

# **COLLINS FOODS LIMITED**

## **ACN 151 420 781**

### **FINANCIAL REPORT**

For the reporting period ended 1 May 2022

Authorised for release by the Board



This page is intentionally blank.

## APPENDIX 4E

### Financial Report for the reporting period ended 1 May 2022

Reporting period: 52 weeks to 1 May 2022

Previous corresponding period: 52 weeks to 2 May 2021

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

##### Revenue and net profit

|                                                                                  | Percentage change | Period ended<br>1 May 2022 | <sup>(1)</sup> Period ended<br>2 May 2021 |
|----------------------------------------------------------------------------------|-------------------|----------------------------|-------------------------------------------|
|                                                                                  | %                 | \$000                      | \$000                                     |
| Revenue from ordinary activities                                                 | Up 11.1%          | 1,184,521                  | 1,065,905                                 |
| Profit from ordinary activities after tax attributable to members <sup>(1)</sup> | Up 47.0%          | 54,799                     | 37,271                                    |
| Loss from discontinued operations after tax                                      | N/A               | –                          | (4,663)                                   |
| Net profit for the period attributable to members <sup>(1)</sup>                 | Up 68.1%          | 54,799                     | 32,608                                    |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

##### Dividends

|                                                                     | Amount<br>per security | Franked amount<br>per security |
|---------------------------------------------------------------------|------------------------|--------------------------------|
| Final dividend for reporting period:                                | 15.0 cents             | 15.0 cents                     |
| • payable 1 August 2022                                             |                        |                                |
| The record date for determining entitlements to the final dividend: |                        |                                |
| • 11 July 2022                                                      |                        |                                |
| Final dividend for previous corresponding period:                   | 12.5 cents             | 12.5 cents                     |
| • paid 22 July 2021                                                 |                        |                                |
| Interim dividend for reporting period:                              | 12.0 cents             | 12.0 cents                     |
| • paid 22 December 2021                                             |                        |                                |
| Interim dividend for previous corresponding period:                 | 10.5 cents             | 10.5 cents                     |
| • paid 18 December 2020                                             |                        |                                |

A final fully franked dividend of 15.0 cents per share was declared by the Board of Directors on 28 June 2022. 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 1 May 2022.

##### Net tangible assets per security

|                                                  | Current<br>reporting<br>period | <sup>(1) (2)</sup> Previous<br>corresponding<br>period |
|--------------------------------------------------|--------------------------------|--------------------------------------------------------|
| Net tangible asset backing per ordinary security | \$(0.32)                       | \$(0.45)                                               |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

(2) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

### 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.

### Notice of Annual General Meeting

As required under Listing Rule 3.13.1, the Company's Annual General Meeting will be held at 9.30am (QLD time) on Friday, 2 September 2022 at the offices of Clayton Utz, Level 28, 71 Eagle Street, Brisbane, Queensland. At this meeting, the re-election of Directors will occur. The closing date for the receipt of director nominations is 14 July 2022.

Authorised for release by the Board.

# CONTENTS

|                                                                               |    |
|-------------------------------------------------------------------------------|----|
| Directors' Report .....                                                       | 1  |
| Remuneration Report .....                                                     | 10 |
| Persons covered by this Remuneration Report .....                             | 10 |
| Overview of Remuneration Governance Framework and Strategy .....              | 10 |
| Executive remuneration .....                                                  | 11 |
| Company performance .....                                                     | 17 |
| Statutory Remuneration disclosures for FY22 .....                             | 18 |
| Performance outcomes for FY22 and FY21 including STI and LTI assessment ..... | 19 |
| Employment terms for KMP Executives .....                                     | 22 |
| Non-executive Director fee rates and fee limit .....                          | 22 |
| Changes in KMP held equity .....                                              | 23 |
| Group Securities Trading Policy .....                                         | 24 |
| Securities Holding Policy .....                                               | 24 |
| Remuneration consultant engagement policy .....                               | 24 |
| Other remuneration related matters .....                                      | 24 |
| Most recent AGM – Remuneration Report comments and voting .....               | 25 |
| External remuneration consultant advice .....                                 | 25 |
| Auditor's Independence Declaration .....                                      | 29 |
| Consolidated Income Statement .....                                           | 30 |
| Consolidated Statement of Comprehensive Income .....                          | 31 |
| Consolidated Balance Sheet .....                                              | 32 |
| Consolidated Statement of Cash Flows .....                                    | 33 |
| Consolidated Statement of Changes in Equity .....                             | 34 |
| Notes to the Consolidated Financial Statements .....                          | 35 |
| A: FINANCIAL OVERVIEW .....                                                   | 35 |
| A1: Segment information .....                                                 | 35 |
| A2: Business combinations .....                                               | 37 |
| A3: Revenue .....                                                             | 42 |
| A4: Material profit or loss items from continuing operations .....            | 44 |
| B: CASH MANAGEMENT .....                                                      | 45 |
| B1: Cash and cash equivalents .....                                           | 45 |
| B2: Borrowings .....                                                          | 47 |
| B3: Ratios .....                                                              | 47 |
| B4: Dividends .....                                                           | 48 |
| C: FINANCIAL RISK MANAGEMENT .....                                            | 49 |
| C1: Financial risk management .....                                           | 49 |
| C2: Recognised fair value measurements .....                                  | 52 |
| C3: Derivative financial instruments .....                                    | 54 |

|                                                             |     |
|-------------------------------------------------------------|-----|
| D: REWARD AND RECOGNITION .....                             | 57  |
| D1: Key management personnel .....                          | 57  |
| D2: Share based payments .....                              | 57  |
| D3: Contributed equity .....                                | 59  |
| E: RELATED PARTIES .....                                    | 60  |
| E1: Investments accounted for using the equity method ..... | 60  |
| E2: Related party transactions .....                        | 61  |
| F: DISCONTINUED OPERATION .....                             | 62  |
| F1: Sizzler Australia .....                                 | 62  |
| F2: Financial performance and cash flow information .....   | 62  |
| G: OTHER ITEMS .....                                        | 63  |
| G1: Commitments for expenditure .....                       | 63  |
| G2: Other gains/(losses) – net .....                        | 63  |
| G3: Earnings per share .....                                | 64  |
| G4: Receivables .....                                       | 64  |
| G5: Property, plant and equipment .....                     | 65  |
| G6: Intangible assets .....                                 | 66  |
| G7: Impairment of assets .....                              | 67  |
| G8: Leases .....                                            | 72  |
| G9: Trade and other payables .....                          | 75  |
| G10: Provisions .....                                       | 75  |
| G11: Reserves .....                                         | 76  |
| G12: Tax .....                                              | 77  |
| G13: Auditor's remuneration .....                           | 80  |
| G14: Contingencies .....                                    | 80  |
| H: GROUP STRUCTURE .....                                    | 81  |
| H1: Subsidiaries and Deed of Cross Guarantee .....          | 81  |
| H2: Parent entity financial information .....               | 85  |
| I: BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES ..... | 86  |
| I1: Basis of preparation .....                              | 86  |
| I2: Changes in accounting policies .....                    | 88  |
| I3: Other accounting policies .....                         | 90  |
| J: SUBSEQUENT EVENTS .....                                  | 91  |
| J1: Subsequent events .....                                 | 91  |
| Director's Declaration .....                                | 92  |
| Independent Auditor's Report .....                          | 93  |
| Shareholder Information .....                               | 99  |
| Corporate Directory .....                                   | 101 |

# 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 1 May 2022.

## 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      |
| Mark Hawthorne               | 23 December 2021    |
| 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                 | 10 June 2011        |
| Drew O'Malley                | 29 June 2021        |

(1) Resigned as Non-executive Director effective 27 August 2021.

## 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 261 franchised KFC restaurants in Australia, 17 franchised KFC restaurants in Germany, 45 franchised KFC restaurants in the Netherlands and 20 franchised Taco Bell restaurant in Australia, which all compete in the quick service restaurant market. The Group is also a franchisor of the Sizzler brand in South East Asia, with 66 franchised restaurants predominantly in Thailand, but also in 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.

During the current financial period, COVID-19 continued to have an impact on the operations and financial performance of our business, in particular in-line Taco Bell restaurants in Victoria, KFC Australia foodcourts, and KFC Europe inline restaurants. The Group has worked closely with various authorities and our franchisor, Yum! Brands to ensure we implemented all measures to safeguard our employees and customers at each and every stage.

### 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                                                                                                 | 2022<br>\$m | (1) (2) (3) 2021<br>\$m | Change<br>\$m |
|-----------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------|---------------|
| Total revenue from Continuing operations                                                                                    | 1,184.5     | 1,065.9                 | 118.6         |
| Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) from Continuing operations <sup>(1)</sup> | 207.2       | 183.8                   | 23.4          |
| Earnings before interest and tax (EBIT) from Continuing operations <sup>(1)</sup>                                           | 110.9       | 90.2                    | 20.7          |
| Profit before related income tax expense <sup>(1)</sup>                                                                     | 80.7        | 60.9                    | 19.8          |
| Income tax (expense) from Continuing operations                                                                             | (25.9)      | (23.6)                  | (2.3)         |
| Net profit attributable to members (NPAT) <sup>(1)</sup>                                                                    | 54.8        | 32.6                    | 22.2          |
| Net assets <sup>(1) (2)</sup>                                                                                               | 393.5       | 362.6                   | 30.9          |
| Net operating cash flow <sup>(1) (3)</sup>                                                                                  | 156.3       | 128.2                   | 28.1          |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

(2) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

(3) The prior reporting period has been restated as a result of interest paid on leases being reclassified to operating cash flows.

| Statutory financial metrics                                                                    | 2022<br>cents per<br>share | <sup>(1)</sup> 2021<br>cents per<br>share | Change<br>cents per<br>share |
|------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------|------------------------------|
| Basic earnings per share from Continuing operations <sup>(1)</sup>                             | 46.96                      | 31.97                                     | 14.99                        |
| Total basic earnings per share attributable to members of Collins Foods Limited <sup>(1)</sup> | 46.96                      | 27.97                                     | 18.99                        |
| Total dividends paid/payable in relation to financial period <sup>(2)</sup>                    | 27.00                      | 23.00                                     | 4.00                         |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

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

The Group's total revenue increased by 11.1% to \$1,184.5 million mainly due to like-for-like sales growth, new restaurant openings and Netherlands restaurant acquisitions.

This increase in total revenue combined with strong business controls flowed through to increased EBITDA for the reporting period of \$207.2 million, up 12.6% on the prior reporting period and significantly improved net operating cash flow of \$156.3 million, up 21.9%.

EBITDA, EBIT, NPAT and EPS were impacted by the following non-trading items:

|                                                 | EBITDA<br>\$000 | EBIT<br>\$000 | NPAT<br>\$000 |
|-------------------------------------------------|-----------------|---------------|---------------|
| Taco Bell impairment costs                      | 31              | 3,195         | 2,237         |
| Gain on sale and leaseback                      | (1,243)         | (1,243)       | (920)         |
| KFC Europe provision for restaurant closures    | 110             | 110           | 110           |
| KFC Europe acquisition costs                    | 2,932           | 2,932         | 2,932         |
| Fair value loss on debt modification            | 945             | 945           | 759           |
| Other non-trading items                         | (721)           | (721)         | (215)         |
| Total non-trading items - continuing operations | 2,054           | 5,218         | 4,903         |

The consolidated NPAT effect of these non-trading items was \$4.9 million.

In summary, from the Statutory NPAT from Continuing operations results of \$54.8 million, excluding the impact of the non-trading items of \$4.9 million (outlined in the table above), the Group achieved a result of Underlying NPAT of \$59.7 million.

Underlying financial metrics excluding non-trading items which occurred in the current period are summarised as follows:

| Underlying financial metrics from Continuing operations                                          | 2022<br>\$m | <sup>(1)</sup> 2021<br>\$m | Change |
|--------------------------------------------------------------------------------------------------|-------------|----------------------------|--------|
| Total revenue                                                                                    | 1,184.5     | 1,065.9                    | 118.6  |
| Earnings before interest, tax, depreciation, amortisation and (Underlying EBITDA) <sup>(1)</sup> | 209.2       | 185.8                      | 23.4   |
| Net profit attributable to members (Underlying NPAT) <sup>(1)</sup>                              | 59.7        | 47.8                       | 11.9   |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

| Underlying financial metrics                                         | 2022<br>cents per<br>share | <sup>(1)</sup> 2021<br>cents per<br>share | Change<br>cents per<br>share |
|----------------------------------------------------------------------|----------------------------|-------------------------------------------|------------------------------|
| Earnings per share (Underlying EPS) basic from Continuing operations | 51.16                      | 40.97                                     | 10.19                        |
| Total Earnings per share (Underlying EPS) basic                      | 51.16                      | 39.15                                     | 12.01                        |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

The improvement in the underlying financial metrics shown above is a reflection of continued strong performance of KFC Australia and a significant improvement in KFC Europe which recorded 16.8% same store sales growth.

