options specified in the Exercise Notice.

If an Optionholder only exercises part of that Optionholder's New Options, the Company will cancel the original New Option certificate and issue the Optionholder with a replacement New Option certificate in respect of the remaining New Options.

## 1.4 Capital structure

**Table 2: Undiluted capital structure**

Capital structure and IPO Offer details	Number	Value \$	Shareholding %
Existing Shares	25,000,002		62.0%
New Shares offered under the IPO Prospectus	15,317,805		38.0%
IPO Offer Price		\$0.1991	
Gross proceeds from the IPO Offer		\$3,049,775	
Shares on issue after completion of the IPO Offer	40,317,807		100.0%
Market capitalisation at the IPO Offer Price		\$8,027,275	

The capital structure of the Company on a fully diluted basis is expected to be:

**Table 3: Fully diluted capital structure**

Capital structure and IPO Offer details	Number	Value \$	Shareholding %
Existing Shares	25,000,002		51.3%
New Shares offered under the IPO Prospectus	15,317,805		31.4%
IPO Offer Price		\$0.1991	
Gross proceeds from the IPO Offer		\$3,049,775	
Conversion of Convertible Loan <sup>1</sup>	4,404,319	\$525,000	9.0%
Exercise of Options <sup>2</sup>	4,050,000		8.3%
Shares on issue after completion of the IPO Offer <sup>1,2</sup>	48,772,126		100.0%
Market capitalisation at the IPO Offer Price <sup>1,2,3</sup>		\$9,545,037	

Note 1: Assuming conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share and valuing them at \$0.1991 per Share. The Convertible Loan is actually repayable on 19 November 2008 and PRG may elect to convert the Convertible Loan into Shares.

Note 2: Assuming that all Options are issued and exercised (even though some are actually subject to certain vesting conditions and periods) at \$0.1719 per Share for Staff and Director Options and \$0.1192 per Share for Consultant Options and valuing the Shares issued as a result at \$0.1719 and \$0.1192, respectively, per Share. As at the date of this Options Prospectus, 1,050,000 Consultant Options have been issued and 850,000 Staff and Director Options have been issued to Directors of PRG (as set out in Table 30) and an additional 2,150,000 New Options are being offered to Eligible Employees under this Options Prospectus.

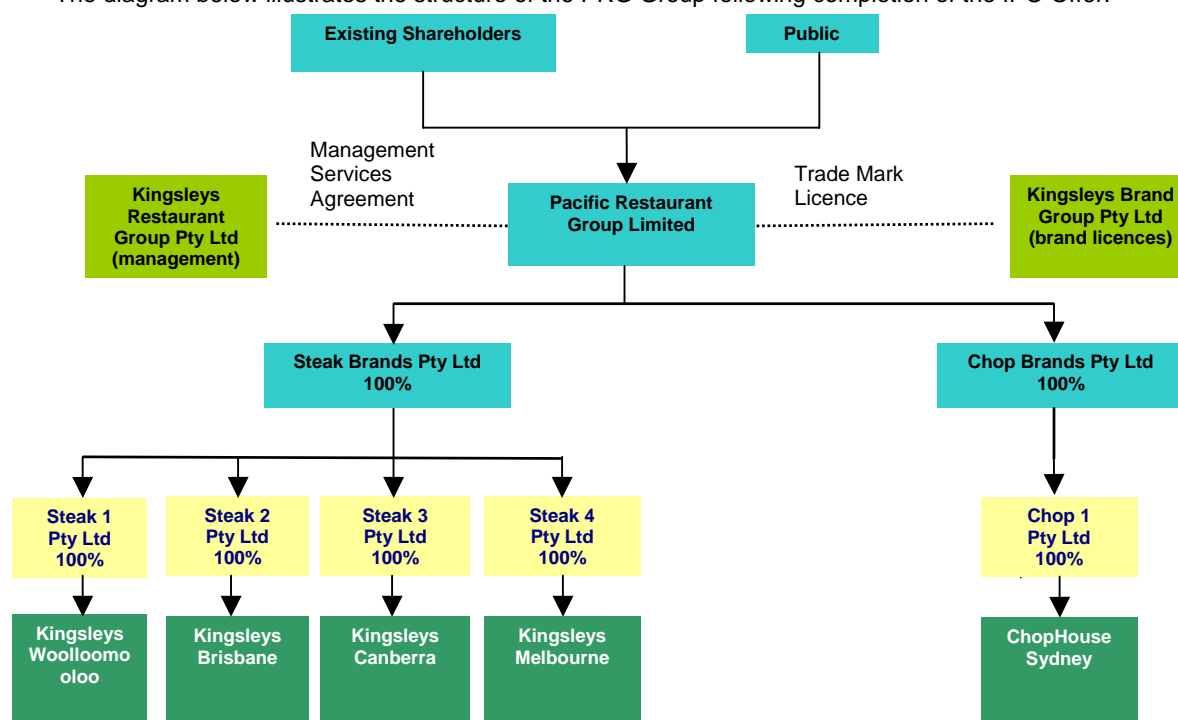
Note 3: Calculated as the undiluted market capitalisation (\$8,027,275), plus the value of the Shares issued on conversion of the Convertible Loan (4,404,319 x \$0.1991 = \$876,900) plus the proceeds of exercise of all the Options (3,000,000 x \$0.1719 + 1,050,000 x \$0.1192 = \$640,861).

This Options Prospectus has been prepared on the basis that all of the Options have been, or will be, issued.

As at the date of this Options Prospectus, 1,050,000 Consultant Options have been issued and 850,000 Staff and Director Options have been issued to Directors of PRG (as set out in Table 30) and an additional 2,150,000 New Options are being offered to Eligible Employees under this Options Prospectus.

## 1.5 Group structure

The diagram below illustrates the structure of the PRG Group following completion of the IPO Offer:



## 1.6 Purpose of IPO Offer and use of funds

The key purpose of the IPO Offer under the IPO Prospectus is to raise money for the Acquisition and the expansion of the PRG Group. This will include:

- establishment of new restaurants under the Kingsleys Steak and Crabhouse brand. Potential locations include Perth, Adelaide and Darwin;
- expansion of the “ChopHouse” brand beyond the initial Sydney restaurant. Potential locations include Canberra, Melbourne, Brisbane, Gold Coast and Perth; and
- providing working capital for necessary expansion of the management team, systems and other resources.

It has been assumed that existing debt facilities will be retained and the loans from the Vendors in connection with the Acquisition will not be repaid immediately following the close of the IPO Offer. Under the Acquisition agreements, the loans do not have to be repaid until 5 June 2009.

## 1.7 Purpose of Options Offer and use of funds

The main objective of the Options Offer is to incentivise Eligible Employees so that their goals are aligned with the success of the Company and that they are appropriately rewarded for that success.

It is expected that no funds will be raised by the issue of New Options under this Options Prospectus as they are being issued for no consideration.

Funds will be raised under the Options Prospectus if Optionholders exercise their New Options. The amount of funds raised under this Options Prospectus depends on how many are exercised and when. Any funds raised on exercise of New Options are also expected to be used for the ongoing working capital and expansion requirements of the Company.

The table below sets out the proposed use of the proceeds of the IPO Offer and the Convertible Loan.

**Table 4: Use of funds**

Use of funds	Assuming Subscription \$,000
Repayment of debt	0
Acquisition of net tangible and intangible assets of the Businesses from Vendors	0
Costs of the IPO Offer	281
Costs of Acquisition	596
Stamp duty	248
Working capital & future growth	2,247
Total uses of funds (IPO Offer plus conversion of the Convertible Notes - \$525,000)	<u><u>3,371</u></u>
The above sources of funds represents proceeds from the following:	
- Proceeds from IPO Offer	3,050
- Cash as at 30 June 2008	321
<b>Total</b>	<u><u>3,371</u></u>

#### 1.8 Indicative timetable

Date of Options Prospectus	26 August 2008
Opening Date	12 September 2008
Closing Date	20 October 2008
New Options expected to be issued	21 October 2008
New Option certificates expected to be dispatched	22 October 2008

These dates are indicative only. The Directors reserve the right to vary the dates connected with the Options Offer (including the Closing Date) without notifying Applicants.

#### 1.9 No ASX listing

PRG does not presently intend to apply for any Shares or Options to be listed for quotation by the ASX.

#### 1.10 Dividend policy

The Constitution provides that if, in respect of any financial year ending on or before 30 June 2010, PRG has after-tax profits available for distribution, PRG must not distribute more than 25% of the after-tax profits. PRG intends to distribute after-tax profits in the form of fully franked dividends to Shareholders, subject to the restriction in the Constitution and general business and financial conditions, working capital requirements, its taxation position, future capital expenditure requirements, the availability of sufficient franking credits and any other factors the Board considers relevant. Dividends, to the extent that they are paid, are expected to be payable in arrears for half yearly periods ending 30 June and 31 December.

Only those Optionholders who have exercised their Options into Shares are entitled to any dividends.

#### 1.11 **Sale of Shares**

PRG is an unlisted public company and as such neither its Shares nor Options will not trade on any recognised stock exchange.

#### 1.12 **Risk factors**

There are a number of risks involved in any company. Section 7 outlines the principal risks involved in investing in PRG. These include general investment risks and risks specific to PRG.

#### 1.13 **Entitlement**

Only those Eligible Employees who receive a Notice of Grant are eligible to apply for New Options under this Options Prospectus. The Notice of Grant sets out the number of New Options for which each Eligible Employee is entitled to apply.

#### 1.14 **How to apply for New Options**

The Options Offer is open to Eligible Employees who have a registered address in Australia and provide the information requested on the Application Form.

Applications must not exceed the Eligible Employee's maximum entitlement as set out in the Notice of Grant. Applicants may accept their entitlement in full or part by completing an Application Form and returning it to PRG's options registry. The Application Form contains detailed instructions on how it is to be completed.

Completed Application should be returned as soon as practicable after the Opening Date:

by mail to:

by hand delivery at:

---

PRG New Option Offer  
Pacific Restaurant Group Limited  
Westfield Towers  
Suite 202, Level 2  
100 William Street  
Sydney NSW 2000

---

PRG New Option Offer  
Pacific Restaurant Group Limited  
Westfield Towers  
Suite 202, Level 2  
100 William Street  
Sydney NSW 2000

The Directors may close the Options Offer at any time after expiry of the Exposure Period in accordance with the Corporations Act. Early lodgement of your Application is recommended as the Options Offer may be closed early.

#### 1.15 **Allotment**

PRG will not process any Application until the expiration of the Exposure Period. New Options applied for under this Options Prospectus will be issued as soon as practicable after the Closing Date.

All investors should note that the Directors retain an overriding right to accept any Application in full, accept any Application for any lesser number of New Options or decline any Application. Applicants must not assume that the New Options they apply for, or any number of New Options, will be issued to them in response to their Application. Before dealing in any New Options, Applicants must satisfy themselves as to their actual holding of New Options.

#### 1.16 **New Option certificates**

PRG will issue New Option certificates to successful Applicants as soon as practicable after the Closing Date.

## 1.17 Taxation

Under current Australian income tax rules, an investment in New Options will more than likely trigger an income tax liability for Applicants.

This section provides an overview of the key income tax and CGT implications that may be relevant should you choose to participate in the Options Offer. This overview assumes Applicants are residents of Australia for taxation purposes and are Eligible Employees.

Given that each Eligible Employee's personal taxation profile and financial position will vary, it is advised that you obtain independent tax advice that is particular to your circumstances. Sole reliance should not be placed on the information set out below which is of a general nature and is not intended to provide an exhaustive analysis of all taxation implications that may arise.

### (1) Taxation legislation

There are specific income tax provisions that deal with shares and rights (i.e. options) acquired pursuant to employee share schemes. The relevant legislation is contained in the ESOP Rules.

The realisation of an investment in Shares acquired as a result of participating in the Options Offer will have CGT consequences for most Eligible Employees. The relevant legislation is contained in the CGT Rules.

### (2) ESOP Rules

The ESOP Rules apply to tax arrangements in which employees are provided with shares or rights (for less than their market value) under an employee share scheme in respect of or in relation to their employment. The difference between what has to be paid for the New Options and its market value is referred to as a discount for the ESOP Rules.

To the extent that there is a "discount" attributable to the New Option, this amount must be included in the recipient employee's income tax return as assessable income and taxed on an assessment basis. For clarity, an assessable discount under the ESOP Rules does not constitute salary and wage income for tax purposes and accordingly is not subject to Pay As You Go Withholding.

In the case of "unlisted rights" such as the New Options being offered, the discount is calculated in accordance with legislative formulas that incorporate the value of the underlying shares in the issuing company i.e. PRG in this instance.

The triggering of taxable discounts (i.e. timing of tax liabilities) can vary under the ESOP Rules subject to whether or not the rights are "qualifying rights". One of the statutory requirements that needs to be met for qualifying rights is that the company issuing the rights is the employer of participating employees or is a holding company of the employer of the employees.

Therefore, in terms of the Options Offer:

- New Options issued to PRG Employees will be "qualifying rights"; and
- New Options issued to KRG employees will not be qualifying rights.

The discussion below analyses the impact of the ESOP Rules with respect to both categories of Eligible Employees.

### (3) PRG Employees

The issue of qualifying rights to PRG Employees provides some flexibility in terms of when their tax liability will arise or, in other words, is triggered under the ESOP Rules. More succinctly, PRG Employees will effectively have a choice in terms of the particular income year in respect of which their New Option discount becomes taxable.

Generally speaking, a tax liability for the assessable discount will be triggered at one of the following times:

- the year of income in which the New Options are granted (i.e. taxed on an upfront basis); or
- the year of income in which a cessation event occurs, typically when New Options vest and are subsequently exercised/converted into Shares (i.e. taxed on a deferred basis).

In order to be taxed on an upfront basis, it is necessary to make a written election in the approved form prior to lodging your income tax return for the relevant income year. You should discuss this with your tax agent or financial adviser.

The choice for an Eligible Employee of triggering to be taxed upfront or on a deferred basis requires careful analysis and consideration of a number of matters including:

- the capacity to fund an upfront tax liability (i.e. whether there is sufficient cash available to pay the tax);
- expectations regarding the likely value of Shares in the longer term (assuming the New Options are exercised and Shares are acquired);
- expectations as to whether or not Shares are likely to be held on a long term basis or for at least 12 months after they are acquired; and
- the Eligible Employees personal tax profile including the availability of capital losses.

As a general principle, if it is the intention of a PRG Employee to hold Shares as long term investments with the expectation that the Shares will significantly increase in value, it will be more tax effective if the majority of the appreciation in value of the Shares (i.e. profit) is taxed under the CGT Rules. This is because the CGT Rules contain various concessions that can reduce the effective rate of tax payable on capital gains.

Accordingly, it may be beneficial to be taxed upfront if it is anticipated that the value in Shares will escalate appreciatively following the acquisition of Shares in subsequent years. This is an area that should be discussed in detail with your financial adviser or tax agent.

(4) How is the discount calculated if an Eligible Employee elects to be taxed upfront?

The discount amount will be the market value of the rights on the day they are issued less any consideration paid to acquire them. The New Options are to be issued free of charge i.e. for nil consideration.

The discount will be calculated having regard to all of the New Options issued notwithstanding that, in many cases, they vest over 3 years. That is, the decision to be taxed upfront will result in a tax liability being triggered for each New Option issued in the year of issue.

Under the ESOP Rules, the market value of a right is determined by reference to the market value of the underlying shares (on the day the rights are issued) less the lowest amount that must be paid to acquire the shares i.e. the exercise price.

In the case of rights and shares that are “unlisted” (i.e. not quoted on an approved stock exchange) the ESOP Rules stipulate that the market value is the arm’s length value determined by a “qualified person” i.e. a person registered as a company auditor. A director, secretary or employee of the issuing company (or an associate) is expressly excluded from the definition of qualified person.

For illustrative purposes, on the basis that the IPO Offer Price is a reasonable proxy for the market value of Shares of \$0.1991, the discount in relation to a New Option will therefore be approximately \$0.0272 or 2.72 cents per New Option (i.e. \$0.1991 less \$0.1719).

The actual value to be utilised to determine the taxable discount will need to be independently assessed by a suitably qualified person.

(5) Tax paid up front but New Options never exercised – Refund

In the event that New Options in respect of which tax was paid upfront are never exercised (i.e. they are ultimately cancelled because they are not converted into Shares by the expiry date), Eligible Employees will be entitled to obtain a refund for the income tax paid via an amendment to their tax return. There is no time limit on the lodging of this amendment request.

- (6) How is the discount calculated if an Eligible Employee defers tax to a later income year?

If a PRG Employee defers tax until the year that the rights are exercised and Shares are acquired, the assessable discount is calculated in one of two ways.

Firstly, if the Shares are sold within 30 days of acquisition, the discount will be calculated as the difference between the sale proceeds received and the Exercise Price paid to acquire the Shares being \$0.1719 (this assumes that the Shares are sold at a profit because the New Options are “in the money”). It is important to recognise that the overall profit realised under this scenario will be taxed under the ESOP Rules as statutory income on revenue account rather than as a capital gain under the CGT Rules.

Alternatively, if the Shares are not sold within 30 days of acquisition, the discount will be calculated as the difference between the market value of the Shares (on the day they are issued) and the Exercise Price paid as above. To comply with the ESOP valuation rules, an independent valuation of Shares will be required at this time as noted earlier in this summary.

- (7) KRG Employees

The New Options issued to KRG Employees are not “qualifying rights” which means that the taxable discount arises up front in all cases. There is no ability for KRG Employees to defer their tax liability under the ESOP Rules.

- (8) How is the discount calculated?

As noted in the analysis earlier in this section concerning the upfront taxation of the discount in the hands of PRG Employees, this same discount amount will be taxable to KRG Employees in the year of income in which the New Options are issued.

The ESOP Rules will not apply to any transactions subsequently undertaken by KRG Employees.

- (9) Tax paid up front but New Options never exercised – Refund

As noted earlier, in the event that New Options in respect of which tax was paid upfront by KRG Employees are never exercised, a refund of this tax will be available by amending the Eligible Employee’s relevant prior year income tax return.

- (10) CGT analysis – Discount taxed upfront

There will be no immediate income tax or CGT implications for KRG Employees (or PRG Employees who elect to be taxed upfront) as a consequence of exercising New Options and converting them into Shares.

The effect of this transaction is that the New Options lose their identity and a new asset is created, being a Share. This Share will be a “CGT asset” under the CGT Rules.

The CGT cost base of the Shares will need to be ascertained to determine the capital gain or capital loss that will arise when the Shares are eventually sold.

Broadly, the CGT cost base will include the following amounts:

- the amount of the discount previously taxed when the New Options were acquired; and
- the amount paid to acquire the Shares (i.e. the Exercise Price).

A capital gain will arise where the capital proceeds from the eventual sale of Shares exceed this CGT cost base. A capital loss will be available if the CGT cost base exceeds the sales proceeds.

The tax payable on a capital gain could be reduced where certain CGT concessions are available (e.g. if the Shares are held for at least 12 months, the gain could be discounted by 50%). It is important to note that in order to qualify for the 50% discount capital gain concession, Shares acquired as a result of exercising the New Option must be held for 12 months from the date of exercise. The fact that the New Options may have been held for 12 months or more is irrelevant to this outcome.

(11) CGT analysis – Discount deferred until cessation time

Where taxation of the discount is deferred until the time that the New Options are exercised into Shares, the ESOP Rules will apply exclusively to work out the amount of the assessable discount. This discount is “statutory income” and is on revenue account for tax purposes.

There will be no immediate CGT consequences as a consequence of exercising New Options and converting them into Shares (as noted above).

