

30 June 2020

ASX Market Announcements Office  
10 Bridge Street  
SYDNEY NSW 2000

**Via ASX Online**

Dear Sir/ Madam

**ANNOUNCEMENT FOR RELEASE VIA MARKET ANNOUNCEMENTS PLATFORM**

Please find **attached** for release via the ASX Market Announcements Platform an announcement entitled, "*Collins Foods Limited Appendix 4E and Financial Report*" (**Announcement**)

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By Order of the Board



Frances Finucan

Company Secretary



**COLLINS FOODS LIMITED**

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**COLLINS FOODS LIMITED**  
**ACN 151 420 781**

## **FINANCIAL REPORT**

**For the reporting period ended 3 May 2020**

**[www.collinsfoods.com](http://www.collinsfoods.com)**



## Appendix 4E

### Collins Foods Limited ACN 151 420 781

#### Financial Report for the reporting period ended 3 May 2020

Reporting period: 53 weeks to 3 May 2020  
Previous corresponding period: 52 weeks to 28 April 2019

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

##### Revenue and net profit

	Percentage Change	Period ended 3 May 2020	Period ended 28 April 2019
	%	\$000	\$000
Revenue from ordinary activities	Up 8.9%	981,733	901,215
Profit from ordinary activities after tax attributable to members <sup>(1)</sup>	Down 20.1%	31,263	39,111
Net profit for the period attributable to members <sup>(1)</sup>	Down 20.1%	31,263	39,111

(1) The 2020 net profit of \$31.3m, excluding the impact of AASB 16 of \$6.2 million, impairment of right-of-use asset of \$4.7 million and the non-trading items of \$5.1 million (outlined in the Directors Report, Group Financial Performance within the operating and financial review), the Group achieved a result of underlying profit of \$47.3 million. The 2019 net profit of \$39.1m includes charges of \$4.5m relating to impairment costs, \$1.2m relating to restaurant closure costs and \$0.2m relating to an insurance claim for store damages offset by associated asset disposal and additional depreciation, resulting in an underlying profit of \$45.0m.

##### Dividends

	Amount per Security	Franked amount per security
Final dividend for reporting period	10.5 cents	10.5 cents
<ul style="list-style-type: none"><li>payable 30 July 2020</li></ul>		
The record date for determining entitlements to the final dividend		
<ul style="list-style-type: none"><li>16 July 2020</li></ul>		
Final dividend for previous corresponding period	10.5 cents	10.5 cents
<ul style="list-style-type: none"><li>paid 25 July 2019</li></ul>		
Interim dividend for reporting period	9.5 cents	9.5 cents
<ul style="list-style-type: none"><li>paid 17 December 2019</li></ul>		
Interim dividend for reporting period	9.0 cents	9.0 cents
<ul style="list-style-type: none"><li>paid 21 December 2018</li></ul>		

The final fully franked dividend of 10.5 cents per share was declared by the Board of Directors on 30 June 2020. In accordance with accounting standards, as the dividend was not declared prior to the reporting period end, no provision has been taken up for this dividend in the financial statements for the reporting period ended 3 May 2020.

## Appendix 4E

### Collins Foods Limited ACN 151 420 781

#### Net tangible assets per security

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$(0.85)	\$(0.85)

#### Compliance with IFRS

The attached Annual Financial Report complies with Australian Accounting Standards, which include AIFRS. Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS). Foreign entities included in the Annual Financial Report have applied Singapore Financial Reporting Standards in the compilation of their financial information.

#### Compliance statement

This report is based upon financial statements that have been audited.

Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

#### Annual General Meeting

As required under Listing Rule 3.13.1, the Company's Annual General Meeting will be held at 9:30am (Brisbane time) on Thursday, 27 August 2020 and the closing date for the receipt of director nominations is Thursday, 9 July 2020.

Signed:

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GRAHAM MAXWELL  
Managing Director & CEO  
Dated: 30 June 2020



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## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collins Foods Limited (the Company) and the entities it controlled at the end of, or during, the period ended 3 May 2020.

### Directors

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

Name	Date of appointment
Robert Kaye SC	7 October 2014
Graham Maxwell	25 March 2015
Christine Holman	12 December 2019
Newman Manion <sup>(1)</sup>	10 June 2011
Bronwyn Morris AM	10 June 2011
Kevin Perkins	15 July 2011
Russell Tate <sup>(2)</sup>	10 June 2011

(1) Independent, Non-executive Director, Chair of Remuneration and Nomination Committee and member of Audit and Risk Committee until 13 February 2019, Non-executive Director 14 February 2019 to 13 June 2019, Executive Director 14 June 2019 to 20 April 2020, Non-executive Director 21 April 2020 to 3 May 2020.

(2) Appointed as Chair of the Remuneration and Nomination Committee, effective 13 February 2019.

### Principal activities during the period

During the period, the principal activity of the Group was the operation, management and administration of restaurants in Australia, Europe and Asia. There were no significant changes in the nature of the Group's activities this financial year.

### Operating and financial review

#### GROUP OVERVIEW

The Group's business is the operation, management and administration of restaurants, currently comprising three restaurant brands: KFC, Taco Bell and Sizzler.

At the end of the period, the Group operated 240 franchised KFC restaurants in Australia, 17 franchised KFC restaurants in Germany, 23 franchised KFC restaurants in the Netherlands and 12 franchised Taco Bell restaurant in Australia, which all compete in the quick service restaurant market. The Group owns and operates nine Sizzler restaurants in Australia, which compete in the casual dining restaurant market. It is also a franchisor of the Sizzler brand in South East Asia, with 75 franchised stores predominantly in Thailand, but also in China and Japan.

The KFC and Taco Bell brands are two of the world's largest restaurant chains and are owned globally by Yum!. In Australia, the Group is the largest franchisee of KFC restaurants.

In the casual dining market, Sizzler competes with other casual dining concepts as well as taverns and clubs, fast food and home cooking.

Coronavirus (COVID-19), was declared a world-wide pandemic by the World Health Organisation in March 2020. The number one priority for the Group has been and remains the health and wellbeing of our team members and customers. The Group has worked closely with the Government, Health Bodies and our franchisor, Yum! Brands to ensure we implemented all measures to safeguard our employees and customers at each and every stage. COVID-19 had a significant impact on the operations and the financial performance of our business during the final 9 weeks of the financial period ended 3 May 2020. However, as government restrictions were imposed, the KFC and Taco Bell brands which make up the vast majority of Group revenues, were quickly able to pivot towards more contactless provision of services via drive through and delivery channels. This has enabled Group revenues to recover to pre COVID-19 levels quickly since the start of the new financial period from 4 May 2020. This is described in further detail in the Review of Underlying Operations on page 3.

## DIRECTORS' REPORT (CONTINUED)

### Operating and financial review (continued)

#### GROUP FINANCIAL PERFORMANCE

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

Statutory financial metrics	2020 \$m	2019 \$m	Change
Total revenue	<b>981.7</b>	901.2	80.5
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	<b>175.6</b>	112.1	63.5
Earnings before interest and tax (EBIT)	<b>85.4</b>	69.8	15.6
Profit/(loss) before related income tax expense	<b>53.7</b>	59.3	(5.7)
Income tax (expense)	<b>(22.4)</b>	(20.2)	(2.2)
Net profit attributable to members (NPAT)	<b>31.3</b>	39.1	(7.8)
Net assets	<b>357.8</b>	350.6	7.2
Net operating cash flow	<b>149.3</b>	97.5	51.8

Statutory financial metrics	2020 cents per share	2019 cents per share	Change
Basic earnings per share (EPS)	<b>26.82</b>	33.57	(6.75)
Total dividends paid/payable in relation to financial period	<b>20.00</b>	19.50	.50

(1) Dividends paid/payable is inclusive of dividends declared since the end of the relevant reporting period.

The Group's total revenue increased by 8.9% to \$981.7 million mainly due to like-for-like sales growth and new restaurant openings.

Compared to the prior financial year, statutory EBITDA increased by \$63.5 million and statutory EBIT by \$15.6 million, but statutory NPAT reduced by \$7.8 million. This was partially due to the introduction of AASB 16 Leases, which was adopted by the Group this financial year. Further details on the impact of AASB 16 to the financial results are shown in notes A1 and F6.

In addition to the effect of adopting AASB 16, EBITDA, EBIT, NPAT and EPS were impacted by the following non-trading items:

	EBITDA \$'000	EBIT \$'000	NPAT \$'000
Fair value gain on debt modification	(770)	(770)	(539)
Netherlands development agreement fee	772	772	579
Makegood expenses associated with equipment from a product exit	366	366	256
Insurance money relating to material damages	(1,605)	(1,605)	(1,123)
Marketing expenditure redirected to digital technology	(2,000)	(2,000)	(1,400)
KFC Europe impairment costs	-	5,473	4,896
Derecognition of prior year tax losses	-	-	2,286
Unamortised borrowing costs expensed as a result of the refinancing	-	-	97
	<b>(3,237)</b>	<b>2,236</b>	<b>5,052</b>

The consolidated NPAT effect of these non-trading items was \$5.1 million.

## DIRECTORS' REPORT (CONTINUED)

### Operating and financial review (continued)

In summary, from the Statutory NPAT results of \$31.3 million, excluding the impact of AASB 16 of \$6.2 million, impairment of right-of-use assets of \$4.7 million, and the non-trading items of \$5.1 million (outlined in the table above), the Group achieved a result of Underlying NPAT of \$47.3 million.

Underlying financial metrics excluding non-trading items and the impact of AASB 16 which occurred in the current period are as follows:

Underlying financial metrics (pre AASB 16)	2020 \$m	2019 \$m	Change
Total revenue	981.7	901.2	80.5
Earnings before interest, tax, depreciation, amortisation and impairment (Underlying EBITDA)	120.6	113.5	7.0
Net profit attributable to members (Underlying NPAT)	47.3	45.0	2.3

Underlying financial metrics (pre AASB 16)	2020 cents per share	2019 cents per share	Change
Earnings per share (Underlying EPS) basic	40.60	38.60	2.00

The improvement in the underlying financial metrics shown above is a reflection of the revenue growth and strong cost controls despite the challenges of COVID-19 during the final nine weeks of the financial year.

Management consider that adjusting the results for non-trading items and the impact of AASB 16 allows the Group to more effectively compare underlying performance against prior periods.

During COVID-19 and the final nine weeks of the financial year, the Group implemented tighter controls on costs in order to preserve cash, placing all discretionary expenditure on hold and delaying capital expenditure. This assisted with strengthening the Group's net operating cash flow position at the financial period end.

### Review of underlying operations

#### KFC AUSTRALIA

The overall performance across the KFC business in Australia has been positive, despite the impact of COVID-19 during the final nine weeks of the year.

Revenue in KFC Australia was up 9.5% on the prior corresponding period to \$791.5 million, driven by increased restaurant numbers, as well as same store sales growth of 3.5% for the full year. The final nine weeks KFC Australia had a same store sales decline of (0.3)% as a result of the impact of COVID-19. Same store sales growth for the 44 weeks prior to COVID-19 was 4.3%. KFC Australia underlying EBITDA grew by 10.6%, up from \$120.0 million to \$132.7 million, with an overall underlying EBITDA margin of 16.8%.

Research has shown that customers gravitate towards known and trusted brands during uncertain times, attributes strongly associated with the KFC brand in Australia. Further, the flexibility of the operating model enabled KFC Australia to pivot towards drive-thru and delivery channels during dine in restrictions, providing customers with great tasting and great value food in a contactless way. The Group currently has 137 restaurants supporting delivery, with 55 of these covered by two aggregators (Deliveroo and Menulog).

In order to support growth, \$27.3 million was spent on new restaurants as well as the remodelling and maintenance program. This remains an important driver of traffic to our restaurants, in addition to supporting KFC to meet its restaurant refurbishment obligations with Yum!.

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## DIRECTORS' REPORT (CONTINUED)

### Review of underlying operations (continued)

#### KFC EUROPE

KFC Europe contributed revenue of \$134.1 million and \$6.8 million in underlying EBITDA. By the end of the period, 40 restaurants were in operation, with 23 restaurants in the Netherlands and 17 in Germany. Underlying EBITDA was the same as prior year despite the impact of COVID-19 during the last nine weeks of trading. Same store sales growth for the 44 weeks prior to COVID-19 was 0.1%

KFC Europe's priority remains providing customers with great value food in a friendly and safe way.

Both Germany and Netherlands also saw a shift towards drive-thru and delivery. As a result, more of the restaurants were opened up for delivery.

In order to support growth, \$12.2 million was spent on new restaurants, remodels and maintenance during the year.

#### TACO BELL

At the end of the period, 12 Taco Bell restaurants were in operation. Ten are located in Queensland and two located in Victoria.

Taco Bell also experienced a significant channel shift towards drive-thru and delivery. Delivery was launched as a result of COVID-19 in 11 of the 12 restaurants, through one aggregator (Menulog). In order to support delivery, the Group adapted the menu to include bigger, family bundle value meals.

The brand continues to receive positive customer engagement and further restaurant openings are expected in the upcoming financial year as the Group continues to invest in the Taco Bell brand.

#### SIZZLER

Revenue in Sizzler was down 17.9% on the prior corresponding period to \$38.3 million, driven by the closure of three restaurants in Australia as well as the impact of COVID-19 on the last nine weeks of trading. Same store sales declined by (5.6)% for the full year, while pre COVID-19 same store sales grew by 5.3%.

Sizzler's underlying EBITDA was \$3.4 million.

Sizzler's revenue and underlying EBITDA was the most impacted of the Collins Foods brands by the dine-in restrictions of COVID-19. To combat the decline, Sizzler launched home delivery services and promoted take-away during COVID-19.

No growth capital was allocated to the Sizzler Australia business in this reporting period. There were nine Sizzler restaurants at the end of the period. The restaurants will continue to be assessed on an ongoing basis in relation to their individual performance and expiry of their leases.

Sizzler franchise operations in Asia contributed an increase of 1.2% in revenue over the prior corresponding period. The operations were significantly impacted by dining restrictions as a result of COVID-19. During the current reporting period there was one restaurant opening in Thailand. There were five restaurant closures in China, bringing the total restaurant count in Asia to 73 at the end of the period.

### Strategy and future performance

#### GROUP

The near-term strategy involves building new restaurants in KFC Australia growing the sales base and refining the economic model in KFC Europe and Taco Bell, while continuing to pursue KFC acquisition opportunities where possible to supplement organic growth. The Group will continue to drive growth across the business through great value offers, product innovation as well as delivery and digital channels. In addition, organisational capability is continually being strengthened to deliver on growth.

#### KFC AUSTRALIA

The plan for the core KFC Australia business is to further strengthen and digitise operational systems, expand the digital and delivery channels, elevate people capabilities, and deliver the targeted number of new builds.

#### KFC EUROPE

In Europe, the focus will be on driving sales growth with renewed focus on value, particularly in the Netherlands, building new restaurants, and elevating organisational capability and improving profitability.

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## DIRECTORS' REPORT (CONTINUED)

### Strategy and future performance (continued)

#### TACO BELL

Taco Bell will continue to drive sales growth through delivery, menu composition and increased local restaurant marketing. Taco Bell will focus on revising the economic model, particularly in relation to the build cost ahead of the opening of additional restaurants.

#### SIZZLER

The Sizzler Australia business will continue to be assessed on an ongoing basis, with no further growth capital allocated to the business.

### Key risks

The Group's risk management program has been designed to establish a sound system of risk oversight, management and internal controls by having a framework in place to identify, assess, monitor and manage risk.

COVID-19 emerged as a risk to the Group in March 2020. Since the start of the global COVID-19 crisis, Collins Foods further enhanced its procedures to ensure the health and safety of its employees and customers while at the same time implementing measures to maximise sales and tightly manage costs given the challenging operating conditions. We continue to monitor the impact of COVID-19 and business as usual activity on our risk profile.

During March 2020, the Group's crisis management team was deployed across all brands and jurisdictions as the COVID-19 crisis evolved. Daily meetings were held to review the evolving situation with resulting actions being immediately taken. Frequent updates to the Board were also provided by Management. Management continues to work closely with the Government and health bodies in the various jurisdictions we operate in and following their guidelines, along with working with our franchisor, Yum! to ensure we are best caring for the health and safety of our employees and customers.

The key risks faced by the Group that have the potential to affect the financial prospects of the Group, as disclosed above, and how the Group manages these risks, include:

- **food safety** - there is a risk that the health and safety of the public is compromised from food products. We address this risk through robust internal food safety and sanitation practices, audit programs, customer complaint processes, supplier partner selection protocols and communication policy and protocols. International and national regulatory bodies maintain that there is no evidence that COVID-19 is transmitted through food. Re-enforcing stringent food safety and hygiene practices during this time is the priority with the focus on illness exclusion policies, hand washing practices and hygiene and cleaning standards;
- **workplace health and safety** - there is a risk that the Group does not provide a safe working environment for its people, contractors and the community. We address this risk through robust internal work health and safety practices, the implementation of initiatives and education programs with a focus on preventative measures with enhanced dedicated support in high risk areas to ensure the wellbeing of our key stakeholders. Since March, there has been an increased focus on health, hygiene and social distancing practices (front of and back of house) across all brands, with staff kept up to date on a regular basis. In Australia, a COVID-19 case management tool was implemented to manage employee conditions;
- **culture and people** - there is a risk that the Group's culture and people are negatively impacted by new acquisitions and growth and/or are not aligned or sustainable to support strategic priorities. We address this risk through deploying contemporary people practices, reward and recognition programs, talent management strategies and designation of appropriate human resources. As part of the COVID-19 response, the Group significantly increased the frequency of communications with both restaurant employees and support centre employees. Feedback through employee surveys has confirmed that the vast majority of our employees feel supported and well informed during this unprecedented and challenging time;

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## DIRECTORS' REPORT (CONTINUED)

### Key risks (continued)

- **brand growth and diversification (non-KFC)** - there is a risk that the Group does not successfully grow emerging brands and/or acquire and integrate new brands. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews;
- **deterioration of KFC brand** - there is a risk that the global KFC brand and reputation is damaged impacting the brand's performance in Australian and European markets. We address this risk through maintaining a close working relationship with the franchisor, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance obligations. Metrics around brand health as part of regular marketing tracking have continued to reflect KFC's position as a strong, trusted brand in the Australian market. Performance during the COVID-19 crisis has reflected this strength as external research indicated that consumers gravitate toward trusted, safe brands in a time of crisis, KFC's trading performance since the onset of the crisis is testament to the brand reputation being well-regarded;
- **supply chain disruption** - there is a risk that the Group's inability to source key food and consumable products in an ethical manner, at the quality required, within the prescribed time frames. We address this risk through use of multiple suppliers where possible with a diverse geographic base with multiple distribution routes. During COVID-19, supply chain continuity has been maintained;
- **systems integrity and cyber security** - there is a risk that key systems are not sufficiently stable, integrated and/or secure to support business operations and decision making. We address this risk through the increase of financial and human resources to the systems function and implementation of a systems and cyber security plan. The outbreak of COVID-19 and the resultant "work from home" mobilisation has increased this risk. We are managing this risk by increasing network monitoring, the deployment of multi-factor authentication and increasing communication to employees to reduce the impact of potential phishing attacks;
- **inability to identify and react to consumer and competitive behaviour** - during COVID-19, we have responded to all government imposed restrictions and the resultant changes in customer behaviour. This has been achieved by providing our KFC and Taco Bell customers with a contactless experience via the drive-thru and delivery services;
- **inability to adapt, innovate and change** - there is a risk that the Group's inability to adapt, innovate and manage change may negatively influence achievement of strategic and business priorities. We address this risk through having an experienced management team, robust fit for purpose project and change management practices involving pilots/trials and staged rollouts and regular strategic reviews. Since the COVID-19 crisis evolved, significant changes have been put in place across restaurants and moving the restaurant support centre to a fully functional work from home model within a short amount of time. Teams have shown incredible resourcefulness and commitment to finding solutions. Both KFC and Taco Bell have been able to rapidly respond to all government restrictions and provide great tasting, great value food to customers in a contactless way. Both brands have increased the level of digital communications with customers and the number of restaurants offering delivery. Sizzler Australia has also developed takeaway and delivery options for their customers.



## DIRECTORS' REPORT (CONTINUED)

### DIVIDENDS

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

	Cents per share	Total amount \$'000	Franked/ Unfranked	Date of payment
Final ordinary dividend for the financial period ended 28 April 2019	10.5	12,241	Franked	25 July 2019
Interim ordinary dividend for the financial period ended 13 October 2019	9.5	11,075	Franked	17 December 2019
<b>Total</b>	<b>20.0</b>	<b>23,316</b>		

In addition to the above dividends, since the end of the financial period the Directors of the Company have declared the payment of a fully franked final dividend of 10.5 cents per ordinary share (\$12.2 million) to be paid on 30 July 2020 (refer to Note B4 of the Financial Report).

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Subsequent to year end, the Group has become aware of potential deficiencies in work permits for certain Netherlands-based employees. Once becoming aware, the Group suspended all employees potentially at risk from employment rosters and are currently investigating thoroughly. There could be fines and penalties associated with this matter, however, the Group, given their immediate actions in addressing this issue, does not believe this exposure will be significant.

The Group is not aware of any other matters or circumstances that have arisen since the end of the financial year which have significantly or may significantly affect the operations and results of the Group.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to pursue the increase of profitability of its major business segments during the next financial period. Additional comments on expected results of operations of the Group are included in the operating and financial review section of this Report (refer above).