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

## Review of underlying operations

### KFC AUSTRALIA

The overall performance across the KFC business in Australia has been very positive. Revenue in KFC Australia was up 6.1% on the prior corresponding period to \$955.5 million, driven by positive same store sales growth of 1.4% for the full year, cycling the

exceptional 12.9% same store sales growth in the prior year, together with the opening of 10 new restaurants. KFC Australia underlying EBITDA grew by 4.2%, up from \$198.5 million to \$206.9 million, with an overall underlying EBITDA margin of 21.6%. At the end of the financial period, 261 restaurants were in operation.

KFC Australia continues to focus on providing customers with great value, great tasting food and high levels of customer service.

Growth in digital and delivery channels remains strong with ecommerce sales accounting for 16.9% of total sales, up from 13.3% during the prior period. The introduction of Australia's first KFC drone delivery was also piloted in partnership with Wing and Yum! Brands.

## KFC EUROPE

KFC Europe contributed revenue of \$190.4 million and \$27.6 million in underlying EBITDA. By the end of the period, 62 restaurants were in operation, with 45 restaurants in the Netherlands and 17 in Germany. Underlying EBITDA margin was 14.5%. Same store sales growth was 16.8% on the prior corresponding period. This was driven by excellent brand building marketing campaigns and good operational execution.

During the year, Collins Foods Netherlands' footprint increased to 45 out of 82 restaurants, representing a 55% market share. This was achieved through the acquisition of 15 restaurants across 4 separate acquisitions.

The Netherlands Corporate Franchise Agreement (or CFA) was entered into during the year and commenced 31 December 2021. The CFA ensures that Collins Foods Europe has primary operational control over the Netherlands market enabling improved marketing campaigns, a return to a more "everyday value" menu, product innovation and the ability to control price.

Collins Foods Europe's priority remains providing customers with great value and great tasting food at keen price points and building and opening more restaurants.

## TACO BELL

At the end of the period, 20 Taco Bell restaurants were in operation with 13 located in Queensland, 6 located in Victoria and 1 located in Western Australia. Taco Bell contributed revenue of \$35.8m and (\$0.4) million in underlying EBITDA. Same store sales decline was 8.2% on the prior corresponding period.

Taco Bell is still a relatively new brand in Australia and the focus remains on driving awareness of the brand and trial of the product. This is achieved by continuing to build new restaurants and marketing centred on establishing the brand's taste and value credentials. More emphasis will be placed on improving value and the quality of offering through menu changes to, where appropriate, increase portion size and introduce new meal combinations at key price points.

Taco Bell continues to sell well through digital and delivery channels with opportunity for further growth and expansion in the upcoming financial year.

Accelerated restaurant openings are expected in the upcoming financial year as the Group continues to invest in building the Taco Bell brand.

## SIZZLER

Sizzler franchise operations in Asia contributed \$2.8 million in revenue. Operations improved significantly during the second half in Japan and Thailand post easing of COVID-19 restrictions resulting in a 10.8% increase in revenue over the prior corresponding period. Sizzler Asia EBITDA grew by 4.3%, up from \$1.6 million to \$1.7 million.

# Strategy and future performance

## GROUP

The group's strategy is to be renowned for running high quality restaurants, build new restaurants in all its markets and with all its brands, and improve the economics of the KFC Europe and Taco Bell businesses. In addition, the Group will continue to pursue KFC acquisition opportunities where available. Organisational capability is continually being strengthened to support this growth.

## KFC AUSTRALIA

The plan for the core KFC Australia business is to continue to optimise operational systems, expand the digital and delivery channels, elevate people capabilities and deliver the targeted number of new builds. The expansion of delivery and digital is expected to be significantly increased by the roll out of Uber Eats as an aggregator during the year, initially across most of the restaurants in Queensland

## KFC EUROPE

In Europe, the focus will be on driving sales growth through positive same store sales growth, opening significantly more new restaurants and delivering on the Corporate Franchise Agreement obligations in the Netherlands.

## TACO BELL

Taco Bell will continue to drive sales growth through an accelerated restaurant rollout plan. Marketing efforts are centred on establishing the brand's taste and value credentials. The focus will remain on driving awareness and trial and improving the economic model.

## Key risks

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;
- **people** - there is a risk that the Group is unable to maintain a culture that develops and attracts a sustainable workforce, and the Group is in compliance with employment laws. We address this risk through deploying contemporary people practices, reward and recognition programs, talent management strategies, employee value propositions and ongoing compliance monitoring of employment laws;
- **growth** - there is a risk that the Group is unable to effectively identify, execute and expand as per our growth targets. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews and driving sales and financial performance across our Brands. We maintain a close working relationship with the franchisor, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance obligations;
- **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. Our European supply chain have implemented additional measures as a result of the war in Ukraine and the increase in energy prices;
- **information security** - there is a risk that confidential or sensitive information can be accessed and disclosed by unauthorised parties. We address this risk through increasing our external assurance activities and the implementation of a 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 deploying a number of tactics including increasing software patching and network monitoring, deploying multi-factor authentication and increasing communication to employees to reduce the impact of potential phishing attacks; and
- **regulatory changes** - there is a risk that the Group is unable to identify and address material regulatory changes that impact the business. We address this risk through deploying processes for managing regulatory changes and their impacts on the group and obtaining advice from external lawyers where required.

Collins Foods works toward ensuring that risk management practices are embedded into all processes and operations. Collins Foods is exposed to an element of climate related risks such as floods, drought, cyclones and bushfires. Collins Foods continuously seeks opportunities to reduce the environmental impact of its operations across all its restaurants, whether they are owned and operated in a franchisor or franchisee capacity. In 2022, Collins Foods released its second Sustainability Report describing the environmental, social and governance related initiatives and opportunities relevant to Collins Foods.

The third modern slavery statement for Collins Foods will be published in the second half of calendar year 2022.

In light of its partnership with the franchisor of its KFC Australia restaurants, it is suggested that the Collins Foods modern slavery statement and Sustainability Report be read together with the KFC Australia modern slavery statement and Social Impact report both available via its website: [www.kfc.com.au](http://www.kfc.com.au).

## DIVIDENDS

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

|                                                                          | Cents<br>per share | Total<br>amount<br>\$000 | Franked/<br>Unfranked | Date of<br>payment |
|--------------------------------------------------------------------------|--------------------|--------------------------|-----------------------|--------------------|
| Final ordinary dividend for the financial period ended 2 May 2021        | 12.5               | 14,573                   | Franked               | 22 July 2021       |
| Interim ordinary dividend for the financial period ended 17 October 2021 | 12.0               | 14,004                   | Franked               | 22 December 2021   |
| <b>Total</b>                                                             | <b>24.5</b>        | <b>28,577</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 15.0 cents per ordinary share (\$17.5 million) to be paid on 1 August 2022 (refer to Note B4 of the Financial Report).

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Subsequent to year-end, on 3 May 2022, Collins Restaurants South Pty Ltd, a wholly-owned subsidiary of the Group, entered into a Business Sale Agreement to purchase the assets and assume the liabilities of a KFC restaurant located in Griffith, New South Wales from Shayden Nominees Pty Ltd.

The consideration transferred amounted to \$7.6 million, satisfied by \$4.6 million in cash and \$3.0 million in Collins Food Limited (ASX Ticker: CKF) fully paid ordinary shares. This amounted to 284,091 shares based on a volume weighted average price of the shares for the ten trading days to 2 May 2022 of \$10.56.

The purchase price accounting will be finalised after the completion date and will be disclosed in the 2023 half-year interim financial report.

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.

## Information on Directors

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTOR</b>                                    | <b>Robert Kaye SC (LLB, LLM)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Experience and expertise</b>                    | <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.</p> <p>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, Robert is a Non-executive Director of Magontec Limited and FAR Limited.</p> <p>He was formerly Non-executive Chairman of Spicers Limited and Non-executive Director of UGL Limited, HT&amp;E Limited, Blue Sky Alternative Investments Limited and the Chairman of the Macular Disease Foundation Australia.</p> |
| <b>Other current listed directorships</b>          | <p>Magontec Limited (Jul 2013 – current)</p> <p>FAR Limited (30 June 2021 – current)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Former listed directorships in last 3 years</b> | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Special accountabilities</b>                    | <p>Independent Non-executive Chair</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>DIRECTOR</b>                                    | <b>Mark Hawthorne (B. Financial Administration, CA, GAICD)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Experience and expertise</b>                    | <p>Mark has extensive experience as an executive that has lead franchisee centric brands in different scenarios including start up, founder led, large multi-national, private equity ownership in different countries and cultures around the World. His more than 25 years' of retail and franchising experience has been gained as the CEO &amp; Executive Director of Guzman y Gomez from 2015 to 2020 and prior to that, leading McDonalds in various markets including the United Kingdom, New Zealand and the Middle East and Africa.</p> <p>Mark achieved his Chartered Accountant qualification in 1997 and is a Graduate of the Australian Institute of Company Directors' Company Directors Course.</p>                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Other current listed directorships</b>          | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTOR</b>                                    | <b>Mark Hawthorne</b> (B. Financial Administration, CA, GAICD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Former listed directorships in last 3 years</b> | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Special accountabilities</b>                    | Independent Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>DIRECTOR</b>                                    | <b>Christine Holman</b> (PGDipBA, MBA, GAICD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Experience and expertise</b>                    | <p>Christine brings more than 25 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 Metcash Limited and the Board of the Moorebank Intermodal Company (a Federal Government Business Enterprise – GBE) as a Non-executive Director and Chair of the Audit and Risk Committee. Christine was appointed to the Board of Australia Tower Network Pty Ltd on the 17 May 2022.</p> <p>In line with her passion for cricket and preserving the heritage and history of the game and our nation, Christine sits on the Boards of the Bradman Foundation, the ICC T20 World Cup and the State Library of NSW Foundation. Christine also serves on the Board of the McGrath Foundation.</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 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 and acquisitions, financial restructures and turnarounds, leading due diligence teams, managing large complex commercial negotiations and developing growth opportunities.</p> <p>Christine holds a Masters 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) and the International Women's Forum (IWF).</p> |
| <b>Other current listed directorships</b>          | CSR Limited (Oct 2016 – current)<br>Metcash Limited (Oct 2020 – current)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Former listed directorships in last 3 years</b> | WiseTech Global Ltd (Dec 2018 – Oct 2019)<br>Blackmores Limited (Mar 2019 – July 2021)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Special accountabilities</b>                    | Independent Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>DIRECTOR</b>                                    | <b>Bronwyn Morris AM</b> (B. Com, FCA, FAICD)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Experience and expertise</b>                    | <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, Audit and Risk Committees, Remuneration and Nominations Committees with respect to both her Board roles and other independent appointments.</p> <p>Bronwyn is a director of Dalrymple Bay Infrastructure Limited, River Festival Limited and Menzies Health Institute Queensland. She is also Chair of Queensland Urban Utilities, the RACQ Foundation and a member of Chief Executive Women (CEW). Bronwyn retired as a director of Royal Automobile Club of Queensland Limited (previous President and Chair), and its wholly-owned subsidiaries, RACQ Insurance Limited and RACQ Bank, in November 2021.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Other current listed directorships</b>          | Dalrymple Bay Infrastructure Limited (Oct 2020 – current)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Former listed directorships in last 3 years</b> | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Special accountabilities</b>                    | Independent Non-executive Director<br>Audit and Risk Committee Chair<br>Remuneration and Nomination Committee member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTOR</b>                                    | <b>Drew O'Malley</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Experience and expertise</b>                    | <p>An accomplished executive with over 20 years' experience in the Quick Service Restaurants (QSR) industry, Drew joined Collins Foods after serving nearly two decades as an executive team member with AmRest, during which time it grew to become the largest independent restaurant company in Europe.</p> <p>In his time there, Drew served in various senior roles, including Chief Operating Officer, Chief Digital Officer, and Brand President KFC. Additionally, Drew served as President of the Central Europe Division, in which he was responsible for over 500 restaurants across 4 brands (KFC, Pizza Hut, Starbucks and Burger King) and seven countries.</p> <p>Prior to his current role as Managing Director and CEO, Drew served three years at Collins Foods as the Chief Operating Officer for Australia. He has also worked as a consultant with McKinsey &amp; Company and holds an MBA from the University of Michigan Business School.</p> |
| <b>Other current listed directorships</b>          | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Former listed directorships in last 3 years</b> | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Special accountabilities</b>                    | Managing Director & CEO                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>DIRECTOR</b>                                    | <b>Kevin Perkins</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Experience and expertise</b>                    | <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 100% 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>                                                                                                                                                                                                                                                                                                      |
| <b>Other current listed directorships</b>          | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Former listed directorships in last 3 years</b> | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Special accountabilities</b>                    | <p>Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>DIRECTOR</b>                                    | <b>Russell Tate (B. Com (Econ.))</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Experience and expertise</b>                    | <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 remained Executive Chair of ASX-listed Macquarie Radio Network Limited (renamed Macquarie Media Limited) from 2009 until 2018 and Non-executive Chair until November 2019. He is also a Director of One Big Switch Pty Ltd (since 2012).</p>                                                                                                                                                                                                                                                                                      |
| <b>Other current listed directorships</b>          | None other than Collins Foods Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Former listed directorships in last 3 years</b> | Macquarie Media Limited (2008 – Nov 2019: Executive Chair 2009 to 1 July 2018 & Non-executive Chair from 1 July 2018 to Nov 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Special accountabilities</b>                    | <p>Independent Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee Chair</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## 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 for more than 15 years.

## Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the FY22 and FY21 years, and the number of meetings attended by each Director, were:

|                               | Board             |                   |                   |                   | Audit and Risk Committee |                   |                   |                   | Remuneration and Nomination Committee |                   |                   |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|---------------------------------------|-------------------|-------------------|-------------------|
|                               | (1) FY22 meetings | Meetings attended | (1) FY21 meetings | Meetings attended | (1) FY22 meetings        | Meetings attended | (1) FY21 meetings | Meetings attended | (1) FY22 meetings                     | Meetings attended | (1) FY21 meetings | Meetings attended |
| Robert Kaye SC                | 18                | 18                | 14                | 14                | 6                        | 6                 | 6                 | 6                 | 7                                     | 7                 | 5                 | 5                 |
| Mark Hawthorne <sup>(2)</sup> | 4                 | 4                 | –                 | –                 | 2                        | 2                 | –                 | –                 | 3                                     | 3                 | –                 | –                 |
| Christine Holman              | 18                | 18                | 14                | 14                | 6                        | 6                 | 6                 | 6                 | 7                                     | 7                 | 5                 | 5                 |
| Newman Manion <sup>(3)</sup>  | 6                 | 6                 | 14                | 14                | 2                        | 2                 | 6                 | 6                 | 3                                     | 3                 | 5                 | 5                 |
| Bronwyn Morris AM             | 18                | 18                | 14                | 14                | 6                        | 6                 | 6                 | 6                 | 7                                     | 7                 | 5                 | 5                 |
| Kevin Perkins                 | 18                | 18                | 14                | 14                | 6                        | 6                 | 6                 | 6                 | 7                                     | 7                 | 5                 | 5                 |
| Russell Tate                  | 18                | 17                | 14                | 13                | 6                        | 6                 | 6                 | 6                 | 7                                     | 7                 | 5                 | 5                 |
| Drew O'Malley <sup>(4)</sup>  | 14                | 14                | –                 | –                 | –*                       | –*                | –*                | –*                | –*                                    | –*                | –*                | –*                |

(1) FY22 and FY21 represents the number of meetings held during the time the Director held office or membership of a Committee during the period.

(2) Appointed Independent Non-executive Director, member of the Audit and Risk Committee and Remuneration and Nomination Committee effective 23 December 2021.

(3) Resigned as Non-executive Director effect 27 August 2021.

(4) Appointed Managing Director effective 29 June 2021.

\* Not a member of the relevant Committee.

## LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE



Dear Shareholders

Following its record earnings results of last year, Collins Foods has achieved another record result for the 2022 financial year. Underpinned by outstanding performances by KFC in both Australia and Europe, total group revenues increased by 11.1% to \$1.185 billion, pre AASB 16 underlying earnings before interest, tax and depreciation (**EBITDA**) increased by 10.4% to 150 million, and pre AASB 16 underlying net profit after tax (**NPAT**) from continuing operations by 14.1% to \$64.6 million.

Consequently, EBITDA targets set within our Short Term Incentive Plan (**STIP**) were exceeded at KFC Australia, KFC Europe and Total Company levels, triggering STI payments for all Key Management Personnel (**KMP**), and over 100 of our management and support teams.

The Group's KMP during the FY22 year were:

|                                        |                           |                              |
|----------------------------------------|---------------------------|------------------------------|
| Managing Director & CEO: Drew O'Malley | Group CFO: Nigel Williams | COO - KFC Aust: Helen Moore* |
| CEO - CF Europe: Hans Miete            | CPO: Dawn Linaker         | CMO: David Timm*             |

\* Helen Moore's appointment was effective June 2021, and David Timm's was effective January 2022

Eligible KMP (Managing Director & CEO, Group CFO and CPO) were also rewarded through our Long Term Incentive plan (**LTIP**), and are now able to vest, in FY23, 47% of the performance rights granted to them in FY20 for the performance period of FY20, FY21, and FY22. Under the Plan rules, vesting levels are calculated against a table of annualised compound EPS growth hurdles across the performance period.

Full details of STI and LTI plans are contained in the Remuneration Report.

Both STI and LTI Plans for FY22 introduced additional performance components to prior year plans. In the case of the STIP we set out to add to the existing EBITDA and Guest Experience Survey (**GES**) components, a measure or measures "related to defined environment, social and governance initiatives (**ESG**)". Weightings of the FY22 STIP components were EBITDA (70%), GES (15%) and ESG measure (15%). For the LTIP, applying to performance rights grants to be made from FY22 onwards, we added a Relative Total Shareholder Return measure to stand beside the existing Compound EPS Growth measure, each determining 50% of performance outcomes.

In practice, the accommodation of quantifiable ESG measures and results within our STIP has proved to be challenging. Coming into the year, and based on the Sustainability Report published with our FY21 Annual Report, three primary goals were established for FY22 and FY21 baselines set, against which progress would be reported. Those goals related to reduction in greenhouse gas emissions, waste diverted from landfill, and participation rates in the "Collins Foods Giving" program. Whilst significant progress has been made throughout the year in each of the three primary goal areas, unexpected challenges, confirmed by the limited assurance process undertaken by the Company, have arisen in relation to their measurement.

After reviewing results achieved to date on ESG initiatives, progress towards reaching the 2026 targets set out in our FY21 Sustainability Report, and the challenges associated with measurement of ESG metrics, the Board has considered it appropriate to exercise its discretion to modify the percentage payable for the ESG component of FY22 STI to 50% of target level. Further, the Board has determined that for FY23 STIP outcomes, EBITDA results measured against targets will determine 85%, GES results measured against targets will determine 15%, and ESG performance, as assessed by the Board with the current primary goals unchanged, will serve as a "modifier" whereby up to 15% of STI entitlements earned for EBITDA and GES performance will be at risk if satisfactory progress has not been made towards reaching 2026 ESG targets.

This Remuneration Report necessarily focuses on our KMP, and their remuneration outcomes. Along with the rest of the Company's senior executive and support team, they obviously deserve praise and commensurate reward for the Company's sustained revenue and earnings growth. They are also the first to acknowledge that the rewards of their leadership can only be realised, if our over 15,000 field and restaurant staff share and "live" our stated vision of being "the world's top restaurant operator", our stated mission of "raising the bar on what people think a restaurant experience should be – more human, more sustainable, more digital, more fun", and our stated "emphasis on operational execution, people development, and excellence in restaurant development (to) underpin our pursuit of sustainable growth".

In a year which again presented more than its share of challenges to our restaurant teams in all geographies, they have again demonstrated that they are more than capable of "raising the bar" and delivering the operational excellence which will underpin the Company's continued growth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Russell Tate'.

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

# REMUNERATION REPORT

## Persons covered by this Remuneration Report

This Remuneration Report covers the remuneration of Non-executive Directors, the Managing Director & 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                                                                                                             |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Robert Kaye SC                | Independent Non-executive Chair, Audit and Risk Committee member, Remuneration and Nomination Committee member    |
| Mark Hawthorne <sup>(1)</sup> | Independent Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member |
| Christine Holman              | Independent Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member |
| Newman Manion <sup>(2)</sup>  | Non-executive Director, Audit and Risk Committee member, 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, Audit and Risk Committee member, Remuneration and Nomination Committee Chair  |
| Drew O'Malley <sup>(3)</sup>  | Managing Director & Chief Executive Office (Managing Director & CEO)                                              |
| Hans Miete                    | CEO – Collins Foods Europe Ltd (CEO – CF Europe)                                                                  |
| Nigel Williams                | Group Chief Financial Officer (Group CFO)                                                                         |
| Dawn Linaker                  | Chief People Officer (CPO)                                                                                        |
| Helen Moore <sup>(4)</sup>    | Chief Operating Officer – KFC Australia (COO – KFC Australia)                                                     |
| David Timm <sup>(5)</sup>     | Chief Marketing Officer (CMO)                                                                                     |

(1) Appointed Independent Non-executive Director effective 23 December 2021.

(2) Resigned as Non-executive Director effective 27 August 2021.

(3) Appointed Managing Director & CEO effective 29 June 2021.

(4) Appointed Chief Operating Officer – KFC Australia effective 25 June 2021.

(5) Appointed Chief Marketing Officer effective 1 January 2022.

## 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:

- 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
- reward all levels of staff, reflecting both equity of treatment and fairness to shareholders.

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 reporting 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.

## REMUNERATION REPORT

## 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;
- fixed remuneration policy guidelines be set with reference to relevant market practices;
- 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 BS 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 (**Compound EPS Growth**) (50% of the award) and growth in Relative Total Shareholder Returns (**Relative TSR**) over the same three year performance period (50% of the award). 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 TFR, an annual incentive (STI) and a long term incentive (LTI) having regard to market practice, internal relativity and key drivers of shareholder returns;
- 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 FY23                                                                                                                                                                                                                                            |
|---------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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 (<b>GES</b>) results against pre-determined target levels</li> <li>• Australian ESG initiatives (<b>ESG</b>) against pre-determined target levels</li> </ul> | <ul style="list-style-type: none"> <li>• <b>All KMP Executives:</b> 50% of Base Salary for target performance, with a maximum opportunity of up to 75% of Base Salary</li> <li>• EBITDA target must be at least equal to prior period reported EBITDA</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Adjustment of weighting for all KMP Executives:</b> EBITDA 85%; GES 15%</li> <li>• ESG will be applied as a modifier to STI where up to 15% of STI is at risk for non-achievement of ESG related activities</li> </ul> |

## REMUNERATION REPORT

| Remuneration component | Purpose                                                           | Performance metrics                                                                                                                                                                                                                                              | Potential value                                                                                                                                                                                                                                                                                                            | Considerations for FY23                                                                                                                                                                                                                                                  |
|------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                        |                                                                   | <ul style="list-style-type: none"> <li>Weighting between the three metrics is 70% EBITDA performance, 15% GES and 15% ESG</li> <li>Achievement of the EBITDA target is an overriding hurdle to achieve any STI payment</li> </ul>                                |                                                                                                                                                                                                                                                                                                                            | <p>The following remain unchanged from FY22:</p> <ul style="list-style-type: none"> <li>EBITDA target must be at least equal to prior reported period actual EBITDA</li> <li>Achievement of EBITDA target is an overriding hurdle to trigger any STI payments</li> </ul> |
| <b>LTI</b>             | Reward for contribution of shareholder value over the longer term | <ul style="list-style-type: none"> <li>Three year compound earnings per share growth performance</li> <li>Three year Relative Total Shareholder Return against an ASX200 index</li> <li>Weighting between the two hurdles will be EPS 50% and TSR 50%</li> </ul> | <ul style="list-style-type: none"> <li><b>Managing Director &amp; CEO:</b> 50% of Base Salary for target performance, with a maximum opportunity of 100% of Base Salary</li> <li><b>Other KMP Executives:</b> 40% of Base Salary for target performance, with a maximum opportunity of up to 80% of Base Salary</li> </ul> | <ul style="list-style-type: none"> <li>No changes in entitlement levels for Managing Director &amp; CEO or other KMP Executives expected for FY23</li> </ul>                                                                                                             |

## FIXED REMUNERATION

TFR consists of salary, superannuation contributions and other benefits. Fringe benefits tax on these benefits, where required, is incorporated in TFR.

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.

## 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 & 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 50% of their Base Salary for target performance with a maximum opportunity of up to 75% of their Base Salary.

## Short term incentive performance metrics

## FY22 and FY23 STIP

The Board determined that, for FY22, three metrics were to be used to determine awards under the Company's STIP – Earnings Before Interest Tax Depreciation and Amortisation (**EBITDA**), Guest Experience Survey (**GES**) and Environmental Social Governance (**ESG**). From FY22, the EBITDA target level for short term incentive must be at least the actual EBITDA achieved for the prior reported financial period. That is, the 95% fixed threshold for target EBITDA from FY21 was removed and replaced with an EBITDA threshold level that may be less than the budgeted EBITDA approved by the Board for the relevant financial year but must be at least equal to the prior actual EBITDA achieved.