The CGT Rules will apply only in this case if the Shares are not sold within 30 days of them being acquired. In this instance, the CGT cost base of the Shares will need to be ascertained to determine the capital gain or capital loss that will arise when the Shares are eventually sold.

Broadly, the CGT cost base will include the following amounts:

- the amount of the discount taxed when the New Options were exercised; and
- the amount paid to acquire the Shares (i.e. the Exercise Price).

A capital gain will arise if the capital proceeds from the eventual sale of Shares exceed this CGT cost base. A capital loss will be available if the CGT cost base exceeds the sales proceeds.

The tax payable on a capital gain could be reduced where certain CGT concessions are available (e.g. if the Shares are held for at least 12 months, the gain can be discounted by 50%). It is important to note that in order to qualify for the 50% discount capital gain concession, Shares acquired as a result of exercising the New Option must be held for 12 months from the date of exercise. The fact that the New Options may have been held for 12 months or more is irrelevant to this outcome.

(12) Transfer to estate in the event of death

We note that the New Options are not transferable except in the case of death.

To the extent that the New Options were not taxed upfront, the transfer of the New Options to the employee’s estate will be a cessation event and the estate will be assessable on the market value of the New Options less any consideration paid to acquire them.

To the extent that the New Options were taxed upfront, the CGT implications would need to be considered. The CGT rules in relation to estates are complex and would need to be the subject of a separate advice.

(13) Takeover

If there is a takeover of Shares, there may be grounds to effectively roll-over the New Option plan into a new option plan facilitated by the new holding company. Otherwise, this could give rise to a taxable cessation event.

**1.18 No brokerage, commission or stamp duty**

No brokerage, commission or stamp duty is payable for New Options under the Options Offer.

#### 1.19 **Foreign selling restrictions**

No action has been taken to register or qualify the New Options, or otherwise to permit a public offering of the New Options, in any jurisdiction outside Australia and the Options Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

However, subject to the restrictions in relation to the United States outlined below, PRG reserves the right to offer New Options to any potential investor, where to do so would not be in breach of the securities law requirements of the relevant jurisdiction.

The New Options have not been, and will not be, registered under the *US Securities Act 1933* and may not be offered or sold to United States persons except under an available exemption from registration under the *US Securities Act 1933*.

## Section 2 – The PRG business

### 2.1 Overview of PRG’s operations and history

PRG is a company that was incorporated on 13 February 2008. On 5 May 2008, the PRG Group acquired the Businesses. The most long-standing restaurant of the PRG Group is Kingsleys Woolloomooloo, which was established in 2000 by Kingsley Smith together with his associates. Kingsley Smith is an established operator of large, premium, casual dining steak restaurants.

In 1994, the original “Kingsleys” was opened in Sydney with the aim of providing customers with top quality beef, fine wines and a high level of service in a relaxed but professional atmosphere. Kingsley Smith sold the original “Kingsleys” located in the Sydney CBD to a third party who subsequently established two other restaurants also located in the Sydney CBD. These restaurants, on King Street, Bridge Street, and Lime Street, Sydney, presently trade under the name “Kingsleys” (although the Bridge Street and Lime Street restaurants changed their names on 1 June 2008) but do not form part of the PRG Group. Potential investors should be aware of this and should not assume that the PRG Group has any interest in any restaurants except as specifically noted in this Options Prospectus. Under the terms of the Trade Mark Licence, PRG will have use of the “Kingsleys” trade mark in respect of restaurant services in Australia only.

As at the date of this Options Prospectus, the Businesses are experiencing strong growth and are looking to capitalise on this growth by establishing new restaurants on the eastern seaboard of Australia. For that reason, PRG raised \$3.05 million from external investors under the IPO Prospectus, which will be used, in part, to fund expansion. In preparation for this stage in its development, PRG has put in place a corporate structure and management team that is styled on successful international restaurant group models.

At present, the PRG Group’s restaurants trade under two brands: Kingsleys Steak and Crabhouse, and ChopHouse, with future plans to establish other premium casual dining and bar brands.

All restaurants are owned and operated by the PRG Group from leased premises.

### 2.2 Overview of the restaurants

#### (1) Kingsleys Steak and Crabhouse

Kingsleys Steak and Crabhouse restaurants are currently located in Sydney (Woolloomooloo), Brisbane and Canberra. It is expected that a Melbourne restaurant, for which a lease has been recently signed, will be in operation from mid October 2008.

The PRG Group offers high-quality steak, seafood, wine and service in iconic locations in or near some of Australia’s major CBDs. The brand attracts corporate business clientele (aged 35 - 60) for lunch, and their families and friends for dinner.

Set out below is an overview of each restaurant:

- Woolloomooloo – This is the Kingsleys Steak and Crabhouse brand flagship venue and is located at 10 The Wharf, Cowper Wharf Road with excellent harbour and city views. The restaurant has an area of approximately 571 sqm, commenced in 2000 and has a lease until 2020.
- Brisbane – This restaurant is located in the Riparian Plaza, 71 Eagle Street by the Brisbane River, with excellent water and city views. The restaurant has an area of approximately 458 sqm, commenced in 2006, and has two leases which apply to the restaurant, one until 2014 and the other until 2016.

- Canberra – This restaurant is centrally located in the Canberra Centre on Bunda Street. The restaurant has an area of approximately 385 sqm, commenced in 2007 and has a lease until 2017.
- Melbourne – This restaurant is centrally located in the Melbourne CBD at Duckboard House, Flinders Lane. The restaurant has an area of approximately 304 sqm, opens in mid October 2008 and its lease ends in 2018.

(2) ChopHouse

The first ChopHouse was opened in the Sydney CBD in August 2008. The restaurant will offer premium casual dining with a menu that specialises in meat, seafood and salad. The brand targets males and females aged 25 - 40, as well as the typical corporate clientele that comes with a central CBD location.

The ChopHouse brand flagship venue is to be centrally located in the Sydney CBD at 25 Bligh Street. The restaurant will have an area of approximately 481 sqm, will commence in August 2008 and has a lease until 2018.

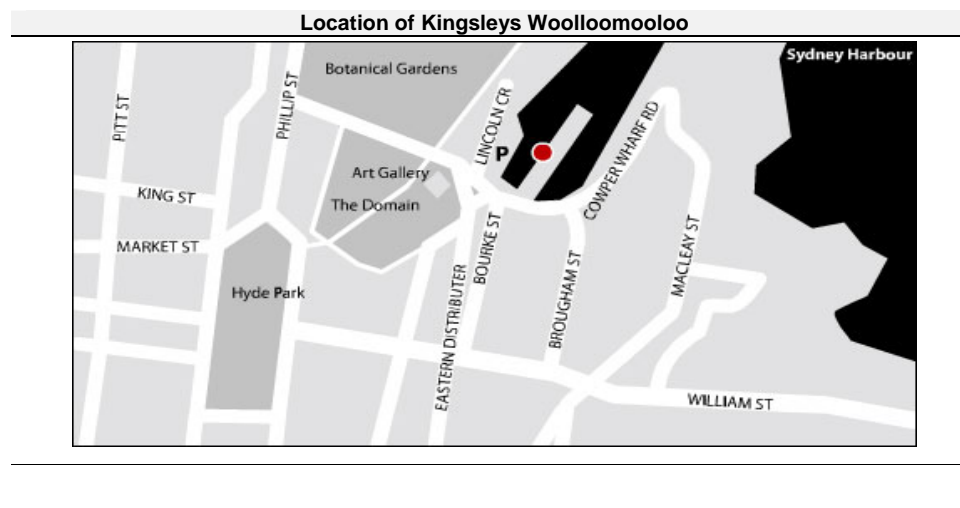
## 2.3 Background to the restaurants

(1) Kingsleys Woolloomooloo

(a) Location

Kingsleys Woolloomooloo is located at 10 The Wharf, Cowper Wharf Road in Woolloomooloo and has outstanding water views. Set out below is a location map of the restaurant:

**Figure 1**



Kingsleys Woolloomooloo has a seating capacity of up to 197 people in the restaurant area and 22 people in the bar area.

Kingsleys Woolloomooloo is subject to the trading hours set out in its liquor licence, being 12pm until 10pm from Monday to Saturday and from 12pm until 9pm on Sunday.

(b) Liquor licence

Kingsleys Woolloomooloo has the benefit of a liquor licence that was granted on 24 July 2000 and is authorised to sell liquor on the licensed premises, but only for consumption on those premises. The dine-or-drink authority also enables it to allocate

up to 40 of the restaurant's dining seats for patrons who wish to drink liquor without a meal.

(2) Kingsleys Brisbane

(a) Location

Kingsleys Brisbane is located on the Riparian Plaza at 71 Eagle Street, Brisbane CBD, and is strategically positioned to allow its patrons to enjoy the water view. Set out below is a location map of the restaurant:

**Figure 2**



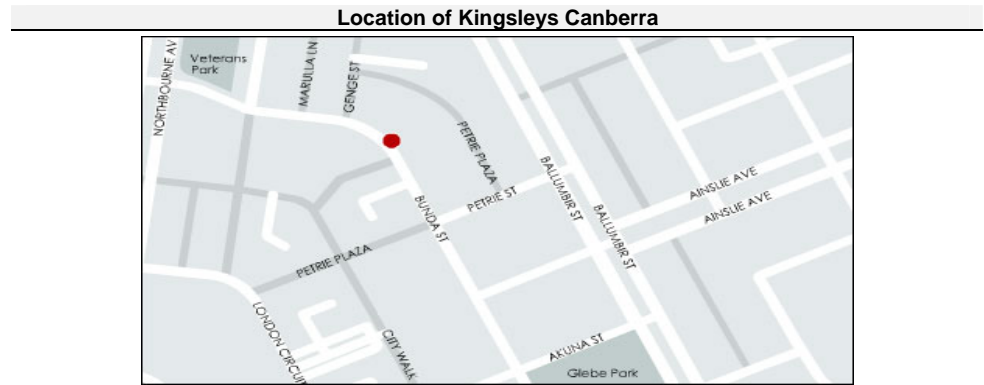
(b) Liquor licence

Kingsleys Brisbane has the benefit of a liquor licence that was granted on 5 March 2008 and is authorised to sell liquor on the licensed premises, but only for consumption on those premises. There is no specific requirement for dining and drinking to be serviced jointly or separately.

(3) Kingsleys Canberra

(a) Location

Kingsleys Canberra is located on the ground floor of the Canberra Centre, Bunda Street, Canberra City. Set out below is a location map of the restaurant:

**Figure 3****(b) Liquor licence**

Kingsleys Canberra has the benefit of a liquor licence that was granted on 29 November 2007, which allows Kingsleys Canberra to sell liquor on the licensed premises, but only for consumption on those premises. There is no specific requirement for dining and drinking to be serviced jointly or separately.

**(4) Kingsleys Melbourne****(a) Location**

Kingsleys Melbourne is located at 91-93 Flinders Lane in the Melbourne CBD and is due to open in mid October 2008. Set out below is a location map of the restaurant:

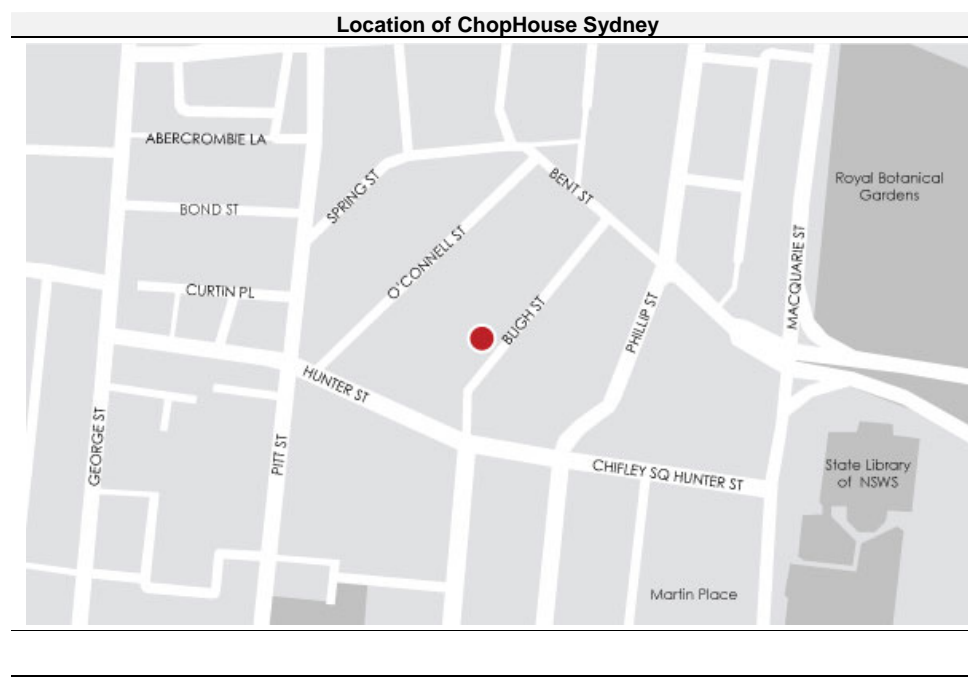
**Figure 4**

(5) ChopHouse Sydney

(a) Location

ChopHouse Sydney is located at 25 Bligh Street, Sydney CBD and was opened in August 2008. Set out below is a location map of the restaurant:

**Figure 5**



**2.4 Competitors**

Each of the Businesses has a number of competitors which offer unique competition and as a result, service and quality are important in order to retain and grow the patronage of the Businesses.

## 2.5 Staff

Existing and planned staffing for the restaurants is set out below. Staff numbers are commensurate with the size and turnover of each full service restaurant.

**Table 5: Staff**

Restaurant	Area	Number of staff
Kingsleys Woolloomooloo	Kitchen	23
	Dining room	41
Kingsleys Brisbane	Kitchen	16
	Dining room	24
Kingsleys Canberra	Kitchen	10
	Dining room	19
Kingsleys Melbourne - planned	Kitchen	15
	Dining room	28
ChopHouse Sydney - planned	Kitchen	15
	Dining room	24
<b>Total</b>	Kitchen	79
	Dining room	136
	<b>Total</b>	<b>215</b>

## 2.6 Ownership of brands

KBG is a company that is controlled by Kingsley Smith and it will be the registered proprietor of the Trade Marks and domain names used by the PRG Group. The Trade Marks and other relevant rights are licensed to PRG pursuant to the Trade Mark Licence described in Section 8.4 and then sub-licensed to the operating companies within the PRG Group. The Trade Mark Licence is, subject to limited exceptions, exclusive with respect to restaurant services in Australia only. A licensing fee of 3.5% of the revenue of the PRG Group will be paid by PRG for use of the intellectual property.

The existing database of over 70,000 patrons (which includes single-visit patrons) is owned by PRG.

Section 8.4 sets out further details of the Trade Mark Licence.

## 2.7 Management

KRG is a company that is 100% owned by KSHD and has been established to provide a range of centralised management services to PRG, including the following:

- overall management and strategic direction – primarily via the services of Kingsley Smith, Managing Director, and Wes Lambert, Director of Business Development, who will be employed by KRG;
- general management – primarily via the services of Claire Mackenzie, Director of Operations, and Pedro Sasso, Financial Controller, who will be employed by KRG;
- other management – primarily via the services of Adam Heathcote, Regional Manager, Belinda Clarke, Training and Development Manager, Alice Gruzman, Brand and Communications Manager, and Paul Dewhurst, Human Resources Manager, who will all be employed by KRG;
- selection and maintenance of appropriate software and IT systems;
- compilation and maintenance of customer database;
- financial reporting for internal and external purposes; and

- investor communication and reporting.

Section 4.2 sets out further details of KRG's senior management.

The Management Services Agreement governs this arrangement, under which a fee of 7.5% of the revenue of the PRG Group will be paid by PRG for the provision of management services. Please refer to Section 8.3 for a description of the Management Services Agreement.

## 2.8 Information technology

The Businesses use Respak, an innovative customer relationship management and reservation system that seamlessly integrates with the Micros point-of-sale software and on-line reporting system (MyMicros), allowing for up-to-the-minute reporting and control.

Respak comes in the form of fully featured restaurant reservations system, providing the following functionality:

- enhanced reservation processing;
- optimised table operations;
- personalised customer service;
- extensive management reporting;
- proactive marketing initiatives;
- direct internet reservations via website; and
- integrated with point-of-sale system to share data.

This technology forms part of PRG's strategy for providing quality and timely service.

## 2.9 Leasing

Through KRG, continual review of prospective sites is undertaken. A number of key factors are taken into consideration in developing an appropriate restaurant. These include:

- CBD location;
- demographics of the area; and
- potential patronage.

The rentals recently negotiated with respect to the two new restaurants, Kingsleys Melbourne and ChopHouse Sydney, highlight how the existing management team has been able to capitalise upon past experience, with more competitive rentals being negotiated than apply to the existing Businesses.

## 2.10 SWOT analysis

The following table summarises management's assessment of the strengths, weaknesses, opportunities and threats of PRG at the date of this Options Prospectus.

**Table 6: SWOT analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Critically acclaimed restaurants with wide recognition; the Businesses have benefited from the power of word-of-mouth advertising, crediting much of their success to their reputations</li> <li>• Unique iconic locations with water views or close to CBDs</li> <li>• Due to the reputation of the Businesses in the industry, PRG is able to negotiate leases with favourable terms as compared to the restaurant industry</li> <li>• Strong customer service, food quality and restaurant culture led by Kingsley Smith with over 20 years of experience in the industry</li> <li>• Strong clientele base with regular customers who sometimes frequent the Businesses several times per week. Due to the high level of customer loyalty, over 50% of customers are repeat customers</li> <li>• Serves a broad age demographic with Kingsleys Steak and Crabhouse focusing on the 35-60 year old market and ChopHouse targeting the 25-40 year old market</li> <li>• Serves a portion of the corporate market which is higher than middle management</li> <li>• Industry-leading model based on proven international restaurant group structures</li> </ul>	<ul style="list-style-type: none"> <li>• Social change has a direct effect on the industry</li> <li>• High fixed-cost structure due to position in premium casual dining sector</li> <li>• Marketing strategies are difficult to measure</li> <li>• Sensitive to price fluctuations in raw materials</li> <li>• Sensitive to consumer spending habits</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• The opening of the new restaurants in Sydney and Melbourne will provide the PRG Group with a wider national recognition and presence</li> <li>• Potential to energise businesses through renovations</li> <li>• New brands, with new menus and design targeting a wider demographic</li> <li>• New corporate structure allows for global recruitment of managers and executive chefs</li> <li>• Economies of scale and supply chain management. The current growth model will allow PRG to be an innovator in supply chain management for restaurants, creating enterprise-wide cost savings through deals and sponsorship</li> </ul>	<ul style="list-style-type: none"> <li>• Dynamic industry which needs venues to be relaunched regularly to maintain market share</li> <li>• The "Kingsleys" name is used by other parties or could be licensed to other parties in the future</li> <li>• Low supply of high-quality raw materials</li> <li>• Wage pressures and difficulty in recruitment due to low unemployment rates</li> <li>• Risk of losing market share to competition</li> <li>• Risk of losing repeat customer base</li> <li>• Legislation could be enacted that restricts alcohol sales</li> <li>• Technology could become outdated and obsolete</li> </ul>

## Section 3 – Restaurant industry overview

A review of the restaurant and café industry in Australia (**Industry**) is set out below.

Given that the operations of the PRG Group are affected by the general business environment, the Company has also undertaken a review of factors that are likely to affect the Industry, such as levels of discretionary spending and disposable income. In addition, an overview of the Australian economic outlook, which is important to the success of the premium casual dining sector in particular, has been provided.