### ENVIRONMENTAL REGULATIONS

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

## DIRECTORS' REPORT (CONTINUED)

### Information on directors

Robert Kaye SC LLB, LLM	
Experience and expertise	<p>Robert Kaye SC is a barrister, mediator and professional Non-executive Director. Recognised for his strategic and commercially focused advice, Robert has acted for various commercial enterprises - both public and private - across media, retail, FMCG, property development, mining and engineering sectors. Drawing on his experience as a senior member of the NSW Bar, including serving on the Professional Conduct Committee and Equal Opportunity Committee, Robert has a strong emphasis on Board governance and is well versed in Board processes. Robert has significant cross-border experience, including corporate restructuring and M&amp;A across North America, Europe, Asia, and the Australia and New Zealand region.</p> <p>In addition to his role as Non-executive Chairman of Collins Foods Limited (ASX:CKF), Robert is a Non-executive Director of Magontec Limited (ASX:MGL) and the Chairman of the Macular Disease Foundation Australia. He was formerly Non-executive Chairman of Spicers Limited (ASX:SRS) and Non-executive Director of UGL Limited (UGL), HT&amp;E Limited (HT1) and Blue Sky Alternative Investments Limited (BLA).</p>
Other current listed directorships	Magontec Limited (2013 - current)
Former listed directorships in last 3 years	<p>Blue Sky Alternative Investments Limited (2018 - 2019)</p> <p>HT&amp;E Limited (2018)</p> <p>Spicers Limited (2012 - 2017)</p> <p>UGL Limited (2015 - 2017)</p>
Special accountabilities	<p>Independent Non-executive Chair</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>
Relevant interests in share capital issued by the Company at the date of the report	31,605 shares

Graham Maxwell	
Experience and expertise	<p>Graham is an experienced senior executive of corporate and franchise businesses, predominantly in fast moving consumer goods and fast foods, both in Australia and internationally. He is a commercially astute management professional with proven success in leveraging and growing businesses through their brands.</p> <p>Prior to his current role, Graham spent more than six years working for Yum! Brands Inc (Yum!) in a number of capacities. His last position with Yum! was as Managing Director for KFC Southern Africa.</p>
Other current listed directorships	None other than Collins Foods Limited
Former listed directorships in last 3 years	None other than Collins Foods Limited
Special accountabilities	Managing Director and CEO
Relevant interests in share capital issued by the Company at the date of the report	330,382 shares and 379,078 performance rights

## DIRECTORS' REPORT (CONTINUED)

### Information on directors (continued)

Christine Holman PGDipBA, MBA, GAICD	
Experience and expertise	<p>Christine brings more than 20 years' of extensive commercial and Board experience across a variety of areas including mergers and acquisitions, finance, sales, technology, digital transformations and marketing to Collins Foods. Currently, Christine serves on the Board of ASX companies, CSR Ltd and Blackmores Limited and the Boards of the Moorebank Intermodal Company and Moorebank Nominees Trust (Moorebank Precinct Nominees Pty Ltd), which are Federal Government Business Enterprises.</p> <p>In line with her passion for cricket and preserving the heritage and history of the game and our nation, Christine also sits on the Boards of the Bradman Foundation, the ICC T20 World Cup and the State Library of NSW Foundation.</p> <p>Christine was previously a director of WiseTech Global Ltd, HT&amp;E Ltd and Vocus Ltd.</p> <p>In her previous executive capacity, as both CFO &amp; Commercial Director of Telstra Broadcast Services, Christine brings a deep understanding of legacy and emerging technologies supported by a detailed knowledge of strategies related to growing businesses and digital transformations. During her time in private investment management, Christine assisted management and the Board of investee companies on strategy and corporate development, mergers &amp; acquisitions, leading due diligence teams, managing large complex commercial negotiations and developing growth opportunities.</p> <p>Christine holds a Master's in Business Administration and a Post Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors' Company Directors Course. Christine is member of the Chief Executive Women (CEW).</p>
Other current listed directorships	<p>CSR Limited (Oct 2016 - current)</p> <p>Blackmores Limited (Mar 2019 - current)</p>
Former listed directorships in last 3 years	<p>WiseTech Global Ltd (Dec 2018 - Oct 2019)</p> <p>HT&amp;E Ltd (Nov 2015 - Dec 2018)</p> <p>Vocus Ltd (Aug 2017 - Nov 2017)</p>
Special accountabilities	<p>Independent Non-executive Director</p> <p>Audit and Risk Committee Member</p> <p>Remuneration and Nomination Committee Member</p>
Relevant interests in share capital issued by the Company at the date of the report	<p>Nil holding</p>

## DIRECTORS' REPORT (CONTINUED)

### Information on directors (continued)

Newman Manion	
Experience and expertise	<p>Newman has significant experience in the food franchise industry, obtained over a period of more than 38 years gained over various roles with Yum! (Franchisor of KFC) since 1982. Previously, Newman served as a Board member of KFC Japan (from 2005 to 2008), General Manager of KFC operations in Australia and New Zealand (from 1995 to 2004), Development Director of PepsiCo restaurants (including KFC) in Australia (from 1990 to 1995) and General Manager of KFC New Zealand (from 1988 to 1990).</p> <p>Most recently Newman was Vice-President, Operations for Yum!'s Asian franchise business (from 2004 until 2010).</p>
Other current listed directorships	None other than Collins Foods Limited
Former listed directorships in last 3 years	None other than Collins Foods Limited
Special accountabilities	<p>Non-executive Director Audit and Risk Committee member* Remuneration and Nomination Committee member*</p> <p><small>*not for entirety of reporting period</small></p>
Relevant interests in share capital issued by the Company at the date of the report	21,820 shares

Bronwyn Morris AM B. Com, FCA, FAICD	
Experience and expertise	<p>Bronwyn has extensive experience as a Non-executive Director and Chair. She is a Chartered Accountant and a former partner of KPMG. Bronwyn worked with the firm and its predecessor firms in Brisbane, London and the Gold Coast.</p> <p>Bronwyn has served on the Boards of a broad range of companies and brings strong financial and commercial experience acquired from her professional services background and various governance roles. She has a particular interest in risk management and compliance, including in regulated entities. Bronwyn has served as Chair of, or a member of, the Audit and Risk Committees and Remuneration Committees with respect to a number of her Board roles. Bronwyn is currently President and Chair of the Royal Automobile Club of Queensland Limited, and chairs its wholly-owned subsidiaries RACQ Insurance Limited and RACQ Bank. She is also Chair of Queensland Urban Utilities and is a director of Menzies Health Institute Queensland.</p>
Other current listed directorships	None other than Collins Foods Limited
Former listed directorships in last 3 years	Watpac Limited (2015 - 2018)
Special accountabilities	<p>Independent Non-executive Director Audit and Risk Committee Chair Remuneration and Nomination Committee Member</p>
Relevant interests in share capital issued by the Company at the date of the report	13,456 shares

## DIRECTORS' REPORT (CONTINUED)

### Information on directors (continued)

Kevin Perkins	
Experience and expertise	<p>Kevin is a highly experienced executive in the Quick Service Restaurant (QSR) and casual dining segments of the Australian restaurant industry. He has had more than 40 years' experience with the Collins Foods Group, having overseen its growth both domestically and overseas over that time.</p> <p>Kevin is the Non-executive Chairman of Sizzler USA Acquisition, Inc. He holds approximately 75% of the common stock in Sizzler USA Acquisition, Inc.</p> <p>Sizzler USA Acquisition, Inc operates or franchises Sizzler restaurants across the United States and Puerto Rico. The operations of Collins Foods and Sizzler USA Acquisition, Inc are separate.</p>
Other current listed directorships	None other than Collins Foods Limited
Former listed directorships in last 3 years	None other than Collins Foods Limited
Special accountabilities	<p>Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>
Relevant interests in share capital issued by the Company at the date of the report	7,621,484 shares

Russell Tate B. Com (Econ.)	
Experience and expertise	<p>Russell has more than 33 years' experience in senior executive and consulting roles in marketing and media. He was CEO of ASX-listed STW Group Limited, Australia's largest marketing communications group from 1997 to 2006, Executive Chair from 2006 to 2008, and Deputy Chair (Non-executive) from 2008 to 2011.</p> <p>He was Chair (Non-executive) of Collins Foods Limited from its listing in 2011 until March 2015 and Executive Chair of ASX-listed Macquarie Radio Network Limited from 2009 to 2019. He is also a Director of One Big Switch Pty Ltd (since 2012).</p>
Other listed current directorships	None other than Collins Foods Limited
Former listed directorships in last 3 years	Macquarie Media Limited (since 2008, Executive Chair 2009 to 1 July 2018, Non-executive Chair from 1 July 2018)
Special accountabilities	<p>Independent Non-executive Director</p> <p>Remuneration and Nomination Committee Chair</p> <p>Audit and Risk Committee member</p>
Relevant interests in share capital issued by the Company at the date of the report	21,820 shares

## DIRECTORS' REPORT (CONTINUED)

### Information on directors (continued)

#### Company secretary

**Frances Finucan LLB (Hons), BA (Modern Asian Studies), FGIA, MQLS, GAICD**

The Company Secretary, Frances Finucan, was appointed to the role on 17 July 2013. Frances' experience in legal, commercial and corporate governance has been gained whilst working in legal, regulatory and company secretarial roles in Australia over 17 years.

#### MEETING OF DIRECTORS

The numbers of meetings of the Company's board of Directors and of each board committee held during the FY19 and FY20 years, and the numbers of meetings attended by each Director were:

	BOARD				AUDIT AND RISK COMMITTEE				REMUNERATION AND NOMINATION COMMITTEE			
	FY20 meetings <sup>(1)</sup>	Meetings attended	FY19 meetings <sup>(1)</sup>	Meetings attended	FY20 meetings <sup>(1)</sup>	Meetings attended	FY19 meetings <sup>(1)</sup>	Meetings attended	FY20 meetings <sup>(1)</sup>	Meetings attended	FY19 meetings <sup>(1)</sup>	Meetings attended
Robert Kaye SC	15	15	9	9	6	6	5	5	7	7	4	4
Graham Maxwell	15	15	9	9	*	*	*	*	*	*	*	*
Christine Holman	9	8	^	^	2	2	^	^	3	3	^	^
Newman Marion <sup>(2)</sup>	15	14	9	9	*	*	4	4	*	*	3	3
Bronwyn Morris AM	15	14	9	9	6	6	5	5	7	7	4	4
Christine Holman	15	14	9	9	6	5	5	5	7	7	4	4
Kevin Perkins	15	14	9	9	6	6	5	5	7	7	4	4
Russell Tate	15	14	9	9	6	6	5	5	7	7	4	4

(1) FY20 and FY19 meetings represents the number of meetings held during the time the Director held office or membership of a Committee during the period.

(2) Resigned role as Chair of Remuneration and Nomination Committee and member of Audit and Risk Committee on 13 February 2019. Returned as member of Audit and Risk Committee and Remuneration and Nomination Committee from 21 April 2020.

\* Not a member of the relevant Committee.

^ Appointed during FY20, not FY19.

Dear Shareholders

Our 2020 financial year has been a particularly busy one for the Board and the Remuneration and Nomination Committee (RNC). The added challenges presented to our management and staff at all levels, and of course our customers, ranged from drought and bushfires in Australia to the COVID-19 pandemic across our Australian and European operations. Your company's compliance with government advices and instructions regarding COVID-19 at federal and state levels in Australia, and also in Europe, has significantly impacted and disrupted operations across all of our restaurants, some of which were shut down completely for a time. The financial results recorded for FY2020 are, in that context, a real testament to the company's outstanding executive leadership team and the quality and dedication of our management and staff at every level. At the same time of course the customer loyalty enjoyed by our brands has again been highlighted.

On first evaluation, in March 2020, of the likely impact of the COVID-19 crisis on our FY20 financial results, it appeared that earnings in the last 6-8 weeks of our financial year would be impacted to the point where hurdles triggering payments from our short term incentive plan (STIP) and long term incentive plan (LTIP) for key management personnel (KMP) and other staff would not be reached. Whilst that proved to be the case in respect of our European operations, management's rapid adaption to the challenges of the pandemic produced an outcome where the threshold EBITDA target levels set for the STIP were achieved at both the global level (total company) and the level set for the leadership team with oversight of Australian operations alone. Consequently, bonus payments were triggered for all Australian based KMP's and over 100 of our management and support team. In assessing the annual incentive plan outcomes, the Board did not exercise discretion influencing the determination of any KMP awards, all of which were achieved solely on reported underlying earnings results.

Notwithstanding the STIP achievements, there will be no vesting of securities granted under the LTIP in the 2018 financial year, based on compound annual EPS growth achieved over the 2018, 2019 and 2020 financial years. Compound growth achieved fell short of the threshold level and the Board has determined that it will not exercise discretion in respect of the 2018 three year LTIP. It will be noted from the Remuneration Report that the Board has reviewed, and will make changes to, both the basis for determining the share price for the purpose of allocating future grants, and vesting hurdles above target achievement which will apply for future grants.

In the early stages of the COVID-19 crisis we sought to provide our staff with as much certainty as possible regarding their ongoing employment, and we are pleased that whilst we have understandably had to reduce the number of shifts available to our casual workforce for a period of time, this was kept to an absolute minimum, and no formal job losses have been suffered. Our Sizzler business and staff felt the greatest impact due to restaurant opening restrictions but we were fortunate to qualify for the job-keeper scheme for this division of our business and to date have seen over 300 of our Sizzler employees benefit from it. We also implemented two new initiatives to support those of our staff who were in financial difficulty, providing immediate access to accrued and future annual leave for our part time workforce who had reduced shifts, and for employees whose families were/are suffering financial hardship, we introduced a COVID-19 Employee Relief Fund which has to date supported around 80 employees across the group.

Your Remuneration and Nominations Committee was actively engaged through the 2020 financial year in the oversight of Drew O'Malley's succession into the CEO role following the advice from Graham Maxwell in June 2019 that he would be retiring in early July 2020. Drew had served as the company's Chief Operating Officer since September 2017 and his appointment to succeed Graham, which had been foreshadowed at the time we announced Graham's intention to retire, was formally announced by the company on 9 June 2020. With the benefit of a 12 month handover period and given the close working relationship between Graham and Drew over the last 3 years, the Board has every confidence that Drew's accession to the CEO role will be seamless and that he will continue to build on the leadership example Graham has provided and the financial results he has driven for shareholders during his tenure. Shareholders will note from the Remuneration Report that the Board, in recognising Graham's contribution, has decided that he will retain a pro-rata portion of performance rights previously granted to him and eligible for vesting subject to the company's earnings growth over the next two years.

At the time of writing there remains uncertainty about the ongoing, medium-term economic and social consequences of the COVID-19 pandemic. For that reason, with the exception only of the incoming CEO, we have deferred all annual salary reviews for above-restaurant employees until later in the 2020 calendar year when we will have a clearer view of likely trading conditions across the full financial year.

Shareholders will also note that we have made quite a few changes to the format of the Remuneration Report including updated definitions of all core remuneration components. The changes take into account feedback from shareholders and advisers, and I trust will provide a clearer statement of senior management remuneration including incentive outcomes available to KMP under our reward programs and commensurate performance expectations.

Yours sincerely



**Russell Tate**  
Independent Non-executive Director  
Chair of the Remuneration and Nomination Committee  
Collins Foods Limited



## DIRECTORS' REPORT (CONTINUED)

### Remuneration report

#### Persons covered by this Remuneration Report

This Remuneration Report covers the remuneration of Non-executive Directors, the Managing Director and CEO and employees (**KMP Executives**) who have authority and accountability for planning, directing and controlling the activities of the consolidated entity (collectively, **KMP**). Further biographical information regarding KMP, is set out in either the "Director Information" section of the Director's Report or [www.collinsfoods.com](http://www.collinsfoods.com). The roles and individuals addressed in this report are set out below.

Name	Title and Role
Robert Kaye SC	Independent, Non-executive Chair, Audit and Risk Committee member, Remuneration and Nomination Committee member
Graham Maxwell	Managing Director and CEO
Christine Holman <sup>(1)</sup>	Independent, Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member
Newman Manion <sup>(2)</sup>	Executive Director, Non-executive Director, Audit and Risk Committee member and Remuneration and Nomination Committee member
Bronwyn Morris AM	Independent, Non-executive Director, Audit and Risk Committee Chair, Remuneration and Nomination Committee member
Kevin Perkins	Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member
Russell Tate	Independent, Non-executive Director, Remuneration and Nomination Committee Chair, Audit and Risk Committee member
Nigel Williams	Group Chief Financial Officer (Group CFO)
Drew O'Malley	Chief Operations Officer, Australia (COO Australia)
Dawn Linaker	Chief People Officer (CPO)
Mark van 't Loo	CEO – Collins Foods Europe Ltd (CEO – CF Europe)

(1) Appointed as Independent, Non-executive Director effective 12 December 2019.

(2) Independent, Non-executive Director, Chair of Remuneration and Nomination Committee and member of Audit and Risk Committee until 13 February 2019, Non-executive Director 14 February 2019 to 13 June 2019, Executive Director 14 June 2019 to 20 April 2020, Non-executive Director 21 April 2020 to 3 May 2020.

#### Overview of Remuneration Governance Framework and Strategy

The performance of the Group is contingent upon the calibre of its Directors and executives. The Remuneration and Nomination Committee is accountable for making recommendations to the Board on the Group's remuneration framework.

The framework has been developed to support the following key principles:

- a policy that enables the Company to attract and retain capable and experienced Directors and Executives who create value for shareholders;
- rewards the achievement of both annual and long-term performance objectives appropriate to the Company's circumstances and goals;
- transparency;
- demonstrates a clear relationship between performance and remuneration;
- motivates the KMP Executives to pursue sustainable growth and innovation aligned with shareholder's interests;
- has a key focus on prevailing market conditions; and
- alignment of reward at all levels of staff, reflecting both equity of treatment and fairness to shareholders.



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## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

In carrying out its accountabilities, the Remuneration and Nomination Committee is authorised to obtain external professional advice as it determines necessary. As at the end of the reported period, the Remuneration and Nomination Committee was comprised of Non-executive Directors only, with a majority being independent. The role and accountabilities of the Committee are outlined in the Remuneration and Nomination Committee Charter, available on the Company's website together with other remuneration governance policies.

The Board has ultimate accountability for signing off on remuneration policies, practices and outcomes.

The Remuneration and Nomination Committee operated in accordance with the aims and aspirations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations) and seeks input regarding remuneration governance from a wide range of sources. These include shareholders, Remuneration and Nomination Committee members, stakeholder groups including proxy advisors, external remuneration consultants, other experts and professionals such as tax advisors and lawyers and Company management to understand roles and issues facing the Company.

#### EXECUTIVE REMUNERATION

The following outlines the policy that applies to KMP Executives whose remuneration is structured taking into consideration the following factors:

- the Group's key principles governing the remuneration framework and application;
- the level and structure of remuneration elements offered to executives of other publicly listed Australian companies with similar financial and operational attributes;
- the position and accountabilities of each KMP Executive;
- market-based benchmarks reflecting the structure and level of reward and alignment to KMP performance;
- the need to strike an appropriate balance between short term and long term incentives;
- internal relativities and external market factors that require consideration having regard to individual contributions and shareholder expectations;
- that fixed remuneration policy guidelines be set with reference to relevant market practices;
- that remuneration should be reviewed annually and be made up of:
  - **Base Salary (BS)** being salary and superannuation;
  - **Other Benefits** being any cash benefits beyond Base Salary, allowances (such as car allowance), any applicable non-cash fringe benefits (such as the payment of health insurance premiums on behalf of the employee) and salary sacrifice arrangements, but excluding leave entitlements, short term and long term incentive rewards as below;
  - **Total Fixed Remuneration (TFR)** the sum total of Base Salary and Other Benefits;
  - **short term incentive (STI)** which provides a cash reward for performance outcomes compared to agreed annual objectives;
  - **long term incentive (LTI)** which provides an equity-based reward reflective of meeting shareholder aligned reward by way of compound earnings per share growth over a three year performance period. Annual awards under the LTI program are not linked to the annual incentive;
  - **total reward (TR)** which represents the sum of the above elements consisting of Total Fixed Remuneration, an annual incentive (STI) and a long term incentive (LTI) having regard to market practice, internal relativity and key drivers of shareholder returns;

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

- TR should be structured with reference to market practice and the setting in which the Company operates in various regional and global markets, having regard to both short and longer term economic and performance factors;
- TR will be managed within a range that allows for the recognition of both company and individual performance while contributing to the organisation's ability to retain and attract individuals with appropriate skills and experience to meet the organisation's goals;
- exceptions will be managed separately to ensure that individuals with particular expertise are retained in, and where required, attracted to, the business;
- termination benefits will generally be limited to the default amount that may be provided for without shareholder approval, as allowed for under the Corporations Act, and will be specified in employment contracts.

### REMUNERATION POLICY AND LINK TO PERFORMANCE

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

Remuneration component	Purpose	Performance metrics	Potential value	Considerations for FY 21
<b>Total Fixed Remuneration</b>	To provide competitive market salary including superannuation and Other Benefits	Nil	Positioned to reflect the market rate and individual attributes	Reviewed in line with market positioning (comparison undertaken by independent third party).
<b>STI</b>	Rewards for annual performance	<ul style="list-style-type: none"> <li>• EBITDA (pre AASB 16) performance against a pre-determined target level and award scale,</li> <li>• improvement to Guest Experience Survey (GES) results against pre-determined target levels</li> <li>• weighting between the two metrics is 80% EBITDA performance and 20% GES</li> </ul>	Managing Director and CEO: 50% of Base Salary for target performance, with a maximum opportunity up to 75% of Base Salary. Other KMP Executives: 40-50% of Base Salary for target performance, with a maximum opportunity up to 60-75% of Base Salary	No changes for FY21.
<b>LTI</b>	Reward for contribution to creation of shareholder value over the longer term	Three year earnings per share growth performance	Managing Director and CEO: 50% of Base Salary for target performance, with a maximum opportunity of 100% of Base Salary. Other KMP Executives: 25% of Base Salary for target performance, with a maximum opportunity of up to 50% of Base Salary	Refer below to "Long Term Incentive Plan (LTIP)" "FY21 offers".

### FIXED REMUNERATION

Total Fixed Remuneration consists of salary, superannuation contributions and Other Benefits. Fringe benefits tax on these benefits where required is incorporated in Total Fixed Remuneration.

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## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

The Group aims to position KMP Executives generally in the third quartile of benchmarked companies' remuneration levels and above market average, with flexibility to take into account capability, experience, and current and future value to the organisation.

Fixed remuneration for KMP Executives is reviewed annually or on promotion and is benchmarked against market data for comparable roles in the market with entities of a similar size. There is no guaranteed increase to fixed remuneration included in any KMP Executive's contract.

The Company has deferred the review of Total Fixed Remuneration for KMP and senior management for FY21 until the second half of the 2020 calendar year when the Board will be in a better position to assess the ongoing social and economic impacts of COVID-19 on our business operations.

#### VARIABLE REMUNERATION

##### SHORT TERM INCENTIVE PLAN (STIP)

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

The STIP entitles KMP Executives to earn an annual cash reward payment if predefined targets are achieved. The level of the incentive is set with reference to role accountabilities and Group performance.

The Managing Director and CEO was offered a target based STI opportunity equivalent to 50% of Base Salary for target performance, with a maximum opportunity of up to 75% of Base Salary. Other KMP Executives were offered a target based STI equivalent to between 40% and 50% of their Base Salary for target performance with a maximum opportunity of up to 60 - 75% of the Base Salary.

##### SHORT TERM INCENTIVE PERFORMANCE METRICS

Two metrics are used to determine awards under the Company's Short Term Incentive Plan (STIP) - EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) and GES (Guest Experience Survey). An overriding hurdle of greater than 95% of target EBITDA must be achieved to trigger any STI payment.

EBITDA calculations for the purpose of calculating incentives payable under the STIP continue to be assessed on a pre-AASB16 basis. The GES measure was introduced as a secondary measure in FY19 reflecting the Group's core belief that continued improvement in customer experiences with our brands and our people will underpin our potential for future growth.

The Guest Experience Survey is the global KFC and Taco Bell measure of real customer experiences. It directly relates to the customer feedback targeting executional areas such as food quality, speed of service, hospitality, cleanliness and maintenance of facilities. The Guest Experience Survey program is the franchisor's global barometer of executional excellence and is administered by an independent third party provider on a month by month basis.

The two metrics, EBITDA and GES are calculated separately and have different targets, thresholds and award scales. The weighting between the two metrics for FY20 was 80% EBITDA performance and 20% GES. That weighting will continue to apply in FY21.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Maximum opportunity: EBITDA result

The award scale based upon the actual EBITDA result achieved is set out below:

STANDARD % PAYOUT TABLE	
% EBITDA target achieved	% target bonus earned
95	0
96	20
97	40
98	60
99	80
100	100
101	105
102	110
103	115
104	120
105	125
106	130
107	135
108	140
109	145
110	150

#### Maximum opportunity: GES result

The award scale based upon the actual GES results achieved is set out below:

STANDARD % PAYOUT TABLE	
% GES target achieved	% target bonus earned
95	0
96	20
97	40
98	60
99	80
100	100
101	110
102	120
103	130
104	140
105	150

#### Delivery method for STI

Calculations are performed and payments made following the end of the measurement period and the external audit of the Group's annual audited financial report. Payments are made with PAYG deducted.