EBITDA calculations for the purpose of calculating incentives payable under the STIP continue to be assessed on a pre AASB 16 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 ESG measure was introduced as a third measure in FY22 to reflect the importance of ESG activities to the Group and our shareholders.

The GES 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 GES program is the franchisor's global barometer of executional excellence and is administered by an independent third party provider engaged by the Franchisor.

The three metrics, EBITDA, GES and ESG are calculated separately and have different targets, thresholds and award scales. The weighting between these metrics for FY22 was 70% EBITDA performance, 15% GES and 15% ESG. Achievement of the EBITDA target is an overriding hurdle to trigger any STI payments.

## REMUNERATION REPORT

In 2021, Collins Foods released its inaugural Sustainability Report setting out its Positive Impact Strategy that is structured around three key pillars related to its Australian operations: People and Communities, Planet and Governance with three primary goals to be achieved by 2026:

- establish Collins Foods Giving as best-in-class signature program with 75% plus enrolment;
- reduce our carbon footprint by achieving a 25% reduction in greenhouse gas emissions compared to FY21;
- increase diversion of waste from landfill by 25% compared to FY22.

In FY23 the weighting of the three STI metrics will be adjusted to 85% EBITDA performance, 15% GES with ESG used as a modifier where up to 15% of STI will be at risk for non-achievement of ESG related activities.

### Impact of non-financial performance

The Board has the discretion to withdraw in full or adjust downwards, STI and LTI outcomes, in the event of mismanagement or failures in governance, risk management, regulatory compliance, conduct and behaviours that breach the Collins Foods Group Code of Conduct, which the Board deems may have had a deleterious effect on the Collins Foods brand, reputation, employees, customers and shareholder value. Examples of failures include, but are not limited to wage non-compliance, employee visa non-compliance, qualified internal audit reports noting material control failures, food safety, employee and customer safety, taxation, regulatory notices of non-compliance.

### Maximum opportunity: EBITDA result

The FY22 award scale based upon the actual EBITDA result achieved is set out below:

| STANDARD % PAYOUT TABLE  |                       |
|--------------------------|-----------------------|
| % EBITDA target achieved | % target bonus earned |
| 100                      | 100                   |
| 101                      | 108                   |
| 102                      | 115                   |
| 103                      | 123                   |
| 104                      | 128                   |
| 105                      | 133                   |
| 106                      | 138                   |
| 107                      | 143                   |
| 108                      | 145                   |
| 109                      | 148                   |
| 110                      | 150                   |

### Maximum opportunity: GES and ESG result

The FY22 award scale based upon the actual GES (15%) and ESG (15%) results achieved is set out below:

| STANDARD % PAYOUT TABLE |                       |                       |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|
| % GES target achieved   | % target bonus earned | % ESG target achieved | % target bonus earned |
| 100                     | 100                   | 100                   | 100                   |
| 101                     | 110                   | 101                   | 110                   |
| 102                     | 120                   | 102                   | 120                   |
| 103                     | 130                   | 103                   | 130                   |
| 104                     | 140                   | 104                   | 140                   |
| 105                     | 150                   | 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

The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes. In respect of FY22 the Board exercised discretion in relation to the following matters.

## REMUNERATION REPORT

## ESG

In FY22 the Company sought limited assurance over sustainability indicators disclosed in the FY22 Sustainability Report including the baselines used to measure and report progress against the Three Primary Goals. The sustainability indicators selected for limited assurance were:

**Baseline subject matter (FY21)**

- Average scope 1 and 2 greenhouse gas emissions for the year ended 2 May 2021 (tCO<sub>2</sub>-e per restaurant).
- Active participation rate of employees within the Collins Foods Giving program during period 13 of the year ended 2 May 2021.

**FY22 subject matter**

- Average scope 1 and 2 greenhouse gas emissions for the year ended 1 May 2022 (tCO<sub>2</sub>-e per restaurant).
- Active participation rate of employees within the Collins Foods Giving program during period 13 of the year ended 1 May 2022.
- Average waste diverted from landfill for the year ended 1 May 2022.

Unexpected challenges confirmed by the limited assurance process have arisen in relation to the measurement of each of the Three Primary Goals. Additional detail is outlined below.

**Waste diversion**

In the last three months of FY21, Collins Foods changed waste collection providers. In data presented for the first nine months of FY21, General Waste and recycling collection weights were estimates based on a standard Quick Service Restaurant (QSR) industry weighted average for general waste services.

For the remaining three months of FY21 and during FY22, Collins Foods' new waste service collector reports included waste collection figures based upon actual weights for approximately 60% of Collins Foods' services (the remainder was estimated based on the number of bins collected and assumed densities of various waste streams).

In line with our waste collection providers upgrading their fleets to retrofit more trucks with measuring arms, diversion rates are anticipated to become more accurate over time with a greater proportion of waste collections measured rather than estimated. This will impact upon diversion rates and the ability to compare periods — no two periods will be on a true like-for-like basis until 100 per cent of services are on an 'actual weights' basis.

This change to measurement means that comparison between FY21 and FY22 on a like-for-like basis will not be possible. Waste diversion rates for FY22 were 18.3%.

**Greenhouse Gas Emissions (GHG)**

During the reported period, the Company entered into power purchase agreements for the purchase of 1,960 MWh of renewable energy (equivalent to approximately 2.17% of total energy used). Eighty-nine solar power systems were also installed on restaurants during the reported period. In FY22, the Scope 1 and Scope 2 GHG emissions for KFC Australia and Taco Bell restaurants operated by Collins Foods were scope 1: 2,859 tonnes CO<sub>2</sub>-e and scope 2: 63,067 tonnes CO<sub>2</sub>-e. In FY22 it was identified that some restaurants and additional sources of Scope 1 emissions had not been disclosed in the prior year. Accordingly, FY22 reporting has been expanded to include Taco Bell restaurants, fleet and refrigerant emissions. To support comparison on a like-for-like basis, FY21 has been restated on the same basis that FY22 is reported.

**Collins Foods Giving**

The Collins Foods Giving program was established in 2008.

Participation in the Collins Foods Giving program is and has always been on a voluntary basis. A voluntary, opt-in model is especially important to Collins Foods considering the young age demographic and casual employment status of the majority of its employees. The basis of measurement of participation in Collins Foods Giving has been refined to include only employees enrolled and contributing during period 13 of the relevant reported period. To support like-for-like comparison, both FY21 and FY22 enrolment rates are reported on this basis. The FY22 Participation Rate was 36% and the restated FY21 Participation Rate was 27%.

**Measurement of ESG performance for FY22 STI and FY23 STI**

Having considered the challenges associated with measurement of the ESG metrics as described above and notwithstanding management's commitment to achieving the results outlined, the Board considered it appropriate to exercise a downward discretion to modify the percentage eligible for payment of STI for FY22 associated with the achievement of ESG targets to 50%.

Further to this, in FY23 the weighting of the three STI metrics will be adjusted and weighted between two metrics: 85% EBITDA performance and 15% GES with ESG used as a modifier where up to 15% of STI will be at risk for non-achievement of ESG related activities.

**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.

## REMUNERATION REPORT

## 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.

For performance rights to be granted in FY23 with a performance period including FY23, FY24 and FY25, 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 VWAP basis of measurement is consistent with prior year.

In previous 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 was typically after the AGM in August/September. However, a decision was made to change this basis of measurement from FY21 following independent advice, consideration of 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 FY22 offers commenced 3 May 2021 and ends 28 April 2024 for the performance period of FY22, FY23 and FY24. The measurement period for FY23 offers commences on 2 May 2022 and ends 27 April 2025 for the performance period of FY23, FY24 and FY25.

## Vesting conditions

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

## FY22 and FY23 offers

As reported in FY21, a second performance condition of Relative TSR has been introduced for the FY22 grant under the LTIP.

Compound EPS growth 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 and will continue as a performance measure under the LTIP. The weighting for the EPS hurdle is 50% of the total award.

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).

The threshold and target EPS growth hurdles remain unchanged from FY21. No changes to the LTIP measures or targets, thresholds or award scales are intended for FY23.

The following vesting scale applied to the performance rights offered in FY22 and will apply to performance rights offered in FY23:

| 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%                               |

The TSR hurdle is based on a volume weighted average share price (VWAP) benchmark of ten trading days either side of the 2021 results announcement on 29 June 2021. Measurement will be against the VWAP benchmark ten days either side of the announcement of our financial results in late June 2024. The Board has determined that the ASX 200 Index is sufficiently broad to measure relativity from the start of the performance period (2 May 2021). The weighting for the TSR hurdle is 50% of the total award.

## REMUNERATION REPORT

Relative TSR performance will be tested at the same time as Compound EPS Growth in accordance with the following vesting schedule:

| Relative TSR of Collins Foods Limited           | Proportion of performance rights to vest |
|-------------------------------------------------|------------------------------------------|
| Below the 50th percentile                       | 0%                                       |
| At the 50th percentile                          | 25%                                      |
| Between the 50th percentile and 75th percentile | 3% for each 1% > 50%, < 75%              |
| At or above the 75th percentile                 | 100%                                     |

### Retesting

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

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.

## REMUNERATION REPORT

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

As reported in FY21, the Board reviewed the remuneration mix of the Managing Director & CEO and other KMP Executives as part of the review of the STIP and LTIP. As a result, the mix of Base Salary, STI and LTI for FY22 remained unchanged for the Managing Director & CEO, but other KMP Executives saw an increase in LTI vesting rates to 40% of Target and 80% for Stretch performance. <sup>(1)</sup>

The following table shows the range of remuneration mix that was offered for current KMP Executives during FY22, for target performance.

| Mix of remuneration (excludes Other Benefits) | Managing Director & CEO | Other KMP Executives |
|-----------------------------------------------|-------------------------|----------------------|
| Base Salary                                   | 50%                     | 53%                  |
| STI (at Target performance)                   | 25%                     | 26 - 27%             |
| LTI (at Target performance)                   | 25%                     | 20 - 21%             |

(1) The FY22 increase in LTI vesting rates was not applied to Helen Moore (COO – KFC Aust). The increase will apply from FY23.

The Board considers that the adjustments to the remuneration mix for other KMP Executives (Base Salary, STI and LTI) in FY22 result in appropriately weighted remuneration and will continue to:

- align executive remuneration practices with accepted market practices and current best-practices;
- motivate executives to continuously grow shareholder value by aligning their interests with those of shareholders through equity ownership; and
- manage 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.

The same mix of Base Salary, STI and LTI is anticipated for FY23 for the Managing Director & CEO and other KMP Executives.

## 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 | (1) Dividends | Short term change in shareholder value over 1 year (SP change + dividends) |      | Long term (cumulative) 3 years change in shareholder value |      |
|-------------|----------------|------------------------|-------------|-----------------------|---------------|----------------------------------------------------------------------------|------|------------------------------------------------------------|------|
|             |                |                        |             |                       |               | Amount                                                                     | %    | Amount                                                     | %    |
| FY22        | \$1,184.52     | \$54.80                | \$10.15     | (\$1.22)              | \$0.245       | (\$0.975)                                                                  | (9%) | \$3.22                                                     | 42%  |
| FY21        | (2) \$1,065.90 | (3) \$32.61            | \$11.37     | \$4.43                | \$0.210       | \$4.64                                                                     | 67%  | \$6.61                                                     | 124% |
| FY20        | \$981.73       | (4) \$31.26            | \$6.94      | (\$0.65)              | \$0.200       | (\$0.45)                                                                   | (6%) | \$2.24                                                     | 43%  |
| FY19        | \$901.22       | (5) \$39.11            | \$7.59      | \$2.24                | \$0.180       | \$2.42                                                                     | 45%  | \$4.08                                                     | 101% |
| FY18        | \$770.94       | \$32.49                | \$5.35      | \$0.10                | \$0.170       | \$0.27                                                                     | 5%   | \$3.37                                                     | 138% |

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

(2) Excludes Sizzler Australia revenues.

(3) FY21 restated as a result of a change in accounting policy for the recognition of cloud computing arrangements.

(4) Includes the impact of AASB 16.

(5) Excludes the impact of AASB 16.

## REMUNERATION REPORT

## Statutory Remuneration disclosures for FY22

## KMP EXECUTIVE REMUNERATION

The following table outlines the remuneration received by KMP Executives of the Company during FY22 and FY21 prepared according to statutory disclosure requirements and applicable accounting standards.