### 3.1 Australian economic outlook

The Australian economy is expected to remain robust in 2008, notwithstanding great uncertainties in the global environment. The growth expectations are driven by:

- China growth: although global economic growth is slowing down, it is more pronounced in certain developed countries, most notably the United States, Japan and to a lesser extent Europe. In contrast, the economic growth most relevant to Australia is in China, which is expected to remain robust. China grew by 11.3% in FY2007 and is expected to continue to grow in 2008 and 2009 but at a slower pace;
- Australian financial markets: although Australian financial markets are affected by weakening global financial market sentiment, Australian institutions driving the market remain sound; the demand for finance continues to be strong, particularly in the business sector in Australia; and
- Consumer spending: despite the weak global outlook, Australian consumers' spending is still robust; this is supported by strong gains in disposable income brought about by continued growth in aggregate employment, solid wage growth and personal income tax cuts, with another \$8 billion expected in FY2008.

Inflationary pressures remain the primary concern in Australia despite a tightening monetary policy and global economic slowdown. In its December 2007 quarterly "*Measures of Consumer Price Inflation*", the Reserve Bank of Australia's statistical measures of underlying inflation averaged 1.05% in the December 2007 quarter and 3.6% over 2007. The key contributions to rising inflation were rising petrol prices, food prices and housing costs.

It is expected that growth factors will outweigh any inflationary pressures and therefore pave the way for further economic growth in the near to medium-term.

### 3.2 Industry overview

In Australia:

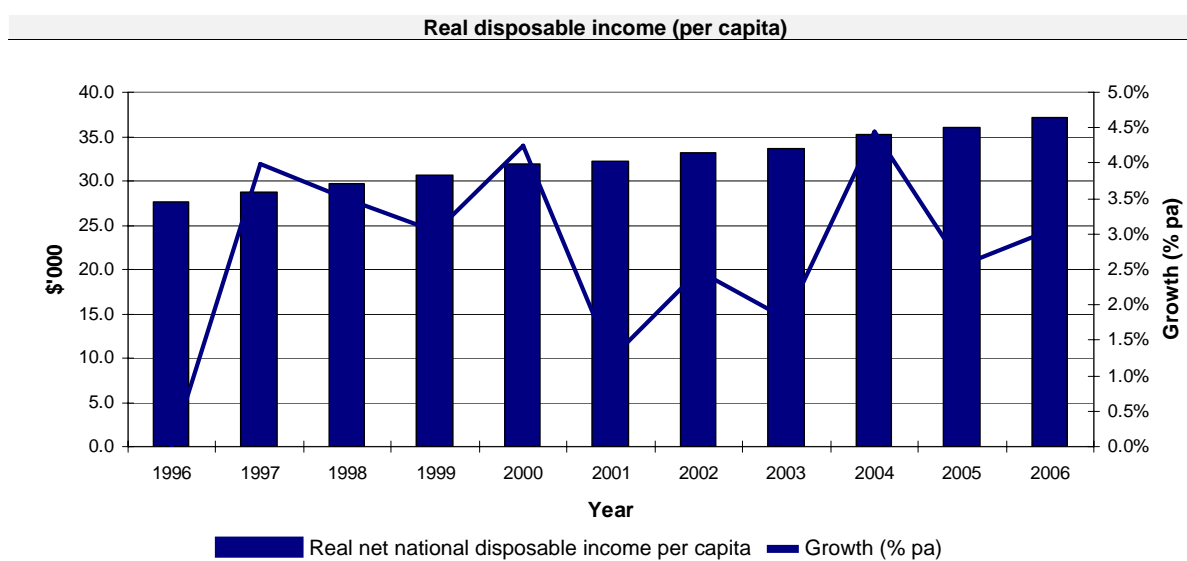
- the Industry accounted for 1.3% of GDP and had a total turnover of \$12.8 billion in 2006 – up 12.8% from 2002 to 2006; and
- there are currently 37,700 restaurants and catering businesses in Australia, employing 200,000 Australians.

### 3.3 Recent trends

Recent trends affecting the operations of the PRG Group are as follows:

- a steady increase in disposable income since at least 1996. Set out below is an historical analysis of real disposable income:

Figure 6



- as set out in Figure 6, there has been a steady increase in real disposable income since at least 1996, as a result of increasing wealth per capita, which has been driven by high levels of economic growth, low unemployment and strong business investment;
- reduced free time available to households has resulted in a greater proportion of households eating out or seeking other more convenient alternatives. Recent data from the Australian Bureau of Statistics (issue 4102.0 of Australian Social Trends, 2007) demonstrates a substantial expansion in dining at catering establishments such as a restaurants, cafés, hotels or clubs. Between 1985 and 2006, per capita real household final consumption expenditure on catering rose by 30% or 1.3% per year on average. This rate of growth in consumption spending on catering substantially exceeded growth in expenditure on food. The comparatively large increase is consistent with some people electing to 'contract out' meal preparation activity in response to their reduced availability of time from increased employment, combined with their expanded spending capacity from higher real income;
- changing attitudes to health are leading to greater consumption of healthier alternatives over traditional take-away food; and
- growth in business spending and investment. A large contributing factor to the Industry's performance is driven by business growth, spending and investment. Recently business investment comprised about 15.5% of GDP, its highest contribution in 35 years. Moreover, the latest surveys on capital expenditure demonstrate that there are no signs of any slowdown in the business investment boom in the near future.

### 3.4 Industry outlook

The future of the Industry is likely to be impacted by the following trends:

- growth in disposable income;
- levels of unemployment;
- growth in tourism;

- banning of smoking indoors in pubs and restaurants; and
- continued competitiveness within the Industry.

It is expected that the Industry will maintain a moderate growth phase until 2010 after which growth rates are expected to accelerate.

The Industry's outlook is primarily driven by the outlook for disposable income as discussed in Section 3.3.

### 3.5 Trends in food service and consumption of beef in Australia

Given the importance of steak on the menus of all the PRG Group's restaurants, the following provides an overview of trends in beef consumption in Australia.

The domestic market is an important sector for Australia's red meat industry. It is the largest and most stable market for Australia's red meat, taking approximately 34% of beef production. Roughly 27% of beef used domestically is sold through food service.

Demand for beef has remained resilient in recent years, despite the sharp rise in prices. In 2005, average retail beef prices were 53% above 1998 values. There are a number of beef demand indices which indicate that demand for beef has increased since 2005. This follows a period of stabilisation during the 1980s and 1990s.

Furthermore, consumer expenditure on beef has increased substantially over the same period. Total beef expenditure in 2005 is estimated to have been \$6.2 billion, up 56% on 1998.

This trend is also demonstrated through the fact that per person usage domestically has fallen at a slower rate than the rise in retail prices, with beef usage totalling 719,000 tonnes in 2005 (or 35.4 kg/head) compared with 706,000 tonnes in 1998 (or 37.7 kg/head) in 2005.

Better beef quality (due mainly to grain finishing of cattle), improved product presentation and marketing, a general lift in the health image of red meat, and a strong economy, have all contributed to the continued popularity of beef in the diet.

## Section 4 – The Board and corporate governance

### 4.1 The Board

The Directors, collectively, have significant business skills and experience. The Board is comprised of the following people:

**Table 7: Directors**

Name	Qualifications and experience
<b>Kingsley Smith</b> PRG Director and Chairman KRG Managing Director	<ul style="list-style-type: none"> <li>• Established Kingsleys steakhouse at King Street, Sydney (this restaurant does not form part of the PRG Group) in 1994 and has worked in the hospitality industry for over 20 years.</li> <li>• Oversaw 7 restaurant openings from initial conception to operation.</li> <li>• Performed extensive due diligence and research on global hospitality operations.</li> </ul>
<b>Wes Lambert</b> PRG Director KRG Director of Business Development	<ul style="list-style-type: none"> <li>• Bachelor of Business in Business Administration.</li> <li>• Former corporate and investment banker in the restaurant capital group of a US investment bank.</li> <li>• Gained over 7 years of venue management and ownership experience in multiple locations in US and Asian markets.</li> <li>• Currently managing the growth model of PRG.</li> </ul>
<b>Claire Mackenzie</b> PRG Director KRG Director of Operations	<ul style="list-style-type: none"> <li>• Has hospitality industry experience spanning over 20 years, encompassing all aspects of restaurant operations.</li> <li>• Developed specific expertise in developing and implementing operating and communication systems, recruitment and employee retention strategies, and in-house staff and management training, and customer relationship strategies.</li> <li>• Developed, launched and managed numerous restaurant concepts internationally from the United Kingdom to Asia and Australia.</li> <li>• Currently directs all units of general management, information technology, training and human resources of KRG. Claire is the driving force behind the operational success of the organisation.</li> </ul>
<b>Andrew Berkeley</b> PRG Non-executive Director	<ul style="list-style-type: none"> <li>• Has some 25 years of retail industry experience and has built a chain of 28 stores over an 8-year period and subsequently sold this business.</li> <li>• Has spent some 7 years with one of Australia's largest shopping centre managers and held the position of retail property manager.</li> <li>• Holds a real estate licence and is also accredited in shopping centre management by the Building Owners &amp; Managers Association of Australia Limited.</li> </ul>
<b>Stewart Koziora</b> PRG Non-executive Director	<ul style="list-style-type: none"> <li>• Spent over 17 years as both an owner and chief executive officer of retail companies which included LoneStar Steakhouse and Saloon.</li> <li>• Has also undertaken industry research reports for banks and other financial institutions.</li> <li>• Was the co-founder of Wagamama Australia, which is an Asian food bar concept.</li> </ul>
<b>Rick Hutchinson</b> PRG Non-executive Director	<ul style="list-style-type: none"> <li>• Bachelor of Economics (Honours).</li> <li>• Has over 35 years' business experience.</li> <li>• Current chairman of Young Achievement Australia.</li> <li>• Currently runs own investment companies.</li> <li>• Former sales director of Seven Network.</li> <li>• Former founder and executive chairman of Australia's largest independent sales and marketing business, employing over 100 people Australia-wide, which was subsequently sold after 16 years.</li> <li>• Previously owned a number of retail businesses in Westfield and airport locations, which were subsequently sold.</li> </ul>

---

<b>Graham Hartmann</b> PRG Non-executive Director	<ul style="list-style-type: none"> <li>• Member of the Institute of Chartered Accountants in Australia.</li> <li>• Bachelor of Financial Administration.</li> <li>• Has over 25 years' business experience.</li> <li>• Current honorary treasurer of a sporting club with over 2,500 members.</li> <li>• Currently runs own investment companies.</li> <li>• Spent 3 years as financial controller of a listed media company in Australia.</li> <li>• Joined Rick Hutchinson to assist with the establishment of an independent sales and marketing business. Spent 11 years as finance director, responsible for financial reporting, integration of all state offices, business acquisitions, and subsequent sale of the business to a listed UK company.</li> <li>• Previously owned a number of retail businesses in Westfield and airport locations, which were subsequently sold.</li> </ul>
---	--

---

#### 4.2 Senior management and consultants – to be employed by KRG

PRG has contracted, via the Management Services Agreement, which is described in Section 8.3, an experienced management team with a range of industry backgrounds. This team is led by Kingsley Smith, Managing Director, Wes Lambert, Director of Business Development, and Claire Mackenzie, Director of Operations. The Directors consider Kingsley Smith, Wes Lambert and Claire Mackenzie to be key employees of KRG. Their details are set out in Section 4.1.

Other key employees of the PRG Group and KRG are as follows:

**Table 8: Key employees**

Name	Qualifications and experience
<b>Pedro Sasso</b> Financial Controller	<ul style="list-style-type: none"> <li>• Certified Public Accountant, Bachelor of Accounting.</li> <li>• Joined in late February 2008 having completed a successful senior accounting role with Sydney Attractions Group managing the entire accounting department of the listed company with yearly revenues of over \$50 million.</li> <li>• Has many years of retail accounting and hospitality venue ownership experience.</li> </ul>
<b>Adam Heathcote</b> Regional Manager	<ul style="list-style-type: none"> <li>• Bachelor of Business (Law).</li> <li>• Joined in June 2006 as the general manager of Kingsleys Brisbane and became the general manager of Kingsleys Woolloomooloo in June 2007.</li> <li>• Became the regional manager in December 2007 and is responsible for operations management and business development.</li> </ul>
<b>Belinda Clarke</b> Training and Development Manager	<ul style="list-style-type: none"> <li>• Joined in 2006 as the general manager of Kingsleys Woolloomooloo.</li> <li>• Became training and development manager and is now responsible for all training of staff and managers and is currently working on corporate training manuals.</li> </ul>
<b>Alice Gruzman</b> Brand and Communications Manager	<ul style="list-style-type: none"> <li>• Bachelor of Business &amp; Dip Business.</li> <li>• Obtained extensive experience in event management, operations management, and customer relationship management.</li> <li>• Manages the customer relationship management team and software systems and is responsible for brand management and communications to all stakeholders.</li> <li>• Alice's knowledge and passion for the brand make her an integral member of the team.</li> </ul>
<b>Paul Dewhurst</b> Human Resources Manager	<ul style="list-style-type: none"> <li>• Bachelor of Commerce.</li> </ul>

---

The PRG Group and KRG has recently contracted the services of these key employees for a period of 3 years, giving rise to suitable tenure.

#### 4.3 Corporate governance

The Board has adopted corporate governance policies to ensure that PRG is effectively directed and managed, risks are identified, monitored and assessed, and appropriate disclosures made.

In developing and adopting the policies, while there is no present intention to apply for admission to quotation on ASX, the Board considered the ASX Principles of Corporate Governance and Best Practice Recommendations. The Board incorporated the ASX principles into the policies to the extent that they were appropriate, taking into account PRG's size, activities and resources.

The Board has adopted the following policies:

#### 4.4 **The Board charter**

The Board is responsible for, and has the authority to determine, matters relating to strategic direction, policies, practices, establishing goals for management and the operation, of PRG. The Board has adopted a Board charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- (1) oversight of PRG, including its control and accountability systems;
- (2) ratifying the appointment and, where appropriate, the removal of the company secretary;
- (3) ensuring KRG meets its obligations under the Management Services Agreement;
- (4) reviewing and ratifying systems for risk management and internal compliance and control, codes of conduct and legal compliance;
- (5) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (6) approving and monitoring financial and other reporting; and
- (7) ensuring PRG complies with its responsibilities under the Corporations Act, the Constitution and relevant laws.

The composition of the Board is determined in accordance with the following general principles:

- the Board will initially comprise 5 Directors;
- a minimum of 2 Directors shall be independent non-executive Directors; and
- the Board shall comprise Directors with a broad mix of business expertise and experience.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

#### 4.5 **Audit and risk management committee**

In order to better manage its responsibilities, the Board will establish an audit and risk management committee within 3 months of the IPO Offer. The committee will adopt a charter approved by the Board, setting out its responsibilities.

The committee will comprise at least 1 independent non-executive Director.

## Section 5 – Financial information

### 5.1 Introduction

PRG is an unlisted public company that was incorporated on 13 February 2008. The PRG Group did not trade, on its own account, during the period from its establishment until 5 May 2008, following the Acquisition. The financial information presented in this Section has been prepared on the basis that the PRG Group had owned the Businesses from the beginning of FY2006.

PRG lodged the IPO Prospectus with ASIC on 29 May 2008 which was varied by the Supplementary Prospectus dated 12 August 2008,. The IPO Prospectus was closed on 20 August after the successful raising of \$3,049,775, resulting in the issue of an additional 15,317,805 Shares. PRG will use all funds raised from the IPO Offer to fund the Acquisition and expansion of the Businesses.

This Section contains the following financial information for PRG prepared by the Directors:

- (1) summary pro forma aggregated and unaudited income statements for PRG for FY2006 and FY2007, as if the Businesses had been under the control of PRG during those financial years, and as if the Management Services Agreement and the Trade Mark Licence had been in place during those financial years;
- (2) pro forma aggregated profit and loss for the seven months ended 31 January 2008, also as if the Businesses had been under the control of PRG during those financial years, and as if the Management Services Agreement and the Trade Mark Licence had been in place during those financial years;
- (3) Pro forma Historicals FY2008, also as if the Businesses had been under the control of PRG during those financial years, and as if the Management Services Agreement and the Trade Mark Licence had been in place during those financial years;
- (4) full-year forecast summary pro forma consolidated income statements for PRG for FY2009 Forecast which have been provided for the purposes of providing potential investors with details of the forecast full-year performance, as if the Businesses had been under the control of PRG for the full year; and
- (5) pro forma consolidated balance sheet for PRG as at 30 June 2008, including applicable notes.

The financial information has been reviewed by RSM Bird Cameron Corporate Pty Ltd as investigating accountant. A copy of RSM Bird Cameron Corporate Pty Ltd's report is contained in Section 6.

## 5.2 Overview of historical and forecast financial information

Set out below is a summary and overview of the historical and forecast financial information for PRG.

**Table 9: PRG financial information**

	FY2006	FY2007	YTD 31/01/2008	FY2008	FY2009
	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma Historicals FY2008	Forecast
Sales (\$'000)	7,411	12,364	9,998	15,975	27,157
Cost of goods sold (\$'000)	(4,637)	(7,990)	(6,502)	(10,438)	(16,762)
Gross margin (\$'000)	2,774	4,374	3,495	5,537	10,396
Operating expenses (\$'000)	(2,528)	(3,959)	(3,503)	(5,258)	(7,562)
EBITDA (\$'000)	246	415	(7)	279	2,833
Depreciation and amortisation (\$'000)	(99)	(236)	(173)	(280)	(470)
Options expense (\$'000)	na	na	na		(164)
EBIT (\$'000)	147	179	(180)	(1)	2,199
Net interest income/(expense) (\$'000)				(146)	(74)
Net profit before tax (\$'000) <sup>1, 2, 3</sup>				(147)	2,125
Income tax benefit / (expense) (\$'000)				44	(518)
NPAT (\$'000) <sup>1, 2, 3</sup>				(103)	1,607
Gross margin (%)	37.4%	35.4%	35.0%	34.7%	38.3%
EBITDA (%)	3.3%	3.4%	(0.1%)	1.7%	10.4%
NPAT (%)				(0.6%)	5.9%
EPS (cents) <sup>4, 5</sup>				na	3.6
Dividend per Share (fully franked) (cents) <sup>4, 5, 6</sup>				na	0.9
Price earnings multiple at the IPO Offer Price (times) <sup>1, 2, 4, 5</sup>				na	5.5
Forecast dividend yield (fully franked) at the IPO Offer Price (%) <sup>1, 2, 4, 5, 6, 7</sup>				na	4.5%
NTA (undiluted) (cents)				4.0	

Note 1: Assuming no amortisation for purchased intangibles in FY2008 and FY2009 on the basis that such intangibles are solely goodwill and will not be impaired.

Note 2: Including Options expense (in FY2009 only).

Note 3: The actual result for FY2008 will differ from the Pro forma Historicals FY2008. The actual net profit before tax for FY2008 will represent the financial results for the period from 5 May 2008 to 30 June 2008, being the period of legal ownership of the Businesses by the PRG Group. The Pro Forma Historicals FY2008 is approximately break-even, before expensing once-off costs associated with the Acquisition.

Note 4: Assuming the Subscription and assuming conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share.

Note 5: Undiluted for Options.

Note 6: Assuming 25% of NPAT is distributed.

Note 7: The dividend yield is calculated as the forecast dividend per Share divided by the IPO Offer Price.

### 5.3 Basis of preparation of financial information

The financial information set out in Section 5.2 is a special purpose pro forma financial report prepared in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards.

### 5.4 Discussion of the historical and forecast financial information

#### (1) Summary

Since FY2007, the Businesses have experienced substantial growth in revenues, reflecting their loyal customer base and new patrons.

Overall, the Businesses have achieved reasonable gross margin levels and the FY2009 Forecast takes into account improving management efficiencies employed in the Businesses. The improving EBITDA margins take into consideration the increased scale in operations.