#### Board discretion

While the Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes it chose not to exercise its discretion in respect of the 2020 financial year.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Forfeiture

STI is forfeited in the event of cessation of employment due to dismissal for cause, for reasons other than for cause and where the employee terminates their employment prior to the actual payment of the STI, fraud, defalcation or gross misconduct by the participant.

#### LONG TERM INCENTIVE PLAN (LTIP)

Currently, the LTIP is an annually offered at risk equity component of remuneration for KMP Executives and nominated senior Executives ensuring that their interests in enhancing the mid to longer term growth potential of the Company are aligned with the interests of shareholders.

#### LONG TERM INCENTIVE PERFORMANCE METRICS

##### Form of equity

The LTIP is in the form of a performance rights plan. Rights awarded are subject to three year performance hurdles and service vesting conditions. The performance rights confer the right (following valid conversion) to the value of a share at the time, either settled in shares that may be issued or settled in the form of cash at the discretion of the Board (a feature intended to ensure appropriate outcomes in the case of separation). There is no entitlement to dividends during the measurement period.

##### LTI value

The Board retains discretion to determine the value of LTI to be offered each reporting period, subject to shareholder approval in relation to Directors.

In prior years, the number of performance rights granted was based upon a dollar value divided by the VWAP for the five trading days prior to the date of offer which is typically after the AGM in August/ September. For performance rights to be granted in FY21 with a performance period including FY21, FY22 and FY23, the number of performance rights granted will be based upon a dollar value divided by the VWAP five trading days before and five trading days after the announcement of the Company's audited financial results. This change was made considering independent advice, prevailing market practice and closer alignment with release of the Group financial results.

##### Measurement Period

The measurement period will include three reporting periods unless otherwise determined by the Board. Measurement periods of three years combined with annual grants will produce overlapping cycles that will promote a focus on producing long term sustainable performance/value improvement and mitigates the risk of manipulation and short-termism.

The measurement period for FY20 offers commenced on 29 April 2019 and ends 1 May 2022 for the performance period of FY20, FY21 and FY22. The measurement period for FY21 offers commenced 4 May 2020 and ends 2 May 2023 for the performance period of FY21, FY22 and FY23.

##### Vesting conditions

The Board has discretion to set vesting conditions for each offer. Performance rights that do not vest will lapse.

##### FY20 offers

The following vesting scale applied to the performance rights offered in FY20:

Performance Level	Annualised EPS growth (CAGR)	% of max/ stretch/ grant vesting
Stretch/Maximum	22%	100%
Between Target and Stretch	>11%, <22%	Pro-rata
Target	11%	50%
Between Threshold and Target	>5.5%, <11%	Pro-rata
Threshold	5.5%	25%
Below Threshold	<5.5%	0%

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### FY21 offers

With the assistance of an independent remuneration consultant, a review of market practice has been undertaken. To more appropriately reflect market conditions and hurdles adopted by others in similar consumer businesses, an adjustment to the Stretch/ Maximum performance level will be made for performance rights offered in FY21. The threshold and target EPS growth hurdles will not be adjusted.

The following vesting scale will apply to the performance rights offered in FY21:

Performance Level	Annualised EPS growth (CAGR)	% of max/ stretch/ grant vesting
Stretch/Maximum	16.5%	100%
Between Target and Stretch	>11%, <16.5%	Pro-rata
Target	11%	50%
Between Threshold and Target	>5.5%, <11%	Pro-rata
Threshold	5.5%	25%
Below Threshold	<5.5%	0%

EPS will be measured by calculating the compound growth in the Company's underlying (pre AASB 16) basic EPS over the performance period. The underlying (pre AASB 16) basic EPS is disclosed in the Operating and Financial Review of the Directors Report within the Group's annual audited financial reports.

The Board retains a discretion to adjust the EPS performance condition to ensure that participants are not penalised nor provided with a windfall benefit arising from matters outside of management's control that affect EPS (for example, excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

#### Retesting

The plan rules do not contemplate retesting and therefore retesting is not a feature of the Company's current LTI offers.

#### Amount payable for performance rights

No amount is payable for performance rights. The value of rights is included in assessments of remuneration benchmarking and policy positioning.

#### Conversion of vested performance rights

Under the plan rules, the conversion of performance rights to shares occurs automatically upon vesting conditions being declared by the Board as having been met, except where the Board exercises its discretion to settle in the form of cash. Vesting is determined following receipt of the audited accounts for the relevant performance periods.

No amount is payable by participants to exercise vested performance rights in respect of any grants.

#### Disposal restrictions and other related matters

The Company may impose a mandatory holding lock on the shares or a participant may request they be subject to a voluntary holding lock.

Performance rights are not entitled to receive a dividend. Any shares issued or transferred to a participant upon vesting of performance rights are only entitled to dividends if they were issued on or before the relevant dividend record date.

Shares issued or transferred under the LTIP rank equally in all respects with other shares on issue.

In the event of a capital reconstruction of the Company (consolidation, subdivision, reduction, cancellation or return), the terms of any outstanding performance rights will be amended by the Board to the extent necessary to comply with the listing rules at the time of reconstruction.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

Any bonus issue of securities by way of capitalisation of profits, reserves or share capital account will confer on each performance right, the right:

- to receive on exercise or vesting of those performance rights, not only an allotment of one share for each of the performance rights exercised or vested but also an allotment of the additional shares and/or other securities the employee would have received had the employee participated in that bonus issue as a holder of shares of a number equal to the shares that would have been allotted to the employee had they exercised those Incentives or the performance rights had vested immediately before the date of the bonus issue; and
- to have profits, reserves or share premium account, as the case may be, applied in paying up in full those additional shares and/or other securities.

Subject to a reconstruction or bonus issue, performance rights do not carry the right to participate in any new issue of securities including pro-rata issues.

Performance rights will not be quoted on ASX. The Company will apply for quotation of any shares issued under the LTIP.

#### Cessation of employment

In the event of cessation of employment within 12 months of the date of grant, unvested performance rights are forfeited. In the event of cessation of employment after 12 months but before the conclusion of the vesting period, unvested performance rights are considered forfeited, unless otherwise determined by the Board, in which case any service condition will be deemed to have been fulfilled as at the testing date and the performance rights remain subject to performance testing along with other participants. It is noted that the Board has discretion to allow "Good Leavers" to retain their participation in the LTIP beyond the date of cessation of employment when deemed appropriate to the circumstances.

#### Change of control of the Company

If in the opinion of the Board a change of control event has occurred, or is likely to occur, the Board may declare a performance right to be free of any vesting conditions and, if so, the Company must issue or transfer shares in accordance with the LTIP rules. In exercising its discretion, the Board will consider whether measurement of the vesting conditions (on a pro-rata basis) up to the date of the change of control event is appropriate in the circumstances.

### MIX OF BASE SALARY AND INCENTIVES BASED REMUNERATION AND PROPORTIONALITY

The following table shows the anticipated range of remuneration mix that was offered for current KMP Executives during FY20, for target performance.

Mix of remuneration (excludes Other Benefits)	Managing Director and CEO	Other KMP Executives
Base Salary	50%	57-61%
STI (at Target performance)	25%	24-29%
LTI (at Target performance)	25%	14-15%

The Board considers that the remuneration mix (Base Salary, STI and LTI) is appropriately weighted and:

- aligns executive remuneration practices with accepted market practices and current best-practices;
- motivates executives to continuously grow shareholder value by aligning their interests with those of shareholders through equity ownership; and
- manages the risk of short-termism inherent in fixed remuneration and short-term incentives by exposing a significant proportion of remuneration to the longer term consequences of decision making, through the ownership position that is achieved when executives participate in equity plans.

The same mix of Base Salary, STI and LTI is anticipated for FY21.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Company performance

The Company's performance during the reported period and the previous four reporting periods in accordance with the requirements of the Corporations Act follow:

FY end date	Revenue \$m	Profit after tax \$m	Share price	Change in share price	Dividends <sup>(1)</sup>	Short term change in shareholder value over 1 year (SP increase + dividends)		Long term (cumulative) 3 years change in shareholder value	
						Amount	%	Amount	%
FY20	\$981.73	\$31.26 <sup>(2)</sup>	\$6.94	(\$0.65)	\$0.200	(\$0.450)	-6%	\$2.24	43%
FY19	\$901.22	\$39.11 <sup>(3)</sup>	\$7.59	\$2.24	\$0.180	\$2.420	45%	\$4.08	101%
FY18	\$770.94	\$32.49	\$5.35	\$0.10	\$0.170	\$0.270	5%	\$3.37	138%
FY17	\$633.56	\$27.99	\$5.25	\$1.23	\$0.160	\$1.390	35%	\$3.74	196%
FY16	\$574.28	\$29.12	\$4.02	\$1.58	\$0.125	\$1.705	70%	\$2.47	130%

(1) Dividends used are the cash amount (post franking).

(2) Includes the impact of AASB16.

(3) Excludes the impact of AASB16.

### Statutory Remuneration disclosures for FY20

#### KMP EXECUTIVE REMUNERATION

The following table outlines the remuneration received by KMP Executives of the Company during FY19 and FY20 prepared according to statutory disclosure requirements and applicable accounting standards.

KMP Executive remuneration for FY20 (with FY19 comparatives) is reported in four components being Base Salary (including superannuation), Other Benefits, awarded values of STI and awarded values of LTI remuneration.

Name	Role(s)	Year	Base Salary (incl super)	Other benefits	Total Fixed Remuneration	STI		LTI <sup>(2)</sup>		Total Reward <sup>(5)</sup>	Change in accrued leave <sup>(1)</sup>	Termination benefits
						Amount	% of Total Reward	Amount	% of Total Reward			
Graham Maxwell	Managing Director and CEO	2020	\$870,215	\$80,541	\$950,756	\$352,526	27%	\$58,876	4%	\$1,362,158	\$10,844	-
	Managing Director and CEO	2019	\$824,000	<sup>(3)</sup> \$271,591	\$1,095,591	\$366,713	24%	\$52,723	3%	\$1,515,027	\$13,101	-
Mark van't Loos <sup>(4)</sup>	CEO - CF Europe	2020	\$514,665	-	\$514,665	-	-	\$16	0%	\$514,681	\$240	-
	CEO - CF Europe	2019	\$485,551	-	\$485,551	-	-	\$21,046	4%	\$506,597	\$2,992	-
Nigel Williams	Group CFO	2020	\$536,857	\$48,655	\$585,512	\$227,092	28%	\$17	0%	\$812,621	\$3,093	-
	Group CFO	2019	\$474,287	<sup>(3)</sup> \$211,798	\$686,085	\$214,923	23%	\$20,268	2%	\$921,276	\$3,522	-
Drew O'Malley	COO Australia	2020	\$564,654	\$46,382	\$611,036	\$320,170	34%	\$15	0%	\$931,221	\$2,349	-
	COO Australia	2019	\$456,308	\$44,250	\$500,558	\$322,808	38%	\$18,685	2%	\$842,051	\$5,840	-
Dawn Linaker	CPO	2020	\$387,619	\$45,971	\$433,590	\$129,341	23%	\$11	0%	\$562,942	(\$1,359)	-
	CPO	2019	\$382,000	\$46,947	\$428,947	\$136,004	24%	\$12,403	2%	\$577,354	\$12,587	-

(1) The change in accrued leave includes negative amounts during the reporting periods. The negative amounts reflect leave that has been taken during the reporting period measured in accordance with AASB 119 Employee Benefits.

(2) The LTI value reported in this table is the amortised accounting charge of all grants that were not lapsed or vested at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTI vesting. However, in relation to non-market conditions, such as EPS, adjustments must be made to ensure the accounting charge matches the vesting.

(3) Includes one-off discretionary cash payment approved by the Board, relating to the performance period ended 28 April 2019, paid during FY20.

(4) FY20 salary converted at exchange rate of AUD \$1: EURO €0.6088 (FY19: EURO €0.6323).

(5) Excludes change in accrued leave balance.

Both target and awarded values of STI and LTI remuneration are outlined in the relevant sections of the Remuneration Report to assist shareholders to obtain a more complete understanding of remuneration as it relates to KMP Executives.



## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### KMP EXECUTIVE REMUNERATION OPPORTUNITY FOR FY20 (NON-STATUTORY DISCLOSURE)

The following table is provided to shareholders as an illustration of the remuneration that was offered to KMP Executives for target performance during FY20. It should be noted that the table presents target incentive opportunities for achieving a challenging but achievable target level of performance. In the case of STI, the maximum incentive may be up to 50% higher (i.e. 75% of Base Salary). The maximum LTI is 100% of Base Salary for the Managing Director and CEO and 50% of Base Salary for KMP Executives.

Name	Role (s)	STI opportunity				LTI opportunity				Other Benefits	Total Reward
		Base Salary (incl super) <sup>(1)</sup>	Base Salary as % of Total Reward	Target % of Base Salary	Target STI amount	STI % of Total Reward	Target % of Base Salary	Target LTI amount	LTI as % of Total Reward		
Graham Maxwell	Managing Director	\$860,000	48%	50%	\$430,000	24%	50%	\$430,000	24%	\$80,541	\$1,800,541
Mark van 't Loo	CEO - CF Europe	€287,409	57%	50%	€143,705	29%	25%	€71,852	14%	-	€502,966
Nigel Williams	Group CFO	\$554,000	54%	50%	\$277,000	27%	25%	\$138,500	14%	\$48,655	\$1,018,155
Drew O'Malley	COO Australia	\$554,000	55%	50%	\$277,000	27%	25%	\$138,500	14%	\$46,382	\$1,015,882
Dawn Linaker	CPO	\$394,415	57%	40%	\$157,766	23%	25%	\$98,604	14%	\$45,971	\$696,756

(1) Base salary based on a 52 week period. FY20 is a 53 week period therefore actual remuneration may exceed this amount.

### Performance outcomes for FY20 and FY19 including STI and LTI assessment

#### SHORT TERM INCENTIVES

The tables below set out details of STI and LTI performance outcomes for FY20 and FY19 when compared to target.

Name	Role (s)	FY20 Company level KPI Summary					Award outcomes FY20 paid FY21
		KPI Summary	Weighting	EBITDA (pre AASB16) Target	% of target achieved	Awarded	
Graham Maxwell	Managing Director and CEO	EBITDA	80%	\$121,585,527	98.50%	\$239,780	\$352,526
Mark van 't Loo	CEO - CF Europe	EBITDA	80%	\$10,118,260	-	-	-
Nigel Williams	Group CFO	EBITDA	80%	\$121,585,527	98.50%	\$154,463	\$227,092
Drew O'Malley	COO Australia	EBITDA	80%	\$111,467,268	102.00%	\$244,051	\$320,170
Dawn Linaker	CPO	EBITDA	80%	\$121,585,527	98.50%	\$87,975	\$129,341

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

FY19 Company level KPI Summary							Award outcomes FY19 paid FY20
Name	Role (s)	KPI Summary	Weighting	EBITDA Target	% of target achieved	Awarded	Total STI award (EBITDA and GES)
Graham Maxwell	Managing Director and CEO	EBITDA	80%	\$115,413,617	98.60%	\$219,918	\$366,713
Mark van 't Loo	CEO - CF Europe	EBITDA	80%	\$14,681,238	-	-	-
Nigel Williams	Group CFO	EBITDA	80%	\$115,413,617	98.60%	\$128,890	\$214,923
Drew O'Malley	COO Australia	EBITDA	80%	\$100,732,378	106.20%	\$235,027	\$322,808
Dawn Linaker	CPO	EBITDA	80%	\$115,413,617	98.60%	\$81,562	\$136,004

The Board is of the view that EBITDA is the primary driver of value creation for shareholders in the short term.

FY20 Company level KPI Summary							Award outcomes FY20 paid FY21
Name	Role (s)	KPI Summary	Weighting	Average GES Target	% of target achieved	Awarded	Total STI award (EBITDA and GES)
Graham Maxwell	Managing Director and CEO	GES	20%	61%	103%	\$112,746	\$352,526
Mark van 't Loo	CEO - CF Europe	GES	20%	67%	100%	-	-
Nigel Williams	Group CFO	GES	20%	61%	103%	\$72,629	\$227,092
Drew O'Malley	COO Australia	GES	20%	60%	104%	\$76,119	\$320,170
Dawn Linaker	CPO	GES	20%	61%	103%	\$41,366	\$129,341

FY19 Company level KPI Summary							Award outcomes FY19 paid FY20
Name	Role (s)	KPI Summary	Weighting	Average GES Target	% of target achieved	Awarded	Total STI award (EBITDA and GES)
Graham Maxwell	Managing Director and CEO	GES	20%	57%	104%	\$146,795	\$366,713
Mark van 't Loo	CEO - CF Europe	GES	20%	64%	105%	-	-
Nigel Williams	Group CFO	GES	20%	57%	104%	\$86,033	\$214,923
Drew O'Malley	COO Australia	GES	20%	56%	105%	\$87,781	\$322,808
Dawn Linaker	CPO	GES	20%	57%	104%	\$54,442	\$136,004

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### LONG TERM INCENTIVES

During the 2017 financial year grants under the long term incentive plan were made on 7 September 2016 and 29 September 2016 with performance period of FY17, FY18 and FY19 (FY17 Grant). These grants, subject to the Company's compound EPS growth performance were capable of vesting in the 2020 financial year. Set out below is information on the securities which vested arising from the FY17 Grants made in September 2016:

Name	Role(s)	Tranche	Weighting	Number eligible to vest in FY20 for FY19 completion	Actual income	% of max/ stretch/grant vested	Number vested	Vesting date VWAP	\$ Value of LTI that may vest (as per vesting date VWAP)
Graham Maxwell	Managing Director and CEO	EPSPG	100%	80,517	7.12%	42.4%	34,113	\$8.402150	\$286,623
Mark van 't Loo	CEO - CF Europe	EPSPG	100%	-	-	-	-	-	-
Nigel Williams	Group CFO	EPSPG	100%	13,956	7.12%	42.4%	5,913	\$8.402150	\$49,682
Drew O'Malley	COO Australia	EPSPG	100%	-	-	-	-	-	-
Dawn Linaker	CPO	EPSPG	100%	8,588	7.12%	42.4%	3,639	\$8.402150	\$30,575

On 3 July 2019 following satisfaction of the vesting conditions the performance rights previously granted under the LTIP converted to fully paid ordinary shares. Each participant was issued with shares based on the volume weighted average price of \$8.402150.

The table below sets out the annualised compound EPS growth hurdles that were applicable to the FY17 Grants:

Performance level	Annualised EPS growth (CAGR)	% of max/ stretch/grant vesting
Stretch/Maximum	10%	100%
Between Threshold and Stretch	>6%, <10%	Pro-rata
Threshold	6%	20%
Below Threshold	<6%	0%

In relation to the completion of the reporting period, previous grants of equity made under the LTI plan during FY18 on 28 September 2017 and 29 November 2017 with a performance period of FY18, FY19 and FY20 (FY18 Grant), these will be eligible for vesting during FY21 after the completion of FY20.

Name	Role(s)	Tranche	Weighting	Number of eligible to vest in FY21 for FY20 completion	% of max/ stretch/grant vested	Number eligible to vest	Grant date VWAP	\$ Value of LTI that vested (as per grant date VWAP)
Graham Maxwell	Managing Director and CEO	EPSPG	100%	137,931	100%	137,931	\$5.798228	\$799,755
Mark van 't Loo	CEO - CF Europe	EPSPG	100%	36,052	100%	36,052	\$5.798228	\$209,038
Nigel Williams	Group CFO	EPSPG	100%	35,311	100%	35,311	\$5.798228	\$204,741
Drew O'Malley	COO Australia	EPSPG	100%	36,206	100%	36,206	\$5.798228	\$209,931
Dawn Linaker	CPO	EPSPG	100%	27,122	100%	27,122	\$5.798228	\$157,260

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

The table below sets out the annualised compound EPS growth hurdles applicable to the FY18 Grants:

Performance level	Annualised EPS growth (CAGR)	% of max/ stretch/grant vesting
Stretch/Maximum	22%	100%
Between target and stretch	>11%, <22%	Pro-rata
Target	11%	50%
Below threshold and target	>5.5%, <11%	Pro-rata
Threshold	5.5%	25%
Below Threshold	<5.5%	0%

#### LONG TERM INCENTIVE VESTING OUTCOMES

##### FY20 (FY18 grants)

Based upon the EPS growth achieved over the three year performance period (FY18-FY20), no vesting was achieved for FY18 Grants for the performance rights with a performance period commencing 1 May 2017 and ended on 3 May 2020 (Vesting Rights).

#### VESTING RIGHTS FOR RETIRING MANAGING DIRECTOR AND CEO

At the 2019 AGM, shareholders approved the granting of performance rights to the Company's Managing Director and CEO of the last 5.5 years, Graham Maxwell, who had given 12 months' notice of his intention to retire effective 1 July 2020. At the time, the Board had reserved its rights in relation to how these performance rights would be treated post Mr Maxwell's employment in light of the fact that he would be working out the entire 12 months of his notice period. The Board considers Mr Maxwell to be an extremely "good leaver" having continued to demonstrate the highest levels of engagement and leadership through the entire 12 months of his notice period and at the same time being of great assistance in the transitioning of his successor, Drew O'Malley into the CEO role. Noting also that Mr Maxwell would not be eligible for any termination payment beyond accrued leave, the Board has decided that he will retain a pro-rata portion of the currently unvested performance rights he was previously granted. Those grants were:

- 137,931 performance rights granted in FY18 for the performance period of FY18, FY19 and FY20. As noted above, the threshold performance level was not achieved over the performance period and these rights will automatically expire;
- 146,042 performance rights granted in FY19 for the performance period of FY19, FY20 and FY21. These rights are eligible for vesting in FY22 and Graham, having served as Managing Director and CEO for 26 months of the 36 months (72%) of the FY19-FY21 performance period will retain rights to 72%, or 105,150, performance rights;
- 95,105 performance rights granted in FY20 for the performance period of FY20, FY21 and FY22. These rights are eligible for vesting in FY23 and Graham, having served as Managing Director and CEO for 14 of the 36 months (39%) of the FY20 - FY22 performance period will retain rights to 39%, or 37,091, performance rights.

There will be no acceleration to vesting of any of these rights. That is, in line with the position for all other holders of the above performance rights, vesting will not occur until the performance period has been completed, and only if vesting rights have been triggered. The Board also considered that in line with all other performance rights holders, a voluntary lock would not be applied to any shares issued if any performance rights are to vest in the future.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### OTHER PERFORMANCE RIGHTS INFORMATION

All performance rights the vesting of which are subject to EPS growth over defined reporting periods ending in 2017 through to 2020 expire in July 2019 through to July 2022 as set out in the table below:

Reporting period ended	Expiry date	Exercise price
3 May 2020	26 July 2022	Nil
28 April 2019	20 July 2021	Nil
29 April 2018	24 July 2020	Nil
30 April 2017	23 July 2019	Nil

There were two tranches of performance rights issued during the reporting period ended 3 May 2020. It should be noted that the fair value used for accounting purposes is not used to determine LTI allocations which adopt a volume weighted average price of the Company's shares as described in the LTI summary above.