KMP Executive remuneration for FY22 (with FY21 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<br>(incl. super) | Other<br>benefits | Total fixed<br>remun-<br>eration | Short Term Incentive |                         | <sup>(1)</sup> Long Term Incentive |                         | <sup>(2)</sup> Total<br>Reward | <sup>(3)</sup> Change in<br>accrued<br>leave | Termination<br>benefits |
|-------------------------------|--------------------|------|------------------------------|-------------------|----------------------------------|----------------------|-------------------------|------------------------------------|-------------------------|--------------------------------|----------------------------------------------|-------------------------|
|                               |                    |      |                              |                   |                                  | Amount               | % of<br>Total<br>Reward | Amount                             | % of<br>Total<br>Reward |                                |                                              |                         |
| Drew O'Malley <sup>(4)</sup>  | MD & CEO           | 2022 | \$858,537                    | \$37,050          | \$895,587                        | \$434,139            | 26%                     | \$357,304                          | 22%                     | \$1,687,030                    | (\$36,727)                                   | –                       |
|                               |                    | 2021 | \$721,692                    | \$46,902          | \$768,594                        | \$460,996            | 31%                     | \$239,378                          | 16%                     | \$1,468,968                    | \$46,717                                     | –                       |
| Hans Miete <sup>(5)</sup>     | CEO - CF<br>Europe | 2022 | \$404,014                    | \$36,378          | \$440,392                        | \$310,869            | 38%                     | \$67,654                           | 8%                      | \$818,915                      | \$24,094                                     | –                       |
|                               |                    | 2021 | \$227,322                    | \$20,363          | \$247,685                        | \$40,227             | 14%                     | –                                  | –                       | \$287,912                      | \$13,059                                     | –                       |
| Nigel Williams                | Group<br>CFO       | 2022 | \$595,954                    | \$40,035          | \$635,989                        | \$301,402            | 27%                     | \$182,938                          | 16%                     | \$1,120,329                    | \$568                                        | –                       |
|                               |                    | 2021 | \$567,695                    | \$51,233          | \$618,928                        | \$347,184            | 31%                     | \$160,140                          | 14%                     | \$1,126,252                    | \$17,084                                     | –                       |
| Dawn Linaker                  | CPO                | 2022 | \$453,751                    | \$38,386          | \$492,137                        | \$229,516            | 27%                     | \$136,919                          | 16%                     | \$858,572                      | \$1,240                                      | –                       |
|                               |                    | 2021 | \$432,398                    | \$52,658          | \$485,056                        | \$211,502            | 26%                     | \$115,106                          | 14%                     | \$811,664                      | \$4,136                                      | –                       |
| Helen Moore <sup>(6)</sup>    | COO –<br>KFC Aust  | 2022 | \$419,871                    | \$23,701          | \$443,572                        | \$213,044            | 30%                     | \$63,569                           | 9%                      | \$720,185                      | \$7,253                                      | –                       |
|                               |                    | 2021 | –                            | –                 | –                                | –                    | –                       | –                                  | –                       | –                              | –                                            | –                       |
| David Timm <sup>(7) (8)</sup> | CMO                | 2022 | \$147,236                    | –                 | \$147,236                        | \$71,377             | 32%                     | \$7,166                            | 3%                      | \$225,779                      | \$11,600                                     | –                       |
|                               |                    | 2021 | –                            | –                 | –                                | –                    | –                       | –                                  | –                       | –                              | –                                            | –                       |

(1) 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 measured in accordance with AASB 2 Share-based Payment. 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 number vested.

(2) Excludes change in accrued leave balance.

(3) The change in accrued leave are measured in accordance with AASB 119 Employee Benefits.

(4) Appointed Managing Director & CEO effective 29 June 2021.

(5) FY22 salary converted at exchange rate of AUD \$1: EURO €0.6393 (FY21: AUD \$1: EURO €0.6215).

(6) Appointed Chief Operating Officer – KFC Australia effective 25 June 2021.

(7) Appointed Chief Marketing Officer effective 1 January 2022.

(8) FY22 salary converted at exchange rate of AUD \$1: GBP £0.5501.

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.

## KMP EXECUTIVE REMUNERATION OPPORTUNITY FOR FY22 (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 FY22. 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 & CEO and 80% of Base Salary for KMP Executives.

| Name                         | Role(s)         | <sup>(1)</sup> Base<br>Salary<br>(incl.<br>super) | Base<br>Salary as a<br>% of Total<br>Reward | Short Term Incentive opportunity |                      |                             | Long Term Incentive opportunity |                      |                             | Other<br>benefits | Total<br>Reward |
|------------------------------|-----------------|---------------------------------------------------|---------------------------------------------|----------------------------------|----------------------|-----------------------------|---------------------------------|----------------------|-----------------------------|-------------------|-----------------|
|                              |                 |                                                   |                                             | Target %<br>of Base<br>Salary    | Target STI<br>amount | STI %<br>of Total<br>Reward | Target %<br>of Base<br>Salary   | Target LTI<br>amount | LTI %<br>of Total<br>Reward |                   |                 |
| Drew O'Malley <sup>(2)</sup> | MD & CEO        | \$858,825                                         | 52%                                         | 50%                              | \$429,413            | 24%                         | 50%                             | \$429,412            | 24%                         | \$37,050          | \$1,754,700     |
| Hans Miete                   | CEO - CF Europe | €265,000                                          | 55%                                         | 50%                              | €132,500             | 25%                         | 40%                             | €106,000             | 20%                         | €23,258           | €526,758        |
| Nigel Williams               | Group CFO       | \$596,242                                         | 55%                                         | 50%                              | \$298,121            | 25%                         | 40%                             | \$238,497            | 20%                         | \$40,035          | \$1,172,895     |
| Dawn Linaker                 | CPO             | \$454,035                                         | 55%                                         | 50%                              | \$227,018            | 25%                         | 40%                             | \$181,614            | 20%                         | \$38,386          | \$901,053       |
| Helen Moore <sup>(3)</sup>   | COO – KFC Aust. | \$495,000                                         | 54%                                         | 50%                              | \$247,500            | 26%                         | 37.5%                           | \$185,625            | 20%                         | \$23,701          | \$951,826       |
| David Timm <sup>(4)</sup>    | CMO             | £225,000                                          | 53%                                         | 50%                              | £112,500             | 26%                         | 40%                             | £90,000              | 21%                         | –                 | £427,500        |

(1) Base salary based on a 52 week period (FY21: 52 week period).

(2) Appointed as Managing Director & CEO effective 29 June 2021.

(3) Appointed as Chief Operating Officer – KFC Australia effective 25 June 2021.

(4) Appointed as Chief Marketing Officer – effective 1 January 2022.

## REMUNERATION REPORT

## Performance outcomes for FY22 and FY21 including STI and LTI assessment

## SHORT TERM INCENTIVES

The tables below set out details of STI and LTI performance outcomes for FY22 and FY21 when compared to target.

| Name                         | Role(s)                    | FY22 Company level KPI Summary        |                      |                               |                  |                         |           | Award outcomes<br>FY22 paid FY23       |
|------------------------------|----------------------------|---------------------------------------|----------------------|-------------------------------|------------------|-------------------------|-----------|----------------------------------------|
|                              |                            | KPI summary                           | Average<br>weighting | Average<br>GES/ ESG<br>target | EBITDA<br>target | % of target<br>achieved | Awarded   | Total STI award<br>(EBITDA, GES & ESG) |
| Drew O'Malley <sup>(1)</sup> | Managing<br>Director & CEO | EBITDA                                | 70%                  | –                             | \$142,917,000    | 110.8%                  | \$333,053 | <b>\$434,139</b>                       |
|                              |                            | GES                                   | 15%                  | 64.8%                         | –                | 106.9%                  | \$68,880  |                                        |
|                              |                            | ESG (Board discretion) <sup>(4)</sup> | 15%                  | 0%                            | –                | 50%                     | \$32,206  |                                        |
| Hans Miete                   | CEO - CF Europe            | EBITDA                                | 80%                  | –                             | \$17,083,000     | 150.0%                  | \$248,695 | <b>\$310,869</b>                       |
|                              |                            | GES                                   | 20%                  | 70.5%                         | –                | 150.0%                  | \$62,174  |                                        |
| Nigel Williams               | Group CFO                  | EBITDA                                | 70%                  | –                             | \$142,917,000    | 110.8%                  | \$231,223 | <b>\$301,402</b>                       |
|                              |                            | GES                                   | 15%                  | 64.8%                         | –                | 106.9%                  | \$47,820  |                                        |
|                              |                            | ESG (Board discretion) <sup>(4)</sup> | 15%                  | 0%                            | –                | 50%                     | \$22,359  |                                        |
| Dawn Linaker                 | CPO                        | EBITDA                                | 70%                  | –                             | \$142,917,000    | 110.8%                  | \$176,075 | <b>\$229,516</b>                       |
|                              |                            | GES                                   | 15%                  | 64.8%                         | –                | 106.9%                  | \$36,414  |                                        |
|                              |                            | ESG (Board discretion) <sup>(4)</sup> | 15%                  | 0%                            | –                | 50%                     | \$17,027  |                                        |
| Helen Moore <sup>(2)</sup>   | COO – KFC Aust             | EBITDA                                | 70%                  | –                             | \$163,961,000    | 111.8%                  | \$165,417 | <b>\$213,044</b>                       |
|                              |                            | GES                                   | 15%                  | 63.5%                         | –                | 100.2%                  | \$31,767  |                                        |
|                              |                            | ESG (Board discretion) <sup>(4)</sup> | 15%                  | 0%                            | –                | 50%                     | \$15,860  |                                        |
| David Timm <sup>(3)</sup>    | CMO                        | EBITDA                                | 80%                  | –                             | \$7,955,000      | 150%                    | \$61,180  | <b>\$71,377</b>                        |
|                              |                            | GES                                   | 20%                  | 67.0%                         | –                | 150.0%                  | \$10,197  |                                        |

(1) Appointed as Managing Director & CEO effective 29 June 2021.

(2) Appointed as Chief Operating Officer – KFC Australia effective 25 June 2021.

(3) Appointed as Chief Marketing Officer effective 1 January 2022.

(4) The Board exercised a downward discretion to modify the percentage eligible for payment of a STI for FY22 associated with the ESG target to 50% of possible award.

For the purposes of the STI awarded in FY22, pre AASB 16 underlying EBITDA was adjusted for non-trading items relating to: the gain on sale of land, FX movements on dividend received, fair value gain on debt modification, Netherlands acquisition costs and KFC Europe provisions for restaurant closures, totalling \$3.4 million, to calculate the STI performance outcomes.

| Name                         | Role(s)                    | FY21 Company level KPI Summary |                      |                       |                  |                         |           | Award outcomes<br>FY21 paid FY22    |
|------------------------------|----------------------------|--------------------------------|----------------------|-----------------------|------------------|-------------------------|-----------|-------------------------------------|
|                              |                            | KPI summary                    | Average<br>weighting | Average<br>GES target | EBITDA<br>target | % of target<br>achieved | Awarded   | Total STI award<br>(EBITDA and GES) |
| Drew O'Malley <sup>(1)</sup> | Managing Director<br>& CEO | EBITDA                         | 80%                  | –                     | \$129,505,000    | 103.7%                  | \$357,396 | <b>\$460,996</b>                    |
|                              |                            | GES                            | 20%                  | 64.3%                 | –                | 107.0%                  | \$103,600 |                                     |
| Hans Miete <sup>(2)</sup>    | CEO - CF Europe            | EBITDA                         | 80%                  | –                     | \$3,416,000      | –                       | –         | –                                   |
|                              |                            | GES                            | 20%                  | 68.5%                 | –                | 115.3%                  | –         |                                     |
| Nigel Williams               | Group CFO                  | EBITDA                         | 80%                  | –                     | \$129,505,000    | 103.7%                  | \$269,161 | <b>\$347,184</b>                    |
|                              |                            | GES                            | 20%                  | 64.3%                 | –                | 107.0%                  | \$78,023  |                                     |
| Dawn Linaker                 | CPO                        | EBITDA                         | 80%                  | –                     | \$129,505,000    | 103.7%                  | \$163,971 | <b>\$211,502</b>                    |
|                              |                            | GES                            | 20%                  | 64.3%                 | –                | 107.0%                  | \$47,531  |                                     |

(1) Appointed as Chief Executive Officer effective 1 July 2020.

(2) Appointed as Chief Executive Officer Europe effective 5 October 2020.

For the purposes of the STI awarded in FY21, pre AASB 16 underlying EBITDA was adjusted for non-trading items relating to KFC Europe provisions for restaurant closures, digital menu board costs, Netherlands acquisition costs and Netherlands development agreement fee, totalling \$2.0 million, to calculate the STI performance outcomes.