Set out below is a summary of the growth in earnings from FY2008 to FY2009, otherwise called a "forecast bridge":

**Table 10: Forecast bridge - Forecast increase in EBITDA**

	FY2008 Pro forma Historicals FY2008 \$'000	Forecast increase in EBITDA \$'000	FY2009 Forecast \$'000
<b>Normalised EBITDA</b>			
Existing restaurants	279	1,151	1,430
New restaurants		1,403	1,403
<b>Combined</b>	<b>279</b>	<b>2,554</b>	<b>2,833</b>

**Table 11: Forecast bridge - Components of growth**

Components of growth between Pro forma Historicals FY2008 and FY2009 Forecast	Existing restaurants	New restaurants	Total growth
Sales revenue	1,726	9,456	11,182
Cost of sales	(522)	(5,802)	(6,324)
Gross profit	1,204	3,654	4,858
Operating expenses	(53)	(2,251)	(2,304)
<b>EBITDA</b>	<b>1,151</b>	<b>1,403</b>	<b>2,554</b>

#### (2) Kingsleys Woolloomooloo

- revenue increased in FY2007 as a result of an increase in the sale of food and liquor mainly driven by a higher number of customers as the restaurant built its reputation;
- Pro forma Historicals FY2008 revenue growth is 9.4%, as compared with 8.6% in FY2007 and FY2009 Forecast revenue growth is 7.9% due to price increases and the effects of the refurbishment of the mezzanine level of the restaurant which is expected to be completed by November 2008. The refurbished mezzanine level will not increase the overall capacity of the restaurant (because it is utilised already). However, management expects the refurbishment to improve the efficiency of the restaurant and offer a more salubrious experience;
- Pro forma Historicals FY2008 gross profit margin is in line with the historical margins. FY2009 Forecast gross profit margin is significantly higher than the historical margins due to a

combination of removal of excess labour costs arising from the fact that in FY2008 Kingsleys Woolloomooloo employed three senior personnel (in a training/warehousing capacity) who will transfer to other restaurants in subsequent years, price increases and purchasing efficiencies, which are already being enjoyed with regard to liquor purchases as a result of a change in management of that aspect of the operations; and

- FY2009 Forecast EBITDA margin is expected to increase significantly as compared with FY2007 and Pro forma Historicals FY2008 mainly due to labour costs staying at consistent levels while achieving increasing sales.

(3) Kingsleys Brisbane

- the monthly sales growth has been achieved by increasing table-turn. Average spend per cover has fluctuated around \$80;
- although FY2006 was officially the first year of operation, the first full year of revenue and profitability for Kingsleys Brisbane was FY2007 in which it achieved a positive EBITDA and EBITDA margin of 7.9%;
- Pro forma Historicals FY2008 revenue growth is 16.2%, but FY2009 Forecast revenue growth is 8.8%, as this business starts to mature; and
- forecast gross profit and EBITDA margins are expected to increase in the forecast period, mainly due to labour costs remaining at consistent levels while achieving increasing sales.

(4) Kingsleys Canberra

- although FY2007 was officially the first year of operation, Kingsleys Canberra's first full year of operations will be FY2008 as the restaurant commenced operations at the end of FY2007;
- for the period to 31 January 2008, while gross profit was positive, Kingsleys Canberra made losses at the EBITDA level due to sales not being at a sufficiently high level compared with operating expenses;
- FY2009 Forecast revenue growth is 26.2% due to a revamping of the lunchtime menu to a more fast-casual type of dining to match the demographics of the market in which the business operates and the lunch menus of competitors;
- Pro forma Historicals FY2008 gross profit margin is 20.3%, and the FY2009 Forecast is 29.5%, which is lower than the margins forecast for each of Kingsleys Woolloomooloo and Kingsleys Brisbane; and
- Pro forma Historicals FY2008 EBITDA is a loss and the FY2009 Forecast EBITDA is only marginally positive, mainly due to labour costs staying at consistent levels while the restaurant builds sales.

(5) Kingsleys Melbourne

- FY2009 Forecast revenue of approximately \$4 million is expected to be quite strong as compared with forecast sales for Kingsleys Canberra of approximately \$3 million. However, it is in line with historical sales levels achieved by Kingsleys Brisbane; and
- FY2009 Forecast operating costs are approximately 22% to 23% of sales, as compared with approximately 29% for Kingsleys Woolloomooloo and Kingsleys Brisbane, representing expected efficiencies from better staff levels and improved systems and lower rentals as a percentage of sales as compared with Kingsleys Woolloomooloo, Kingsleys Brisbane and Kingsleys Canberra.

(6) ChopHouse Sydney

- FY2009 Forecast revenue of approximately \$5.4 million has been based on Kingsleys Brisbane's revenues. However, it is less than historical sales for Kingsleys Woolloomooloo, which is considered to be a superior location, and takes into account risks associated with increased competition;
- FY2009 Forecast gross profit margin exceeds that of Kingsleys Brisbane and is in line with the forecast for Kingsleys Woolloomooloo, reflecting reduced labour savings;
- operating expenses as a percentage of sales are less than those forecast for Kingsleys Woolloomooloo, Kingsleys Melbourne and Kingsleys Canberra, but higher than Kingsleys Melbourne. Rental, as a percentage of sales, is lower than Kingsleys Woolloomooloo, Kingsleys Brisbane, Kingsleys Canberra and Kingsleys Melbourne; and
- the FY2009 Forecast EBITDA margin exceeds those of both Kingsleys Brisbane and Kingsleys Woolloomooloo.

(7) Other matters

- Included in the operating result is an amount for the expense relating to Options issued to employees of the PRG Group. In accordance with the terms of the Management Services Agreement, any Options due to employees of KRG are to be offset against any fees payable by PRG to KRG under the Management Services Agreement.
- The amount provided for Options expense is nil in the Pro forma Historicals FY2008 and \$164,000 in the FY2009 Forecast. The key inputs used to value the Options are as follows:
  - volatility: 40% per annum;
  - risk-free rate (over the term of the Options): 6.5% per annum; and
  - underlying Share price: \$0.1991 (i.e. the IPO Offer Price).

## 5.5 Normalisation adjustments

Normalisation adjustments have been made to the historical aggregated unaudited results presented in this Options Prospectus. The normalisation adjustments include reductions in income or expenses that do not relate to the ongoing business of PRG, and additions to expenses to represent the pro forma impact on the ongoing business of PRG.

Set out below is a reconciliation of the reported EBITDA to the normalised EBITDA:

**Table 12: Normalisation adjustments**

Combined	2006	2007	2008	2008
	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma aggregated unaudited	Pro forma Historicals
	30 June	30 June	10 February	30 June
	\$'000	\$'000	\$'000	\$'000
<b>Reported EBITDA</b>	<b>772</b>	<b>527</b>	<b>220</b>	<b>896</b>
<b>Normalisation adjustments</b>				
<b>Expenses</b>				
Previous head office costs	334	1,141	728	1,335
Advertising and promotions	132	295	249	
Loss on sale of motor vehicle	5			
<b>Sub-total adjustments to expense</b>	<b>471</b>	<b>1,436</b>	<b>977</b>	<b>1,335</b>
<b>Change in operating structure costs</b>				
Management Services Agreement fees	(556)	(927)	(750)	(1,198)
Trade Mark Licence fees	(259)	(433)	(350)	(559)
PRG corporate overheads	(182)	(188)	(104)	(195)
<b>Normalised EBITDA</b>	<b>246</b>	<b>415</b>	<b>(7)</b>	<b>279</b>

## 5.6 Forecast financial information

Section 5.2 sets out a summary of the forecast financial performance of PRG. This Section 5 should be read in its entirety, including the assumptions, the sensitivity analysis and key risks.

The Directors believe that they have prepared the FY2009 Forecast with due care and attention, and consider all best-estimate assumptions, when taken as a whole, to be reasonable at the date of this Options Prospectus.

The FY2009 Forecast has been prepared on the basis of numerous assumptions, including the key and general assumptions set out below, and should be read in conjunction with the investigating accountant's report in Section 6 and the risk factors set out in Section 7. This information is intended to assist

potential investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

Potential investors should be aware that the timing of actual events, and the magnitude of their impact, might differ from that assumed in preparing the FY2009 Forecast, and that this may have a materially positive or negative impact on PRG's actual financial performance or financial position. The FY2009 Forecast is unaudited but has been reviewed and reported on by the investigating accountant in Section 6.

#### 5.7 Assumptions underlying FY2009 Forecast

The statements in this Options Prospectus which constitute forward-looking statements involve known and unknown risks, uncertainties and other factors which may impact on actual outcomes, many of which are outside the control of PRG. These factors will cause the actual results, performance or achievements of PRG to differ, perhaps materially, from the results, performance or achievements implied by forward-looking statements. The forward-looking statements do not constitute a representation that future results will be achieved and are presented to potential investors as a guide only. They are based on information known at the date of this Options Prospectus.

Set out below is an explanation of the table set out in Section 5.2.

Potential investors are advised to review the assumptions set out below in conjunction with the sensitivity analysis in Section 5.8, the risk factors in Section 7 and other information set out in this Options Prospectus.

##### *General assumptions*

The FY2009 Forecast assumes that:

- the IPO Offer occurred on 1 May 2008, and gross proceeds of \$ 3,049,775 were raised under the Subscription;
- conversion into Shares of the Convertible Loan at approximately \$0.1192 per Share on 30 June 2008, even though the Convertible Loan is actually repayable or convertible on 19 November 2008;
- there are no significant changes in political or economic or industry conditions;
- there are no significant changes in the legislative regimes and regulatory environments (including taxation) in the jurisdictions in which the PRG Group operates, other than as described in this Options Prospectus;
- there are no additional acquisitions of restaurants, other than as disclosed in this Options Prospectus;
- there is no loss of key personnel identified in this Options Prospectus, and sufficiently qualified staff are retained;
- there are no changes in Accounting Standards, other mandatory professional reporting requirements or the Corporations Act, which will have a material impact on PRG's financial performance, cash flow or financial position;
- PRG's significant accounting policies remain consistent with those disclosed in this Options Prospectus;
- there are no material beneficial or adverse effects arising from the actions of competitors;
- there is no change in the capital structure of PRG, other than as set out in, or contemplated by, this Options Prospectus;

- none of the Options vest during the period covered by the FY2009 Forecast; and
- there is no material amendment to any material agreement or arrangement relating to the Businesses, in particular the Management Services Agreement and the Trade Mark Licence.

#### *New restaurants*

The FY2009 Forecast assumes that the only new restaurants to be opened are Kingsleys Melbourne and ChopHouse Sydney. The FY2009 Forecast for the new restaurants has been modelled around the experience of Kingsleys Brisbane, in particular:

- sales – average spend, number of table covers, seasonal trends;
- gross margins – based on cost of food and beverage purchases and direct labour costs; and
- operating expenses – this incorporates KRG's fees under the Management Services Agreement and KBG's fees under the Trade Mark Licence, together with other operating costs associated with the business.

#### *Revenue and gross margin assumptions*

Key assumptions in relation to revenue and gross margin for the PRG Group are:

- no material changes take place to the operations of the restaurants, including beef, seafood, wine and other key food-related costs; and
- compared with Pro forma Historicals FY2008, there is an overall increase of approximately 8% (excluding Kingsleys Canberra, which increases over 20% as a result of changing its lunch menu and further patronage growth as the restaurant matures) in revenue, representing increases in pricing levels for all menus and increases in patronage.

#### *Operating expense assumptions*

- The PRG Group's expenses consist primarily of employment costs, premises occupancy costs and depreciation, together with the KRG's fees under the Management Services Agreement and KBG's fees under the Trade Mark Licence;
- no synergy cost benefits have been included in the expense assumptions from any changes to the PRG Group's operations that may be occasioned by the Options Offer;
- employment costs consist of those expenses which are forecast on the basis of general salary increases, taking into account anticipated increases in costs due to skill shortages of chef staff in Australia;
- expenses for Staff and Director Options granted to employees of the PRG Group have been calculated in accordance with AASB 2 *Share-based Payment*. Due regard has been given to the value of the Staff and Director Options considering the terms of the IPO Offer, volatility in the Shares and their unlisted status;
- other general expenses in the FY2009 Forecast are maintained at a level to reflect the revenue base;
- depreciation has been calculated in accordance with PRG's accounting policies;
- costs associated with the Options Offer have either been capitalised or charged to share capital;
- other expenses have been adjusted in line with general inflation expectations;
- management fees have been calculated using 7.5% of gross revenue of the PRG Group, calculated in accordance with the Management Services Agreement;

- in accordance with the Trade Mark Licence, licensing fees have been calculated as 3.5% of the gross revenue of the PRG Group; and
- gross margins – this is impacted by food and beverage cost of sales and direct labour costs. Cost of sales in relation to food and beverages has been based on trends currently experienced by each restaurant. In addition, the FY2009 Forecast assumes an improvement in the supply terms that have been enjoyed by the Businesses. Direct labour costs reflect current ratios and take into account the use of a strict roster system which results in the most efficient use of labour.

#### *Corporate charges*

These include:

- Directors' fees – costs of \$12,000 for each Director have been included. The executive directors' salaries are paid by KRG, with the exception of their Staff and Director Options;
- auditor's fees – estimates of the cost of annual audit fees, together with other reviews, have been made;
- compliance costs – costs of taxation and other matters associated with the Company have been included; and
- Shareholders' meetings – one meeting of shareholders per annum has been assumed.

#### *Tax Assumptions*

The effective tax rate assumed in the FY2009 Forecast is 30%, which is in line with the Australian corporate tax rate. The Directors do not envisage material permanent differences that will affect the level of tax expense to the operating profit.

### **5.8 Sensitivity analysis**

The FY2009 Forecast has been based on certain economic and business assumptions about future events. A summary of the key assumptions underlying the FY2009 Forecast is set out in Section 5.7.

The EBITDA FY2009 Forecast is considered to be sensitive to movements in a number of key assumptions. A summary of the likely impact of movements in certain key assumptions on the FY2009 Forecast is set out below. However, the changes in these key assumptions are not intended to be indicative of the complete range of variations that may occur, and are not intended as an indication of potential changes considered likely by the Directors.

Extreme care should be taken in interpreting this information. This analysis treats each movement in an assumption in isolation from possible movements in other assumptions, which may not be the case in practice.

Movements in one assumption may have offsetting or compounding effects on other variables, the effects of which are not reflected in the following analysis. In addition, it is possible that more than one assumption may move at any one point in time, giving rise to cumulative effects which are also not reflected in this analysis. The Directors would normally respond to any material adverse change in conditions by taking appropriate action to maximise/minimise, to the extent possible, any beneficial/adverse effect on profits, cash flow and the balance sheet. The effect of any such mitigating action has not been included in the sensitivity analysis.

It has been assumed that overheads do not move in line with turnover. Overheads tend to be more fixed in nature, requiring intervention to materially alter the cost base.

Sensitivity analyses have been carried out on the FY2009 Forecast as set out below:

**Table 13: Sensitivity analysis**

Impact on FY2009 EBITDA	\$'000	\$'000
<b>Base FY2009 EBITDA<sup>1</sup></b>	<b>2,833</b>	<b>2,833</b>
<b>Sales +/-</b>	5%	-5%
Revised FY2009 EBITDA	3,204	2,463
Change	371	(370)
<b>Gross margin (%) +/-</b>	1%	-1%
Revised FY2009 EBITDA	3,105	2,562
Change	272	(271)
<b>Operating expenses +/-</b> (excl Management Services Agreement fees, Trade Mark Licence fees and Options expense)	5%	-5%
Revised FY2009 EBITDA	2,604	3,062
Change	(229)	229

Note 1: Excluding Options expense

## 5.9 Pro forma consolidated balance sheet

Set out below is the pro forma consolidated balance sheet of PRG as at 30 June 2008:

**Table 14: Pro forma consolidated balance sheet**

	30 June 2008	IPO Offer	Conversion of Convertible Loan into Shares	Notes	Pro forma
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	321	1,926		2	2,247
Trade and other receivables	39				39
Inventories	307				307
Prepayments and provisions	51				51
<b>TOTAL CURRENT ASSETS</b>	<b>719</b>	<b>1,926</b>			<b>2,645</b>
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	3,705				3,705
Intangibles - Goodwill	4,348			3	4,348
Intangibles - Formation costs	1				1
Future income tax benefits	51				51
Other - Liquor licence at cost	15				15
Other - Lease transfer costs	14				14
<b>TOTAL NON CURRENT ASSETS</b>	<b>8,134</b>				<b>8,134</b>
<b>TOTAL ASSETS</b>	<b>8,853</b>	<b>1,926</b>			<b>10,779</b>
<b>CURRENT LIABILITIES</b>					
Trade creditors	1,940	(495)		4	1,444
Other creditors	629	(629)		5	0
Vendor loans	873				873
Hire purchase	1,251				1,251
Accruals	304				304
Convertible Notes	525		(525)	6	0
Other current liabilities	25				25
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,547</b>	<b>(1,124)</b>	<b>(525)</b>		<b>3,898</b>
<b>NON CURRENT LIABILITIES</b>					
Bank loan	431				431
Hire purchase	207				207
Provision for Options		(112)		7	112
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>637</b>	<b>(112)</b>			<b>749</b>
<b>TOTAL LIABILITIES</b>	<b>6,184</b>	<b>(1,012)</b>	<b>(525)</b>		<b>4,647</b>
<b>NET ASSETS</b>	<b>2,669</b>	<b>2,938</b>	<b>525</b>		<b>6,132</b>
<b>SHARE CAPITAL</b>					
Share capital	3,096	2,769	525	8	6,390
Reserves		(112)			(112)
Retained earnings	(427)	281			(147)
<b>SHARE CAPITAL &amp; RESERVES</b>	<b>2,669</b>	<b>2,938</b>	<b>525</b>		<b>6,132</b>
NTA (undiluted, based on 44,722,126 Shares) (cents)					4.0

## 5.10 Notes to the pro forma consolidated balance sheet

Set out below are the notes to the pro forma consolidated balance sheet:

### *Note 1 – Summary of significant accounting policies*

The financial information set out in Section 5.9 is a special purpose pro forma financial report prepared in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards.

The financial information has been prepared on the accruals basis of accounting, including the historical cost convention and going concern basis of accounting, and has been consistently applied to all the years presented, unless otherwise stated.

The preparation of the financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying PRG's accounting policies.

#### (a) Basis of preparation of pro forma consolidated balance sheet

The pro forma consolidated balance sheet has been prepared on the following assumptions:

- that the Acquisition has occurred;
- that the proceeds from the Convertible Loan have been received;
- that the Convertible Loan will convert into Shares on the same day that the Shares are allotted under the IPO Offer (even though the Convertible Loan is actually repayable or convertible on 19 November 2008);
- that costs associated with the Acquisition and the IPO Offer are fully paid;
- the Subscription achieved; and
- that all bank facilities and Vendor loans are not reduced or paid out from the proceeds of the IPO Offer.

#### (b) Principles of consolidation

The consolidated financial information combines the financial information of PRG and all of its controlled entities. A controlled entity is any entity controlled by PRG. Control exists where PRG has the capacity to dominate the decision-making process in relation to the financial and operating policies of another entity, so that the other entity operates with PRG to achieve the objectives of PRG.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

#### (c) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

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

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

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

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

(d) Inventories

Inventories are measured at the lower of cost or net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the first-in, first-out basis.

(e) Property, plant and equipment

Property, plant and equipment is carried at cost or at independent or Directors' valuation, less (where applicable) any accumulated depreciation or amortisation and impairment losses.

The depreciable amount of all property, plant and equipment (including building and capitalised lease assets, but excluding freehold land) is depreciated on a diminishing value basis over its useful life to the consolidated entity, commencing from the time the asset is held ready for use.