Tranche	Issue date	Fair value	Share price of issuance	Term	Dividend yield	Risk free interest rate
11	2 October 2019	\$8.65	\$9.32	3	2.44%	0.74%
12	2 October 2019	\$8.65	\$9.32	3	2.44%	0.74%

The following outlines the vesting scale that was applicable to the performance rights issued to executives during the current reported period and as part of remuneration for FY21:

Performance Level	Annualised EPS growth (CAGR)	% of max/ stretch/grant vesting
Stretch/Maximum	22%	100%
Between Target and Stretch	>11%, <22%	Pro-rata
Target	11%	50%
Between Threshold and Target	>5.5%, <11%	Pro-rata
Threshold	5.5%	25%
Below Threshold	<5.5%	0%

There were two tranches of performance rights issued during the reporting period ended 28 April 2019. The fair value at issuance date was determined using a discounted cash flow model incorporating the assumptions below.

Tranche	Issue date	Fair value	Share price of issuance	Term	Dividend yield	Risk free interest rate
9	2 October 2018	\$5.65	\$6.19	3	3%	2.06%
10	3 October 2018	\$5.58	\$6.11	3	3%	2.06%

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Employment terms for KMP Executives

##### SERVICE AGREEMENTS

A summary of contract terms in relation to KMP Executives is presented below:

Name	Position held at close of FY20	Duration of contract	Period of Notice <sup>(1)</sup>		Termination Payments <sup>(2)</sup>
			From Company	From KMP	
Graham Maxwell	Managing Director and CEO	Open ended	12 months	12 months	Up to 12 months
Nigel Williams <sup>(3)</sup>	Group CFO	Open ended	6 months	6 months	Up to 12 months
Drew O'Malley <sup>(4)</sup>	COO Australia	Open ended	12 months	12 months	Up to 12 months
Dawn Linaker <sup>(5)</sup>	CPO	Open ended	6 months	6 months	Up to 12 months
Mark van 't Loo	CEO - CF Europe	Open ended	6 months	3 months	Up to 12 months

(1) Provision is also made for the Group to be able to terminate these agreements on three months' notice in certain circumstances of serious ill health or incapacity of the KMP Executive.

(2) Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (last 3 years) unless shareholder approval is obtained.

(3) Increase during the reporting period from previous 3 months from both Company and KMP

(4) Upon appointment as CEO, notice period changes to 12 months' notice from either party, from 3 months from both Company and KMP.

(5) Increase during reporting period from 3 months Company and 2 months from KMP

The treatment of incentives in the case of termination is addressed in separate sections of this report that give details of incentive design.

With regards to Mr Maxwell, Mr Williams, Mr van 't Loo and Mr O'Malley, there is a restraint of trade period of 12 months. On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation relevant to the office of the director. Non-executive Directors are not eligible to receive termination payments under the terms of the appointments.

#### Non-executive Director fee rates and fee limit

##### NON-EXECUTIVE DIRECTOR REMUNERATION

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

- the level of fees paid to Board members of other publicly listed Australian companies of similar size;
- operational and regulatory complexity; and
- the accountabilities and workload requirements of each Board member.

Non-executive Directors' remuneration comprises the following components:

- board and committee fees; and
- superannuation (compulsory contributions).

Board fees are structured by having regard to the accountabilities of each role fulfilled by a Director within the Board. The Company's constitution allows for additional payments to be made to Directors where extra or special services are provided.

Non-executive Director fees are managed within the current annual fees limit of \$1,200,000 which was approved by shareholders at the 2019 Annual General Meeting.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

The following table outlines the Non-executive Director fee rates that were applicable during the reported period:

Function	Role	Fee including super <sup>(1)</sup>
Main Board	Chair (inclusive of committee memberships)	\$220,500
	Member	\$105,000
Audit and Risk Committee; Remuneration and Nomination Committee	Committee Chairs	\$20,000
	Committee Members	\$10,000

(1) Fee is based on a 52 week period. FY20 is a 53 week period therefore actual remuneration exceeds this value.

The same fee policy rates are expected to apply for FY21, unless the Board determines to undertake a review during the period.

Remuneration received by Non-executive Directors in FY19 and FY20 is disclosed below:

Name	Role(s)	Year	Board and Committee fees	Superannuation	Other benefits	Termination benefits	Total
Robert Kaye SC	Independent, Non-executive Chairman	2020	\$224,750	-	-	-	\$224,750
	Independent, Non-executive Chairman	2019	\$192,481	\$17,518	-	-	\$209,999
	Independent, Non-executive Director <sup>(1)</sup>	2020	\$45,196	\$4,255	-	-	\$49,451
Christine Holman		2019	-	-	-	-	-
Newman Manion	Executive Director, Non-executive Director <sup>(2)</sup>	2020	\$315,772 <sup>(3)</sup>	\$8,872	-	-	\$324,644
	Non-executive Director <sup>(4)</sup>	2019	\$216,788 <sup>(5)</sup>	\$10,192	-	-	\$226,980
	Independent Non-executive Director	2020	\$125,658	\$11,937	-	-	\$137,595
Bronwyn Morris AM	Independent Non-executive Director	2019	\$116,438	\$11,061	-	-	\$127,499
Kevin Perkins	Non-executive Director	2020	\$116,350	\$11,053	-	-	\$127,403
	Non-executive Director	2019	\$105,023	\$9,977	-	-	\$115,000
	Independent Non-executive Director	2020	\$137,596	-	-	-	\$137,596
Russell Tate	Independent Non-executive Director <sup>(6)</sup>	2019	\$116,545	-	-	-	\$116,545

(1) Appointed effective 12 December 2019.

(2) Transitioned to the role of Executive Director effective 14 June 2019. Returned to Non-executive Director role effective 21 April.

(3) Includes consulting fees of \$216,910 converted at exchange rate of AUD \$1: EURO €0.6088.

(4) Effective 13 February 2019, Newman Manion commenced, at the request of the Board, additional duties overseeing the Group's investment in KFC restaurants in Europe. Due to these additional duties, Mr Manion resigned from the role of Chair of the Remuneration and Nomination Committee and as a member of the Audit and Risk Committee.

(5) Includes consulting fees of \$109,500 for reasons referenced in (4) above.

(6) Appointed as Chair of the Remuneration and Nomination Committee, effective 13 February 2019.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Changes in KMP held equity

The following table outlines the changes in the amount of equity held by KMP Executives over the reporting period:

Name	Security	Number held at open 2020	Granted as compensation	Shares issued on vesting of rights	Disposal	Number held at close 2020
Graham Maxwell	Shares	416,269	-	34,113	(120,000)	330,382
	Performance rights	364,490	95,105	(80,517)	-	379,078
Mark van 't Loo	Shares	-	-	-	-	-
	Performance rights	75,707	26,062	-	-	101,769
Nigel Williams	Shares	14,370	-	5,913	-	20,283
	Performance rights	92,063	30,632	(13,956)	-	108,739
Drew O'Malley	Shares	-	-	-	-	-
	Performance rights	73,425	30,632	-	-	104,057
Dawn Linaker	Shares	11,378 <sup>(1)</sup>	-	3,639	-	15,017
	Performance rights	64,775	21,808	(8,588)	-	77,995
<b>Total</b>		<b>1,112,477</b>	<b>204,239</b>	<b>(59,396)</b>	<b>(120,000)</b>	<b>1,137,320</b>

(1) Includes 3,184 shares acquired in January 2019 which were not included in the FY19 closing balance.

The following table outlines the changes in the amount of equity held directly or indirectly by Non-executive Directors over the reporting period:

Name	Security	Number held at open 2020	Number held at close 2020
Robert Kaye, SC	Shares	31,605	31,605
Christine Holman	Shares	-	-
Newman Manion	Shares	21,820	21,820
Bronwyn Morris AM	Shares	13,456	13,456
Kevin Perkins	Shares	7,621,484	7,621,484
Russell Tate	Shares	21,820	21,820
<b>Total</b>		<b>7,710,185</b>	<b>7,710,185</b>



## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed:

2020 equity grants		FY in which rights may vest	Maximum value yet to vest
Name	Role		(\$)
Graham Maxwell	Managing Director and CEO	2021	-
		2022	\$10,741
		2023	-
Mark van 't Loo	CEO - CF Europe	2021	-
		2022	\$18,659
		2023	-
Nigel Williams	Group CFO	2021	-
		2022	\$20,137
		2023	-
Drew O'Malley	COO Australia	2021	-
		2022	\$17,513
		2023	-
Dawn Linaker	CPO	2021	-
		2022	\$13,676
		2023	-

### Group Securities Trading Policy

The Securities Trading Policy is available on the Company's website. It contains the standard references to insider trading restrictions that are a legal requirement under the Corporations Act, as well as conditions associated with good corporate governance. The Securities Trading Policy follows the recommendations set out in ASX Guidance Note 27, "Trading Policies". The policy specifies "trading windows" during which Directors and restricted employees of the Company may trade in the securities of the Company. It requires Directors and restricted employees to obtain prior written clearance for any trading in the Company's securities and prohibits trading at all other times unless an exception is granted following an assessment of the circumstances (for example financial hardship). Trading windows remain open for 30 days. The first day of the trading window is the trading day after each of the following events:

- announcement to ASX of the Company's full or half-year results;
- Annual General Meeting; or
- release of a disclosure document offering equity securities in the Company.

The Board may suspend all dealings in the Company's securities at any time, should it be appropriate.

### Securities Holding Policy

The Board currently sees a securities holding policy as unnecessary since executives receive a significant component of remuneration in the form of equity. All of the Directors hold equity in the Company voluntarily. The Company's constitution states that Directors are not required to be a shareholder in order to be appointed as a director. The Board continues to encourage executives to hold vested LTIs post vesting, to support ongoing alignment.

### Remuneration consultant engagement policy

The Company has adopted a remuneration consultant (RC) engagement policy which is intended to manage the interactions between the Company and RCs. This is to support the independence of the Remuneration and Nomination Committee and provide clarity regarding the extent of any interactions between management and the RC. This policy enables the Board to state with confidence whether the advice received has been independent, and why that view is held. The Policy states that RCs are to be approved and engaged by the Board before any advice is received, and that such advice may only be provided to an independent Non-executive Director. Any interactions between management and the RC must be approved and overseen by the Remuneration and Nomination Committee.

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## DIRECTORS' REPORT (CONTINUED)

### Remuneration report (continued)

#### Other remuneration related matters

There were no loans to Directors or other KMP at any time during the reporting period, and no relevant material transactions involving KMP other than compensation and transactions concerning shares and performance rights as discussed in this report.

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

At the most recent AGM in 2019, 75.29% of votes cast at the meeting in favour of the adoption of the Remuneration Report.

#### External remuneration consultant advice

During the reporting period, the Board approved and engaged an external remuneration consultant to provide KMP remuneration recommendations and advice. The consultants and the amount payable for the information and work that led to their recommendations are listed below:

**Egan & Associates**

Review of and advice on peer incentive practices evident in the market     \$14,700 (ex GST)

Subsequent to the end of the reporting period, the remuneration consultant has also been engaged to assist with improving the remuneration report. Any fees charged in relation to this activity have been disclosed as part of the FY20 Remuneration Report.

So as to ensure that KMP remuneration recommendations were free from undue influence from the KMP to whom they relate, the Company established policies and procedures governing engagements with external remuneration consultants. The key aspects include:

- as legally required, KMP remuneration recommendations may only be received from consultants who have been approved by the Board. Before such approval is given and before each engagement the Board ensures that the consultant is independent of KMP;
- as required by law, KMP remuneration recommendations are only received by non-executive directors, mainly, the Chair of the Remuneration and Nomination Committee;
- the policy seeks to ensure that the Board controls any engagement by management of Board approved remuneration consultants to provide advice other than KMP remuneration recommendations and any interactions between management and external remuneration consultants when undertaking work leading to KMP remuneration recommendations.

The Board is satisfied that the KMP remuneration recommendations received were free from undue influence from KMP to whom the recommendations related. The reasons the Board is satisfied include that it is confident that the policy for engaging external remuneration consultants is being adhered to and operating as intended. The Board has been closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during the reporting period was accompanied by a legal declaration from the consultant to the effect that their advice was provided free from undue influence from the KMP to whom the recommendations related.

#### Indemnification and insurance of officers

The Company's Constitution provides that it must in the case of a person who is or has been a Director or Secretary of the Group and may in the case of an officer of the Company, indemnify them against liabilities incurred (whilst acting as such officers) and the legal costs of that person to the extent permitted by law. During the period, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors, executives and Company Secretary.

No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the period.

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

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## DIRECTORS' REPORT (CONTINUED)

### Proceedings on behalf of the company

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

### Non-audit services

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

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

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

## DIRECTORS' REPORT (CONTINUED)

### Non-audit services (continued)

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

Whole Dollars		
	2020 \$	2019 \$
<b>AUDIT AND OTHER ASSURANCE SERVICES</b>		
<b>Audit services:</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Audit and review of financial reports and other audit work under the Corporations Act 2001	518,434	517,861
Audit and review of financial reports and other audit work for foreign subsidiary	40,800	38,760
<b>Network firms of PricewaterhouseCoopers Australia</b>		
Audit and review of financial reports and other audit work for foreign subsidiary	541,638	343,394
	<b>1,100,872</b>	<b>900,015</b>
<b>Other assurance services:</b>		
<b>PricewaterhouseCoopers Australia Firm</b>		
Store sales certificates	12,240	11,730
Agreed upon procedures for covenant calculations	23,460	22,440
	<b>35,700</b>	<b>34,170</b>
<b>Total remuneration for other assurance services</b>	<b>1,136,572</b>	<b>934,185</b>
<b>TAXATION SERVICES</b>		
<b>PricewaterhouseCoopers Australian firm:</b>		
Tax compliance services, including review of tax returns	57,000	70,466
International tax consulting	6,324	97,351
<b>Network firms of PricewaterhouseCoopers Australia</b>		
Tax compliance services, including review of company tax returns	5,665	5,587
<b>Total remuneration for taxation services</b>	<b>68,989</b>	<b>173,404</b>
<b>OTHER SERVICES</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Probity review of IT project	-	48,612
<b>Total remuneration for other services</b>	<b>-</b>	<b>48,612</b>
<b>TOTAL REMUNERATION FOR SERVICES</b>	<b>1,205,561</b>	<b>1,156,201</b>

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

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

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## DIRECTORS' REPORT (CONTINUED)

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*. This report is made in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to be 'Robert Kaye', with a stylized flourish at the end.

**Robert Kaye SC**  
Chairman

Brisbane  
30 June 2020

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## AUDITOR'S INDEPENDENCE DECLARATION



### *Auditor's Independence Declaration*

As lead auditor for the audit of Collins Foods Limited for the period from 29 April 2019 to 3 May 2020 (the reporting period), I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'K Challenor'.

Kim Challenor  
Partner  
PricewaterhouseCoopers

Brisbane  
30 June 2020

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## CONSOLIDATED INCOME STATEMENT

For the reporting period ended 3 May 2020

	Notes	2020 <sup>(8)</sup> \$'000	2019 <sup>(8)</sup> \$'000
Revenue	A3	981,733	901,215
Cost of sales		(465,214)	(426,444)
<b>Gross profit</b>		<b>516,519</b>	<b>474,771</b>
Selling, marketing and royalty expenses <sup>(1)</sup>		(208,550)	(188,030)
Occupancy expenses <sup>(2)</sup>		(76,449)	(75,608)
Restaurant related expenses <sup>(2)</sup>		(86,461)	(86,756)
Administrative expenses <sup>(3)</sup>		(55,322)	(48,568)
Other expenses <sup>(1) (4)</sup>		(8,258)	(8,381)
Other income <sup>(5)</sup>		3,952	2,364
<b>Profit from continuing operations before finance income, finance costs and income tax (EBIT)</b>		<b>85,431</b>	<b>69,792</b>
Finance income	A4	271	479
Finance costs <sup>(6)</sup>	A4	(32,252)	(11,216)
Share of net profit of associates and joint ventures accounted for using the equity method	E1	200	278
<b>Profit from continuing operations before income tax</b>		<b>53,650</b>	<b>59,333</b>
Income tax expense <sup>(7)</sup>	F10	(22,387)	(20,222)
<b>Profit from continuing operations</b>		<b>31,263</b>	<b>39,111</b>
<b>Net profit attributable to members of Collins Foods Limited</b>		<b>31,263</b>	<b>39,111</b>
		Cents per share	Cents per share
Basic earnings	F2	26.82	33.57
Diluted earnings	F2	26.63	33.37
		Shares	Shares
Weighted average basic ordinary shares outstanding	F2	116,581,244	116,504,037
Weighted average diluted ordinary shares outstanding	F2	117,407,285	117,190,780

(1) In the current period, certain items previously classified as other expenses, such as delivery related expenses, have been reclassified to Selling, marketing and royalty expenses. The comparative values have been reclassified to reflect this change.

(2) Occupancy and restaurant related charges of \$10,159,000 (2019: \$4,944,000) relating to impairment of assets. In the prior reporting period, restaurant related expenses also includes \$429,000 of additional depreciation due to a change in useful life on specific equipment that is associated with the exit of a product.

(3) Administration expenses include fees and charges related to development agreements of \$772,000 (2019: \$nil).

(4) Other expenses includes provisions for onerous leases and makegood expenses of \$366,000 (2019: \$1,310,000) and damage and expenses due to an insurance event of \$76,000 (2019: \$371,000).

(5) Other income includes insurance recoveries of \$1,681,000 (2019: \$925,000) and a fair value gain on debt modification of \$770,000 (2019: \$nil) as a result of refinancing (refer note B2).

(6) Finance costs include \$21,198,000 of interest expenses relating to the application of AASB 16 (2019: \$nil) (refer note H2) and \$139,000 (2019: \$nil) of unamortised borrowing costs, expensed as a result of refinancing (refer note B2).

(7) In the current reporting period, income tax expense includes adjustments for changes in tax rates and net recognition / (derecognition) of deferred tax assets associated with tax losses of \$2,286,000 (2019: \$193,000).

(8) The current reporting period is a 53-week period. The prior reporting period is a 52-week period.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 3 May 2020

	Notes	2020 \$'000	2019 \$'000
<b>Net profit/loss attributable to members of Collins Foods Limited</b>		<b>31,263</b>	39,111
Items that may be reclassified to profit or loss			
<b>Other comprehensive income / (expense):</b>			
Exchange differences on translation of foreign operations	F9	<b>4,963</b>	1,039
Cash flow hedges	F9	<b>(1,327)</b>	(1,797)
Income tax relating to components of other comprehensive income	F10	<b>398</b>	539
Other comprehensive income for the period, net of tax		<b>4,034</b>	<b>(219)</b>
<b>Total comprehensive income for the reporting period</b>		<b>35,297</b>	<b>38,892</b>
Total comprehensive income for the period is attributable to:			
Owners of the parent		<b>35,297</b>	38,892

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



# CONSOLIDATED BALANCE SHEET

As at 3 May 2020

	Notes	2020 <sup>(1)</sup> \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	116,297	79,791
Receivables	F3	3,071	3,183
Inventories		6,846	6,322
Other assets <sup>(2)</sup>		2,986	2,354
<b>Total current assets</b>		<b>129,200</b>	<b>91,650</b>
<b>Non-current assets</b>			
Property, plant and equipment	F4	187,469	176,704
Intangible assets	F5	457,389	449,515
Right-of-use assets <sup>(3)</sup>	F6	369,404	-
Deferred tax assets	F10	36,535	31,984
Investments accounted for using the equity method		2,353	2,153
Other assets <sup>(2)</sup>		378	414
<b>Total non-current assets</b>		<b>1,053,528</b>	<b>660,770</b>
<b>Total assets</b>		<b>1,182,728</b>	<b>752,420</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	F7	88,099	88,943
Lease liabilities <sup>(3)</sup>	F6	28,890	-
Current tax liabilities		6,994	4,401
Derivative financial instruments	C3	2,641	1,534
Provisions	F8	6,449	7,362
<b>Total current liabilities</b>		<b>133,073</b>	<b>102,240</b>
<b>Non-current liabilities</b>			
Borrowings	B2	317,252	291,257
Lease liabilities <sup>(3)</sup>	F6	360,970	-
Deferred tax liabilities	F10	5,626	3,384
Derivative financial instruments	C3	1,803	1,379
Provisions	F8	6,200	3,529
<b>Total non-current liabilities</b>		<b>691,851</b>	<b>299,549</b>
<b>Total liabilities</b>		<b>824,924</b>	<b>401,789</b>
<b>Net assets</b>		<b>357,804</b>	<b>350,631</b>
<b>EQUITY</b>			
Contributed equity	D3	290,788	290,495
Reserves	F9	14,088	10,771
Retained earnings		52,928	49,365
<b>Total equity</b>		<b>357,804</b>	<b>350,631</b>

(1) The reporting period ended 3 May 2020 includes the impact of AASB 16.

(2) In the current period, certain items previously classified as receivables, such as prepayments, have been reclassified to Other assets. The comparative values have been reclassified to reflect this change.

(3) See note H2 for details about restatements for changes in accounting policies.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 3 May 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,078,142	991,238
Payments to suppliers and employees (inclusive of GST)		(846,000)	(819,891)
Goods and services taxes (GST) paid		(51,912)	(46,388)
Interest received		312	437
Interest and other borrowing costs paid		(10,414)	(10,613)
Income tax paid		(20,809)	(17,298)
<b>Net operating cash flows</b>	<b>B1</b>	<b>149,319</b>	<b>97,485</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired (Australia KFC acquisition)	A2	-	(7,534)
Payments for property, plant and equipment		(53,981)	(50,660)
Proceeds from sale of property, plant and equipment		479	15
Payment for intangible assets		(3,833)	(4,811)
<b>Net investing cash flows</b>		<b>(57,335)</b>	<b>(62,990)</b>
<b>Cash flows from financing activities</b>			
Refinance fees paid		(1,104)	-
Proceeds from borrowings - bank loan facilities	B2	21,219	5,534
Payments for lease principal	F6	(32,031)	-
Interest paid on leases	F6	(20,872)	-
Dividends paid	B4	(23,316)	(20,972)
<b>Net financing cash flows</b>		<b>(56,104)</b>	<b>(15,438)</b>
<b>Net increase in cash and cash equivalents</b>		<b>35,880</b>	<b>19,057</b>
Cash and cash equivalents at the beginning of the reporting period		79,791	60,450
Effects of exchange rate changes on cash and cash equivalents		626	284
<b>Cash and cash equivalents at end of reporting period</b>	<b>B1</b>	<b>116,297</b>	<b>79,791</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period ended 3 May 2020

2020	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance as at 28 April 2019 as originally presented</b>					
		290,495	10,771	49,365	350,631
Change in accounting policy (AASB 16)	H2	-	-	(4,384)	(4,384)
<b>Restated total equity as at 29 April 2019</b>		<b>290,495</b>	<b>10,771</b>	<b>44,981</b>	<b>346,247</b>
Profit for the reporting period		-	-	31,263	31,263
Other comprehensive income		-	4,034	-	4,034
<b>Total comprehensive income for the reporting period</b>		<b>-</b>	<b>4,034</b>	<b>31,263</b>	<b>35,297</b>
Transactions with owners in their capacity as owners:					
Share based payments		-	(424)	-	(424)
Dividends provided for or paid	B4	-	-	(23,316)	(23,316)
Performance rights vested		293	(293)	-	-
<b>End of the reporting period</b>		<b>290,788</b>	<b>14,088</b>	<b>52,928</b>	<b>357,804</b>

2019	Notes	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 29 April 2018 as originally presented</b>					
		290,328	10,951	31,689	332,968
Change in accounting policy (AASB 15)	H2	-	-	(463)	(463)
<b>Restated total equity at 30 April 2018</b>		<b>290,328</b>	<b>10,951</b>	<b>31,226</b>	<b>332,505</b>
Profit for the reporting period		-	-	39,111	39,111
Other comprehensive income		-	(219)	-	(219)
<b>Total comprehensive income for the reporting period</b>		<b>-</b>	<b>(219)</b>	<b>39,111</b>	<b>38,892</b>
Transactions with owners in their capacity as owners:					
Share based payments		-	206	-	206
Dividends provided for or paid	B4	-	-	(20,972)	(20,972)
Performance rights vested		167	(167)	-	-
<b>End of the reporting period</b>		<b>290,495</b>	<b>10,771</b>	<b>49,365</b>	<b>350,631</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### A/ FINANCIAL OVERVIEW

This section provides information that is most relevant to explaining the Group's performance during the reporting period, and where relevant, the accounting policies that have been applied and significant estimates and judgements made.