## LONG TERM INCENTIVES

During the 2020 financial year, grants under the long term incentive plan were made on 16 September 2019 with a performance period of FY20, FY21 and FY22 (FY20 Grant). The performance period for the FY20 Grant commenced on 29 April 2019 and ended on 1 May 2022 (Vesting Rights). It is the view of the Board that it is important for the Board to have the ability to make adjustments, where appropriate, to ensure the alignment between Company performance and KMP Executive reward and this is in the interests of all stakeholders including shareholders.

## REMUNERATION REPORT

The adjustments proposed by management for the FY22 year accepted by the Board are:

|                                      | \$'000,000 | Comment          |
|--------------------------------------|------------|------------------|
| Statutory NPAT Pre AASB 16           | \$61.2     |                  |
| Adjustments:                         |            |                  |
| Fair value loss on debt modification | \$1.0      | (Note (a) below) |
| Adjusted NPAT Result for LTI         | \$62.2     |                  |

- Note (a) Fair value loss on debt modification resulting from refinancing of debt facilities conducted during the year.

Allowing for these adjustments, an EPS CAGR of 10.32% was achieved, resulting in 47% of the maximum long term incentives eligible to vest following the reporting period being completed, becoming vested.

In exercising discretion, the Board considered adjustments to ensure that participants are not penalised, nor provided with a windfall benefit arising from matters outside executive's control that affect EPS (for example, one-off non-recurrent items or the impact of significant acquisitions or disposals).

| Name           | Role(s)                 | Tranche | Weighting | Number of eligible to vest in FY23 for FY22 completion | % of max/ stretch/ grant vested | Number vested | Grant date VWAP | \$ Value of LTI that vested (as per grant date VWAP) |
|----------------|-------------------------|---------|-----------|--------------------------------------------------------|---------------------------------|---------------|-----------------|------------------------------------------------------|
| Drew O'Malley  | Managing Director & CEO | EPSP    | 100%      | 30,632                                                 | 47%                             | 14,366        | \$9.0426        | \$129,906                                            |
| Nigel Williams | Group CFO               | EPSP    | 100%      | 30,632                                                 | 47%                             | 14,366        | \$9.0426        | \$129,906                                            |
| Dawn Linaker   | CPO                     | EPSP    | 100%      | 21,808                                                 | 47%                             | 10,227        | \$9.0426        | \$92,479                                             |

In relation to the completion of the reporting period, previous grants of equity made under the LTI plan during FY21 on 16 October 2020 with a performance period of FY21, FY22 and FY23 (FY21 Grant), these will be eligible for vesting during FY24 after the completion of FY23.

The table below sets out the annualised compound EPS growth hurdles applicable to the FY21 Grants:

| 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%                             |
| Below threshold and target | >5.5%, <11%                  | Pro-rata                        |
| Threshold                  | 5.5%                         | 25%                             |
| Below Threshold            | <5.5%                        | 0%                              |

## VESTING RIGHTS FOR RETIRED MANAGING DIRECTOR & CEO

At the 2019 AGM, shareholders approved the granting of performance rights to the then Managing Director & CEO, 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 considered 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 decided that he would retain a pro-rata portion of the currently unvested performance rights he was previously granted. Those grants that remain on issue were:

- 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 & 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 was 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 would not occur until the performance period had been completed, and only if vesting rights had 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 were to vest in the future. Accordingly, in line with the vesting determination decision outlined for the Vesting Rights above 17,395 Vesting Rights held by Graham Maxwell will convert to fully paid ordinary shares.

## REMUNERATION REPORT

## OTHER PERFORMANCE RIGHTS INFORMATION

All performance rights, the vesting of which are subject to EPS growth over defined reporting periods ending in 2019 through to 2022, expire in July 2021 through to July 2024 as set out in the table below:

| Reporting period ended | Expiry date  | Exercise price |
|------------------------|--------------|----------------|
| 1 May 2022             | 24 July 2024 | Nil            |
| 2 May 2021             | 27 July 2023 | Nil            |
| 3 May 2020             | 26 July 2022 | Nil            |
| 28 April 2019          | 20 July 2021 | Nil            |

There were two tranches of performance rights issued during the reporting period ended 1 May 2022. 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. The fair value at grant date for the EPS performance condition grants was determined using a discounted cash flow model incorporating the assumptions below:

| Assumption                | Grant date        |                |
|---------------------------|-------------------|----------------|
|                           | 14 September 2021 | 1 January 2022 |
| Tranche                   | 14                | 14A            |
| Fair value                | \$11.76           | \$12.69        |
| Share price at Grant date | \$12.45           | \$13.37        |
| Term (years)              | 3                 | 2.33           |
| Dividend yield            | 1.85%             | 1.72%          |
| Risk free interest rate   | 0.16%             | 0.75%          |

The fair value at grant date for the TSR performance condition grants was determined using a Monte-Carlo simulation model incorporating the assumptions below:

| Assumption                | Grant date        |                |
|---------------------------|-------------------|----------------|
|                           | 14 September 2021 | 1 January 2022 |
| Tranche                   | 14                | 14A            |
| Fair value                | \$7.54            | \$8.62         |
| Expiry date               | 24 July 2024      | 24 July 2024   |
| Share price at Grant date | \$12.45           | \$13.37        |
| Expected dividend yield   | 1.91%             | 1.91%          |
| Risk free interest rate   | 0.11%             | 0.78%          |

The following outlines the vesting scales that are applicable to the performance rights issued to executives during the current reported period and as part of remuneration for FY22:

| 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%                              |

| Relative TSR of Collins Foods Limited           | Proportion of performance rights to vest |
|-------------------------------------------------|------------------------------------------|
| Below the 50th percentile                       | 0%                                       |
| At the 50th percentile                          | 25%                                      |
| Between the 50th percentile and 75th percentile | 3% for each 1% > 50%, < 75%              |
| At or above the 75th percentile                 | 100%                                     |

There was one tranche of performance rights issued during the reporting period ended 2 May 2021. The fair value at grant date was determined using a discounted cash flow model incorporating the assumptions below:

| Assumption                | Grant date      |
|---------------------------|-----------------|
|                           | 16 October 2020 |
| Tranche                   | 13              |
| Fair value                | \$10.20         |
| Share price at Grant Date | \$10.78         |
| Term (years)              | 3               |
| Dividend Yield            | 1.86%           |
| Risk free interest rate   | 0.14%           |

## REMUNERATION REPORT

## 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 FY22 | Duration of Contract | <sup>(1)</sup> Period of Notice |           | <sup>(2)</sup> Termination Payments |
|------------------------------|--------------------------------|----------------------|---------------------------------|-----------|-------------------------------------|
|                              |                                |                      | From Company                    | From KMP  |                                     |
| Drew O'Malley <sup>(3)</sup> | Managing Director & CEO        | Open ended           | 12 months                       | 12 months | Up to 12 months                     |
| Hans Miete                   | CEO - CF Europe                | Open ended           | 6 months                        | 3 months  | Up to 12 months                     |
| Nigel Williams               | Group CFO                      | Open ended           | 6 months                        | 6 months  | Up to 12 months                     |
| Dawn Linaker                 | CPO                            | Open ended           | 6 months                        | 6 months  | Up to 12 months                     |
| Helen Moore <sup>(4)</sup>   | COO – KFC Australia            | Open ended           | 6 months                        | 6 months  | Up to 12 months                     |
| David Timm <sup>(5)</sup>    | CMO                            | Open ended           | 3 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 three years) unless shareholder approval is obtained.

(3) Appointed Managing Director & CEO effective 29 June 2021.

(4) Appointed Chief Operating Officer – KFC Australia effective 25 June 2021.

(5) Appointed Chief Marketing Officer effective 1 January 2022.

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 Drew O'Malley, Hans Miete, Nigel Williams, Helen Moore and David Timm 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.

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

| Function                              | Role                                       | Fee including super from 3 May 2021 |
|---------------------------------------|--------------------------------------------|-------------------------------------|
| Main Board                            | Chair (inclusive of committee memberships) | \$320,000                           |
|                                       | Member                                     | \$127,400                           |
| Audit and Risk Committee              | Committee Chair                            | \$30,000                            |
|                                       | Committee Members                          | \$14,500                            |
| Remuneration and Nomination Committee | Committee Chair                            | \$30,000                            |
|                                       | Committee Members                          | \$12,500                            |

## REMUNERATION REPORT

Remuneration received by Non-executive Directors in FY22 and FY21 is disclosed below:

| Name                          | Role                                | Year | Board and Committee Fees | Super-annuation | Other benefits | Termination benefits | <sup>(1)</sup> Total |
|-------------------------------|-------------------------------------|------|--------------------------|-----------------|----------------|----------------------|----------------------|
| Robert Kaye, SC               | Independent, Non-executive Chairman | 2022 | \$296,720                | \$23,280        | –              | –                    | \$320,000            |
|                               | Independent, Non-executive Chairman | 2021 | \$249,749                | –               | –              | –                    | \$249,749            |
| Mark Hawthorne <sup>(2)</sup> | Independent, Non-executive Director | 2022 | \$49,744                 | \$4,974         | –              | –                    | \$54,718             |
|                               | Independent, Non-executive Director | 2021 | –                        | –               | –              | –                    | –                    |
| Christine Holman              | Independent, Non-executive Director | 2022 | \$140,462                | \$13,938        | –              | –                    | \$154,400            |
|                               | Independent, Non-executive Director | 2021 | \$122,011                | \$11,630        | –              | –                    | \$133,641            |
| Newman Manion <sup>(3)</sup>  | Non-executive Director              | 2022 | \$45,987                 | \$4,490         | –              | –                    | \$50,477             |
|                               | Non-executive Director              | 2021 | \$122,004                | \$11,638        | –              | –                    | \$133,642            |
| Bronwyn Morris AM             | Independent, Non-executive Director | 2022 | \$167,632                | \$2,268         | –              | –                    | \$169,900            |
|                               | Independent, Non-executive Director | 2021 | \$132,656                | \$12,602        | –              | –                    | \$145,258            |
| Kevin Perkins                 | Non-executive Director              | 2022 | \$140,462                | \$13,938        | –              | –                    | \$154,400            |
|                               | Non-executive Director              | 2021 | \$122,047                | \$11,594        | –              | –                    | \$133,641            |
| Russell Tate                  | Independent, Non-executive Director | 2022 | \$171,900                | –               | –              | –                    | \$171,900            |
|                               | Independent, Non-executive Director | 2021 | \$145,847                | –               | –              | –                    | \$145,847            |

(1) Change of rates part way through 2021. First stage of rate change commenced from 1 October 2020 with full rate applicable from 1 May 2022.

(2) Appointed Independent Non-executive Director effective 23 December 2021.

(3) Resigned as Non-executive Director effective 27 August 2021.

## 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 2022 | Granted as compensation | Performance Rights forfeited | Received on exercise of Performance Rights | Acquisition/ (Disposal) | Number held at close 2022 |
|------------------------------|--------------------|--------------------------|-------------------------|------------------------------|--------------------------------------------|-------------------------|---------------------------|
| Drew O'Malley <sup>(1)</sup> | Shares             | 20,000                   | –                       | –                            | 14,887                                     | 5,113                   | 40,000                    |
|                              | Performance Rights | 150,125                  | 74,005                  | (22,332)                     | (14,887)                                   | –                       | 186,911                   |
| Hans Miete                   | Shares             | –                        | –                       | –                            | –                                          | –                       | –                         |
|                              | Performance Rights | –                        | 28,808                  | –                            | –                                          | –                       | 28,808                    |
| Nigel Williams               | Shares             | 22,283                   | –                       | –                            | 17,118                                     | –                       | 39,401                    |
|                              | Performance Rights | 104,409                  | 41,102                  | (25,678)                     | (17,118)                                   | –                       | 102,715                   |
| Dawn Linaker                 | Shares             | 15,017                   | –                       | –                            | 11,626                                     | 1,816                   | 28,459                    |
|                              | Performance Rights | 74,464                   | 31,299                  | (17,439)                     | (11,626)                                   | –                       | 76,698                    |
| Helen Moore <sup>(2)</sup>   | Shares             | –                        | –                       | –                            | –                                          | 416                     | 416                       |
|                              | Performance Rights | –                        | 27,069                  | –                            | –                                          | –                       | 27,069                    |
| David Timm <sup>(3)</sup>    | Shares             | –                        | –                       | –                            | –                                          | –                       | –                         |
|                              | Performance Rights | –                        | 8,908                   | –                            | –                                          | –                       | 8,908                     |
| <b>TOTAL</b>                 |                    | <b>386,298</b>           | <b>211,191</b>          | <b>(65,449)</b>              | <b>–</b>                                   | <b>7,345</b>            | <b>539,385</b>            |

(1) Appointed as Managing Director & CEO effective 29 June 2021.