(f) Leases

Lease payments for operating leases, where substantially all the risks and benefits of ownership remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Employee entitlements

Provision is made for the PRG Group's liability for employee entitlements arising from services rendered by employees to the balance date.

Employee entitlements expected to be settled within one year (together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year) have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Liabilities are determined after taking into consideration estimated future increases in wages, salaries and past experience of staff departures and related on-costs.

Contributions are made by the PRG Group to employee-nominated superannuation funds and are charged as expenses when incurred.

## (h) Cash

Cash includes cash on hand and at-call deposits with banks or financial institutions, net of bank overdrafts.

## (i) Revenue recognition

Revenue from sale of goods is recognised on delivery of goods to customers and where that customer retains the benefits, rights and risks of ownership of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised on a proportional basis, taking into account the interest rates applicable to the financial assets.

All revenue is stated net of any goods and services tax.

## (j) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

*Note 2 – Movement in cash***Table 15: Movement in cash**

	\$'000	\$'000
Opening balance (30 June 2008)	321	
Proceeds from IPO Offer	3,050	3,371
Costs of IPO Offer		(281)
Costs of Acquisition	(596)	
Stamp duty on the Acquisition	(248)	(843)
Repay vendor loans (payment for net tangible assets of the Businesses, excluding Kingsleys Woolloomooloo, of \$1.265 million, plus intangibles for Kingsleys Brisbane of \$0.950 million)		-
Repay other debt		-
<b>Pro forma cash</b>		<u>2,247</u>

*Note 3 – Intangibles - Goodwill***Table 16: Movement in intangibles**

	Kingsleys Woolloomooloo \$'000	Kingsleys Brisbane \$'000	Kingsleys Canberra \$'000	Total \$'000
Purchase price (including transaction costs)	3,296	2,119	594	6,009
Tangible assets acquired	(213)	(923)	(525)	(1,661)
<b>Intangible assets</b>	<b>3,083</b>	<b>1,196</b>	<b>69</b>	<b>4,348</b>

The value for the intangibles represents the mid-point of an independent valuation report prepared by PKF Corporate Advisory (East Coast) Pty Limited. Costs associated with the Acquisition have been capitalised. No formal assessment of the nature of the intangibles has been undertaken by the Directors. However, in the opinion of the Directors, intangibles are considered to substantially relate to goodwill, which is subject to impairment.

Set out below is the fair value of the net tangible assets of the Businesses assuming that the Businesses were acquired on 31 January 2008:

**Table 17: Fair value of net tangible assets**

	<b>\$'000</b>
<b>ASSETS</b>	
Stock	316
Prepayments	26
Liquor licence	15
Property, plant and equipment	3,037
	<b>3,394</b>
<b>LIABILITIES</b>	
Hire purchase liability	(34)
Accruals	(332)
	<b>(366)</b>
<b>Sub-total</b>	<b>3,028</b>
<b>NEW NON-CURRENT LIABILITIES</b>	
Hire purchase creditor	(1,367)
<b>Fair value of net tangible assets acquired</b>	<b>1,661</b>

In arriving at the fair value of net tangible assets, the Directors considered that the value of property, plant and equipment represents fair value on a going concern basis.

*Note 4 – Trade Creditors*

**Table 18: Trade Creditors**

	<b>\$'000</b>
Opening balance (30 June 2008)	1,940
Less repayment of trade creditors from the proceeds of the IPO Offer	(495)
<b>Pro forma total</b>	<b>1,444</b>

*Note 5 – Other Creditors*

**Table 19: Other Creditors**

	<b>\$'000</b>
Opening balance (30 June 2008)	629
Less repayment of other creditors from the proceeds of the IPO Offer	(629)
<b>Pro forma total</b>	<b>-</b>

*Note 6 – Convertible Loan***Table 20: Convertible Loan**

	<b>\$'000</b>
Convertible Loan	525
Conversion of Convertible Loan into Shares	(525)
<b>Total pro forma Convertible Loan</b>	<b>0</b>

*Note 7 – Provision for Options and Reserves***Table 21: Provision for Options and Reserves**

	<b>\$'000</b>
Opening balance (30 June 2008)	-
Amount set aside in relation to the estimated amount arising from the recognition of Options issued to persons associated with the IPO Offer	112
<b>Pro forma total</b>	<b>112</b>

*Note 8 – Share capital***Table 22: Share capital**

	<b>\$'000</b>
Conversion of Convertible Loan	525
Issue of Shares under IPO Offer (Subscription)	3,050
Issue of Shares to Vendors – purchase Kingsleys Woolloomooloo	3,096
IPO Offer costs (cash)	(281)
<b>Total Pro forma share capital</b>	<b>6,390</b>

*Note 9 – Subsequent events*

There have been no matters that have occurred since 30 June 2008 that should be disclosed.

## Section 6 – Investigating accountant’s report

# RSM Bird Cameron Corporate Pty Ltd

Level 12, 60 Castlereagh Street, Sydney NSW 2000  
 GPO Box 5138 Sydney NSW 2001  
 T +61 2 9233 8933 F +61 2 9233 8521  
 www.rsmi.com.au

26 August 2008

The Directors  
 Pacific Restaurant Group Limited  
 Westfield Towers  
 Suite 202, Level 2  
 100 William Street  
 Sydney NSW 2000

Dear Sirs

### Investigating accountant’s report

#### 1. Introduction

- 1.1. At the request of the Directors, we have prepared this investigating accountant’s report (the “Report”) on the pro forma historical and forecast financial information of the PRG Group for inclusion in an Options Prospectus to be dated on or about 26 August 2008 relating to, among other things, the proposed offer of up to 2,150,000 New Options at an exercise price of \$0.1719 per Share to Eligible Employees.
- 1.2. This Report has been prepared in accordance with the general disclosure requirements of the Corporations Act to assist potential investors to make an informed assessment of the financial performance and financial position of the PRG Group. The nature of this Report is such that it can only be given by an entity that holds an Australian Financial Services Licence under the Corporations Act. RSM Bird Cameron Corporate Pty Ltd holds the appropriate Australian Financial Services Licence.
- 1.3. This report does not address the rights attaching to the Options to be issued pursuant to this Options Prospectus, nor the risks associated with the investment.

#### 2. Scope of examination

- 2.1. You have requested RSM Bird Cameron Corporate Pty Ltd to prepare an investigating accountant’s report for inclusion in the Options Prospectus covering the following information of the PRG Group:
  - the unaudited pro forma income statements for the PRG Group for FY2006, FY2007, prepared on an aggregated basis and FY2008 prepared on a consolidated basis prepared as if the Businesses had been under the control of the PRG Group during those financial years, and as if

Liability limited by a  
 scheme approved under  
 Professional Standards  
 Legislation

RSM Bird Cameron Corporate Pty Ltd  
 ABN 82 050 508 024  
 Licensed Investment Adviser  
 No 255847

Major Offices in:  
 Perth, Sydney,  
 Melbourne, Adelaide  
 and Canberra

RSM Bird Cameron Corporate Pty Ltd is  
 an independent member firm of RSM  
 International, an affiliation of  
 independent accounting and consulting  
 firms.

the Management Services Agreement and the Trade Mark Licence had been in place during those financial years, and prepared in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards and the transactions summarised in Section 5 of the Options Prospectus;

- the unaudited pro forma forecast consolidated income statements for the PRG Group for FY2009, prepared on an aggregated basis, incorporating the results of the PRG Group in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards and the transactions summarised in Section 5 of the Options Prospectus;
- the unaudited pro forma aggregated income statement for the PRG Group for the seven-month period ended 31 January 2008, prepared on an aggregated basis, in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards and the transactions summarised in Section 5 of the Options Prospectus;
- the unaudited pro forma consolidated balance sheet of the PRG Group at 30 June 2008, prepared on an aggregate basis, incorporating the results of the PRG Group and in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards.

### **3. Responsibility**

- 3.1. The Directors are responsible for the preparation of the historical and pro forma financial information, including the determination of the pro forma adjustments. The Directors are also responsible for the preparation of the pro forma forecast financial information, including the best-estimate assumptions on which it is based.
- 3.2. It is our responsibility to review the historical, pro forma and pro forma forecast financial information as set out in Section 5 of the Options Prospectus and report thereon. We disclaim any responsibility for any reliance on this Report or the financial information to which it relates for any other purpose other than that for which it is prepared. This Report should be read in conjunction with the rest of the Options Prospectus.

### **4. Review of historical and pro forma historical financial information**

- 4.1. We have performed a review of the historical financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that the pro forma historical financial information as described above and as set out in Section 5 of the Options Prospectus is not fairly presented in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards.
- 4.2. Our review of the historical financial information was conducted in accordance with Australian Auditing Standard AUS 902 *Review of Financial Reports*. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:
- an analytical review of the unaudited financial information for the PRG Group for the relevant historical periods;
  - a comparison of consistency in the application of the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards, other mandatory professional reporting requirements in Australia and the accounting policies adopted by PRG, and disclosed in Section 5 of the Options Prospectus;
  - a review of the basis of consolidation and the reasonableness of the adjustments used to compile the historical financial information set out in Section 5 of the Options Prospectus;
  - a review of accounting records and other documents; and
  - enquiries of Directors and management of PRG.

- 4.3. The scope of our procedures was substantially less than what would be required in an audit conducted in accordance with Australian Auditing Standards, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

## **5. Review of pro forma forecast financial information**

- 5.1 Our review of the pro forma forecast financial information, as described above and as set out in Section 5 of the Options Prospectus, and the best-estimate assumptions underlying the pro forma forecast financial information was conducted in accordance with Australian Auditing Standard AUS 902 *Review of Financial Reports*.

- 5.2 Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best-estimate assumptions provide a reasonable basis for the pro forma forecast financial information.

- 5.3 These procedures, including discussion with the Directors and management of PRG, have been conducted in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- the Directors' best-estimate assumptions do not provide a reasonable basis for the pro forma forecast financial information;
- in all material respects the pro forma forecast financial information for FY2008 and FY2009 is not properly prepared on the basis of the Directors' best-estimate assumptions; and
- the pro forma forecast financial information is not presented fairly in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards, other mandatory professional reporting requirements in Australia and the accounting policies of the PRG Group, as disclosed in Section 5 of the Options Prospectus, so as to present a view of the PRG Group which is not inconsistent with our understanding of the past, current and future operations of the Businesses.

- 5.4 The pro forma forecast financial information has been prepared by the Directors to provide potential investors with a guide to the potential future performance of the PRG Group based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur.

- 5.5 There is considerable degree of subjective judgement involved in the preparation of the pro forma forecast financial information. Actual results may vary materially from the pro forma forecast financial information and the variation may be materially positive or negative. Accordingly, potential investors should have regard to the risk factors set out in Section 7 of the Options Prospectus and the sensitivity analysis set out in Section 5.8 of the Options Prospectus.

- 5.6 The scope of our review of the pro forma forecast financial information was substantially less than what would be required in an audit conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the pro forma forecast financial information included in the Options Prospectus.

## **6. Review statement on historical and pro forma historical financial information**

- 6.1 The pro forma historical financial information has been prepared on the basis that since 1 July 2005, the Businesses have been under the control of PRG and the Management Services Agreement and Trade Mark Licence were in place, and illustrates the effects of the following transactions as if they occurred on 30 June 2008:

- the issue by PRG of 25,000,002 Shares pursuant to the Acquisition;
- the recognition of the assets and liabilities including goodwill, arising from the Acquisition. The assets and liabilities were measured at fair value for the purposes of the Acquisition;

- the financial effect of PRG obtaining a \$525,000 Convertible Loan on 19 February 2008 which can be converted into 4,404,319 ordinary shares; and
- the issue to public subscribers by PRG of 15,317,805 new Shares at an IPO Offer Price of \$0.1991 each pursuant to the IPO Prospectus (the Subscription).

6.2 Based on our review of the historical financial information, which is not an audit, nothing has come to our attention that causes us to believe that the financial information set out in Section 5 of the Options Prospectus does not present fairly:

- the historical pro forma aggregated income statements for the PRG Group for FY2006 and FY2007, FY2008 and the seven-month period to 31 January 2008; and
- the pro forma consolidated balance sheet of the PRG Group as at 30 June 2008,

in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards, other mandatory professional reporting requirements in Australia and the accounting policies adopted by the PRG Group, disclosed in Section 5 of the Options Prospectus.

## **7. Review statement on pro forma forecast financial information**

7.1 Our review of the pro forma forecast financial information, set out in Section 5 of the Options Prospectus, which is not an audit, and our investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the pro forma forecast financial information has caused nothing to come to our attention that causes us to believe that:

- the Director's best-estimate assumptions set out in Section 5 of the Options Prospectus, which are subject to the risks set out in Section 7 of the Options Prospectus, do not provide a reasonable basis for the pro forma forecast financial information;
- the pro forma forecast consolidated income statements for the PRG Group for FY2009 are not properly prepared on the basis of the Directors' best-estimates; and
- the pro forma forecast financial information is not presented fairly in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Accounting Standards, other mandatory professional reporting requirements in Australia and the accounting policies adopted by PRG, disclosed in Section 5 of the Options Prospectus.

## **8. Subsequent events**

8.1 Apart from the matters dealt with in this Report, having regard to the scope of our work, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the PRG Group have come to our attention that are not otherwise disclosed in this Options Prospectus, which require further comment upon, or adjustment to the information referred to in this Report, or which would cause the information in this Report to be misleading.

## **9. Declaration and independence or disclosure of interest**

9.1 RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants.

9.2 Mr Brent James CA is a director of RSM Bird Cameron Corporate Pty Ltd. He has professional qualifications and experience appropriate to the content of the Report.

9.3 RSM Bird Cameron Corporate Pty Ltd has acted as investigating accountant for the Company but has not been involved in the preparation of any other part of this Options Prospectus. Accordingly, we make no representations as to the completeness and accuracy of the information in any other part of this Options Prospectus. RSM Bird Cameron Corporate Pty Ltd has not made and will not make any recommendation, through the issue of this Report, to potential investors of the Company as to the merits of the investment.

- 9.4 RSM Bird Cameron Corporate Pty Ltd will receive a fee for the preparation of this Report based on actual hours spent on the assignment at normal professional rates. With the exception of the above fees, neither Mr Brent James nor RSM Bird Cameron Corporate Pty Ltd will receive any other benefits, either directly or indirectly, from the preparation of this Report and have no pecuniary or other interest which could be regarded as affecting the ability to conduct an unbiased review in relation to the proposed transaction.
- 9.5 RSM Bird Cameron Corporate Pty Ltd has consented to the inclusion of this Report in the Options Prospectus in the form and context in which it appears. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

**BRENT JAMES**  
Director

## Financial services guide

### Declaration and independence or disclosure of interest

RSM Bird Cameron Corporate Pty Ltd, ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints-handling procedures and how you may access them.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - basic deposit products;
  - deposit products other than basic deposit products;
- interests in managed investments schemes (excluding investor-directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

All our employees receive a salary.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Associations and relationships**

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and/or RSM Bird Cameron-related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### **Complaints resolution**

#### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, PO Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### *Referral to external dispute-resolution scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("FICS"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9621 2291

### **Contact Details**

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

## Section 7 – Investment risks

There are factors, both specific to PRG and of a general nature, which may materially and adversely affect the future operating and financial performance of PRG and the value of Shares and New Options. Many of these factors are outside the control of PRG and the Directors.

This Section outlines the risks the Directors regard as significant or major risks associated with an investment in PRG. Each of the risks set out below could, if it were to eventuate, have a material adverse impact on PRG's operating performance and profits and the value of the Shares and New Options.

Before deciding to invest in PRG, Eligible Employees should read the entire Options Prospectus and consider the risk factors that could affect the financial performance of PRG, including the specific, industry and general risks set out in this Section. There can be no guarantee that PRG will achieve its stated objectives or that any financial forecasts will be achieved.

You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to apply for New Options under the Options Offer.

A reference to financial performance in this Section includes a reference to PRG being able to achieve the FY2009 Forecast set out in Section 5 as well as its financial performance overall. The financial performance of PRG is likely to affect the value and price of Shares and New Options.

### 7.1 Specific risks to PRG

In addition to the industry risks noted in Section 7.2 and the general risks noted in Section 7.3, potential investors should be aware of the specific risks in respect of an investment in PRG. These specific risks include, but are not limited to, those risks referred to below.

#### (1) Unlisted investment

An investment in New Options (and subsequently in Shares after the exercise of the New Options), will be an unlisted investment where a readily available market may not exist. Accordingly, realisation of the Shares, following exercise of New Options, may not be possible or investors could suffer a discount for the lack of liquidity and marketability of the investment. In addition to the above, under the terms of the New Options there are a number of conditions that need to be satisfied before an Eligible Employee can exercise their New Options into Shares. Many of these conditions are outside of the control of the Eligible Employee.

#### (2) Growth prospects proving to be more difficult than anticipated

The growth rates forecast in this Options Prospectus are dependent on many factors including PRG's ability to open new restaurants and grow the trade in existing restaurants. Should sales fail to meet the forecast sales, or should the roll-out of new restaurants be delayed, PRG may not be able to meet its profit forecasts.

In addition, PRG may have more difficulty than expected in managing growth, including finding and retaining good staff, expanding its operational and financial systems, and improving controls as the business grows.

#### (3) Inappropriate marketing strategies

While KRG's management team has a long history of marketing the Businesses, their marketing strategies may not be successful in the future, causing a loss in market share.

#### (4) Loss of repeat customers

A core part of the PRG Group's clientele is its repeat customers. If these repeat customers were lost that could not readily be replaced and this could impact future sales.

**(5) An inability to secure appropriate additional property leases**

The PRG Group leases all its restaurant venues and, as a result, is exposed to the risk that new leases may not be found on favourable terms, or that existing leases may not be renewed on favourable terms. The leases for the core group of existing restaurants have been secured for ten or twenty-year periods in order to manage this risk.

**(6) Recovery of fixed-costs**

There are high fixed-costs associated with the Businesses and these costs may not be recovered if there are insufficient sales.

**(7) Information technology issues**

The PRG Group relies heavily on reservation, point-of-sale and management information software systems. Should these systems fail, or be inadequately maintained, secured or updated, or if the PRG Group's disaster-recovery processes are inadequate, system failures could negatively impact on financial performance and reputation. The Businesses are dependent upon technology suppliers who may not be available in the future to support the technology. This could have a material impact upon the ability of the Businesses to support their marketing and related activities

**(8) Intellectual property non-exclusive**

Intellectual property will be licensed to PRG on an exclusive basis, subject to limited exceptions, in respect of restaurant services in Australia only. This means that KBG could license the Trade Marks to other parties for use, except in restaurant services in Australia, thereby creating direct or indirect competition for the PRG Group, dilution of brand reputation, or other unforeseen consequences.

In addition, KBG may terminate the Trade Mark Licence with not more than 18 months' and not less than 12 months' notice prior to expiration of each 5-year term.

**(9) Influence of the Existing Shareholders**

After the issue of Shares pursuant to the IPO Prospectus, under the Subscription, KSHW and JBT will be major Shareholders each with over 31% of the Shares on an undiluted basis. This means that they will be able to exert significant Board and management influence over PRG. They may therefore be able to influence the future direction and strategy of PRG, the composition of the Board, and a change in control of PRG. Such changes may or may not be detrimental to PRG.

**(10) Reliance on key personnel**

Despite best efforts to attract and retain key senior management, there is no guarantee that PRG or KRG will be able to retain key personnel. Key personnel include Kingsley Smith (Managing Director), Wes Lambert (Director of Business Development) and Claire Mackenzie (Director of Operations) who are employed by KRG and whose services are provided under the Management Services Agreement.