A1 / Segment information

A2/ Business combination

A3/ Revenue

A4/ Material profit or loss items

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#### A1/ Segment information

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

##### DESCRIPTION OF SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Managing Director & CEO that are used to make strategic decisions. Hence two reportable segments have been identified: KFC Restaurants Australia and KFC Restaurants Europe (competing in the quick service restaurant market).

Other includes Shared Services which performs a number of administrative and management functions for the Group's restaurants, as well as the operating segments of Taco Bell and Sizzler Restaurants, however they are not separately reportable, as they fall below the threshold requirements in the last reporting period. In the last Annual Report, Sizzler Restaurants was reported as a separate reportable operating segment, however upon review of the reporting requirements, was deemed not reportable for the 2020 reporting period, and has been grouped under Other for both the current and prior period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A1/ Segment information (continued)

#### SEGMENT INFORMATION PROVIDED TO THE MANAGING DIRECTOR & CEO

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

2020	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other <sup>(2)</sup> \$'000	Total \$'000
Total segment revenue	791,496	134,112	56,125	981,733
Underlying EBITDA <sup>(1)</sup>	132,780	6,791	(19,012)	120,559
Depreciation, amortisation and impairment (excluding impact of AASB 16) <sup>(3)</sup>	28,167	13,176	4,589	45,932
Finance costs - net		209	10,574	10,783
Income tax expense			22,387	22,387

2019	\$'000	\$'000	\$'000	\$'000
Total segment revenue	722,572	123,801	54,842	901,215
Underlying EBITDA <sup>(1)</sup>	119,984	6,801	(13,271)	113,514
Depreciation, amortisation and impairment (excluding impact of AASB 16) <sup>(3)</sup>	27,767	11,554	3,058	42,379
Finance costs - net		86	10,651	10,737
Income tax expense			20,222	20,222

(1) Refer below for a description and reconciliation of Underlying EBITDA.

(2) Other includes: Shared Services, Sizzler and Taco Bell Restaurants.

(3) Refer below for a reconciliation to total depreciation, amortisation, and impairment of the Group. Refer to note F5 for information on impairment per asset class, per segment for the reporting period.

#### LOCATION OF REVENUE AND NON-CURRENT ASSETS

2020 <sup>(1)</sup>	Australia \$'000	Europe \$'000	Asia \$'000	Total \$'000
Revenue	842,955	134,112	4,666	981,733
Non-current assets (property, plant and equipment, intangibles, and right-of-use assets)	808,141	193,417	12,704	1,014,262

2019	\$'000	\$'000	\$'000	\$'000
Revenue	772,863	123,801	4,551	901,215
Non-current assets (property, plant and equipment, and intangibles)	480,667	133,076	12,476	626,219

(1) The reporting period ended 3 May 2020 includes the impact of AASB 16 (recognition of right-of-use assets)

#### OTHER SEGMENT INFORMATION

##### SEGMENT REVENUE

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

Revenue from external customers is derived from the sale of food in KFC, Sizzler and Taco Bell Restaurants, and franchise fees and royalties from Sizzler Asia Restaurants.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A1/ Segment information (continued)

#### UNDERLYING EBITDA

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. This measurement basis excludes the effects of costs associated with acquisitions (refer to Note A2). Additionally, impairment of property, plant, equipment, franchise rights, brand assets and goodwill are also excluded. Net finance costs (including the impact of derivative financial instruments) are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of Underlying EBITDA to profit / (loss) from continuing operations before income tax is provided as follows:

	2020 \$'000	2019 \$'000
Underlying EBITDA <sup>(1)</sup>	<b>120,559</b>	113,514
Finance costs - net (excluding impact of AASB 16)	<b>(10,783)</b>	(10,737)
Depreciation (excluding impact of AASB 16)	<b>(37,033)</b>	(35,148)
Amortisation	<b>(3,425)</b>	(2,287)
Impact of AASB 16	<b>(8,945)</b>	-
Impairment of property, plant and equipment	<b>(5,204)</b>	(4,576)
Impairment of intangible assets	<b>(270)</b>	(368)
Impairment of right-of-use assets	<b>(4,685)</b>	-
Share of net profit / (loss) of joint ventures accounted for using the equity method	<b>200</b>	278
Net income from insurance claim - material damage	<b>1,605</b>	52
Onerous lease	-	(1,176)
Fair value gain on debt modification	<b>770</b>	-
Other non-trading income	<b>861</b>	-
Other one-off costs	-	(219)
<b>Profit before income tax from continuing operations</b>	<b>53,650</b>	<b>59,333</b>

(1) In the current reporting period, the Group elected to cease removing performance rights from Underlying EBITDA because it is no longer considered a one-off, non-trading type item. This change has been reflected in the prior reporting period comparatives.

#### DEPRECIATION, AMORTISATION AND IMPAIRMENT

The results regularly reviewed by the Board include the depreciation, amortisation and impairment expenses of Property, Plant and Equipment and Intangible Assets. These results exclude the impact of AASB 16.

A reconciliation of Depreciation, amortisation and impairment (excluding the impact of AASB 16) to Total depreciation, amortisation and impairment of the Group is provided as follows:

	Notes	2020 \$'000	2019 \$'000
Depreciation, amortisation and impairment (excluding impact of AASB 16)		<b>45,932</b>	42,379
Depreciation of right-of-use assets		<b>39,517</b>	-
Impairment of right-of-use assets		<b>4,685</b>	-
<b>Total depreciation, amortisation, and impairment</b>	<b>A4</b>	<b>90,134</b>	<b>42,379</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A2/ Business combination

#### CURRENT PERIOD

In the 2020 reporting period, there were no business combinations or adjustments to prior period business combinations.

#### PRIOR PERIOD

#### KFC RESTAURANTS (AUSTRALIA) - SUMMARY OF ACQUISITION

On 26 June 2017, Collins Foods South Pty Ltd, a wholly owned subsidiary of Collins Foods Limited entered into binding agreements to acquire 29 KFC restaurants from Yum! Brands Inc. subsidiaries located in Western Australia, South Australia and Tasmania.

The primary reason for the acquisition was to expand operations in the quick service restaurant market and consolidate the Company's position as the largest KFC franchisee in Australia.

The restaurants were acquired across multiple accounting periods, as outlined below:

- acquisition of two restaurants in South Australia on 7 May 2018; and
- acquisition of one restaurant in South Australia on 6 August 2018.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration:	
Cash paid	7,542

The provisional fair values of the assets and liabilities of the business acquired as at the date of acquisition are as follows:

	Fair value \$'000
Cash	8
Inventories	40
Property, plant and equipment	1,508
Intangible assets	200
Deferred tax asset, net	276
Trade and other payables	(163)
<b>Net identifiable assets acquired</b>	<b>1,869</b>
Goodwill	5,673
<b>Net assets acquired</b>	<b>7,542</b>

The goodwill is attributable to the workforce and access to an established market with opportunities for future expansion.

#### Acquisition-related costs

The acquisition related costs have been recognised in the Group's 2018 Annual Report, in the Consolidated Income Statement (other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (payments to suppliers and employees). Refer to Note A2 and I1 in the Group's 2018 Annual Report for further details of the acquisition related costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A2/ Business combination (continued)

	As at acquisition date \$'000
<b>Purchase consideration - cash flow</b>	
Cash consideration	7,542
Less: Balances acquired	8
<b>Outflow of cash - investing activities</b>	<b>7,534</b>

The acquired business contributed revenues of \$8.6 million and Underlying EBITDA of \$1.3 million to the Group for the period the stores were owned, up to 28 April 2019.

If the acquisition had occurred on 30 April 2018, consolidated revenue and consolidated Underlying EBITDA for the reporting period ended 28 April 2019 would have been \$902.4 million and \$113.9 million respectively.

### ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless other valuation methods provide a more reliable measure of fair value. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Transaction costs arising from business combinations are expensed as incurred.

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A3/ Revenue

Revenue is recognised when performance obligations under relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time.

In the following table revenue is disaggregated by type and by timing of revenue recognition.

No single customer amounts to 10% or more of the consolidated entity's total external revenue.

#### REVENUE TYPE

	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other \$'000	Total \$'000
<b>2020</b>				
Sale of goods	791,496	134,112	51,458	977,066
Franchise revenue	-	-	4,667	4,667
	<b>791,496</b>	<b>134,112</b>	<b>56,125</b>	<b>981,733</b>
	\$'000	\$'000	\$'000	\$'000
<b>2019</b>				
Sale of goods	722,572	123,801	50,291	896,664
Franchise revenue	-	-	4,551	4,551
	<b>722,572</b>	<b>123,801</b>	<b>54,842</b>	<b>901,215</b>

#### TIMING OF REVENUE RECOGNITION

	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other \$'000	Total \$'000
<b>2020</b>				
At a point in time	791,496	134,112	56,010	981,618
Over time	-	-	115	115
	<b>791,496</b>	<b>134,112</b>	<b>56,125</b>	<b>981,733</b>
	\$'000	\$'000	\$'000	\$'000
<b>2019</b>				
At a point in time	722,572	123,801	54,789	901,162
Over time	-	-	53	53
	<b>722,572</b>	<b>123,801</b>	<b>54,842</b>	<b>901,215</b>

#### ACCOUNTING POLICY

##### Sale of Goods

The Group operates a number of quick service and casual dining restaurants. The revenue from the sale of food and beverages from these restaurants is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the food and beverages.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A3/ Revenue (continued)

#### **Sale of Goods - Customer Loyalty Program**

The Taco Bell brand within the Group operates a loyalty program where retail customers accumulate points for purchases made, which entitle them to discounts on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

A contract liability is recognised until the points are redeemed or expire.

#### **Critical judgements in allocating the transaction price**

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the likelihood of redemption, which is based on industry knowledge given there is insufficient historical experience to draw upon at this stage of the brand in Australia.

#### **Franchise Revenue**

The Sizzler segment of the Group is the franchisor of the Sizzler brand in Asia. Franchise agreements are entered into where the Group allocates the right to external parties to use the Sizzler name and associated intellectual property. These contracts run for a 20-year period, with a right to renewal for an additional 20 years.

Franchise agreements entitle the Group to two streams of revenue:

- **franchise fees:** revenue relating to franchise fees is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the commencement of the contract and is released on a straight-line basis over the period of the contract; and
- **sales-based royalties:** revenue relating to sales-based royalties is recognised as the subsequent sale occurs.

#### **Accounting for Costs to Fulfil a Contract**

Costs that relate directly to a contract with customers, generate resources used in satisfying the contract and are expected to be recovered are capitalised as costs to fulfil a contract. The asset is amortised at a pattern consistent with the recognition of the associated revenue.

#### **Other Income**

Interest income is recognised on a time proportion basis using the effective interest method and traineeship income is recognised as revenue when the right to receive payment has been established.

#### **Financing Components**

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### A4/ Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	Notes	2020 \$'000	2019 \$'000
<b>Depreciation, amortisation and impairment</b>			
<b>Depreciation</b>			
Property, plant and equipment		37,033	35,148
Right-of-use assets <sup>(1)</sup>		39,517	-
<b>Total depreciation</b>		<b>76,550</b>	<b>35,148</b>
<b>Amortisation</b>			
Intangible assets		3,425	2,287
<b>Total amortisation</b>		<b>3,425</b>	<b>2,287</b>
<b>Impairment</b>			
Property, plant and equipment		5,204	4,576
Intangible assets		270	368
Right-of-use assets <sup>(1)</sup>		4,685	-
<b>Total impairment</b>	F5	<b>10,159</b>	<b>4,944</b>
<b>Total depreciation, amortisation and impairment</b>		<b>90,134</b>	<b>42,379</b>
<b>Finance income and costs</b>			
Finance income		(271)	(479)
Finance costs		32,252	11,216
<b>Net finance costs</b>		<b>31,981</b>	<b>10,737</b>
<b>Employee benefits expense</b>			
Wages and salaries		242,832	219,178
Defined contribution superannuation expense		20,632	18,879
Employee entitlements		14,733	15,641
<b>Total employee benefits expense</b>		<b>278,197</b>	<b>253,698</b>
Operating lease rentals <sup>(1)</sup>		-	49,624
Inventories recognised as an expense		318,623	287,561
Net (income)/expense on insurance claim: material damage		(1,605)	53
Fair value gain on debt modification		(770)	-
Performance rights		(424)	206
Provision for onerous lease		-	1,176
Costs of acquisitions expensed		-	59
Net (recognition)/derecognition of tax losses and change in tax rates		2,286	(193)
Net loss on disposal of property, plant and equipment		170	801

(1) In the current reporting period, the Group adopted AASB 16. This resulted in leases no longer being classified as operating leases, and instead being recognised as right-of-use assets, which are depreciated, or short-term leases, which are expensed. As the Group adopted the modified retrospective method, prior period comparatives have not been restated. Refer to notes F6 and H2 for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### B/ Cash Management

Collins Foods Limited has a focus on maintaining a strong balance sheet with the strategy incorporating the Group's expenditure, growth and acquisition requirements, and the desire to return dividends to shareholders.

B1/ Cash and cash equivalents

B2/ Borrowings

B3/ Ratios

B4/ Dividends

#### B1/ Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and in hand <sup>(1)</sup>	116,297	79,791

(1) Included in cash at bank is an amount of \$2.0 million (2019: \$1.7 million) that is held under lien by the bank as security for Europe lease agreements and are therefore not available to use by the Group.

#### Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	2020 \$'000	2019 \$'000
<b>Profit for the period</b>		<b>31,263</b>	<b>39,111</b>
<b>Adjustments for non-cash income and expense items:</b>			
Depreciation, amortisation and impairment (excluding the impact of AASB 16)	A1	45,932	42,011
Depreciation and impairment of right-of-use assets	A1	44,202	-
Franchise rights written off	F5	409	368
(Gain) / loss on disposal of property, plant and equipment		774	901
(Gain) / loss on disposal of right-of-use assets		39	-
Fair value (gain) / loss on debt modification	A4	(770)	-
Amortisation of borrowing costs		641	388
Non-cash employee benefits expense share based payments expense		(424)	206
Interest paid on leases classified as financing cash flows		20,872	-
Provision for inventory write offs		(30)	27
Provision for make good obligations		224	-
Provision for employee entitlements		590	(705)
<b>Changes in assets and liabilities:</b>			
Receivables		112	(507)
Inventory		(494)	(334)
Prepayments and other assets		(1,318)	1,648
Share of profits of joint ventures		(200)	(278)
Trade payables and accruals		5,937	10,649
Income tax payable		2,593	3,369
Deferred tax balances		(1,667)	(409)
Fringe benefits tax payable		40	(20)
Goods and services tax payable		594	1,060
<b>Net operating cash flows</b>		<b>149,319</b>	<b>97,485</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### B1/ Cash and cash equivalents (continued)

#### ACCOUNTING POLICY

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

### B2/ Borrowings

#### AVAILABLE FINANCING FACILITIES

	2020		2019	
	Working Capital Facility \$'000	Bank Loan Facility \$'000	Working Capital Facility \$'000	Bank Loan Facility \$'000
Used <sup>(1)</sup>	10,859	309,304	6,197	286,704
Unused	26,116	54,521	29,618	42,372
<b>Total</b>	<b>36,975</b>	<b>363,825</b>	<b>35,815</b>	<b>329,076</b>

(1) \$674,000 (2019: \$640,000) of the working capital facility has been used for bank guarantees rather than drawn down cash funding.

A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a Syndicated Facility Agreement (Syndicated Facility) and a Working Capital Facility Agreement (Working Capital Facility). On 26 September 2019, the Group entered into a new Syndicated Facility Agreement for \$265 million and €80 million, including working capital facilities. The new term of the facility is a blend of maturities with \$180 million and €50 million expiring on 31 October 2022 and the remaining \$85 million and €30 million expiring on 31 October 2024.

#### Facilities

The Syndicated Facility and Working Capital Facility are subject to certain financial covenants and restrictions such as net leverage ratios, interest coverage ratios and others which management believe are customary for these types of loans. During the reporting period ended 3 May 2020, the Group maintained compliance with the financial covenants and restrictions of these facilities. The Company and its subsidiaries (other than subsidiaries outside of the Closed Group) were registered guarantors of all the obligations in respect of these loan facilities.

#### Borrowings Reconciliation

This section sets out the movements in borrowings for each of the periods presented.

	2020 \$'000	2019 \$'000
Beginning of the reporting period	292,261	287,650
Cash flows	21,219	5,534
Foreign exchange adjustments	6,009	(923)
<b>End of the reporting period</b>	<b>319,489</b>	<b>292,261</b>

For further information on the Group's borrowings refer to notes C1 and C2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### B2/ Borrowings (continued)

#### ACCOUNTING POLICY

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

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

### B3/ Ratios

#### CAPITAL MANAGEMENT

The Group manages its capital by maintaining a strong capital base. The Group assesses its capital base by reference to its gearing ratio, which it defines as net debt divided by total capital. Net debt is calculated as borrowings (excluding capitalised fees) less cash and cash equivalents. Total capital is calculated as total equity as shown in the balance sheet plus net debt. At balance date, the gearing ratio was 36% (2019: 38%).

#### NET DEBT

	2020 \$'000	2019 \$'000
General cash at bank and on hand	116,297	79,791
Borrowings	(319,489)	(292,261)
<b>Net debt</b>	<b>(203,192)</b>	<b>(212,470)</b>

#### NET LEVERAGE

	2020 \$'000	2019 \$'000
Net debt	(203,192)	(212,470)
EBITDA per Syndicated Facility Agreement	120,562	113,531
<b>Net leverage</b>	<b>1.69</b>	<b>1.87</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### B4/ Dividends

#### DIVIDENDS

	2020 \$'000	2019 \$'000
Dividends paid of \$0.20 (2019: \$0.18) per fully paid share	<b>23,316</b>	20,972

#### FRANKING CREDITS

	2020 \$'000	2019 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2019: 30.0%)	105,751	92,309

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for:

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

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

Since the end of the reporting period, the Directors of the Company have declared the payment of a fully franked final dividend of 10.5 cents per ordinary share (\$12.2 million) to be paid on 30 July 2020. The aggregate amount of the dividend to be paid on that date, but not recognised as a liability at the end of the reporting period is \$12,241,031.

#### ACCOUNTING POLICY

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C/ Financial Risk Management

This section provides information relating to the Group's exposure to financial risks, how they affect the financial position and performance, and how the risks are managed.

C1/ Financial risk management

C2/ Recognised fair value measurements

C3/ Derivative financial instruments

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#### C1/ Financial risk management

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

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

#### MARKET RISK

##### **Foreign Currency Risk**

During 2020 and 2019, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivables and trade payables in respect of the Group's Asian operations and European operations which were denominated in foreign currencies at the Group level. In respect of its European operations the Group aims to reduce balance sheet translation exposure by borrowing in the currency of its assets (Euro €) as far as practical (disclosed in Note B2). Management has decided not to hedge the foreign currency risk exposure for Asia. The Group's exposure to foreign currency risk is disclosed in the tables below.

##### **Hedge of net investment in foreign entity**

As at 25 August 2017, €48.3 million of the Euro denominated loan of €48.5 million was designated as the hedging instrument of a net investment hedge for the foreign currency risk exposure of €48.3 million of the Euro equity invested in Collins Foods Europe Limited (and subsidiaries). As at inception this hedge was considered to be completely effective.

##### **Cash flow and Interest Rate Risk**

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk while borrowings issued at fixed rates expose the Group to fair value interest rate risk.

It is the policy of the Group to protect a designated portion of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts (Swap Contracts) under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Information about the Group's variable rate borrowings, outstanding Swap Contracts and an analysis of maturities at the reporting date is disclosed in Notes C1 and C3.

##### **Price Risk**

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C1/ Financial risk management (continued)

#### CREDIT RISK

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

Trade receivables consist of a small number of customers and ongoing review of outstanding balances is conducted on a periodic basis. The balance outstanding (disclosed in Note F3) is not past due, nor impaired (2019: nil past due). The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Related party transactions are conducted on commercial terms and conditions. Recoverability of these transactions are assessed on an ongoing basis.

Credit risk further arises in relation to financial guarantees given to certain parties (refer to Notes B2 and G1 for details).

#### LIQUIDITY RISK

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cash flows. This approach enables the Group to manage short, medium and long term funding and liquidity management as reported in Note B2. Non-interest bearing liabilities are due within six months. For maturities of interest bearing liabilities and Swap Contracts of the Group, refer to Notes C1 and C3.

#### **Maturities of financial liabilities**

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

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C1/ Financial risk management (continued)

2020	Note	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total contractual cash flows \$'000	Carrying amount (assets)/ liabilities \$'000
<b>Non-derivatives</b>						
Trade payables	F7	88,099	-	-	88,099	88,099
Borrowings (excluding finance leases)	B2	11,184	12,879	319,746	343,809	317,252
<b>Total non-derivatives</b>		<b>99,283</b>	<b>12,879</b>	<b>319,746</b>	<b>431,908</b>	<b>405,351</b>
<b>Derivatives</b>						
Net settled (Swap Contracts)	C3	2,674	1,240	623	4,537	4,444

2019	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>						
Trade payables	F7	88,943	-	-	88,943	88,943
Borrowings (excluding finance leases)	B2	10,273	181,693	116,131	308,097	291,257
<b>Total non-derivatives</b>		<b>99,216</b>	<b>181,693</b>	<b>116,131</b>	<b>397,040</b>	<b>380,200</b>
<b>Derivatives</b>						
Net settled (Swap Contracts)	C3	1,569	1,126	296	2,991	2,913

### INTEREST RATE RISK AND FOREIGN CURRENCY RISK

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

2020	Carrying amount \$'000	Interest rate risk				Foreign currency risk			
		-1%		+1%		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets	119,368	(814)	-	814	-	403	-	(403)	-
Financial liabilities	416,789	989	(3,020)	(989)	3,020	(239)	993	239	(993)
<b>Total increase/ (decrease)</b>		<b>175</b>	<b>(3,020)</b>	<b>(175)</b>	<b>3,020</b>	<b>164</b>	<b>993</b>	<b>(164)</b>	<b>(993)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C1/ Financial risk management (continued)

2019	Carrying amount \$'000	Interest rate risk				Foreign currency risk			
		-1%		+1%		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets	82,974	(559)	-	559	-	246	-	(246)	-
Financial liabilities	388,518	831	(2,209)	(831)	2,209	(112)	767	112	(767)
<b>Total increase/ (decrease)</b>		<b>272</b>	<b>(2,209)</b>	<b>(272)</b>	<b>2,209</b>	<b>134</b>	<b>767</b>	<b>(134)</b>	<b>(767)</b>

#### Interest Rate Risk Exposures - Non-Current Liabilities

The following table summarises interest rate risk for the Group, together with effective interest rates as at the end of the reporting period.