(2) Appointed Chief Operating Officer – KFC Australia effective 25 June 2021.

(3) Appointed Chief Marketing Officer effective 1 January 2022.

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 2022 | Additions     | Disposals | Other           | Number held at close 2022 |
|-------------------------------|----------|--------------------------|---------------|-----------|-----------------|---------------------------|
| Robert Kaye, SC               | Shares   | 52,872                   | 2,941         | –         | –               | 55,813                    |
| Mark Hawthorne <sup>(1)</sup> | Shares   | –                        | 3,000         | –         | –               | 3,000                     |
| Christine Holman              | Shares   | 14,000                   | 3,000         | –         | –               | 17,000                    |
| Newman Manion <sup>(2)</sup>  | Shares   | 21,820                   | –             | –         | (21,820)        | –                         |
| Bronwyn Morris AM             | Shares   | 16,456                   | 3,000         | –         | –               | 19,456                    |
| Kevin Perkins                 | Shares   | 7,221,484                | –             | –         | –               | 7,221,484                 |
| Russell Tate                  | Shares   | 21,820                   | –             | –         | –               | 21,820                    |
| <b>TOTAL</b>                  |          | <b>7,348,452</b>         | <b>11,941</b> | <b>–</b>  | <b>(21,820)</b> | <b>7,338,573</b>          |

(1) Appointed Independent Non-executive Director effective 23 December 2021.

(2) Resigned as Non-executive Director effective 27 August 2021. The number disclosed under Other represents number of shares held at resignation date.

## REMUNERATION REPORT

| 2022 Equity Grants           |                         |                             |                                |
|------------------------------|-------------------------|-----------------------------|--------------------------------|
| Name                         | Role(s)                 | FY in which Rights may vest | Maximum value yet to vest (\$) |
| Drew O'Malley <sup>(1)</sup> | Managing Director & CEO | 2023                        | –                              |
|                              |                         | 2024                        | 135,837                        |
|                              |                         | 2025                        | 347,591                        |
| Hans Miete <sup>(2)</sup>    | CEO - CF Europe         | 2023                        | –                              |
|                              |                         | 2024                        | –                              |
|                              |                         | 2025                        | 135,307                        |
| Nigel Williams               | Group CFO               | 2023                        | –                              |
|                              |                         | 2024                        | 51,150                         |
|                              |                         | 2025                        | 193,050                        |
| Dawn Linaker                 | CPO                     | 2023                        | –                              |
|                              |                         | 2024                        | 38,949                         |
|                              |                         | 2025                        | 147,007                        |
| Helen Moore <sup>(3)</sup>   | COO – KFC Australia     | 2023                        | –                              |
|                              |                         | 2024                        | –                              |
|                              |                         | 2025                        | 127,139                        |
| David Timms <sup>(4)</sup>   | CMO                     | 2023                        | –                              |
|                              |                         | 2024                        | –                              |
|                              |                         | 2025                        | 62,702                         |

(1) Appointed Managing Director & CEO effective 29 June 2021.

(2) Appointed CFO – Europe effective 5 October 2020.

(3) Appointed Chief Operating Officer – KFC Australia effective 25 June 2021.

(4) Appointed Chief Marketing Officer effective 1 January 2022.

## Group Securities Trading Policy

The Group 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 Group 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.

## 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.

## REMUNERATION REPORT

## Most recent AGM – Remuneration Report comments and voting

At the most recent AGM in 2021: 99.19% 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:

|                              |                                                                                                                                          |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Egan &amp; Associates</b> | Review of and advice on remuneration practices evident in the market for Non-Executive directors and executive key management personnel. |
|                              | \$11,800 (ex GST and administration fees)                                                                                                |

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.

## Proceedings on behalf of the Company

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

## Non-audit services

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

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

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

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

|                                                                                            | 2022<br>Whole<br>dollars<br>\$ | 2021<br>Whole<br>dollars<br>\$ |
|--------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>AUDIT AND OTHER ASSURANCE SERVICES</b>                                                  |                                |                                |
| AUDIT SERVICES:                                                                            |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | 401,370                        | 579,747                        |
| Audit and review of financial reports and other audit work for foreign subsidiary          | 45,402                         | 42,432                         |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Audit and review of financial reports and other audit work for foreign subsidiary          | 349,618                        | 506,824                        |
|                                                                                            | <b>796,390</b>                 | <b>1,129,003</b>               |
| OTHER ASSURANCE SERVICES:                                                                  |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Restaurant sales certificates                                                              | 25,096                         | 29,478                         |
| Agreed upon procedures for covenant calculations                                           | 7,650                          | 7,650                          |
| ESG support                                                                                | 70,890                         | –                              |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Government subsidy audit                                                                   | –                              | 129,620                        |
| Taxation advice                                                                            | 10,457                         | –                              |
|                                                                                            | <b>114,093</b>                 | <b>166,748</b>                 |
| <b>Total remuneration for audit and other assurance services</b>                           | <b>910,483</b>                 | <b>1,295,751</b>               |
| <b>TAXATION SERVICES</b>                                                                   |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Tax compliance services, including review of tax returns and allowance claims              | 46,560                         | 58,160                         |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Tax compliance services, including review of company tax returns                           | 5,011                          | 56,675                         |
| <b>Total remuneration for taxation services</b>                                            | <b>51,571</b>                  | <b>114,835</b>                 |
| <b>OTHER SERVICES</b>                                                                      |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Acquisition related due diligence                                                          | 120,000                        | 276,787                        |
| <b>Total remuneration for other services</b>                                               | <b>120,000</b>                 | <b>276,787</b>                 |
| <b>TOTAL REMUNERATION FOR SERVICES</b>                                                     | <b>1,082,054</b>               | <b>1,687,373</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 29.

## 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 that 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.



**Robert Kaye SC**  
Chair

Brisbane  
28 June 2022



## Auditor's Independence Declaration

As lead auditor for the audit of Collins Foods Limited for the period 3 May 2021 to 1 May 2022, 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 that reads 'Michael Crowe'.

Michael Crowe  
Partner  
PricewaterhouseCoopers

Brisbane  
28 June 2022

PricewaterhouseCoopers, ABN 52 780 433 757  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# CONSOLIDATED INCOME STATEMENT

For the reporting period ended 1 May 2022

|                                                                                                     | Notes | 2022<br>\$000  | (1) 2021<br>\$000 |
|-----------------------------------------------------------------------------------------------------|-------|----------------|-------------------|
| Revenue                                                                                             | A3    | 1,184,521      | 1,065,905         |
| Cost of sales                                                                                       |       | (562,358)      | (505,996)         |
| <b>Gross profit</b>                                                                                 |       | <b>622,163</b> | <b>559,909</b>    |
| Selling, marketing and royalty expenses                                                             |       | (256,607)      | (228,164)         |
| Occupancy expenses                                                                                  |       | (79,523)       | (77,158)          |
| Restaurant related expenses                                                                         |       | (93,291)       | (90,083)          |
| Administrative expenses (1)                                                                         |       | (71,660)       | (63,680)          |
| Other expenses                                                                                      |       | (15,142)       | (10,985)          |
| Other income                                                                                        |       | 1,588          | 727               |
| Other gains/(losses) – net (2)                                                                      | G2    | 3,373          | (321)             |
| <b>Profit from continuing operations before finance income, finance costs and income tax (EBIT)</b> |       | <b>110,901</b> | <b>90,245</b>     |
| Finance costs                                                                                       | A4    | (30,207)       | (29,391)          |
| Share of net profit/(loss) of associates and joint ventures accounted for using the equity method   | E1    | (5)            | 50                |
| <b>Profit from continuing operations before income tax</b>                                          |       | <b>80,689</b>  | <b>60,904</b>     |
| Income tax expense                                                                                  | G12   | (25,890)       | (23,633)          |
| <b>Profit from continuing operations</b>                                                            |       | <b>54,799</b>  | <b>37,271</b>     |
| Loss from discontinued operation (attributable to equity holders of the Company)                    | F2    | –              | (4,663)           |
| <b>Net profit attributable to members of Collins Foods Limited</b>                                  |       | <b>54,799</b>  | <b>32,608</b>     |

|                                                                 | Notes | 2022<br>cents per<br>share | (1) 2021<br>cents per<br>share |
|-----------------------------------------------------------------|-------|----------------------------|--------------------------------|
| Basic earnings per share from continuing operations (cents)     | G3    | 46.96                      | 31.97                          |
| Basic earnings per share from discontinued operations (cents)   | G3    | –                          | (4.00)                         |
| Diluted earnings per share from continuing operations (cents)   | G3    | 46.75                      | 31.82                          |
| Diluted earnings per share from discontinued operations (cents) | G3    | –                          | (3.98)                         |

|                                                      | Notes | 2022<br>Shares | 2021<br>Shares |
|------------------------------------------------------|-------|----------------|----------------|
| Weighted average basic ordinary shares outstanding   | G3    | 116,696,110    | 116,581,244    |
| Weighted average diluted ordinary shares outstanding | G3    | 117,223,628    | 117,141,933    |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

(2) Certain items previously classified as Other expenses, such as Net foreign exchange gain, Net loss on disposal of property, plant and equipment and Net gain/(loss) on disposal of leases, have been reclassified to Other gains/(losses) – net. The comparative values have been reclassified to reflect this change.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 1 May 2022

|                                                                        | Notes | 2022<br>\$000 | (1) 2021<br>\$000 |
|------------------------------------------------------------------------|-------|---------------|-------------------|
| <b>Net profit attributable to members of Collins Foods Limited</b>     |       | <b>54,799</b> | <b>32,608</b>     |
| items that may be reclassified to profit or loss                       |       |               |                   |
| <b>Other comprehensive income/(expense):</b>                           |       |               |                   |
| Exchange differences on translation of foreign operations              | G11   | (511)         | (5,891)           |
| Cash flow hedges                                                       | G11   | 5,760         | 1,940             |
| Income tax relating to components of other comprehensive income        | G12   | (1,728)       | (582)             |
| <b>Other comprehensive income/(expense) for the period, net of tax</b> |       | <b>3,521</b>  | <b>(4,533)</b>    |
| <b>Total comprehensive income for the reporting period</b>             |       | <b>58,320</b> | <b>28,075</b>     |
| Total comprehensive income for the period is attributable to:          |       |               |                   |
| Owners of the parent                                                   |       | 58,320        | 28,075            |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

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

# CONSOLIDATED BALANCE SHEET

As at 1 May 2022

|                                                   | Notes | 2022<br>\$000    | (1) (2) 2021<br>\$000 |
|---------------------------------------------------|-------|------------------|-----------------------|
| <b>ASSETS</b>                                     |       |                  |                       |
| <b>Current assets:</b>                            |       |                  |                       |
| Cash and cash equivalents                         | B1    | 97,217           | 95,717                |
| Receivables <sup>(2)</sup>                        | G4    | 4,200            | 3,041                 |
| Inventories                                       |       | 7,930            | 7,171                 |
| Derivative financial instruments                  | C3    | 662              | –                     |
| Other assets                                      |       | 3,845            | 5,162                 |
| <b>Total current assets</b>                       |       | <b>113,854</b>   | <b>111,091</b>        |
| <b>Non-current assets:</b>                        |       |                  |                       |
| Property, plant and equipment                     | G5    | 216,099          | 188,919               |
| Intangible assets <sup>(1)(2)</sup>               | G6    | 475,292          | 451,549               |
| Right-of-use assets <sup>(2)</sup>                | G8    | 432,468          | 361,657               |
| Deferred tax assets                               | G12   | 39,825           | 41,129                |
| Investments accounted for using the equity method |       | 2,397            | 2,402                 |
| Derivative financial instruments                  | C3    | 2,784            | –                     |
| Other assets                                      |       | 252              | 356                   |
| <b>Total non-current assets</b>                   |       | <b>1,169,117</b> | <b>1,046,012</b>      |
| <b>Total assets</b>                               |       | <b>1,282,971</b> | <b>1,157,103</b>      |
| <b>LIABILITIES</b>                                |       |                  |                       |
| <b>Current liabilities:</b>                       |       |                  |                       |
| Trade and other payables <sup>(2)</sup>           | G9    | 116,473          | 96,654                |
| Lease liabilities <sup>(2)</sup>                  | G8    | 37,766           | 34,211                |
| Current tax liabilities                           |       | 5,514            | 7,084                 |
| Derivative financial instruments                  | C3    | –                | 1,536                 |
| Provisions <sup>(2)</sup>                         | G10   | 6,736            | 7,554                 |
| <b>Total current liabilities</b>                  |       | <b>166,489</b>   | <b>147,039</b>        |
| <b>Non-current liabilities:</b>                   |       |                  |                       |
| Borrowings                                        | B2    | 270,994          | 271,490               |
| Lease liabilities                                 | G8    | 439,623          | 363,601               |
| Deferred tax liabilities                          | G12   | 5,148            | 4,580                 |
| Derivative financial instruments                  | C3    | –                | 819                   |
| Provisions                                        | G10   | 7,190            | 6,976                 |
| <b>Total non-current liabilities</b>              |       | <b>722,955</b>   | <b>647,466</b>        |
| <b>Total liabilities</b>                          |       | <b>889,444</b>   | <b>794,505</b>        |
| <b>NET ASSETS</b>                                 |       | <b>393,527</b>   | <b>362,598</b>        |
| <b>EQUITY</b>                                     |       |                  |                       |
| Contributed equity                                | D3    | 291,394          | 290,788               |
| Reserves                                          | G11   | 14,871           | 10,756                |
| Retained earnings <sup>(1)</sup>                  |       | 87,262           | 61,054                |
| <b>TOTAL EQUITY</b>                               |       | <b>393,527</b>   | <b>362,598</b>        |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