In addition, KRG may terminate the Management Services Agreement at any time without reason by giving at least 6 months' written notice to PRG.

**(11) Increased labour costs**

If the overall level of employment in the economy remains high, the PRG Group may not be able to retain or find appropriate staff to conduct its Businesses. Moreover, the PRG Group may have to pay higher salaries and wages to retain staff and may be unable to pass on these costs to its patrons.

**(12) Increased cost of inputs**

The Businesses are dependent upon a number of inputs, mainly meat. It may be possible that there are future price increases which it is not possible to pass on to patrons, which would reduce gross margins and overall profitability. Drought or other abnormal conditions could restrict supply and affect the ability of the Businesses to service their customers.

(13) **Maintenance of reputation and brand**

The PRG Group is heavily dependent on its reputation for quality meat, seafood, wines, service and atmosphere. Unforeseen events or issues that jeopardise the reputation of the PRG Group and its brand names could adversely affect financial performance.

(14) **New ChopHouse brand**

The ChopHouse brand is a new, untested brand. Consumers may not respond to this new brand in the same way that they have responded to new restaurants under the Kingsleys brand.

(15) **Supply chain management**

Any adverse changes to the supply chain such as unreliable quality of meat or seafood, increased food or freight costs, or deterioration in relationships with key suppliers could adversely affect financial performance.

(16) **Litigation risk, including product liability**

Litigation risk to the PRG Group includes product liability claims, customer claims, personal injury claims and employee claims. PRG maintains adequate insurance to protect against these risks and complies strictly with food hygiene protocols and standards. However any such incident could adversely affect financial performance.

(17) **Kingsleys Brisbane lease**

The lease for Kingsleys Brisbane was assigned as part of the Acquisition. Under the terms of the deed of consent and assignment of lease and sublease, the landlord's consent to the assignment is subject to and conditional upon the landlord's mortgagees consent to the transfer. While the consent of the landlord was obtained at the date of this Options Prospectus, the consent of the landlord's mortgagee has not yet been obtained. The Directors have no reason to believe that such consent will not be forthcoming. The consequence of not having mortgagee consent is that the bank may exercise its rights under the mortgage without regard to the rights of the lessee under the lease.

(18) **Value of Shares**

The value of an Optionholder's Shares, following exercise of their New Options, may be less than the Exercise Price ie. "out of the money".

## 7.2 Industry risks

(1) **Competition**

The PRG Group operates in a competitive industry where new entrants are frequent. PRG's financial performance could be adversely affected by the actions of competitors or potential competitors.

The impact of a reduction in sales that might be caused by competitor activity is set out in the sensitivity analysis in Section 5.8.

(2) **Change in legislation to restrict alcohol sales**

There may be a change in legalisation which restricts sales of alcohol.

(3) **Changing consumer preferences and diet**

Food services business can be affected by changes in consumer tastes, demographic trends, and changing attitudes towards health or dietary preferences. The PRG Group maintains balanced, healthy and fresh menus to negate this risk. In addition, consumer understanding of the benefits of eating red meat as part of a healthy, balanced diet has significantly improved due to the industry's consumer awareness campaigns.

### 7.3 General risks

There are risks associated with any investment in a company. Some of these risks are listed below.

#### (1) Liquidity and realisation risks

An investment in PRG is an unlisted investment where a readily available market may not exist. Also, there can be no guarantee that, after exercise of the New Options, an active market in Shares will develop or that the price of Shares will increase. There may be relatively few buyers or relatively high numbers of sellers of Shares at any given time. This may increase the volatility of the price of the Shares. It may also affect whether Shareholders are able to find a buyer for their Shares, and the prevailing price at which Shareholders are able to sell their Shares. This may result in Shareholders being unable to find a buyer for their Shares or receiving a market price for their Shares that is less than the price paid for their Shares.

#### (2) General economic conditions

Australian and world economic conditions may negatively affect PRG's financial performance. Any protracted slowdown in economic conditions or factors such as the level of production in any relevant economy, inflation, currency fluctuation, interest rates, supply and demand and industrial disruption may have a negative impact on the PRG Group's costs and revenue. These changes could adversely affect the PRG Group's operations and earnings. Prolonged deterioration in general economic conditions, including increased interest rates or reduced consumer and business demand, could be expected to have a material adverse impact on PRG's financial performance.

#### (3) Taxation

Changes to tax legislation and regulations or their interpretation may adversely affect the value of an investment in Shares and may affect Shareholders differently.

#### (4) Interest rates

A change in interest rates may impact adversely on demand for the PRG Group's products and services and PRG's financial performance.

#### (5) Accounting Standards

Changes in Accounting Standards or the interpretation of those Accounting Standards that occur after the date of this Options Prospectus may impact adversely on PRG's reported financial performance.

#### (6) Force majeure

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. These include acts of God, fire, floods, earthquakes, war and strikes. To the extent that force majeure events occur, they may adversely affect PRG's financial performance, the value and price of Shares and the PRG Group's ability to operate.

#### (7) Other risks

The risks discussed above are not exhaustive and PRG may face other risks from time to time that may materially impact upon PRG's financial performance.

### 7.4 Forward-looking statements

The statements in this Options Prospectus which constitute forward-looking statements involve known and unknown risks, uncertainties and other factors which may impact on actual outcomes, many of which are outside the control of PRG. These factors will cause the actual results, performance or achievements of PRG to differ, perhaps materially, from the results, performance or achievements implied by forward-looking statements. The forward-looking statements do not constitute a representation that future results will be achieved and are presented to Shareholders as a guide only. They are based on information known at the date of this Options Prospectus.

## Section 8 – Material contracts

### 8.1 Summary of material contracts

Various contracts entered into by PRG may be material to the IPO Offer, and Options Offer or the operation of the Businesses.

The Directors consider the material contracts summarised below are significant or material to PRG. The main provisions of the material contracts are summarised below. Each material contract appears in summary form only. Some terms may be defined in the material contracts but not defined in this Options Prospectus.

### 8.2 Acquisition agreements

The PRG Group acquired the Businesses on 5 May 2008 pursuant to the following Business Sale and Purchase Agreements:

**Table 23: Acquisition agreements**

Purchaser	Seller	Consideration
Steak 1 Pty Ltd	KSHW and JBT trading as Kingsleys Crabhouse Joint Venture ABN 59 870 121 363	\$3,096,140, which was satisfied by the issue of 2 ordinary shares in Steak 1 Pty Ltd to the seller, and adjustments to be paid in cash
Steak 2 Pty Ltd	Kingsleys Steak & Crabhouse (Brisbane) Pty Limited as trustee for Kingsleys Steak & Crabhouse (Brisbane) Unit Trust	\$950,000, and adjustments to be paid in cash
Steak 3 Pty Ltd	Kingsleys Steak & Crabhouse (Canberra) Pty Ltd as trustee for Kingsleys Steak & Crabhouse (Canberra) Unit Trust Limited	Nil, and adjustments to be paid in cash

The seller under each of the Business Sale and Purchase Agreements provided various warranties to the purchaser in relation to the assets and business being sold and indemnifies the purchaser against all loss arising from or connected with a breach of the warranties, subject to specific limitations of liability. The maximum aggregate amount that the purchaser may recover from the seller for all breaches of the seller's warranties is the amount of the purchase price.

Subsequent to the sale of Kingsleys Woolloomooloo to Steak 1 Pty Ltd, KSHW and JBT sold their shares in Steak 1 Pty Ltd to Steak Brands Pty Ltd pursuant to a Share Sale and Purchase Agreement dated 5 May 2008 in consideration for an issue of Shares.

### 8.3 Management Services Agreement

PRG entered into a Management Services Agreement dated 5 May 2008 with KRG for KRG to provide certain services to PRG for the operation of the Businesses.

The Management Services Agreement commenced on 5 May 2008 and expires on 30 June 2013 unless terminated earlier. PRG may extend the term to 30 June 2018.

KRG may terminate the Management Services Agreement at any time without reason by giving at least 6 months' written notice to PRG. Either party may terminate the contract if the other commits a breach which is not remedied within a specified period of time.

PRG must pay a management fee each month calculated as 7.5% of the combined revenue of the PRG Group for the previous month (plus GST), subject to a rebate in certain circumstances including where PRG grants Staff and Director Options to any officers or employees of KRG.

#### 8.4 Trade Mark Licence

PRG entered into a Trade Mark Licence dated 5 May 2008 with KBG which, subject to limited exceptions, grants PRG an exclusive licence to use the Trade Marks, including the right to sub-license the use of the Trade Marks in Australia, in relation to restaurant services only, and permission to use the www.kingsleys.com.au and www.steak.com.au domain names for the purpose of operating a website in relation to PRG's restaurant services only.

The Trade Mark Licence commenced on 5 May 2008 and continues indefinitely for successive 5-year terms, with an option for KBG to terminate it with not more than 18 months' and not less than 12 months' notice prior to expiration of each 5-year term.

PRG must pay a licence fee each month calculated as 3.5% of PRG's revenue (plus GST) for the duration of the term.

PRG must indemnify KBG against all loss and damage which may arise as a result of various events including PRG's breach of its obligations and warranties under the Trade Mark Licence.

#### 8.5 Loan Agreement

PRG entered into a Loan Agreement dated 19 February 2008 with a syndicate of lenders, including Wes Lambert, who lent amounts between \$25,000 and \$100,000, to borrow a total amount of \$525,000 for the purpose of meeting the professional fees required to complete the IPO Offer, repayable in 9 months.

PRG can prepay lenders without penalty if it gives the lenders at least 5 business days' prior notice.

On 19 November 2008, PRG must either pay the lenders the outstanding principal amount together with interest or convert the outstanding principal amount into Shares. PRG must elect to convert the principal amount into Shares by providing the lenders with at least 5 business days' and no more than 30 business days' written notice prior to 19 November 2008.

If the IPO Offer is completed by 19 November 2008, the conversion price will be 59.87% of the IPO Offer Price. Based on the IPO Offer, this would result in a price of approximately \$0.1192 per Share. If the IPO Offer is not completed by 19 November 2008, the conversion price will be calculated using PRG's latest independent valuation of the Company.

If PRG defaults, the lenders may take steps to declare that all outstanding amounts owed by PRG are immediately due and payable and the lenders may terminate their obligations under the Loan Agreement.

The Loan Agreement contains a number of representations, warranties and indemnities from PRG in favour of the lenders.

#### 8.6 Call Option Deed in relation to shares in KRG

PRG entered into a Call Option Deed dated 5 May 2008 with KSHD and KRG.

Under the terms of the Call Option Deed, PRG has been granted an option to purchase KSHD's shares in KRG which can be exercised any time during the 5-year option period which commenced on 5 May 2008, in consideration for \$25,000. If PRG exercises the option, it must pay KSHD a price for the shares which is agreed in writing by PRG and KSHD, or where there is no agreement, fair market value as determined by an independent accountant. PRG may elect to pay for the shares in cash or by an issue of PRG's shares to KSHD, the number of shares to be determined by an independent accountant. Upon completion, KRG will become a wholly owned subsidiary of PRG.

## 8.7 Pre-emptive Rights Deed in relation to shares in PRG

PRG entered into a Pre-emptive Rights Deed with KSHW and JBT dated 6 May 2008 which gives KSHW a right of first refusal to acquire JBT's shares in PRG, at the price offered by any proposed transferee.

PRG must not register any disposal of JBT's shares in PRG except as specifically provided for or permitted under the deed or with the prior written consent of KSHW.

## 8.8 Options

### (1) Terms and conditions of Options

Staff and Director Options will be granted to Directors of, and staff employed by, the PRG Group or KRG. Consultant Options will be granted to certain consultants of the PRG Group. As at the date of this Options Prospectus, 1,050,000 Consultant Options have been issued, 850,000 Staff and Director Options have been issued to Directors of PRG (as set out in Table 30) and an additional 2,150,000 New Options are being offered to Eligible Employees under this Options Prospectus. The key terms of the Options are set out below.

### (2) Vesting, Exercise period and expiry date

Staff and Director Options:

- the Staff and Directors Options are subject to vesting in one, two or three tranches (depending on the terms of the individual holder's grant) on 1 July 2009, 1 July 2010 and 1 July 2011. All vest on the date that the Company has satisfied all conditions to be admitted for quotation on a recognised stock exchange
- are exercisable at any time from vesting until the expiry date
- expire on the earlier of the date that is 5 years after the date of vesting, the date before the Company's Shares commence trading on a recognised stock exchange, and within 30 days after the date that the holder ceases to be a Director of, or employed by, the PRG Group or KRG.

Consultant Options:

- vest on issue
- are exercisable at any time from completion of the IPO Offer until the expiry date
- expire on the earlier of the date that is 5 years after the date of vesting and the date before the Company's Shares commence trading on a recognised stock exchange.

### (3) Exercise price

Each Staff and Director Option entitles the holder to acquire one Share on the payment of the exercise price of \$0.1719.

Each Consultant Option entitles the holder to acquire one Share on the payment of the exercise price of \$0.1192.

### (4) Voting and dividends

The holder of Options is not entitled to exercise any voting rights or receive any dividends declared by the Company until the Options are vested, exercised and the Shares issued.

### (5) Participation rights or entitlements

There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in any new issues of securities offered to Shareholders during the currency of the Options. However the Company will send a notice to each holder of Options at least 9 Business Days before the relevant record date. This will give the holder of Options the opportunity to exercise any vested Options

before the date for determining entitlements to participate in the offer. Shares allotted on the exercise of the Options will rank equally with all Shares then on issue.

(6) **Bonus offer**

If the Company conducts a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which an Option is exercisable will be increased by the number of Shares that the holder would have received if the Option had been exercised before the date for calculating entitlements to the pro rata issue.

(7) **Reorganisation of capital**

If there is a reorganisation of the Company's issued share capital (including consolidation, subdivision, reduction or return), all rights of the holder of Options will be reorganised so that the number of Shares to be issued on the exercise of the Option will be adjusted as the Board deems appropriate so that the benefits conferred on holders of Options after the reorganisation are the same as the benefits conferred before the reorganisation.

## 8.9 Finance Facilities

The PRG Group has entered into Finance Facilities dated 5 May 2008 with BNZA summarised in the table below:

**Table 24: Finance Facilities**

Facility	Limit
Banking facilities to Steak 1 Pty Ltd trading as Kingsleys Steak & Crabhouse (Woolloomooloo) including Bank Guarantee Facility and Tape Negotiation Advice and/or Payroll Facility	\$165,000
Banking facilities to Steak 2 Pty Ltd trading as Kingsleys Steak & Crabhouse (Brisbane) including Bank Guarantee Facility, Term Loan - Cash Advance Facility and Tape Negotiation Advice and/or Payroll Facility	\$460,000
Banking facilities to Steak 3 Pty Ltd trading as Kingsley Steak & Crabhouse (Canberra) including Bank Guarantee Facility, Term Loan - Cash Advance Facility and Tape Negotiation Advice and/or Payroll Facility	\$315,000
Equipment Loan and Goods Mortgage to Steak 2 Pty Ltd trading as Kingsleys Steak & Crabhouse Brisbane	\$250,250
Equipment Loan and Goods Mortgage to Steak 3 Pty Ltd trading as Kingsleys Steak & Crabhouse Canberra	\$277,751
Equipment Loan and Goods Mortgage to Steak 3 Pty Ltd trading as Kingsleys Steak & Crabhouse Canberra	\$367,339

The PRG Group's obligations under the Finance Facilities are secured by various securities, including:

- registered fixed and floating charges over the PRG Group's assets and undertakings given in favour of BNZA; and
- guarantees and indemnities given by the PRG Group to BNZA.

The PRG Group must pay BNZA under the Finance Facilities interest together with fees and charges which are payable in certain circumstances.

The Finance Facilities contain a number of conditions and undertakings from the PRG Group in favour of BNZA which are usual for financing facilities of this type.

## 8.10 Related party transactions

In addition to the agreements referred to above, the following are related party agreements:

## (1) Deed of Acknowledgement and Assignment

PRG entered into a Deed of Acknowledgement and Assignment dated 5 May 2008 with KRG to confirm that all intellectual property rights created in the course of the provision of the services provided by KRG pursuant to the Management Services Agreement are for the benefit of PRG and, to the extent possible, to be assigned to PRG, effective for the term of the Management Services Agreement.

The Deed of Acknowledgement and Assignment also records the basis upon which KRG is to receive and store customer data on behalf of PRG and that such customer data is the property of PRG.

## (2) Loan Letters

Chop 1 Pty Ltd has entered into a Loan Letter with KSHD which acknowledges that Chop 1 Pty Ltd owes KSHD a total amount of \$84,266.10 and a Loan Letter with an associate of Kingsley Smith which acknowledges that it owes a total amount of \$50,033.00 to the associate of Kingsley Smith, to be repaid on terms agreed between the parties.

## 8.11 Restaurant leases

The restaurant leases are critical components of the Businesses as they determine the location of the restaurant, the security of tenure of that location, and a material operating cost. A summary of current leases is as follows:

**Table 25: Kingsleys Woolloomooloo property lease**

Lease	Lease term	Extension period	Terms and conditions
Lease agreement with registered number 9790879, as varied, with Australian Executor Trustees Limited for the use of the premises located at Area 9B, The Wharf, Woolloomooloo as a steak and crab restaurant.	20 years <ul style="list-style-type: none"> <li>Commencing date 22 July 2000</li> <li>Terminating date 21 July 2020</li> </ul>	No options to renew	<ul style="list-style-type: none"> <li>Base rent – \$450,000 p.a. plus GST on and from 22 July 2006 with reviews as set out in lease.</li> <li>Turnover rent – 10% of gross sales up to and including \$7,300,000 (less the base rent); 8.5% of gross sales over \$7,300,000 (less the base rent).</li> </ul>

**Table 26: Kingsleys Brisbane property lease**

Lease	Lease term	Extension period	Terms and conditions
<p>Lease agreement first executed 27 February 2006 with Riverside Development Pty Limited for the use of the premises located at Riparian Plaza, 71 Eagle Street, Brisbane as a restaurant.</p> <p>The lease for Kingsleys Brisbane was assigned as part of the Acquisition. Under the terms of the deed of consent and assignment of lease and sublease, the landlord's consent to the assignment is subject to and conditional upon the landlord's mortgagees consent to the transfer. While the consent of the landlord was obtained at the date of this Options Prospectus, the consent of the landlord's mortgagee has not yet been obtained. The Directors have no reason to believe that such consent will not be forthcoming. The consequence of not having mortgagee consent is that the bank may exercise its rights under the mortgage without regard to the rights of the lessee under the lease.</p>	<p>10 years Lot 5 on SP140665</p> <ul style="list-style-type: none"> <li>Commencing date 1 April 2006</li> <li>Terminating date 31 March 2016</li> </ul> <p>8 years Lot 595 on SP142304</p> <ul style="list-style-type: none"> <li>Commencing date 1 April 2006</li> <li>Terminating date 29 June 2014</li> </ul>	<p>1 option to renew for a period of 5 years for Lot 5 on SP140665.</p>	<ul style="list-style-type: none"> <li>Base rent (Lot 5 on SP140665) – \$310,000 p.a. plus GST as at the commencement date, subject to review as provided in the lease.</li> <li>Turnover rent – 8% of gross sales exceeding the threshold of \$3,400,000 (as adjusted).</li> </ul>

**Table 27: Kingsleys Canberra property lease**

Leases	Lease term	Extension period	Terms and conditions
<p>Lease agreement dated 12 June 2007 with QIC Westpoint Pty Limited and Canberra Centre Investments Pty Limited for the use of the premises known as shop FG03, Canberra Centre, Bunda Street, Canberra City as a licensed restaurant in accordance with the Kingsleys Steakhouse menu.</p>	<p>10 years</p> <ul style="list-style-type: none"> <li>Commencing date 15 June 2007</li> <li>Terminating date 14 June 2017</li> </ul>	<p>1 option to renew for a period of 5 years.</p>	<ul style="list-style-type: none"> <li>Base rent – \$135,000 p.a. plus GST as at the commencement date, subject to review as provided in the lease.</li> <li>Turnover rent – 8% of turnover exceeding the threshold of \$2,184,000 (which threshold increases proportionately with increases in base rent).</li> </ul>

**Table 28: Kingsleys Melbourne property lease**

Lease	Lease term	Extension period	Terms and conditions
Lease agreement with Applied Capital Pty Limited for the use of the premises located at ground floor and basement, and first floor, 91-93 Flinders Lane, Melbourne for use as a licensed restaurant and bar. (Note: the terms of the lease for the first floor have been negotiated and agreed but it is yet to be executed by the parties.)	10 years <ul style="list-style-type: none"> <li>Commencing date 1 April 2008</li> <li>Terminating date 31 March 2018</li> </ul> for the ground floor and basement	1 option to renew for a period of 5 years.	<ul style="list-style-type: none"> <li>Base rent (ground floor and basement) – \$100,000 p.a. plus GST as at the commencement date, \$185,000 p.a. plus GST in the second year, then subject to review as provided for in the lease.</li> <li>Base rent (first floor) – \$50,000 p.a. as at the commencement date, \$75,000 p.a. in the second year, then subject to review as provided in the lease.</li> <li>Turnover rent – not applicable.</li> </ul>

**Table 29: ChopHouse Sydney property lease**

Lease	Lease term	Extension period	Terms and conditions
Lease agreement entered between Kingsmede Pty Limited and Pamiers Pty Limited for the use of the premises located at ground floor and mezzanine (excluding common areas), 25 Bligh Street, Sydney as restaurant/bar. (Note: the terms of the lease have been negotiated and agreed but it is yet to be executed by the landlord.)	10 years <ul style="list-style-type: none"> <li>Commencing date 1 March 2008</li> <li>Terminating date 28 February 2018</li> </ul>	1 option to renew for a period of 10 years.	<ul style="list-style-type: none"> <li>Base rent – \$120,000 p.a. plus GST (subject to a \$30,000 plus GST increase following practical completion of the landlord's works); subject to fixed annual rental increases of 3.5% p.a. (except review to market at commencement of option term).</li> <li>Turnover rent – if gross receipts exceed \$1.5 million, 9% of the excess, subject to a maximum turnover rent amount of \$89,999 p.a.</li> </ul>

## 8.12 Share Placement Deed

KSHW has entered into a Share Placement Deed dated 7 August 2008 with Memfan Pty Limited ACN 055 792 517.