	Notes	Floating interest rate \$'000	Fixed interest maturing in: 5 years or less \$'000	Non-interest bearing \$'000	Total \$'000	Weighted average effective rate %
<b>2020</b>						
Trade and other payables	F7	-	-	88,099	88,099	-
Borrowings - unhedged	B2	141,304	-	-	141,304	2.4
Borrowings - hedged <sup>(1)</sup>	B2	-	168,000	-	168,000	1.0
		<b>141,304</b>	<b>168,000</b>	<b>88,099</b>	<b>397,403</b>	

	Notes	\$'000	\$'000	\$'000	\$'000	%
<b>2019</b>						
Trade and other payables	F7	-	-	88,943	88,943	-
Borrowings - unhedged	B2	118,704	-	-	118,704	2.3
Borrowings - hedged <sup>(1)</sup>	B2	-	168,000	-	168,000	4.3
		<b>118,704</b>	<b>168,000</b>	<b>88,943</b>	<b>375,647</b>	

(1) Refer Note C3 for details of derivative financial instruments

#### Interest Rate Risk Exposures - Current Asset Receivables

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

	2020 \$'000	2019 \$'000
Trade and other receivables (non-interest bearing)	3,071	3,183

### CREDIT RISK

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C2/ Recognised fair value measurements

#### FAIR VALUE HIERARCHY

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified such assets and liabilities into the three levels prescribed under the accounting standards.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been identified as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 3 May 2020, the Group has derivative financial instruments which are classified as Level 2 financial instruments. There are no Level 1 or Level 3 financial instruments. As at 28 April 2019, the Group had Level 2 financial instruments. There were no Level 1 or Level 3 financial instruments.

#### LEVEL 2 FINANCIAL INSTRUMENTS

The fair values of derivative instruments are determined as the estimated amount that the Group and the Company would receive or pay to terminate the interest rate swap at the end of the reporting period, taking into account the current interest rate.

#### VALUATION PROCESS

The finance department of the Group engages a third party expert valuation firm to value the derivative financial instruments that are required to be measured, recognised and disclosed in the financial statements, at fair value. This includes Level 2 fair values. The finance department reports directly to the Group CFO and the Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the Group CFO, ARC and the finance department at least once every six months, in line with the Group's half-year reporting periods.

The main Level 2 inputs used by the Group are derived and evaluated as follows:

- discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Changes in Level 2 and Level 3 fair values are analysed at the end of each reporting period during the half-year valuation discussion between the Group CFO, ARC and finance department. As part of this discussion the finance department presents a report that explains the reason for the fair value movements.

#### DISCLOSED FAIR VALUES

The Group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

#### RECEIVABLES

Due to the short term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the majority of non-current receivables, the fair values are not materially different to their carrying amounts, since the interest on those receivables is close to current market rates.

#### TRADE AND OTHER PAYABLES

Due to the short term nature of the trade and other payables, their carrying amount is assumed to be the same as their fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C2/ Recognised fair value measurements (continued)

#### BORROWINGS

The fair value of borrowings is as follows:

	2020			2019		
	Carrying value \$'000	Fair value \$'000	Discount rate %	Carrying amount \$'000	Fair value \$'000	Discount rate %
Bank Loan (net of borrowing costs)	317,252	276,473	6.9	291,257	257,687	6.9

The fair value of non-current borrowings is based on discounted cash flows using the rate disclosed in the table above. They are classified as Level 3 values in the fair value hierarchy due to the use of unobservable inputs, including the credit risk of the Group.

### ACCOUNTING POLICY

#### FINANCIAL ASSETS

##### Classification and Measurement

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income or through the income statement) and those to be held at amortised cost. Further detail on each classification is outlined below.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. The Group's policy with regard to financial risk management is set out in Note C1. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of 'hold to collect' (where assets are held in order to collect contractual cash flows). When the Group enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

##### (A) Financial Assets Held at Amortised Cost

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the 'Solely payments of principal and interest' (SPPI) criteria.

At initial recognition, trade receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

##### (B) Financial Assets Held at Fair Value Through Other Comprehensive Income (FVOCI)

This classification applies to the following financial assets:

- Debt instruments that are held under a business model where they are held for the collection of contractual cash flows and also for sale ('Collect and sell') and which have cash flows that meet the SPPI criteria.

All movements in the fair value of these financial assets are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue (including transaction costs by applying the effective interest method), gains or losses arising on derecognition and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative fair value gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

- Equity investments where the Group has irrevocably elected to present fair value gains and losses on revaluation in other comprehensive income. The election can be made for each individual investment however it is not applicable to equity investments held for trading.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C2/ Recognised fair value measurements (continued)

Fair value gains or losses on revaluation of such equity investments, including any foreign exchange component, are recognised in other comprehensive income. When the equity investment is derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income to the income statement. Dividends are recognised in the income statement when the right to receive payment is established.

#### (C) Financial Assets Held at Fair Value Through Profit or Loss (FVPL)

This classification applies to the following financial assets, and in all cases, transactions costs are immediately expensed to the income statement:

- Debt instruments that do not meet the criteria of amortised cost or fair value through other comprehensive income.

Subsequent fair value gains or losses are taken to the income statement.

- Equity Investments which are held for trading or where the FVOCI election has not been applied.

All fair value gains or losses and related dividend income are recognised in the income statement.

- Derivatives which are not designated as a hedging instrument.

All subsequent fair value gains or losses are recognised in the income statement.

#### **Impairment of Financial Assets**

A forward looking expected credit loss (ECL) review is required for; debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C3/ Derivative financial instruments

	2020 \$'000	2019 \$'000
<b>Current liabilities</b>		
Interest rate swap contracts - cash flow hedges	<b>2,641</b>	1,534
<b>Non-current liabilities</b>		
Interest rate swap contracts - cash flow hedges	<b>1,803</b>	1,379

### INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies.

### INTEREST RATE SWAP CONTRACTS - CASH FLOW HEDGES

During the reporting period ended 3 May 2020 the Group entered into the following Swap Contracts to hedge a designated portion of the interest rate exposure of the facility:

- \$75.0 million commencing on 31 October 2020, with a maturity date of 31 October 2022; and
- \$65.0 million commencing on 31 October 2020, with a maturity date of 31 October 2022.

Swap Contracts currently in place cover approximately 80% (2019: 80%) of the Australian dollar denominated loan principal outstanding and are timed to expire as each loan repayment falls due. The variable rates are BBSY which at balance date was 0.29% (2019: 1.81%). The notional principal amounts, periods of expiry and fixed interest rates applicable to the Swap Contracts are as follows:

	2020		2019	
	\$'000	Weighted average fixed interest rate %	\$'000	Weighted average fixed interest rate %
Less than 1 year	<b>140,000</b>	<b>2.4</b>	-	-
1-2 years	-	-	140,000	2.4
2-3 years	<b>168,000</b>	<b>1.0</b>	-	-
3-4 years	-	-	28,000	2.2
4-5 years	-	-	-	-
	<b>308,000</b>		<b>168,000</b>	

The Swap Contracts require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The Swap Contracts are settled on a net basis. The derivative financial instruments were designated as cash flow hedges at inception.

### CREDIT RISK EXPOSURES

At 3 May 2020, the Swap Contracts gave rise to payables for unrealised losses on derivative instruments of \$4.4 million (2019: \$2.9 million) for the Group. Management has undertaken these contracts with the Australia and New Zealand Banking Group Limited and National Australia Bank Limited which are AA rated financial institutions.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### C3/ Derivative financial instruments (continued)

#### ACCOUNTING POLICY

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### HEDGE ACCOUNTING

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the hedge effectiveness requirements prescribed in AASB 9.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

#### CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

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

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### D/ Reward and Recognition

These programs also result in changes to the Group's contributed equity.

D1/ Key management personnel

D2/ Share based payments

D3/ Contributed equity

#### D1/ Key management personnel

##### KMP COMPENSATION

	Whole Dollars	
	2020 \$	2019 \$
Short term employee benefits	4,969,845	4,892,951
Long term employee benefits	17,664	15,419
Post employment benefits	153,778	162,878
Long term incentives	58,935	125,125
<b>Total KMP compensation</b>	<b>5,200,222</b>	<b>5,196,373</b>

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

#### D2/ Share based payments

##### LONG TERM INCENTIVE PLAN - PERFORMANCE RIGHTS

The Company has a Long Term Incentive Plan (LTIP) designed to provide long term incentives for certain employees, including executive directors. Under the plan, participants are granted performance rights over shares. The number of performance rights is calculated by dividing the dollar value of the participant's long term incentive by the ASX volume weighted average price of the shares for the five trading days prior to the date of offer of the performance rights.

Unless otherwise determined by the Board in its discretion, performance rights are issued for nil consideration. The amount of performance rights that will vest depends upon the achievement of certain vesting conditions, including the satisfaction of a minimum 12 month term of employment and the achievement of earnings per share (EPS) growth targets by the Company. In the event of cessation of employment within 12 months of the date of grant, unvested rights are forfeited. In the event of cessation of employment after 12 months but before the conclusion of the vesting period, unvested rights are considered forfeited, unless otherwise determined by the Board, in which case any service condition will be deemed to have been fulfilled as at the testing date and subject to performance testing along with other participants. It is noted that the Board has discretion to allow "Good Leavers" to retain their Participation in the LTI plan beyond the date of cessation of employment when deemed appropriate to the circumstances. The EPS growth targets must be achieved over a three year performance period. Performance rights will automatically vest on the business day after the Board determines the vesting conditions have all been satisfied (Vesting Determination Date).

The performance rights will automatically exercise on the Vesting Determination Date unless that date occurs outside a trading window permitted under the Company's Securities Trading Policy, in which case the performance rights will exercise upon the first day of the next trading window. Upon exercise of the performance rights, the Company must issue or procure the transfer of one share for each performance right, or alternatively may in its discretion elect to pay the cash equivalent value to the participant.

Performance rights will lapse on the first to occur of:

- the expiry date;
- the vesting conditions not being satisfied by the Vesting Determination Date;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### D2/ Share based payments (continued)

- unless the Board otherwise determines, by the cessation of the employment of the employee to whom the offer of performance rights was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness).

Performance rights when issued under the LTIP are not entitled to receive a dividend and carry no voting rights.

Set out below are summaries of performance rights issued under the LTIP:

	2020	2019
Balance at the beginning of the reporting period	830,290	625,720
Vested and exercised	(69,589)	(44,018)
Issued during the reporting period	267,536	354,995
Lapsed during the reporting period	(101,239)	(107,127)
Adjustments during the reporting period <sup>(1)</sup>	-	720
<b>Balance at the end of the reporting period</b>	<b>926,998</b>	<b>830,290</b>

(1) Adjustment to previously granted performance rights.

On 21 June 2019 following the satisfaction of the vesting conditions, 69,585 performance rights previously granted under the LTIP converted to fully paid ordinary shares. Each participant was issued with shares based on the volume weighted average price of \$8.40215.

All performance rights issued during the reporting period ended 3 May 2020 have an expiry date of 26 July 2022 and were issued with an exercise price of nil. All performance rights issued during the reporting period ended 28 April 2019 have an expiry date of 20 July 2021 and were issued with an exercise price of nil.

### FAIR VALUE OF PERFORMANCE RIGHTS ISSUED

There were two tranches of performance rights issued during the reporting period ended 3 May 2020:

- The assessed fair value of performance rights issued on 16 September 2019 was an average of \$8.65. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$9.32, the term of the right, the expected dividend yield of 2.44% and the risk free interest rate for the term of the rights of 0.74%.
- The assessed fair value of performance rights issued on 16 September 2019 was an average of \$8.65. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$9.32, the term of the right, the expected dividend yield of 2.44% and the risk free interest rate for the term of the rights of 0.74%.

There were two tranches of performance rights issued during the reporting period ended 28 April 2019:

- The assessed fair value of performance rights issued on 2 October 2018 was an average of \$5.65. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$6.19, the term of the right, the expected dividend yield of 3.00% and the risk free interest rate for the term of the rights of 2.06%.
- The assessed fair value of performance rights issued on 3 October 2018 was an average of \$5.58. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$6.11, the term of the right, the expected dividend yield of 3.00% and the risk free interest rate for the term of the rights of 2.06%.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### D2/ Share based payments (continued)

#### ACCOUNTING POLICY

Equity settled share based payments are measured at the fair value of the equity instrument at the date of grant. The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The determination of fair value includes consideration of any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

### D3/ Contributed equity

#### EQUITY OF PARENT COMPANY

Parent Entity				
	Date	Number of ordinary shares - fully paid	Share capital \$000	Total equity \$000
<b>Balance</b>	<b>28 April 2019</b>	<b>116,511,655</b>	<b>290,495</b>	<b>290,495</b>
Senior Executive Performance Rights Plan	3 July 2019	69,589	293	293
<b>Balance</b>	<b>3 May 2020</b>	<b>116,581,244</b>	<b>290,788</b>	<b>290,788</b>

#### ORDINARY SHARES

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

#### ACCOUNTING POLICY

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### E/ Related Parties

This section provides information relating to the Group's related parties and the extent of related party transactions within the Group and the impact they had on the Group's financial performance and position.

E1/ Investments accounted for using the equity method

E2/ Related party transactions

#### E1/ Investments accounted for using the equity method

##### INTERESTS IN INDIVIDUALLY IMMATERIAL JOINT VENTURES

Name of entity	Place of incorporation	Acronym	% of ownership interest	
			2020 %	2019 %
Sizzler China Pte Ltd	Singapore	SCP	50	50

##### Summarised Financial Information of Joint Ventures

	2020 \$'000	2019 \$'000
Aggregate carrying amount of individually immaterial joint ventures	2,731	2,302
Aggregate amounts of the Group's share of:		
Profit from continuing operations	200	278
<b>Total comprehensive income</b>	<b>200</b>	<b>278</b>

### ACCOUNTING POLICY

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has two joint ventures. Investments in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost in the Consolidated Balance Sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

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

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### E2/ Related party transactions

#### PARENT ENTITY

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

#### KEY MANAGEMENT PERSONNEL

Disclosures relating to the compensation of KMP are included in Note D1 and in the Remuneration Report included in the Directors' Report.

#### SUBSIDIARIES

The ownership interests in subsidiaries are set out in Note G1. Transactions between entities within the Group during the reporting period consisted of loans advanced and repaid, interest charged and received, operating expenses paid, non-current assets purchased and sold, and tax losses transferred. These transactions were undertaken on commercial terms and conditions.

#### OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2020 \$	2019 \$
Current receivables		
Key management personnel	<b>47,911</b>	-

#### TRANSACTIONS WITH RELATED PARTIES

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

Outstanding balances other than loans to key management personnel are unsecured and are repayable in cash.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F/ Other Items

F1/ Commitments for expenditure	F7/ Trade and other payables
F2/ Earnings per share	F8/ Provisions
F3/ Receivables	F9/ Reserves
F4/ Property, plant and equipment	F10/ Tax
F5/ Intangible assets	F11/ Auditor's remuneration
F6/ Leases	F12/ Contingencies

### F1/ Commitments for expenditure

#### CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2020 \$'000	2019 \$'000
Property, plant and equipment	1,235	5,648
Right-of-use assets <sup>(1)</sup>	15,284	-
<b>Total commitments</b>	<b>16,519</b>	<b>5,648</b>

(1) This represents any agreements for leases the Group has signed before year end, that have not yet proceeded to an executed lease agreement. This is the value repayable over the primary term of the lease. As there is not yet a commencement date, the values have not been discounted to present value.

#### OPERATING LEASES

The Group leases various land, buildings and motor vehicles expiring within six months to 20 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 29 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note F6 and note H2 for further information.

	2020 \$'000	2019 \$'000
Operating lease commitments:		
Aggregate lease expenditure contracted for at balance date but not recognised as liabilities, payable:		
Not later than 1 year	-	56,198
Later than 1 year but not later than 5 years	-	153,635
Later than 5 years	-	91,013
	-	<b>300,846</b>
Less recoverable Goods and Services Tax	-	(19,930)
<b>Minimum lease payments</b>	<b>-</b>	<b>280,916</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F2/ Earnings per share

	2020	2019
Basic earnings per share (cents)	<b>26.82</b>	33.57
Diluted earnings per share (cents)	<b>26.63</b>	33.37
Earnings used in the calculation of basic and diluted earnings per share from continuing operations (\$000)	<b>31,263</b>	39,111
Weighted average number of ordinary shares for the purpose of basic earnings	<b>116,581,244</b>	116,504,037
Weighted average number of ordinary shares for the purpose of diluted earnings	<b>117,407,285</b>	117,190,780

#### Weighted Average Number of Share Used As The Denominator

	2020 Shares	2019 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>116,581,244</b>	116,504,037
Adjustments for calculation of diluted earnings per share:		
Performance rights	<b>826,041</b>	686,743
<b>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>117,407,285</b>	<b>117,190,780</b>

### ACCOUNTING POLICY

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F3/ Receivables

#### Current Assets - Receivables

	2020 \$'000	2019 \$'000
Trade receivables	3,070	3,142
Other receivables	1	41
	<b>3,071</b>	<b>3,183</b>

### ACCOUNTING POLICY

Trade receivables are amounts due for goods or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

#### IMPAIRMENT OF TRADE RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of receivables over a period of 36 months before 3 May 2020 or 28 April 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F4/ Property, plant and equipment

	Land & Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
<b>At 29 April 2019</b>					
Cost or fair value	14,024	226,644	130,336	7,228	378,232
Accumulated depreciation	(259)	(120,680)	(80,589)	-	(201,528)
<b>Net book amount at 29 April 2019</b>	<b>13,765</b>	<b>105,964</b>	<b>49,747</b>	<b>7,228</b>	<b>176,704</b>

Additions	-	2,764	3,253	45,707	51,724
Transfers	-	29,247	15,871	(45,328)	(210)
Depreciation charge	(366)	(21,340)	(15,327)	-	(37,033)
Impairment charge <sup>(1)</sup>	-	(4,143)	(1,061)	-	(5,204)
Disposals	(231)	(181)	(197)	(623)	(1,232)
Exchange differences	-	1,713	913	94	2,720
<b>Net book amount at 3 May 2020</b>	<b>13,168</b>	<b>114,024</b>	<b>53,199</b>	<b>7,078</b>	<b>187,469</b>

<b>At 3 May 2020</b>					
Cost or fair value	13,774	256,296	143,273	7,078	420,421
Accumulated depreciation	(606)	(142,272)	(90,074)	-	(232,952)
<b>Net book amount at 3 May 2020</b>	<b>13,168</b>	<b>114,024</b>	<b>53,199</b>	<b>7,078</b>	<b>187,469</b>

	Land & Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
<b>At 30 April 2018</b>					
Cost or fair value	6,735	199,096	119,485	9,638	334,954
Accumulated depreciation	(124)	(99,616)	(70,427)	141	(170,026)
<b>Net book amount at 30 April 2018</b>	<b>6,611</b>	<b>99,480</b>	<b>49,058</b>	<b>9,779</b>	<b>164,928</b>

Additions	1,329	8,571	7,086	34,934	51,920
Acquisitions through controlled entity purchased	-	1,214	294	-	1,508
Transfers	5,996	20,035	10,557	(37,552)	(964)
Depreciation charge	(171)	(19,640)	(15,337)	-	(35,148)
Impairment charge <sup>(1)</sup>	-	(3,221)	(1,355)	-	(4,576)
Disposals	-	(221)	(575)	(120)	(916)
Exchange differences	-	(254)	19	187	(48)
<b>Net book amount at 28 April 2019</b>	<b>13,765</b>	<b>105,964</b>	<b>49,747</b>	<b>7,228</b>	<b>176,704</b>

<b>At 28 April 2019</b>					
Cost or fair value	14,024	226,644	130,336	7,228	378,232
Accumulated depreciation	(259)	(120,680)	(80,589)	-	(201,528)
<b>Net book amount at 28 April 2019</b>	<b>13,765</b>	<b>105,964</b>	<b>49,747</b>	<b>7,228</b>	<b>176,704</b>

(1) Included in Note F5 is the breakdown of impairments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F4/ Property, plant and equipment (continued)

#### ACCOUNTING POLICY

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

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

Asset classes	Method	Average Life
Buildings	Straight Line	20 years
Leasehold improvements:		
Buildings	Straight Line	20 years or term of the lease <sup>(1)</sup>
Other leasehold improvements	Straight Line	Primary term of lease <sup>(2)</sup>
Plant and equipment	Straight Line	8 years
Motor vehicles	Straight Line	4 years

(1) Estimated useful life is the shorter of 20 years or the full term of the lease including renewal periods that are intended to be exercised.

(2) If primary term of the lease differs significantly from the estimated useful life of the asset, judgement is applied to the estimated useful life and an individual rate is applied.

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

The Group reviews annually whether the triggers indicating a risk of impairment exist. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer Note F5).

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

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

#### IMPAIRMENT OF ASSETS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F5/ Intangible assets

	Goodwill \$'000	Franchise rights \$'000	Brand names \$'000	Software \$'000	Total \$'000
<b>At 28 April 2019</b>					
Cost	452,455	16,425	29,058	6,047	503,985
Accumulated amortisation	(28,070)	(5,638)	(17,905)	(2,857)	(54,470)
<b>Net book amount at 28 April 2019</b>	<b>424,385</b>	<b>10,787</b>	<b>11,153</b>	<b>3,190</b>	<b>449,515</b>

Additions	-	1,757	-	2,078	3,835
Transfers	-	77	-	133	210
Amortisation	-	(1,315)	(955)	(1,155)	(3,425)
Impairment charge <sup>(1)</sup>	-	(270)	-	-	(270)
Disposals	-	(409)	-	(21)	(430)
Exchange differences	6,776	175	1,052	(49)	7,954
<b>Net book amount at 3 May 2020</b>	<b>431,161</b>	<b>10,802</b>	<b>11,250</b>	<b>4,176</b>	<b>457,389</b>

<b>At 3 May 2020</b>					
Cost	459,231	17,819	33,585	8,157	518,792
Accumulated amortisation	(28,070)	(7,017)	(22,335)	(3,981)	(61,403)
<b>Net book amount at 3 May 2020</b>	<b>431,161</b>	<b>10,802</b>	<b>11,250</b>	<b>4,176</b>	<b>457,389</b>

	Goodwill \$'000	Franchise rights \$'000	Brand names \$'000	Software \$'000	Total \$'000
<b>At 30 April 2018</b>					
Cost	447,503	14,035	28,253	28	489,819
Accumulated amortisation	(28,070)	(4,245)	(17,016)	(28)	(49,359)
<b>Net book amount at 30 April 2018</b>	<b>419,433</b>	<b>9,790</b>	<b>11,237</b>	<b>-</b>	<b>440,460</b>

Additions	-	2,212	-	2,599	4,811
Acquisitions through controlled entity purchased	5,673	200	-	-	5,873
Transfers	-	-	-	964	964
Amortisation	-	(1,025)	(889)	(373)	(2,287)
Impairment charge <sup>(1)</sup>	-	(368)	-	-	(368)
Exchange differences	(721)	(22)	805	-	62
<b>Net book amount at 28 April 2019</b>	<b>424,385</b>	<b>10,787</b>	<b>11,153</b>	<b>3,190</b>	<b>449,515</b>

<b>At 28 April 2019</b>					
Cost	452,455	16,425	29,058	6,047	503,985
Accumulated amortisation	(28,070)	(5,638)	(17,905)	(2,857)	(54,470)
<b>Net book amount at 28 April 2019</b>	<b>424,385</b>	<b>10,787</b>	<b>11,153</b>	<b>3,190</b>	<b>449,515</b>

(1) Included in Note F5 is the breakdown of impairments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F5/ Intangible assets (continued)

#### IMPAIRMENT TEST FOR GOODWILL

##### ALLOCATION OF GOODWILL

	Carrying value	
	2020 \$'000	2019 \$'000
KFC Restaurants Australia	327,005	327,005
KFC Restaurants Europe	102,707	96,061
Sizzler Asia	1,449	1,319
	<b>431,161</b>	<b>424,385</b>

Goodwill is tested for impairment at a cash generating unit level. The recoverable amount of a cash generating unit is determined based on value-in-use calculations. Management recognises that there are various reasons that the estimates used in the assumptions may vary. For the KFC and Sizzler Asia cash generating units, there are no reasonable and likely changes in assumptions which would result in an impairment. Goodwill relating to Sizzler Australia Restaurants is recorded at nil balance as a result of accumulated impairment.

During the reporting period ended 3 May 2020 the above cash generating units and the individual restaurant assets were tested for impairment in accordance with AASB 136. In the event that the carrying value of these assets was higher than the recoverable amount (measured as the higher of fair value less costs to sell and value in use) an impairment charge was recognised in the Consolidated Income Statement as set out in the table below.

	KFC Restaurants Australia		KFC Restaurants Europe		Sizzler Australia	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Leasehold improvements	-	28	4,143	3,004	-	189
Plant and equipment	-	43	1,061	1,256	-	56
Franchise rights	-	67	270	301	-	-
Right-of-use assets	-	-	4,526	-	159	-
<b>Total</b>	<b>-</b>	<b>138</b>	<b>10,000</b>	<b>4,561</b>	<b>159</b>	<b>245</b>

#### KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

##### KFC AUSTRALIA RESTAURANTS

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2021 through to the end of the 2040 reporting period which average 2.5% (2019: 2.5%). The value-in-use calculations were adjusted up to 2040 due to the analysis required to conform with the AASB 16 Leasing standard. The year one projections have been aligned to the division's specific cash flows reflected in the 2021 budget. The FY2021 budget includes the impact of COVID-19 for the first half of the year, after which management have assumed the restaurants will be performing without the impact of COVID-19.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2020, prior to COVID-19, in prior reporting periods, and in the weeks since year-end. A pre-tax discount rate of 14.7% (2019: 14.7%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2040, using that year's cash flow as a base. The growth rate of 1.5% (2019: 2.5%) has been used in determining the terminal value, which does not exceed the long term average growth rate for the industry segment in which the restaurants operate.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F5/ Intangible assets (continued)

#### KFC EUROPE RESTAURANTS

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2021 through to the end of the 2040 reporting period which average 2.5% (2019: 2.5%). The value-in-use calculations were adjusted up to 2040 due to the analysis required to conform with the AASB 16 Leasing standard. The year one projections have been aligned to the division's specific cash flows reflected in the 2021 budget, with certain restaurants having additional growth expectations due to a number of transaction driving initiatives that have been launched across these restaurants. The FY2021 budget includes the impact of COVID-19 for the first half of the year, after which management have assumed the restaurants will be performing without the impact of COVID-19.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment, prior to COVID-19 and in the weeks since year-end, together with initiatives intended to improve operating margins. A pre-tax discount rate of 7.8% (2019: 7.1%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2040, using that year's cash flow as a base. The growth rate of 1.5% (2019: 1.5%) has been used in determining the terminal value, which does not exceed the long term average growth rate for the industry segment in which the restaurants operate. A change in one of the assumptions could result in a higher level of restaurant impairments.

#### SIZZLER AUSTRALIA RESTAURANTS

The cash flows for the Sizzler Australia Restaurants from the beginning of 2021 to the end of the 2025 reporting period have been estimated at an average growth of 2.5% (2019: (5.0)%) reflecting the recent trends experienced in this operating segment, prior to COVID-19 and in the recent weeks since COVID-19 restrictions have started to ease, along with initiatives intended to improve operating margins. The projection for 2021 has been aligned to the division's specific cash flows reflected in the 2021 budget. The FY2021 budget includes the impact of COVID-19 for the first half of the year, after which management have assumed the restaurants will be performing without the impact of COVID-19.

A pre-tax discount rate of 22.2% (2019: 22.2%) has been applied to the cash flows.

#### SIZZLER ASIA

The cash flows for the Sizzler Asia cash generating unit have been estimated after applying growth rates from the commencement of 2021 through to the end of the 2025 reporting period which average 3.0% (2019: 3.0%). The year one projections have been aligned to the cash flows reflected in the 2021 budget. The FY2021 budget includes the impact of COVID-19 for the first half of the year, after which management have assumed the restaurants will be performing without the impact of COVID-19.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this cash generating unit during the 2020, prior to COVID-19 and prior reporting periods. A pre-tax discount rate of 14.0% (2019: 14.0%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2025, using that year's cash flow as a base.

The growth rate of 3.0% (2019: 3.0%) has been used in determining the terminal rate which does not exceed the long term average growth rate for the casual dining industry segment.

#### SIGNIFICANT ESTIMATE: IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Sensitivity analysis on reasonably possible changes in discount rates or growth rates would impact the restaurant asset impairments recognised in the financial statements as follows:

- 0.5% reduction in growth rate: additional impairment of \$1.62m;
- 0.5% increase in pre-tax discount rate: additional impairment of \$0.35m.

Management have considered the likelihood of these possible changes and believe that strong revenue growth achieved in the operating segments historically supports the growth percentages applied in the cash flows and that the discount rates applied are appropriate having assessed against current market factors.

The recoverable amount of the Group's goodwill currently exceeds its carrying value. Management does not consider that a reasonably possible change in any of the key assumptions would cause the carrying value of any of the cash generating unit levels to exceed their recoverable amounts.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F5/ Intangible assets (continued)

#### ACCOUNTING POLICY

##### **GOODWILL**

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

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill with indefinite useful lives relate.

##### **FRANCHISE RIGHTS**

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

##### **SOFTWARE**

Software consists of both externally acquired software programmes and capitalised development costs of internally generated software. The Group amortises software using a straight-line method over 3-8 years. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the criteria within AASB 138 is met. Directly attributable costs that are capitalised as part of the software include employee costs, installation costs and associated expenditure. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

##### **OTHER INTANGIBLES – SIZZLER BRAND**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F6/ Leases

This note provides information for leases where the Group is a lessee.

#### AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

	2020 \$'000	29 April 2019 <sup>(1)</sup> \$'000
<b>Right-of-use assets</b>		
Property	368,167	355,319
Motor vehicles	1,237	1,347
	<b>369,404</b>	<b>356,666</b>

(1) This column represents the opening balances of the adoption of AASB 16, which is the first day of the current reporting period. In the previous reporting period, the Group would only recognise leased assets and lease liabilities if there were leases that were classified as 'finance leases' under AASB 117 Leases. Opening balances have changed from those reported at HY2020. For all adjustments recognised on adoption of AASB 16 on 29 April 2019, and reasons for their change from HY2020, refer to note H2.

<b>Lease liabilities</b>		
Current	28,890	26,859
Non-current	360,970	337,795
	<b>389,860</b>	<b>364,654</b>

Additions to the right-of-use assets during the 2020 financial period were \$55,746,000.

#### AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The income statement shows the following amounts relating to leases:

	Notes	2020 \$'000	2019 \$'000
<b>Depreciation charge of right-of-use assets</b>			
Property		38,830	-
Motor vehicles		687	-
		<b>39,517</b>	-
<b>Impairment charge of right-of-use assets</b>			
Properties		4,685	-
		<b>4,685</b>	-
Interest expense (included in finance costs)		21,198	-
Expense relating to short-term leases (included in selling marketing and royalty, occupancy, and administrative expenses)		2,764	-
Expense relating to variable lease payments not included in lease liabilities (included in occupancy expenses)		2,490	-

The total cash outflow for leases in 2020 was \$57,228,000 (2019: \$50,665,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F6/ Leases (continued)

#### Lease Liabilities Reconciliation

This section sets out the movements in lease liabilities for each of the periods presented.

	2020 \$'000	2019 \$'000
Beginning of the reporting period	364,654	-
Lease additions and modifications	54,042	-
Interest for the period	21,198	-
Disposals	(867)	-
Cash flows	(52,903)	-
Foreign exchange adjustments	3,736	-
<b>End of the reporting period</b>	<b>389,860</b>	<b>-</b>

### THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various restaurant sites, offices, and motor vehicles. Rental contracts, particularly for restaurants, are typically made for fixed periods of 5 to 15 years, but may have extension options as described further below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2020 financial period, leases of property, plant and equipment were classified as either finance leases or operating leases. From 29 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F6/ Leases (continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- make good obligation costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### VARIABLE LEASE PAYMENTS

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 80% of lease payments are on the basis of variable payment terms with a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

### EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

#### ***Critical judgements in determining the lease term***

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of restaurant sites, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and motor vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

More than 90% of the Group's leases are of stores or restaurant sites. These leases range in primary terms of 5 - 20 years, with multiple 5 - 10 year options available, anywhere up to a total available lease term of 50 years. The Group has applied the below lease term assumptions to the store and restaurant lease portfolios of each segment, as it is considered representative of the Group's reasonably certain position. Specific leases are considered on a case-by-case basis when additional knowledge is available that would result in a different lease term to these assumptions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F6/ Leases (continued)

Segment	Lease Term Assumption
KFC Australia	Primary term of the lease, plus options, to an upper limit of 20 years.
KFC Europe	Primary term of the lease, plus next option term where renewal process has commenced.
Other	Primary term of the lease, plus next option term where renewal process has commenced.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$7,939,000.

### MATURITIES OF LEASE LIABILITIES

The table below shows the Group's lease liabilities in relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

2020	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Lease liabilities	48,762	48,962	131,599	323,705	553,028	389,860

### ACCOUNTING POLICY APPLIED UNTIL 28 APRIL 2019

As explained above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in note H2.

Until 28 April 2019, leases of property, plant and equipment where the Group had substantially all the risks and rewards of ownership, were classified as finance leases. Finance leases were capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other current and non-current payables. Finance lease payments were allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance leased assets were depreciated on a straight line basis over the shorter of the asset's estimated useful life and the lease term.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F7/ Trade and other payables

	2020 \$'000	2019 \$'000
<b>Current liabilities</b>		
Trade payables and accruals - unsecured	<b>70,069</b>	71,839
Other payables	<b>18,030</b>	17,104
<b>Total payables</b>	<b>88,099</b>	<b>88,943</b>

### ACCOUNTING POLICY

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F8/ Provisions

	2020			2019		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee entitlements	6,009	3,682	9,691	5,731	3,367	9,098
Make good provision	321	2,518	2,839	570	162	732
Onerous contract provision	-	-	-	1,061	-	1,061
Other provisions	119	-	119	-	-	-
<b>Total provisions</b>	<b>6,449</b>	<b>6,200</b>	<b>12,649</b>	<b>7,362</b>	<b>3,529</b>	<b>10,891</b>

### ACCOUNTING POLICY

#### Employee Entitlements

Provision has been made in the accounts for benefits accruing to employees up to balance date, such as long service leave and incentives. The current portion of this liability includes the unconditional entitlements to long service leave where employees have completed the required period of service. The provisions are measured at their nominal amounts using the remuneration rates expected to apply at the time of settlement.

Long service leave provisions relating to employees who have not yet completed the required period of service are classified as non-current. All other employee provisions are classified as a current liability.

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

#### Make Good Provision

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

The Group is required to restore the leased premises of certain retail stores to their original condition upon exit. However, as leases are traditionally renewed, the Group only recognises a provision for those restaurants where make good costs will result in a probable outflow of funds. An annual review of leased sites is conducted to determine the present value of the estimated expenditure required to remove any leasehold improvements and decommission the restaurant.

#### Onerous Contracts

Each reporting period, the Group assesses whether any of their contracts are considered to be onerous. The present obligations arising under any onerous contracts identified are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F9/ Reserves

	2020 \$'000	2019 \$'000
Hedging - cash flow hedges	(2,923)	(1,994)
Share-based payments	292	1,009
Foreign currency translation	16,719	11,756
	<b>14,088</b>	<b>10,771</b>

	Notes	2020 \$'000	2019 \$'000
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#### Movements:

##### Cash flow hedges

Opening balance		(1,994)	(736)
Revaluation - gross		(1,531)	(1,760)
Deferred tax	F10	459	528
Transfer to net profit - gross		204	(37)
Deferred tax	F10	(61)	11
Closing Balance		<b>(2,923)</b>	<b>(1,994)</b>

##### Share-based payments

Opening balance		1,009	970
Valuation of performance rights		(424)	206
Performance rights vested		(293)	(167)
Closing Balance		<b>292</b>	<b>1,009</b>

##### Foreign currency translation

Opening balance		11,756	10,717
Exchange fluctuations arising on net investment in hedge		(5,602)	941
Exchange fluctuations arising on net assets of foreign operations		10,565	98
Closing Balance		<b>16,719</b>	<b>11,756</b>

### NATURE AND PURPOSE OF RESERVES

#### Hedging Reserve - Cash Flow Hedges

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

#### Share Based Payments Reserve - Performance Rights

The share based payments reserve is used to recognise the issuance date fair value of performance rights issued to employees under the Long Term Incentive Plan but not yet vested.

#### Foreign Currency Translation Reserve

Exchange differences arising on translation and of a hedge of the net investment in foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. Refer to note C3 for details on the Group's accounting policy for hedge accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F10/ Tax

#### INCOME TAX EXPENSE

	2020 \$'000	2019 \$'000
<b>Income tax expense</b>		
Current tax	20,825	19,668
Deferred tax	1,469	807
(Over) / under provided in prior reporting periods	93	(253)
	<b>22,387</b>	<b>20,222</b>

Income tax expense is attributable to:

Profit from continuing operations	22,387	20,222
Aggregate income tax expense	<b>22,387</b>	<b>20,222</b>

Deferred income tax expense / (benefit) included in income tax expense comprises:

Increase / (decrease) in deferred tax assets	13,295	3,410
Decrease / (increase) in deferred tax liabilities	(11,826)	(2,603)
	<b>1,469</b>	<b>807</b>

Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable	2020 \$'000	2019 \$'000
Profit from continuing operations before income tax expense	53,650	59,333
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	16,095	17,799
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-deductible expenses	2,285	706
Difference in foreign taxation rates	(58)	(607)
Provision transfers	19	-
Non-assessable income received	(81)	-
Changes in tax laws and / or tax rates	(190)	-
Carried forward losses brought to account	-	(992)
Derecognition of previously recognised carried forward tax losses	2,662	718
Current year tax losses for which no deferred income tax was recognised	1,562	2,851
	<b>22,294</b>	<b>20,475</b>
Amounts (over) / under provided in prior reporting periods	93	(253)
<b>Income tax expense</b>	<b>22,387</b>	<b>20,222</b>

	Notes	2020 \$'000	2019 \$'000
<b>Tax expense relating to items of other comprehensive income</b>			
Cash flow hedges	F9	398	(539)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F10/ Tax (continued)

	2020 \$'000	2019 \$'000
<b>Tax losses</b>		
Unused revenue tax losses for which no deferred tax asset has been recognised	<b>33,241</b>	15,122
Unused capital tax losses for which no deferred tax asset has been recognised	<b>65,961</b>	65,961
Potential tax benefit @ 30.0%	<b>29,760</b>	24,325

### DEFERRED TAX BALANCES

Deferred tax assets (DTA)	2020 \$'000	2019 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Depreciation	<b>27,087</b>	25,175
Employee benefits	<b>5,001</b>	5,675
Provisions	<b>4,994</b>	2,424
Lease liabilities	<b>110,153</b>	-
Carried forward revenue losses	<b>2,468</b>	3,087
Capitalised costs	<b>357</b>	966
Cash flow hedges	<b>1,333</b>	854
Other	-	158
	<b>151,393</b>	<b>38,339</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(114,858)</b>	(6,355)
<b>Net deferred tax assets</b>	<b>36,535</b>	<b>31,984</b>

All movements in the DTA were recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income.

Deferred tax liabilities (DTL)	2020 \$'000	2019 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Right-of-use assets	<b>107,775</b>	-
Inventories	<b>867</b>	787
Intangibles	<b>11,119</b>	8,952
Financial assets at fair value through profit or loss	<b>391</b>	-
Other	<b>332</b>	-
	<b>120,484</b>	<b>9,739</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(114,858)</b>	(6,355)
<b>Net deferred tax liabilities</b>	<b>5,626</b>	<b>3,384</b>

All movements in the DTL were recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F10/ Tax (continued)

#### ACCOUNTING POLICY

##### **Income Tax**

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

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

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

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

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

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

##### **Tax Consolidation**

The Company, as the head entity in the tax consolidated group and its wholly-owned Australian controlled entities continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

The entities in the Tax Consolidated Group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities within the Tax Consolidated Group in the case of a default by the Company.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F11/ Auditor's remuneration

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

	Whole Dollars	
	2020 \$	2019 \$
<b>AUDIT AND OTHER ASSURANCE SERVICES</b>		
<b>Audit services:</b>		
<b>PricewaterhouseCoopers Australian Firm</b>		
Audit and review of financial reports and other audit work under the Corporations Act 2001	518,434	517,861
Audit and review of financial reports and other audit work for foreign subsidiary	40,800	38,760
<b>Network firm of PricewaterhouseCoopers</b>		
Audit and review of financial reports and other audit work for foreign subsidiary	541,638	343,394
	<b>1,100,872</b>	<b>900,015</b>
<b>Other assurance services:</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Store sales certificates	12,240	11,730
Agreed upon procedures for covenant calculations	23,460	22,440
	<b>35,700</b>	<b>34,170</b>
<b>Total remuneration for assurance services</b>	<b>1,136,572</b>	<b>934,185</b>
<b>TAXATION SERVICES</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Tax compliance services, including review of tax returns	57,000	70,466
International tax consulting	6,324	97,351
Tax compliance services, including review of company tax returns	5,665	5,587
<b>Total remuneration for taxation services</b>	<b>68,989</b>	<b>173,404</b>
<b>OTHER SERVICES</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Probity review of IT project	-	48,612
<b>Total remuneration for other services</b>	<b>-</b>	<b>48,612</b>
<b>TOTAL REMUNERATION FOR SERVICES</b>	<b>1,205,561</b>	<b>1,156,201</b>

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### F12/ Contingencies

The parent entity and certain controlled entities, indicated in note G1, have entered into a Deed of Cross Guarantee (Amended and Restated) under which the parent entity has guaranteed any deficiencies of funds on winding up of the controlled entities which are party to the Deed. At the date of this statement there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities to which it is, or may become, subject by virtue of the Deed.

As described in note B2, CFG Finance Pty. Limited (a subsidiary) and several other related entities entered into Syndicated and Working Capital credit facilities. As a consequence of this, the Company and its subsidiaries (other than subsidiaries outside the Closed Group) became registered guarantors of all the obligations in respect of these loan facilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### G/ Group Structure

G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated)

G2/ Parent entity financial information

#### G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated)

The Consolidated Financial Statements at 3 May 2020 include the following subsidiaries. The reporting period end of all subsidiaries is the same as that of the parent entity <sup>(a)</sup>.

Name of entity	Notes	Place of business/ country of incorporation	Acronym	% of shares held	
				2020 %	2019 %
CFG Finance Pty Limited	(b)	Australia	CFGF	100	100
Collins Foods Holding Pty. Limited	(b)	Australia	CFH	100	100
Collins Foods Finance Pty. Limited	(b)	Australia	CFF	100	100
Collins Foods Group Pty. Ltd.	(b)	Australia	CFG	100	100
Collins Restaurants Queensland Pty. Ltd.	(b)	Australia	CRQ	100	100
Collins Restaurants NSW Pty. Ltd.	(b)	Australia	CRN	100	100
Collins Restaurants West Pty. Ltd.	(b)	Australia	CRW	100	100
Fiscal Nominees Company Pty. Ltd.	(b)	Australia	FNC	100	100
Sizzler Restaurants Group Pty. Ltd.	(b)	Australia	SRG	100	100
Collins Restaurants Management Pty. Ltd.	(b)	Australia	CRM	100	100
Collins Restaurants South Pty. Ltd.	(b)	Australia	CRS	100	100
Collins Foods Subsidiary Pty Ltd	(b)	Australia	CFS	100	100
Snag Stand Leasing Pty Ltd	(b)	Australia	SSL	100	100
Snag Stand Corporate Pty Limited	(b)	Australia	SSC	100	100
Snag Stand Franchising Pty Ltd	(b)	Australia	SSF	100	100
Snag Stand International Pty Ltd	(b)	Australia	SSI	100	100
Snag Holdings Pty Ltd	(b)	Australia	SNG	100	100
Collins Property Development Pty. Ltd	(b)	Australia	CPD	100	100
Club Sizzler Pty. Ltd.	(b)	Australia	CSP	100	100
Collins Foods Australia Pty. Ltd.	(b)	Australia	CFA	100	100
Collins Finance and Management Pty. Ltd.	(b)	Australia	CFM	100	100
SingCo Trading Pte Ltd	(c)	Singapore	SingCo	100	100
Sizzler International Marks LLC	(c)	Delaware, USA	SIM	100	100
Sizzler Asia Holdings LLC	(c)	Delaware, USA	SAH	100	100
Sizzler South East Asia LLC	(c) (d)	Delaware, USA	SSEA	100	100
Sizzler New Zealand LLC	(c) (d)	Delaware, USA	SNZ	100	100
Sizzler Restaurant Services LLC	(c) (d)	Delaware, USA	SRS	100	100
Collins Foods Europe Limited	(c)	United Kingdom	CFEL	100	100
Collins Foods Europe Services Limited	(c)	United Kingdom	CFESL	100	100
Collins Foods Europe Finco Limited	(c)	United Kingdom	CFEFL	100	100
Collins Foods Germany Limited	(c)	United Kingdom	CFGL	100	100
Collins Foods Netherlands Limited	(c)	United Kingdom	CFNL	100	100

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated) (continued)

- (a) Collins Foods Limited is incorporated and domiciled in Australia. The Registered office is located at Level 3, KSD1, 485 Kingsford Smith Drive, Hamilton Queensland 4007.
- (b) These companies have entered into a Deed of Cross Guarantee (Amended and Restated), dated 27 April 2017, with Collins Foods Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. As a result of the new ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument 2016/785) which has replaced ASIC Class Order CO 98/1418, these companies are relieved from the requirement to prepare financial statements.
- (c) These companies are not Australian registered companies and are not covered by the ASIC Instrument 2016/785.
- (d) Originally incorporated in Nevada, upon conversion to a Limited Liability Company (LLC) became registered in Delaware.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Summary of Movements in Consolidated Retained Earnings of the entities in the ASIC Instrument 2016/785 'Closed Group' are as follows.

As there are no other parties to the Deed of Cross Guarantee (Amended and Restated), that are controlled by Collins Foods Limited, the below also represents the 'Extended Closed Group'.