Under the terms of the Share Placement Deed, Memfan Pty Limited has agreed, subject to certain conditions being satisfied, to subscribe for Shares and use its best endeavours to procure that a group of investors subscribes for Shares which, together with Memfan Pty Limited's subscription, will raise \$2,000,000. KSHW has agreed to grant to Memfan Pty Limited a share mortgage over 7,533,903 of its Shares.

Where PRG fails to achieve EBITDA of at least \$2,000,000 for the financial year ending on 30 June 2009 and EBITDA of at least \$3,000,000 for the financial year ending on 30 June 2010, within 2 months after notice of the failure has been given to KSHW, KSHW must, at its election, either:

- authorise Memfan Pty Limited to foreclose on the mortgaged Shares;
- pay Memfan Pty Limited an amount of \$1,500,000; or
- authorise Memfan Pty Limited to foreclose on some of the mortgaged Shares and pay to Memfan Pty Limited an amount of \$0.1991 per Share for the balance of the mortgaged Shares.

## Section 9 – Additional information

### 9.1 Registration and Company background

PRG was registered in Victoria on 13 February 2008 as a public company limited by shares.

### 9.2 Rights attaching to Shares

The rights attaching to Shares are detailed in the Constitution. The following is a summary of the material provisions of the Constitution and the privileges and restrictions attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

A copy of the Constitution may be inspected during normal business hours at the registered office of PRG.

#### (1) Voting

Subject to any restriction on transfer imposed by any agreement entered into between PRG and a Shareholder, every Shareholder present in person or by proxy, attorney or representative at a meeting of Shareholders has 1 vote on a show of hands and 1 vote on a poll for every Share held. A poll may be demanded by the chairperson of the meeting, at least 5 Shareholders (or their proxy, attorney or representative) entitled to vote on the resolution, or a Shareholder or Shareholders who together hold at least 5% of the votes that may be cast on the resolution on a poll.

#### (2) General meetings

Each Shareholder is entitled to receive at least 21 days' notice of and to attend general meetings of PRG and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

#### (3) Dividends

The Constitution provides that if, in respect of any financial year ending on or before 30 June 2010, PRG has after-tax profits available for distribution, PRG must not distribute more than 25% of the after-tax profits. Dividends are payable out of PRG's profits and are determined by the Directors or by PRG in general meeting but only if the Directors have recommended a dividend and the dividend does not exceed the amount recommended by the Directors. Dividends determined will (subject to any special rights or restrictions attaching to a class of shares created under any arrangement as to dividends) be payable on Shares in accordance with the Corporations Act. Interest is not payable on Dividends.

#### (4) Transfer of Shares

Subject to any restriction on transfer imposed by any agreement entered into between PRG and a Shareholder, a Shareholder may transfer Shares by a proper transfer effected in accordance with the Corporations Act by an instrument in writing in any usual form or in any form approved by the Directors. The Directors may in their discretion refuse to register a transfer of Shares without giving reason for refusal.

#### (5) Issue of Shares

The Directors may (subject to the restrictions on the issue of Shares imposed by the Constitution and the Corporations Act) issue further Shares, or grant options, as the Directors see fit.

## (6) Winding up

Subject to any special or preferential rights attaching to any class or classes of Shares, on a winding up of PRG, a liquidator may, with the authority of a special resolution of the Shareholders, divide among the Shareholders in kind the whole or any part of the property of PRG in proportion to the Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator may, with the sanction of a special resolution of the Shareholders, vest the whole or any part of the property in trust for the benefit of Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

## (7) Shareholder liability

The Shares, being fully paid shares, are not subject to any call for money by the Directors and will therefore not become liable for forfeiture.

## (8) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three-quarters of the votes cast by Shareholders entitled to vote on the resolution at a general meeting. At least 21 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

## (9) Directors

The number of Directors is to be not less than 3 but no more than 9. PRG may in general meeting by resolution increase or reduce the number of Directors but the number must not be reduced below 3.

The Directors are entitled to be remunerated for their services as Directors and the total amount or value of the total remuneration to be paid to the Directors must not exceed the amount per annum determined by PRG in general meeting from time to time (which amount is currently fixed at \$60,000 per annum). This amount does not include the remuneration payable to any executive Director.

PRG may remunerate a Director in addition to the above amount (as determined by the Directors) if the Director performs additional or special duties for PRG at the request of the Directors.

A share qualification for Directors may be fixed by PRG in general meeting. Unless and until so fixed, a Director is not required to hold any Share.

## (10) Directors' indemnity

To the extent permitted by law and the Constitution, each Director and officer of PRG may be indemnified out of the property of PRG for every liability incurred by the person in that capacity and all legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity.

### 9.3 Taxation

The following taxation summary provides a general overview of the Australian tax implications to Australian resident and non-resident investors who acquire and hold the New Options under the Options Offer contained in this Options Prospectus and exercise them into Shares. Specific details in relation to the taxation treatment of the New Options are set out in section 1.17. This summary is based on the tax laws of Australia as at the date of this Options Prospectus. Australian tax laws are complex and the following is not intended to be a complete statement of the possible implications for investors.

The individual circumstances of each investor may affect the taxation implications of the investment of that investor. It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in PRG

should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances before investing.

The following discussion assumes that an investor will hold the Shares on capital account. A different treatment may apply if an investor holds the Shares on revenue account, for example share traders.

(1) Australian investors

(a) Capital gains tax

Australian income tax laws contain a CGT regime. Shareholders who hold Shares on capital account will be subject to the CGT regime on disposal of those Shares. For CGT purposes, a Share is generally acquired on the date the Share is issued or allotted. The cost base used to work out any capital gain or loss on Shares is generally the amount a shareholder pays to acquire the Shares plus any incidental costs of acquisition and non-capital costs of ownership incurred. Gains on the disposal of Shares held on capital account will be subject to CGT. A capital gain will arise where the proceeds received exceed the cost base of the Shares. Conversely, a capital loss will be incurred where the proceeds received on disposal are less than the cost base of the Shares. Capital losses made in the same or prior years can typically be offset against any capital gains. Any remaining net capital gain is included in assessable income and taxed. Where a net capital loss is incurred it may be carried forward indefinitely and offset against future capital gains subject to certain restrictions. Individuals, trusts and partnerships in certain circumstances may be entitled to a 50% discount on capital gains derived where they have held the Shares as a CGT asset for 12 months or more. Complying superannuation funds and life insurance companies holding the Shares as virtual pooled superannuation trust assets are entitled to a discount of 33.3% where they have held the Shares as a CGT asset for 12 months or more. Any discount would apply only after capital losses are first applied against the capital gain. Companies holding shares are not entitled to the discount.

(b) Stamp duty

Under current law, no stamp duty is payable on the issue or transfer of Shares.

(c) Taxation on dividends

Dividends paid will be included in assessable income in the income year they are paid. Dividends may be franked or unfranked. Franked dividends have franking credits attached and reflect the Australian corporate tax paid on the profits out of which the dividends are paid. The dividends and any franking credits attached should be included in assessable income. Shareholders will be entitled to a tax offset equal to the franking credits received, provided the recipient is a "qualified person". In general terms, to be a qualified person two tests must be satisfied being the "holding period rule" and the "related payments rule". These rules will, in broad terms, be satisfied where Shareholders have held the Shares at risk for at least 45 continuous days (excluding the dates of acquisition and disposal). Special rules apply to trusts which receive franked dividends. It is recommended that further advice be obtained if Shares are to be held by a trust. Corporate shareholders may also be entitled to a franking credit in their franking account equal to the franking credit attached to the dividend paid. Such credit can be attached to dividends paid by the corporate shareholder to its shareholders. Certain types of taxpayers, including individuals and superannuation funds, are entitled to a refund of any excess franking credits. Unfranked dividends will be included in assessable income.

(2) Non-resident investors

(a) Capital gains tax

The following discussion is not relevant for shares that are held by non-residents on revenue account or shares that constitute trading stock. Under Australian CGT laws, capital gains and capital losses arising from the disposal of shares held by "foreign

*residents*” in an Australian company are generally disregarded. That is, any such gains or losses will be outside of Australia’s tax regime. A foreign resident is a person who is not a *resident* of Australia as that word is defined under Australian tax law.

Accordingly, a person who ordinarily resides in a foreign country is unlikely to be a resident for Australian tax purposes. In this regard, however, whether or not a person is a resident for Australian tax purposes can be a complex issue and independent professional advice should be obtained for investors such as Australian expatriates and foreigners contemplating a relocation to Australia. For completeness, we note that the CGT exemption for foreign residents does not apply to a CGT event (i.e. disposal of a share) in relation to an asset that constitutes taxable Australian property, broadly, real property that is situated in Australia. This will include shares in a company that owns taxable Australian property. We note that PRG does not currently own any taxable Australian property and accordingly these rules will not apply unless PRG were to acquire significant freehold interests in property. Finally, there may be taxation consequences for foreign residents from the disposal of Shares in their country of residence.

(b) Taxation of dividends

Dividends received by non-resident Shareholders will not be subject to dividend withholding tax to the extent the dividend is franked. However, dividend withholding tax may apply to that part of the dividend that is unfranked. The rate of dividend withholding tax rate is 30%. However this may be reduced (usually to 15%) where Australia has a Double Taxation Agreement with the country in which the Shareholder is a resident. Non-resident investors should consult their own tax adviser for the taxation implications in their own domestic jurisdiction of this Options Offer.

(c) Stamp duty

Under current law, no stamp duty is payable on the issue or transfer of Shares.

(3) GST

Under current law, goods and services tax is not payable on the issue or transfer of Shares.

(4) TFN and ABN

Applicants are not required to advise PRG of their TFN or, where relevant, ABN. However, if a TFN or ABN is not advised to PRG and no exemption is applicable, tax is required to be deducted by PRG at the highest marginal rate (currently 45%) plus Medicare levy (currently 1.5%) from certain distributions.

No withholding requirement applies in respect of fully franked dividends paid by PRG in respect of the Shares.

(5) Investors should obtain their own advice

The summary set out above is a summary only and does not take into account any individual’s personal circumstances. The individual circumstances of each investor may affect the taxation implications of the investment of that investor.

It is the responsibility of each Applicant to be satisfied as to the particular taxation treatment that applies to each investment. Persons who are considering making an investment in PRG should seek independent professional advice with respect to the tax consequences applicable to their individual circumstances before investing.

#### 9.4 Legal matters

(1) Material proceedings

To the knowledge of the Directors, PRG is not involved in any litigation. The Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

## (2) Governing law

This Options Prospectus and the contracts that arise from the acceptance of Applications under this Options Prospectus are governed by the law of New South Wales and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales and of the Commonwealth of Australia.

9.5 **Directors' interests**

At the date of this Options Prospectus, the relevant interest held by each of the current Directors (including companies and trusts associated with the Directors) in PRG is as follows:

**Table 30: Directors' interests**

Director	Name of Shareholder	Nature of interest
Kingsley Smith	KSHW	12,500,001 Shares and 350,000 Staff and Director Options
Wes Lambert	L W Lambert	939,370 Shares <sup>1</sup> , 200,000 Consultant Options and 200,000 Staff and Director Options
Claire Mackenzie	C Mackenzie	300,000 Staff and Director Options
Rick Hutchinson	Narvale Pty Ltd Memfan Pty Limited	4,520,342 shares
Graham Hartmann	GB Hartmann & Co Pty Limited	1,255,650 shares

Note 1: Comprised of 100,452 Shares plus a further 838,918 Shares assuming conversion into Shares of Wes Lambert's contribution to the Convertible Loan at approximately \$0.1192 per Share.

Nothing in the IPO Prospectus will be taken to preclude Directors, officers, employees or advisers of PRG from applying for Shares on the same terms and conditions as offered pursuant to the IPO Prospectus.

9.6 **Directors' remuneration**

The Constitution provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by PRG in general meeting. At present, that sum is fixed at a maximum of \$60,000, in aggregate, per annum. This maximum sum cannot be increased without Shareholders' approval by ordinary resolution at a general meeting.

## (1) Payment of expenses

In addition to remuneration, Directors are entitled to receive reimbursement of travelling and other expenses that they properly incur in attending Directors' meetings, attending any general meetings of PRG or in connection with PRG's business.

## (2) Payment for extra services

Any Director called upon to perform extra services or undertake any executive or other work for PRG beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be in addition to, or in substitution for, the Director's share in the usual remuneration provided.

## (3) Effect of cessation of office

With the approval of PRG in general meeting the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office whether by retirement or otherwise, pay to the former Director, or any of the legal personal representatives or dependents of the former Director, in the case of death, a lump sum in respect of past services of the Director of an amount not exceeding the amount permitted by the Corporations Act.

PRG may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependents or any of them, unless prohibited by the Corporations Act.

(4) Payment of superannuation contributions

PRG may also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

(5) Financial benefit

A Director must ensure that the requirements of the Corporations Act are complied with in relation to any financial benefit given by PRG to the Director or to any other related party of the Director.

PRG must not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the Corporations Act.

Directors' fees to be paid by PRG are as follows:

**Table 31: Directors' fees**

<b>Director</b>	<b>per annum</b>
Kingsley Smith	\$12,000
Wes Lambert	\$12,000
Claire Mackenzie	\$12,000
Andrew Berkeley	\$12,000
Stewart Koziara	\$12,000
Rick Hutchinson	\$0
Graham Hartmann	\$0

Further details of Options for executive Directors are set out in Section 9.5.

## 9.7 Deeds of Access and Indemnity

PRG intends to execute Deeds of Access and Indemnity in favour of each Director. The indemnity will be subject to the restrictions prescribed in the Corporations Act. The deeds will also give each Director a right of access to Board papers and will require PRG to maintain insurance cover for the Directors. Such insurance is in place.

## 9.8 Interests of Directors

Other than as set out above, or elsewhere in this Options Prospectus, no Director has, or had within 2 years before lodgement of this Options Prospectus with the ASIC, any interest in:

- (1) the promotion or formation of PRG;
- (2) property acquired or proposed to be acquired in connection with PRG's promotion or formation or the Options Offer; or
- (3) the Options Offer.

Except as set out in this Options Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- (1) to induce him or her to become, or to qualify him or her as, a Director; or

- (2) for services rendered by him or her in connection with the formation or promotion of PRG or the Options Offer.

#### 9.9 Interests of advisers and other named persons

Except as set out in this Options Prospectus, no person named in this Options Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Options Prospectus:

- (1) has any interest, or has had any interest during the last 2 years, in the formation or promotion of PRG, or in property acquired or proposed to be acquired by PRG in connection with its formation or promotion, or the Options Offer; and
- (2) no amount has been paid, or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of PRG or the Options Offer.

Deacons has acted as Australian legal advisers to PRG in connection with the IPO Offer and the Options Offer and is entitled to receive approximately \$90,000 (exclusive of GST) for the services provided in respect of the IPO Offer and approximately \$28,000 (exclusive of GST) for the services provided in respect of the Options Offer. Deacons has also provided other legal services in relation to ongoing legal work and is entitled to receive in excess of \$177,000 (exclusive of GST) for these services.

RSM Bird Cameron Corporate Pty Ltd has acted as the investigating accountant to PRG in connection with the IPO Offer and has prepared the investigating accountant's report. RSM Bird Cameron Corporate Pty Ltd is entitled to receive approximately \$90,000 (exclusive of GST) for the services provided in respect of the IPO Offer and approximately \$3,000 for the services provided in respect of the Options Offer. RSM Bird Cameron Corporate Pty Ltd has not provided any other professional services to PRG during the previous 2 years.

PKF Corporate Advisory (East Coast) Pty Limited has acted as PRG's financial advisor. PKF Corporate Advisory (East Coast) Pty Limited is entitled to receive \$290,000 (exclusive of GST) in connection with the IPO Offer and the restructure of the Businesses. PKF Corporate Advisory (East Coast) Pty Limited has not provided any other professional services to PRG during the previous 2 years. The amount payable in relation to work done for the Options Offer is approximately \$9,000.

#### 9.10 No other promoters

No person, except the persons referred to in Sections 9.8 and 9.9, has any interest in the promotion or formation of PRG.

#### 9.11 Directors' consents

Each Director of PRG has given, and not withdrawn as at the date of this Options Prospectus, his or her consent to the lodgement of this Options Prospectus.

#### 9.12 Consents to be named

The following persons or firms have consented to being named in this Options Prospectus in the manner detailed below and have not withdrawn their consent as at the date of this Options Prospectus:

- (1) Deacons has given its consent (which has not been withdrawn as at the date of this Options Prospectus) to the issue of this Options Prospectus with the inclusion of references to Deacons included in this Options Prospectus, in the form and context in which these are included.
- (2) RSM Bird Cameron Corporate Pty Ltd has given its consent (which has not been withdrawn as at the date of this Options Prospectus) to the issue of this Options Prospectus with the inclusion of references to RSM Bird Cameron Corporate Pty Ltd and the investigating accountant's report included in this Options Prospectus, in the form and context in which these are included.

- (3) RSM Bird Cameron Partners has given its consent (which has not been withdrawn as at the date of this Options Prospectus) to the issue of this Options Prospectus with the inclusion of references to RSM Bird Cameron Partners included in this Prospectus, in the form and context in which these are included.
- (4) PKF Corporate Advisory (East Coast) Pty Limited has given its consent (which has not been withdrawn as at the date of this Options Prospectus) to the issue of this Options Prospectus with the inclusion of references to PKF Corporate Advisory (East Coast) Pty Limited included in this Options Prospectus, in the form and context in which these are included.
- (5) Registries Limited has given its consent (which has not been withdrawn as at the date of this Options Prospectus) to the issue of this Options Prospectus with the inclusion of references to Registries Limited included in this Options Prospectus, in the form and context in which these are included.

#### 9.13 **Disclaimer of responsibility**

Each of the persons named in Section 9.12:

- (1) has not authorised or caused the issue of this Options Prospectus;
- (2) does not make, or purport to make, any statement in this Options Prospectus other than, in the case of a person referred to under the heading "Consents to be named", a statement or a report included in this Options Prospectus with the consent of the party; and
- (3) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Options Prospectus other than reference to its name and, in the case of a person referred to under the heading "Consents to be named", any statement or a report which has been included in this Options Prospectus with the consent of that party.

#### 9.14 **Expenses of the IPO Offer**

It is estimated that approximately \$207,000 will be payable by PRG in respect of legal, accounting, corporate advisory, experts', printing and ASIC fees, and other costs arising from the IPO Prospectus and the IPO Offer.

#### 9.15 **Expenses of the Options Offer**

The expenses of the Options Offer are estimated to be \$60,000, covering fees payable to PRG's legal advisers, ASIC lodgement fees, the printing costs of the Options Offer and other related costs. These expenses have been paid or will be payable by PRG.

#### 9.16 **ASX admission and quotation**

PRG does not presently intend to apply to ASX for admission to the official list or quotation of the Options or the Shares on the ASX.

#### 9.17 **Documents available for inspection**

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of PRG at Westfield Towers, Suite 202, Level 2, 100 William Street, Sydney NSW 2000 for a period of not less than 12 months from the date of this Options Prospectus:

- (1) Directors' consents for the lodgement of this Options Prospectus;
- (2) the Constitution; and
- (3) the consents referred to in Section 9.12.

**9.18 Directors' statement**

The Directors' report that, in their opinion, after having made inquiry:

- (1) except as disclosed in this Options Prospectus, they are not aware of any circumstances that have materially affected or will materially affect the assets and liabilities, the financial position, the profits and losses, or prospects of PRG or any of the Businesses; and
- (2) they have reasonable grounds to and do believe that this Options Prospectus contains no statements that are false or misleading and that there is no material omission from the Options Prospectus.

Each Director has authorised the issue of this Options Prospectus and has consented to the lodgement of this Options Prospectus under section 720 of the Corporations Act. This Options Prospectus was signed on behalf of the Directors by Mr Kingsley Smith.

.....  
Kingsley Smith  
Chairman  
Pacific Restaurant Group Limited

## Section 10 – Glossary

\$	Australian dollars
AASB	Australian Accounting Standards Board
Accounting Standards	accounting standards in force under section 334 of the Corporations Act, interpretations approved by the AASB, and the requirements of the Corporations Act relating to the preparation and content of financial reports, and, to the extent that any matter is not covered by these accounting standards, interpretations or requirements, generally accepted and consistently applied accounting principles, policies, practices and procedures in Australia
Acquisition	acquisition by the PRG Group of the Businesses on 5 May 2008
Applicant	Eligible Employee who applies for New Options in accordance with this Options Prospectus
Application	valid application for New Options offered under this Options Prospectus
Application Form	application form attached to or accompanying this Options Prospectus
Application Money	money received from an Applicant in respect of an Application
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the Australian Securities Exchange, as the context requires
BNZA	Bank of New Zealand Australia
Board	board of directors of PRG from time to time
Businesses	various restaurant businesses of the PRG Group comprising Kingsleys Woolloomooloo, Kingsleys Brisbane and Kingsleys Canberra, and, where the context requires, Kingsleys Melbourne and ChopHouse Sydney
CBD	central business district
CGT	capital gains tax
CGT Rules	Part 3-1 to Part 3-3 of the <i>Income Tax Assessment Act 1997</i> (Cth)
ChopHouse Sydney	“ChopHouse” restaurant at 25 Bligh Street, Sydney
Closing Date	closing date of the Options Offer as described in the Key Dates Section of this Options Prospectus
Constitution	constitution of PRG
Consultant Options	options over unissued Shares described as “Consultant Options” in Section 8.8
Convertible Loan	loan, which is convertible into Shares, under the Loan Agreement described in Section 8.5
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	directors of PRG
EBIT	earnings before interest and taxation
EBITDA	earnings before interest, taxation, depreciation and amortisation
Eligible Employee	an employee of the PRG Group or KRG whose eligibility to receive New Options under the Options Offer is to be determined by PRG in its absolute discretion
EPS	NPAT per Share





ESOP	an employee share option plan
ESOP Rules	Part III, Division 13A of the <i>Income Tax Assessment Act 1936</i> (Cth)
Exercise Notice	notice of exercise of New Options attached to or accompanying this Options Prospectus
Exercise Period	the period from the vesting date until the Expiry Date
Exercise Price	the exercise price of the New Options, being \$0.1719
Existing Shares	25,000,002 Shares on issue as at the date of the IPO Prospectus
Existing Shareholders	holders of Existing Shares, being KSHW and JBT, which are entities associated with Kingsley Smith and John Jeffreson respectively
Expiry Date	the date by which the New Options must be exercised as set out in Section 1.3(1) of this Options Prospectus and the Notice of Grant
Exposure Period	period during which PRG cannot accept Applications as described in section 727(3) of the Corporations Act
Finance Facilities	the facility agreements and equipment loan and goods mortgages between the PRG Group and BNZA as described in Section 8.9
FY	financial year to 30 June in any year (e.g. FY2008 means the financial year ending 30 June 2008)
FY2006	financial year ended 30 June 2006
FY2007	financial year ended 30 June 2007
FY2009 Forecast	forecast for FY2009
GDP	gross domestic product
Industry	restaurant and café industry in Australia
IPO Offer	the offer under the IPO Prospectus (as varied by the Supplementary prospectus dated 12 August 2008) of up to 31,645,401 Shares at \$0.1991 per Share to raise up to \$6,300,599, of which \$3,049,775 was raised (which exceeded the Minimum Subscription)
IPO Offer Price	\$0.1991 per Share
IPO Prospectus	the prospectus dated 29 May 2008 in respect of the IPO Offer as amended by the Supplementary Prospectus dated 12 August 2008
JBT	Jaylor Pty Limited ACN 000 959 517 as trustee for Brigitte Taylor Family Trust ABN 94 789 411 560, an entity associated with John Jeffreson
KBG	Kingsleys Brand Group Pty Ltd ACN 129 594 243, an entity associated with Kingsley Smith
Kingsleys Brisbane	"Kingsleys" restaurant at Riparian Plaza, 71 Eagle Street, Brisbane
Kingsleys Canberra	"Kingsleys" restaurant at Shop FG03 on the ground floor of the Canberra Centre, Bunda Street, Canberra City
Kingsleys Melbourne	"Kingsleys" restaurant at 91-93 Flinders Lane, Melbourne
Kingsleys Woolloomooloo	"Kingsleys" restaurant at 10 The Wharf, Cowper Wharf Road, Woolloomooloo
KRG	Kingsleys Restaurant Group Pty Ltd ACN 129 598 894, an entity associated with Kingsley Smith
KRG Employees	Eligible Employees of KRG





KSHD	Kingsley Smith Holdings Pty Limited ACN 096 855 711 as trustee for Kingsley Smith Discretionary Trust ABN 67 830 588 128, an entity associated with Kingsley Smith
KSHW	Kingsley Smith Holdings Pty Limited ACN 096 855 711 as trustee for The Woolloomooloo Trust ABN 28 309 346 322, an entity associated with Kingsley Smith
Management Services Agreement	agreement between KRG and PRG for the provision of management services as described in Section 8.3
Minimum Investment	the minimum investment under the IPO Prospectus, being \$2,000.16 (10,046 Shares) for any employee of the PRG Group or KRG or \$5,000.20 (25,114 Shares) for any other person or entity
Minimum Subscription	the minimum subscription under the IPO Prospectus being \$3,000,000 being 15,067,805 Shares
New Options	the 2,150,000 Staff and Director Options offered to Eligible Employees under this Options Prospectus
Notice of Grant	notice of grant of New Options attached to or accompanying this Options Prospectus
NPAT	net profit after tax
NTA	net tangible assets per Share
Offer Period	period between the Opening Date and the Closing Date
Offer Price	Nil
Opening Date	commencement date of the Offer as described in the Key Dates Section of this Options Prospectus
Optionholder	an Eligible Employee whose Application for New Options has been accepted by PRG and has been issued New Options
Options	Consultant Options, and Staff and Director Options
Options Offer	offer of New Options under this Options Prospectus
Options Prospectus	this prospectus and any supplementary or replacement prospectuses, including this prospectus in electronic format or a printed copy of the electronic prospectus
PRG or Company	Pacific Restaurant Group Limited ABN 95 129 686 559
PRG Employees	Eligible Employees of PRG or Eligible Employees of a wholly-owned subsidiary of PRG (i.e. Steak Brands Pty Ltd, Steak 1 Pty Ltd, Steak 2 Pty Ltd, Steak 3 Pty Ltd, Steak 4 Pty Ltd, Chop Brands Pty Ltd or Chop 1 Pty Ltd)
PRG Group	PRG and all of its subsidiaries
Pro forma Historicals FY2008	the actual results for PRG for FY2008, as if the PRG Group owned the Businesses for the entire financial year
Shareholder	holder of a Share
Shares	fully paid ordinary shares in the capital of PRG
Staff and Director Options	options over unissued Shares described as "Staff and Director Options" in Section 8.8, including the New Options offered under this Options Prospectus
Subscription	the actual subscription under the IPO Prospectus being \$3,049,775, being 15,317,805 Shares
Supplementary Prospectus	the supplementary prospectus dated 12 August 2008 which varies the terms of the IPO Prospectus

Trade Marks	Trade marks described in Appendix 1 to Section 10
Trade Mark Licence	licence between KBG and PRG in respect of the Trade Marks as described in Section 8.4
Vendors	entities associated with Kingsley Smith and John Jeffreson
YTD	year-to-date

## Appendix 1 – Trade Marks

- Kingsleys Steak & Crab House
- ChopHouse Bar and Grill

Mark description or name	Type	Reg. number
	Comp (class 30)	947878
	Comp (class 32)	947880
	Comp (class 33)	947881
	Fancy (class 43)	947883
	Device (class 43)	947884

Mark description or name	Type	Reg. number
	Comp (class 43)	947886
 	Comp Series (class 43)	947887
CHOPHOUSE	Fancy (class 43)	1224480
<b>CHOPHOUSE</b>	Fancy (class 43)	1224302
DELMONICO	Fancy (class 43)	1224644
DOUBLE DOUBLE LAMB CHOP	Fancy (Class 43)	1224645
	Device (class 43)	1224460

## Section 11 – Corporate directory

### Chairman

Kingsley Smith

### Directors

Wes Lambert  
Claire Mackenzie  
Andrew Berkeley  
Stewart Koziora  
Rick Hutchinson  
Graham Hartmann

### Company secretary

Claire Mackenzie

### Registered office and head office

Westfield Towers  
Suite 202, Level 2  
100 William Street  
Sydney NSW 2000

### Legal advisers

Deacons  
Grosvenor Place  
225 George Street  
Sydney NSW 2000

### Investigating accountant

RSM Bird Cameron Corporate Pty Ltd  
Level 12  
60 Castlereagh Street  
Sydney NSW 2000

### Auditor

RSM Bird Cameron Partners  
Level 12  
60 Castlereagh Street  
Sydney NSW 2000

### Financial adviser

PKF Corporate Advisory (East Coast) Pty Limited  
Level 10  
1 Margaret Street  
Sydney NSW 2000

### Share registry

Registries Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000

## Section 12 – Application Form

### Privacy disclosure statement

By completing the Application Form accompanying this Options Prospectus, investors will be providing personal information to PRG. The *Privacy Act 1988* (Cth) governs the use of a person's personal information and sets out principles governing the ways in which organisations should treat personal information. The personal information PRG collects from investors on the Application Form is used to evaluate Applications and, for successful Applications, to provide services and appropriate administration for investors. If PRG is obliged to do so by law, investors' personal information will be passed on to other parties strictly in accordance with legal requirements. Once personal information is no longer needed for PRG's records, PRG will destroy or de-identify it.

PRG collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in PRG.

By submitting an Application Form, each Applicant agrees that PRG may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to PRG's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and regulatory authorities.

If an Applicant becomes a security holder, the Corporations Act requires PRG to include information about the security holder (including name, address and details of the securities held) in its public register. The information contained in PRG's public register must remain there even if that person ceases to be a security holder. Information contained in PRG's registers is also used to facilitate distribution payments and corporate communications (including PRG's financial results, annual reports and other information that PRG may wish to communicate to its security holders) and compliance by PRG with legal and regulatory requirements.

If you do not provide the information required on the Application Form, PRG may not be able to accept or process your Application.

An Applicant has a right to gain access to the information that PRG holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to PRG's registered office.

# Pacific Restaurant Group Limited

ACN 129 686 559

## Application Form – Eligible Employee

Broker Reference – Stamp Only

Fill out this Application Form if you wish to apply for New Options in **Pacific Restaurant Group Limited**

- Please read the Options Prospectus dated 26 August 2008.
- Follow the instructions to complete this Application Form (see reverse).
- Print clearly in capital letters using black or blue pen.

Broker Code	Advisor Code

<b>A</b> Number of New Options you are applying for <input style="width: 90%; height: 20px;" type="text"/>	x \$0.00 per Option =	<b>E</b> Total amount payable <input style="width: 90%; height: 20px; text-align: center; value: 'NIL'" type="text"/>
---	-----------------------	--

Maximum entitlement is set out in the Notice of Grant issued to the Eligible Employee with the Options Prospectus.

<b>C</b> Write the name(s) you wish to register the New Options in ( <i>see reverse for instructions</i> )
Applicant 1 <input style="width: 95%; height: 20px;" type="text"/>
Name of Applicant 2 or < Account Designation > <input style="width: 95%; height: 20px;" type="text"/>
Name of Applicant 3 or < Account Designation > <input style="width: 95%; height: 20px;" type="text"/>

<b>D</b> Write your postal address here		
Number/Street <input style="width: 95%; height: 20px;" type="text"/> <input style="width: 95%; height: 20px;" type="text"/>		
Suburb/Town <input style="width: 65%; height: 20px;" type="text"/>	State <input style="width: 30%; height: 20px;" type="text"/>	Postcode <input style="width: 30%; height: 20px;" type="text"/>

<b>E</b> Enter your Tax File Number(s), ABN, or exemption category	
Applicant #1 <input style="width: 30%; height: 20px;" type="text"/>	Applicant #2 <input style="width: 30%; height: 20px;" type="text"/>
Applicant #3 <input style="width: 30%; height: 20px;" type="text"/>	

<b>G</b> Contact telephone number (daytime/work/mobile)
<input style="width: 50%; height: 20px;" type="text"/> <input style="width: 50%; height: 20px;" type="text"/>

<b>H</b> Email address
<input style="width: 95%; height: 20px;" type="text"/>

By submitting this Application Form, I/we declare that this Application is completed and lodged according to the Options Prospectus and the instructions on the reverse of the Application Form and declare that all details and statements made by me/us are complete and accurate. I/We agree to be bound by the constitution of Pacific Restaurant Group Limited (the Company). I/We was/were given access to the Options Prospectus together with the Application Form. I/We represent, warrant and undertake to the Company that our application for the above New Options and exercise of the New Options into Shares, will not cause the Company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this application of New Options or exercise of New Options into Shares in the Company.

# Guide to the Application Form

## YOU SHOULD READ THE OPTIONS PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A. If applying for New Options insert the **number** of New Options for which you wish to subscribe at Item **A** (number of New Options must not exceed the Eligible Employee's maximum entitlement which is set out in the Notice of Grant). C. Write your **full name**. Initials are not acceptable for first names.
- D. Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E. Enter your Australian **tax file number** ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN or ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- F. Enter your **contact details** so we may contact you regarding your Application Form or Application Money.
- H. Enter your **email address** so we may contact you regarding your Application Form or Application Money or other correspondence.

### Correct forms of registrable title

Note that ONLY legal entities can hold the New Options. The Application must be in the name of a natural person(s), company or other legal entity acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of investor	Correct form of registrable title	Incorrect form of registrable title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/unincorporated bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

### Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

#### Mailing address:

PRG New Options Offer  
Pacific Restaurant Group Limited  
Westfield Towers  
Suite 202, Level 2  
100 William Street  
Sydney NSW 2000

#### Delivery address:

PRG New Options Offer  
Pacific Restaurant Group Limited  
Westfield Towers  
Suite 202, Level 2  
100 William Street  
Sydney NSW 2000

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, please contact Wes Lambert on 0406 265 006.**

#### Privacy Statement:

Pacific Restaurant Group Limited advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as an Optionholder (including your name, address and details of the New Options you hold) to be included in the public register of the entity in which you hold New Options. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to issue your New Options. Your personal information may be disclosed to the entity

in which you hold New Options. You can obtain access to your personal information by contacting Pacific Restaurant Group Limited on 0406 265 006 or at Westfield Towers, Suite 202, Level 2, 100 William Street, Sydney NSW 2000.

**Notice of Grant**

To: [Name of Eligible Employee]  
[Address]  
[Date]

The Company is pleased to offer you New Options on the following basis:

Maximum number of New Options granted	[#]
Issue price of New Options	New Options are issued for no consideration
Date of New Option grant	Taken to be the date of this letter
Exercise price of New Options	\$(AUD) 0.1799
Expiry date of New Options	The earliest of: <ul style="list-style-type: none"> <li>the date that is 5 years after the date of vesting;</li> <li>the date that is 5 business days after the date the Company satisfies all conditions to be admitted for quotation on a recognised stock exchange; and</li> <li>the date of termination of employment or cessation of service in accordance with Section 1.3(5) of the Options Prospectus.</li> </ul>
Vesting	New Options vest as follows: <ul style="list-style-type: none"> <li>[insert relevant years of vesting for the New Options].</li> </ul> All New Options vest on the date the Company has satisfied all conditions to be admitted for quotation on a recognised stock exchange.
Terms and conditions	Issued under the terms and conditions in the Options Prospectus.
Exercise of New Options	Complete Exercise Notice and forward with your payment to the Company's options registry.

This Options Offer may be accepted at any time up to and including the closing date for the Options Offer by delivering a fully completed Application Form to the Company's options registry. You may accept this Options Offer for all or only some of the New Options offered to you subject to any minimum number of New Options which may be specified above. You are urged to read the accompanying Options Prospectus carefully.

Company Secretary

## Exercise Notice

To: Pacific Restaurant Group Limited  
'Westfield Towers'  
Suite 202, Level 2  
100 William Street  
SYDNEY NSW 2000

Attention: The Company Secretary

I (*Insert name*) of (*Insert address*) being the registered holder of the number of New Options in Pacific Restaurant Group Limited (**Company**) specified in the attached Option certificate(s), wish to exercise the following number of New Options held by me over the equivalent number of unissued fully paid ordinary Shares in the Company.

No. of New Options exercised: \_\_\_\_\_

I enclose the following:

- a cheque made payable to Pacific Restaurant Group Limited in the sum of \$(*insert*) being the Exercise Price for the New Options multiplied by the number of New Options being exercised; and
- the New Option certificate(s).

-----  
Signature of Optionholder

Date:     /     /