	Closed Group	
	2020 \$'000	2019 \$'000

#### CONSOLIDATED INCOME STATEMENT

Sales revenue	842,955	772,863
Cost of sales	(399,762)	(365,581)
<b>Gross profit</b>	<b>443,193</b>	<b>407,282</b>
Selling, marketing and royalty expenses	(182,305)	(163,097)
Occupancy expenses	(55,984)	(59,458)
Restaurant related expenses	(68,844)	(68,038)
Administration expenses	(42,523)	(38,376)
Other expenses	(6,822)	(7,387)
Other income	4,208	3,616
Finance income	272	479
Finance costs	(29,038)	(11,130)
<b>Profit from continuing operations before income tax</b>	<b>62,157</b>	<b>63,891</b>
Income tax expense	(19,417)	(18,109)
<b>Profit from continuing operations</b>	<b>42,740</b>	<b>45,782</b>

	Closed Group	
	2020 \$'000	2019 \$'000

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Profit from continuing operations</b>	<b>42,740</b>	45,782
<b>Other comprehensive income:</b>		
Cash flow hedges	(1,327)	(1,796)
Income tax relating to components of other comprehensive income	398	538
<b>Other comprehensive income for the period, net of tax</b>	<b>(929)</b>	<b>(1,258)</b>
<b>Total comprehensive income for the period</b>	<b>41,811</b>	<b>44,524</b>
<b>Total comprehensive income for the reporting period is attributable to:</b>		
<b>Owners of the parent</b>	<b>41,811</b>	44,524

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated) (continued)

	Closed Group	
	2020 \$'000	2019 \$'000

#### SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

Retained earnings at the beginning of the reporting period	51,637	26,827
Change in accounting policy – adoption of AASB 16	(130)	-
Profit for the period	42,740	45,782
Dividends provided for or paid	(23,316)	(20,972)
<b>Retained earnings at the end of the reporting period</b>	<b>70,931</b>	<b>51,637</b>

The Consolidated Balance Sheet of all entities in the ASIC Instrument 2016/785 'Closed Group' as at the end of the reporting period is as follows:

	Closed Group	
	2020 \$'000	2019 \$'000

#### Current assets

Cash and cash equivalents	78,305	56,551
Receivables	745	1,759
Inventories	5,792	5,492
Other assets	1,288	564
<b>Total current assets</b>	<b>86,130</b>	<b>64,366</b>

#### Non-current assets

Property, plant and equipment	150,452	142,348
Intangible assets	339,476	338,319
Right-of-use assets	318,215	-
Deferred tax assets	36,453	31,981
Receivables	-	1,104
Other financial assets	134,244	134,302
<b>Total non-current assets</b>	<b>978,840</b>	<b>648,054</b>

<b>TOTAL ASSETS</b>	<b>1,064,970</b>	<b>712,420</b>
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#### Current liabilities

Trade and other payables	74,442	74,139
Lease liabilities	20,396	-
Current tax liabilities	6,994	4,387
Derivative financial instruments	2,641	1,534
Provisions	6,409	6,193
<b>Total current liabilities</b>	<b>110,882</b>	<b>86,253</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated) (continued)

	Closed Group	
	2020 \$'000	2019 \$'000
<b>Non-current liabilities</b>		
Borrowings	290,092	285,700
Lease liabilities	308,958	-
Derivative financial instruments	1,803	1,379
Provisions	5,366	3,532
<b>Total non-current liabilities</b>	<b>606,219</b>	<b>290,611</b>
<b>TOTAL LIABILITIES</b>	<b>717,101</b>	<b>376,864</b>
<b>NET ASSETS</b>	<b>347,869</b>	<b>335,556</b>
<b>Equity</b>		
Contributed equity	290,788	290,495
Reserves	(13,850)	(6,576)
Retained earnings	70,931	51,637
<b>TOTAL EQUITY</b>	<b>347,869</b>	<b>335,556</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### G2/ Parent entity financial information

#### SUMMARY FINANCIAL INFORMATION

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

	2020 \$'000	2019 \$'000
Balance sheet		
Current assets <sup>(1)</sup>	440,023	412,699
Non-current assets <sup>(1)</sup>	305	379
<b>Total assets</b>	<b>440,328</b>	<b>413,078</b>
Current liabilities <sup>(1)</sup>	104,171	74,438
Non-current liabilities <sup>(1)</sup>	45	36
<b>Total liabilities</b>	<b>104,216</b>	<b>74,474</b>
<b>Net assets</b>	<b>336,112</b>	<b>338,604</b>
Shareholders' equity		
Issued capital <sup>(2)</sup>	337,119	336,826
Reserves	292	1,009
Retained earnings	(1,299)	769
	<b>336,112</b>	<b>338,604</b>
<b>Profit or loss for the period</b>	<b>21,248</b>	<b>20,435</b>
<b>Total comprehensive income</b>	<b>21,248</b>	<b>20,435</b>

(1) In the current period, certain items previously considered non-current, such as receivables and payables from/to subsidiaries, have been reclassified to current. The comparative values have been reclassified to reflect this change.

(2) Represents share capital of the parent entity. This differs from the share capital of the Group due to the capital reconstruction of the Group treated as a reverse acquisition in the 2012 reporting period.

#### GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The parent entity has provided unsecured financial guarantees in respect of bank loan facilities amounting to \$270 million and €60 million as stated in note B2. There are cross guarantees given by the parent entity as described in note G1. All controlled entities will together be capable of meeting their obligations as and when they fall due by virtue to the Deed of Cross Guarantee (Amended and Restated) dated 27 April 2017. The parent entity has guaranteed to financially support a number of its international subsidiaries until July 2021. No liability was recognised by the parent entity in relation to these guarantees, as their fair value is considered immaterial.

#### CONTINGENT LIABILITIES OF THE PARENT ENTITY

Except as described above in relation to guarantees, the parent entity did not have any contingent liabilities as at 3 May 2020 (2019: nil).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### H/ Basis of Preparation and Other Accounting Policies

H1/ Basis of preparation

H2/ Changes in accounting policies

H3/ Other accounting policies

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#### H1/ Basis of preparation

##### COMPLIANCE

These financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Collins Foods Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### MEASUREMENT

Collins Foods Limited is a for profit entity for the purpose of preparing the Consolidated Financial Statements. The financial statements have also been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments).

##### GOING CONCERN

The financial report has been prepared on a going concern basis. The Directors are of the opinion that the Group will be able to continue to operate as a going concern having regard to available non-current debt facilities and the Group's internally generated cash resources.

In the current reporting period, the Group has a net current liability position of \$3.9 million. The predominant reason for this net current liability position is the introduction of AASB 16 Leases, where the 12 months of lease payments, payable in the next financial year, are now recognised as a current liability. The Group does not deem this to be a risk to its' going concern, as without the introduction of AASB 16 the Group would be in a net current asset position of \$25.0 million. The Group's loan covenants are based on results excluding the impact of AASB 16. The current covenant ratios have significant headroom at current performance and there are sufficient undrawn facilities available, both within the Working Capital Facility and Bank Loan Facility, should the Group require access to additional funds, all repayable beyond 12 months (refer to note B2).

##### CONSOLIDATION

The Consolidated Financial Statements include the financial statements of the parent entity, Collins Foods Limited (the Company) and its subsidiaries (together referred to as the Group) (see Note G1 on subsidiaries). All transactions and balances between companies in the Group are eliminated on consolidation. Subsidiaries are all those entities over which the Company has the power to govern the financial and operating results and policies and often accompanies a shareholding of more than one-half of the voting rights. The results of subsidiaries acquired or disposed of during the reporting period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

##### REPORTING PERIOD

The Group utilises a fifty-two, fifty-three week reporting period ending on the Sunday nearest to 30 April. The 2020 reporting period comprised the fifty-three weeks which ended on 3 May 2020 (2019 was a fifty-two week reporting period which ended on 28 April 2019).

##### FOREIGN CURRENCIES

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



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### H1/ Basis of preparation (continued)

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

The foreign currency results and financial position of foreign operations are translated into Australian dollars as follows:

- assets and liabilities at the exchange rate at the end of the reporting period;
- income and expenses at the average exchange rates for the reporting period; with
- all resulting exchange differences recognised in other comprehensive income and accumulated in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

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

### SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Note A2 Business combination;
- Note F4 Property, plant and equipment;
- Note F5 Intangible assets;
- Note F6 Leases; and
- Note F8 Provisions.

### ROUNDING OF AMOUNTS

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

### COMPARATIVES AND RESTATEMENTS OF PRIOR YEAR BALANCES

Comparatives have been reclassified where appropriate to enhance comparability.

### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 29 April 2019:

- AASB 16 Leases; and
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### H1/ Basis of preparation (continued)

The Group had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 29 April 2019. This is disclosed in note H2. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 3 May 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of these new standards and interpretations is that the impact to the Group is immaterial. At this stage the Group does not intend to adopt any of the standards before the effective dates.

### H2/ Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements.

The Group has adopted AASB 16 Leases retrospectively from 29 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 29 April 2019. The new accounting policies are disclosed in note F6.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 29 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 29 April 2019 was 5.45%.

### PRACTICAL EXPEDIENTS APPLIED

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 29 April 2019 as short-term leases, and therefore outside of the scope of AASB 16;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### H2/ Changes in accounting policies (continued)

#### MEASUREMENT OF LEASE LIABILITIES

	29 April 2019 \$'000
Operating lease commitments disclosed as at 28 April 2019	280,916
Discounted using the lessee's incremental borrowing rate at the date of initial application	229,927
(Less): short-term leases recognised on a straight-line basis as expense	(3,593)
(Less): low-value leases recognised on a straight-line basis as expense	(14)
(Less): non-lease components	(2,745)
Add/(Less): adjustments as a result of a different treatment of extension and termination options	141,079
Lease liability recognised as at 29 April 2019 (transition date)	364,654
Of which are:	
Current lease liabilities	26,859
Non-current lease liabilities	337,795
	364,654

#### MEASUREMENT OF RIGHT-OF-USE ASSETS

The associated right-of-use assets for property leases were measured on a retrospective basis either:

- as if the new rules had always applied; or
- at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised in the balance sheet as at 28 April 2019, relating to that lease.

The measurement basis was determined on a lease-by-lease basis. Motor vehicle right-of-use assets were all measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

#### ADJUSTMENTS IN THE BALANCE SHEET ON 29 APRIL 2019 (TRANSITION DATE)

The change in accounting policy affected the following items in the balance sheet on 29 April 2019:

- right-of-use assets - increase by \$356.7 million;
- deferred tax assets - increase by \$0.4 million;
- prepayments - decrease by \$0.7 million;
- lease liabilities - increase by \$364.7 million;
- accruals - decrease by \$5.7 million; and
- make-good provisions - increase by \$1.7 million.

The net impact on retained earnings on 29 April 2019 was a decrease of \$4.4 million.

Upon refinement of the Group's AASB 16 calculations this reporting period, the opening balances of right-of-use assets, deferred taxes and retained earnings have altered slightly from those reported at HY2020.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### H3/ Other accounting policies

#### GOODS AND SERVICES TAX

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

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

The net amount of GST payable to the taxation authority is included as part of trade and other payables (see Note F7).

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

#### COST OF SALES

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

#### OCCUPANCY EXPENSES

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

#### RESTAURANT RELATED EXPENSES

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

#### INVENTORIES

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

#### GOVERNMENT GRANTS

Grants from Australian and overseas governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The grant is recognised under the profit or loss by deducting the value from the related expense the grant was received for.

Previously the Group recognised traineeship grants as other income. However management now consider that grants are more appropriately accounted for as a reduction of the related expense and have been treated accordingly in the financial statements.

Government grants were received by the Group in the current year for traineeships and support in relation to the impacts of COVID-19, the latter being received by both Australian and overseas governments, amounting to \$2.5 million.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### I/ Events occurring after the reporting period

#### I1/ Subsequent Events

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#### I1/ Subsequent Events

Subsequent to year end, the Group has become aware of potential deficiencies in work permits for certain Netherlands-based employees. Once becoming aware, the Group suspended all employees potentially at risk from employment rosters and are currently investigating thoroughly. There could be fines and penalties associated with this matter, however, the Group, given their immediate actions in addressing this issue, does not believe this exposure will be significant.

The Group is not aware of any other matters or circumstances that have arisen since the end of the financial year which have significantly or may significantly affect the operations and results of the Group.

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## DIRECTORS' DECLARATION

In the Directors' opinion:

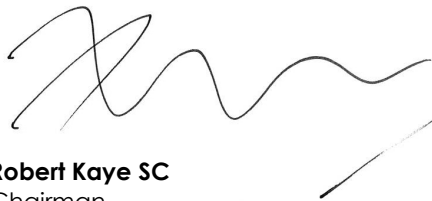
- the financial statements and notes set out on pages 37 to 99 are in accordance with the *Corporations Act 2001*, including:
  - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - giving a true and fair view of the consolidated entity's financial position as at 3 May 2020 and of its performance for the financial period ended on that date, and
- there are reasonable grounds to believe that Collins Foods Limited will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note G1 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee (Amended and Restated) described in Note G1.

Note H1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

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



**Robert Kaye SC**  
Chairman

Brisbane  
30 June 2020

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



## *Independent auditor's report*

To the members of Collins Foods Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Collins Foods Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 3 May 2020 and of its financial performance for the period from 29 April 2019 to 3 May 2020 (the reporting period) then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The Group financial report comprises:

- the consolidated balance sheet as at 3 May 2020
- the consolidated statement of comprehensive income for the reporting period then ended
- the consolidated statement of changes in equity for the reporting period then ended
- the consolidated statement of cash flows for the reporting period then ended
- the consolidated income statement for the reporting period then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### *Independence*

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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#### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in

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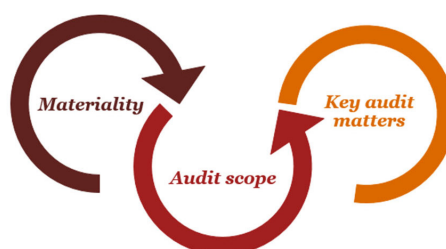
# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(CONTINUED)



aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$3.2 million, which represents approximately 5% of the Group's profit before tax adjusted for the impairment charge recognised in the reporting period.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted it for impairment as they are unusual or infrequently occurring items impacting profit and loss.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed. Full scope audit procedures were performed over the Australian, Asian and the European operations, assisted by local team auditors in the Netherlands. Site visits were conducted at selected KFC, Sizzler and Taco Bell Restaurants in Queensland, Western Australia, Germany and the Netherlands.</li> </ul>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee as outlined in the <i>Key audit matters</i> section of our report.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(CONTINUED)



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><b>Assessment of the carrying value of goodwill</b> (Refer to note F5) \$431.2m</p> <p>Collins Foods Limited recognised goodwill of \$431.2 million as at 3 May 2020, allocated to KFC Restaurants Australia (\$327.0m), KFC Restaurants Europe (\$102.7m) and Sizzler Asia (\$1.5m).</p> <p>As required by Australian Accounting Standards, at 3 May 2020, the Group performed an impairment assessment over the goodwill balance by calculating the value in use for each CGU using a discounted cash flow model. Refer to Note F5, for details of the impairment tests and assumptions.</p> <p>Given the significance of the goodwill balance to the Consolidated Balance Sheet and the judgement involved in estimating the assumptions in the impairment model including forecast cash flows, growth rates and discount rate, this was determined to be a key audit matter.</p> <p>No impairment charge was recorded by the Group in respect of Goodwill in the current reporting period.</p>	<p>Our procedures relating to impairment assessment of goodwill included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness of the Group's determination of cash generating units (CGUs), including the allocation of assets to CGUs.</li> <li>Testing the mathematical accuracy of the models.</li> <li>Comparing the cash flow forecasts for FY2021 in the calculations to the Board approved budget and COVID impact reforecast for FY2021.</li> <li>Comparing the FY2020 reporting period and FY2021 reporting period to date actual results with corresponding reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.</li> <li>Evaluating the reasonableness of the discount rate, short term and long term growth rate assumptions in the models with the support of PwC valuation specialists by comparing them to historical company data and market observable inputs.</li> <li>Evaluated the adequacy of the disclosures made in Note F5 to the financial report, in light of the requirements of Australian Accounting Standards.</li> </ul>
<p><b>Carrying value of non-current assets</b> Property plant &amp; Equipment \$187.5m (Refer to note F4), Franchise rights \$10.8m (Refer note F5) and Right of Use asset \$369.4m (Refer note F6)</p>	<p>We performed the following audit procedures, on a sample basis, in relation to the Group's review of each restaurant, amongst others:</p> <ul style="list-style-type: none"> <li>Testing the mathematical accuracy of the underlying calculations in the discounted cash flow valuation models.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(CONTINUED)



The Group have an accounting policy to prepare value in use calculations for all restaurants to consider them for asset impairment at an individual restaurant level.

Following the Group's assessment, a pre-tax impairment of \$10.2m was recorded (\$5.2 for Property Plant & Equipment, \$0.3m for Franchise Rights and \$4.7m for Right of Use Asset).

We considered this a key audit matter given the significant level of judgements and estimates involved in determining the value in use calculation for each restaurant as well as the materiality of the asset balances on the Group's financial position.

- Comparing the cash flow forecasts for FY2021 in the calculations to the Board approved budget and COVID impact reforecast for FY2021.
- Comparing the FY2020 reporting period and FY2021 reporting period to date actual results with corresponding reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.
- Evaluating the reasonableness of the discount rate, short term and long term growth rate assumptions in the models with the support of PwC valuation specialists by comparing them to historical company data and market observable inputs.
- Evaluated the adequacy of the disclosures made in the financial report, in light of the requirements of Australian Accounting Standards.

## **Adoption of new accounting standard AASB 16 Leases**

*Right of Use Asset \$369.4m, Lease liabilities \$389.9m (Refer to note F6).*

The Group adopted Australian Accounting Standard AASB 16 Leases (AASB 16) from 29 April 2019. The new policy and related transition impact are disclosed in Note F6 and H2.

This was key audit matter due to the:

- Significance of the impact on transition to the financial report
- The critical judgements used in determining the lease term

We performed the following audit procedures, amongst others:

- Assessed whether the Group's new accounting policies are in accordance with the requirements of AASB 16.

For a sample of lease agreements, we:

- Evaluated the lease calculations against the terms of the lease agreement and the requirements of Australian Accounting Standard
- Tested the mathematical accuracy of the lease calculations
- Assessed the evidence to support critical judgements made, including historical practices of the company to support judgements around option renewals.
- Evaluated the adequacy of the disclosures made in Note F6 and H2 in light of the requirements of Australian Accounting Standards.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(CONTINUED)



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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the reporting period ended 3 May 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

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

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

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### *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

(CONTINUED)



## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 14 to 32 of the directors' report for the reporting period ended 3 May 2020.

In our opinion, the remuneration report of Collins Foods Limited for the reporting period ended 3 May 2020 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'K Challenor'.

Kim Challenor  
Partner

Brisbane  
30 June 2020

## SHAREHOLDER INFORMATION

Shareholder information that has not been stated elsewhere in the Annual Report is set out below. The shareholder information set out below was applicable as at the close of trading on 25 June 2020.

### Distribution of equity securities

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

Holding	Number of shareholders of ordinary shares	Percentage of total ordinary shares on issue %	Number of holders of performance rights	Percentage of total performance rights on issue %
1 - 1000	4,643	1.77	-	-
1,001 - 5,000	3,406	7.05	8	2.39
5,001 - 10,000	697	4.32	9	5.85
10,001 - 100,000	416	8.38	3	16.93
100,001 and over	40	78.48	4	74.83
<b>TOTAL</b>	<b>9,202</b>	<b>100.00</b>	<b>24</b>	<b>100.00</b>

<b>TOTAL ORDINARY SHARES ON ISSUE</b>	<b>116,581,244</b>
<b>TOTAL UNQUOTED PERFORMANCE RIGHTS ON ISSUE</b>	<b>926,998</b>

There were 275 holders of less than a marketable parcel of ordinary shares.

### Equity security holders

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

ORDINARY SHARES		
Name	Number held	Percentage of issued shares %
J P Morgan Nominees Australia Pty Limited	25,037,205	21.48
HSBC Custody Nominees (Australia) Limited	24,235,743	20.79
Citicorp Nominees Pty Limited	12,242,285	10.50
National Nominees Limited	9,402,868	8.07
Mr Kevin Perkins	7,250,574	6.22
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,375,628	2.90
BNP Paribas Noms Pty Ltd <DRP>	2,396,984	2.06
Chrikim Pty Ltd <Geoffrey Wright Income A/C>	722,580	0.62
Mrs Heather Lynnette Grace	439,801	0.38
Chrikim Pty Ltd <Geoffrey Wright Income A/C>	369,421	0.32
UBS Nominees Pty Ltd	358,783	0.31
Perkins Family Investment Corporation Pty Ltd	327,273	0.28
Warbot Nominees Pty Ltd <Unpaid Entrepot A/C>	304,952	0.26

## SHAREHOLDER INFORMATION

(CONTINUED)

### Equity security holders (continued)

ORDINARY SHARES		
Name	Number held	Percentage of issued shares %
Michael Kemp Pty Ltd <Michael Kemp A/C>	300,910	0.26
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	285,091	0.24
ECapital Nominees Pty Limited <Accumulation A/C>	280,059	0.24
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	276,975	0.24
Ms Deborah Lee Chow + Mr Edward Chow <Chow Family S/F A/C>	272,703	0.23
Adrian Mark Argent	270,000	0.23
Michele Taylor Pty Ltd <Super Fund A/C>	261,819	0.22
<b>TOTAL</b>	<b>88,411,654</b>	<b>75.85</b>

### Substantial holders

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

ORDINARY SHARES		
	Number held	Percentage %
Kevin Perkins	7,621,484	6.54
Vinva Investment Management	5,853,013	5.02
Vanguard Group	5,837,433	5.01

### Restricted Securities and share buy-backs

A voluntary holding lock will be applied to 68,720 fully paid ordinary shares for a period of 24 months, 21,808 fully paid ordinary shares for a period of 36 months and 24,221 fully paid ordinary shares for a period of 48 months, if they are issued, upon the vesting of 114,749 performance rights in accordance with the rules of the LTIP.

The Company is not currently conducting an on-market share buy-back.

### Voting rights

#### FULLY PAID ORDINARY SHARES

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

#### PERFORMANCE RIGHTS

The performance rights do not have any voting rights. The fully paid ordinary shares to be allotted on the exercise of the performance rights will have the voting rights noted above for fully paid ordinary shares.

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## CORPORATE DIRECTORY

### Directors

Robert Kaye SC  
*Chairman*  
Graham Maxwell  
Christine Holman  
Newman Manion  
Bronwyn Morris AM  
Kevin Perkins  
Russell Tate

### Secretary

Frances Finucan

### Principal registered office in Australia

Level 3, KSD1, 485 Kingsford Smith Drive  
Hamilton QLD 4007  
+61 7 3352 0800

### Share and debenture register

Computershare Investor Services Pty Ltd  
Level 1, 200 Mary Street  
Brisbane QLD 4000  
Telephone number: 1300 850 505  
Outside Australia: +61 3 9415 4000

### Auditor

PricewaterhouseCoopers  
480 Queen Street  
Brisbane QLD 4000

### Stock exchange listings

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

### Website address

[www.collinsfoods.com](http://www.collinsfoods.com)

The Collins Foods Corporate Governance Statement is located at  
[www.collinsfoods.com/investors/corporate-governance/](http://www.collinsfoods.com/investors/corporate-governance/)