(2) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 1 May 2022

|                                                                               | (1) Notes | 2022<br>\$000   | (2) 2021<br>\$000 |
|-------------------------------------------------------------------------------|-----------|-----------------|-------------------|
| <b>Cash flows from operating activities</b>                                   |           |                 |                   |
| Receipts from customers (inclusive of GST and VAT)                            |           | 1,313,864       | 1,174,773         |
| Payments to suppliers and employees (inclusive of GST and VAT) <sup>(2)</sup> |           | (1,042,196)     | (933,500)         |
| Goods and services taxes (GST) and Value added taxes (VAT) paid               |           | (59,236)        | (58,061)          |
| Interest received                                                             |           | –               | 1                 |
| Interest and other borrowing costs paid                                       |           | (6,647)         | (8,337)           |
| Interest paid on leases <sup>(3)</sup>                                        | B1        | (22,679)        | (19,449)          |
| Income tax paid                                                               |           | (26,772)        | (27,179)          |
| <b>Net operating cash flows</b>                                               | <b>B1</b> | <b>156,334</b>  | <b>128,248</b>    |
| <b>Cash flows from investing activities</b>                                   |           |                 |                   |
| Payment for acquisition of subsidiary, net of cash acquired                   | A2        | (28,339)        | (3,943)           |
| Payments for property, plant and equipment                                    |           | (67,844)        | (41,883)          |
| Proceeds from sale of property, plant and equipment                           |           | 4,246           | 267               |
| Payments for intangible assets <sup>(2)</sup>                                 |           | (5,372)         | (5,018)           |
| <b>Net investing cash flows</b>                                               |           | <b>(97,309)</b> | <b>(50,577)</b>   |
| <b>Cash flows from financing activities</b>                                   |           |                 |                   |
| Refinance fees paid                                                           | B1        | (1,472)         | –                 |
| Proceeds from borrowings - bank loan facilities                               | B1        | 32,581          | 4,673             |
| Repayment of borrowings and other obligations                                 | B1        | (28,000)        | (42,000)          |
| Payments for lease principal                                                  | B1        | (36,465)        | (31,222)          |
| Dividends paid                                                                | B4        | (28,591)        | (24,482)          |
| <b>Net financing cash flows</b>                                               | <b>B1</b> | <b>(61,947)</b> | <b>(93,031)</b>   |
| <b>Net (decrease) increase in cash and cash equivalents</b>                   |           | <b>(2,922)</b>  | <b>(15,360)</b>   |
| Cash and cash equivalents at the beginning of the reporting period            |           | 95,717          | 116,297           |
| Effects of exchange rate changes on cash and cash equivalents                 |           | 4,422           | (5,220)           |
| <b>Cash and cash equivalents at end of reporting period</b>                   | <b>B1</b> | <b>97,217</b>   | <b>95,717</b>     |

(1) For cash flows specific to Sizzler Australia, which was discontinued in the 2021 full year reporting period, refer to Note F1. No cash flows are attributable to Sizzler Australia for the 2022 reporting period.

(2) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

(3) Interest paid on leases, including the prior year comparative, has been reclassified to operating cash flows.

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 1 May 2022

|                                                                          | Notes | Contributed equity | Reserves       | Retained earnings | Total equity   |
|--------------------------------------------------------------------------|-------|--------------------|----------------|-------------------|----------------|
| 2022                                                                     |       | \$000              | \$000          | \$000             | \$000          |
| <b>Balance as at 2 May 2021</b>                                          |       | 290,788            | 10,756         | 61,054            | 362,598        |
| Profit for the reporting period                                          |       | –                  | –              | 54,799            | 54,799         |
| Other comprehensive income                                               |       | –                  | 3,521          | –                 | 3,521          |
| <b>Total comprehensive income for the reporting period</b>               |       | –                  | <b>3,521</b>   | <b>54,799</b>     | <b>58,320</b>  |
| Transactions with owners in their capacity as owners:                    |       |                    |                |                   |                |
| Share based payments                                                     | G11   | –                  | 1,200          | –                 | 1,200          |
| Dividends provided for or paid                                           | B4    | –                  | –              | (28,591)          | (28,591)       |
| Performance rights vested                                                | G11   | 606                | (606)          | –                 | –              |
| <b>End of the reporting period</b>                                       |       | <b>291,394</b>     | <b>14,871</b>  | <b>87,262</b>     | <b>393,527</b> |
| 2021                                                                     |       | \$000              | \$000          | \$000             | \$000          |
| <b>Balance as at 3 May 2020</b>                                          |       | 290,788            | 14,088         | 52,928            | 357,804        |
| Profit for the reporting period as previously reported                   |       | –                  | –              | 32,949            | 32,949         |
| Expenses SaaS implementation costs previously capitalised <sup>(1)</sup> |       | –                  | –              | (341)             | (341)          |
| Profit for the reporting period (restated) <sup>(1)</sup>                |       | –                  | –              | 32,608            | 32,608         |
| Other comprehensive income                                               |       | –                  | (4,533)        | –                 | (4,533)        |
| <b>Total comprehensive income for the reporting period</b>               |       | –                  | <b>(4,533)</b> | <b>32,608</b>     | <b>28,075</b>  |
| Transactions with owners in their capacity as owners:                    |       |                    |                |                   |                |
| Share based payments                                                     | G11   | –                  | 1,201          | –                 | 1,201          |
| Dividends provided for or paid                                           | B4    | –                  | –              | (24,482)          | (24,482)       |
| <b>End of the reporting period</b>                                       |       | <b>290,788</b>     | <b>10,756</b>  | <b>61,054</b>     | <b>362,598</b> |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

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

# 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 combinations

### A3: Revenue

### A4: Material profit or loss items from continuing operations

## 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. Three reportable segments have been identified: KFC Restaurants Australia, KFC Restaurants Europe and Taco Bell Restaurants, all 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 segment of Sizzler Asia Restaurants. This segment is not separately reportable due to its relative size in both the current and prior reporting periods.

### 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:

|                                                | KFC<br>Australia<br>restaurants | KFC<br>Europe<br>restaurants | Taco Bell<br>restaurants | (1) Other | Total     |
|------------------------------------------------|---------------------------------|------------------------------|--------------------------|-----------|-----------|
| 2022                                           | \$000                           | \$000                        | \$000                    | \$000     | \$000     |
| Total segment revenue                          | 955,508                         | 190,439                      | 35,752                   | 2,822     | 1,184,521 |
| Underlying EBITDA (2)                          | 206,867                         | 27,577                       | (421)                    | (24,807)  | 209,216   |
| Depreciation, amortisation, and impairment (3) | 63,510                          | 19,998                       | 8,371                    | 4,379     | 96,258    |
| Finance costs - net                            | 18,242                          | 4,110                        | 925                      | 6,930     | 30,207    |
| Income tax expense                             | –                               | –                            | –                        | 25,890    | 25,890    |
| 2021 Restated                                  | \$000                           | \$000                        | \$000                    | (4) \$000 | \$000     |
| Total segment revenue                          | 900,411                         | 134,907                      | 28,039                   | 2,548     | 1,065,905 |
| Underlying EBITDA (2) (4)                      | 198,531                         | 11,955                       | 233                      | (24,930)  | 185,789   |
| Depreciation, amortisation and impairment (3)  | 58,718                          | 22,226                       | 9,348                    | 3,295     | 93,587    |
| Finance costs - net (5)                        | 16,983                          | 3,308                        | 739                      | 8,361     | 29,391    |
| Income tax expense                             | –                               | –                            | –                        | 23,633    | 23,633    |

(1) Other includes: Shared Services and Sizzler Asia restaurants.

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

(3) Refer below for a reconciliation of total depreciation, amortisation, and impairment of the Group. Refer to Note G7 for information on impairment per asset class, per segment for the reporting period.

(4) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

(5) Finance costs – net for the prior reporting period have been reclassified to allocate interest arising on leases to their specific operating segments.

## A1: Segment information continued

## LOCATION OF REVENUE AND NON-CURRENT ASSETS

|                                                                                                         | Australia | Europe  | Asia   | Total     |
|---------------------------------------------------------------------------------------------------------|-----------|---------|--------|-----------|
| 2022                                                                                                    | \$000     | \$000   | \$000  | \$000     |
| Revenue                                                                                                 | 991,260   | 190,439 | 2,822  | 1,184,521 |
| Non-current assets (property, plant and equipment, intangibles, and right-of-use assets)                | 878,834   | 234,960 | 10,065 | 1,123,859 |
| 2021 Restated                                                                                           | \$000     | \$000   | \$000  | \$000     |
| Revenue                                                                                                 | 928,450   | 134,907 | 2,548  | 1,065,905 |
| Non-current assets (property, plant and equipment, intangibles, and right-of-use assets) <sup>(1)</sup> | 815,364   | 177,094 | 9,667  | 1,002,125 |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details) and an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## OTHER SEGMENT INFORMATION

## Segment revenue from continuing operations

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

Revenue from external customers is derived from the sale of food in KFC and Taco Bell restaurants, franchise fees and royalties from Sizzler Asia restaurants and service fees relating to the Corporate Franchise Agreement in Europe.

## Underlying EBITDA from continuing operations

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). It also excludes impairment of property, plant, equipment, franchise rights, brand assets, goodwill and leases to the extent they are isolated non-recurring events plus any other non-recurring items. 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:

|                                                                            | 2022<br>\$000 | <sup>(1)</sup> 2021<br>\$000 |
|----------------------------------------------------------------------------|---------------|------------------------------|
| Underlying EBITDA <sup>(1)</sup>                                           | 209,216       | 185,789                      |
| Finance costs                                                              | (30,207)      | (29,391)                     |
| Cost of acquisitions expensed                                              | (2,932)       | (1,400)                      |
| Depreciation                                                               | (88,531)      | (80,489)                     |
| Amortisation                                                               | (4,564)       | (3,587)                      |
| Impairment of property, plant and equipment                                | (1,523)       | (4,476)                      |
| Impairment of intangible assets                                            | (31)          | (232)                        |
| Impairment of right-of-use assets                                          | (1,609)       | (4,803)                      |
| Share of net profit of joint venture accounted for using the equity method | (5)           | 50                           |
| Fair value gain on debt modification                                       | (945)         | –                            |
| Gain on sale and leaseback                                                 | 1,243         | –                            |
| Other non-trading items                                                    | 577           | (557)                        |
| <b>Profit before income tax from continuing operations</b>                 | <b>80,689</b> | <b>60,904</b>                |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

## A2: Business combinations

### CURRENT PERIOD

#### LELYSTAD – SUMMARY OF ACQUISITION

On 1 June 2021, Collins Foods Netherlands Limited, a wholly owned subsidiary of Collins Foods Limited, entered into a Share Purchase Agreement to acquire 100% of the issued capital of KFC Taupo Lelystad restaurant from Kia Ora Holding B.V, obtaining control of KFC Taupo Lelystad. The Group paid €2.2 million (\$3.4 million) for the acquisition.

The primary reason for the acquisition was to expand the Group's European operations in the quick service restaurant market.

At 17 October 2021 (balance date of the interim financial report), the fair value of some assets and liabilities assumed were recognised on a provisional basis. Since the balance date of the interim financial report, additional information came to light that has adjusted the purchase consideration and fair value of the assets acquired and liabilities assumed. The amounts which have been altered and the effect on the financial statements have been summarised below.

Details of the purchase consideration, including the amounts which have been altered, are as follows:

|                                     | Provisional fair value<br>at 17 October 2021 | Purchase price<br>adjustment | Revised fair value<br>at 1 May 2022 |
|-------------------------------------|----------------------------------------------|------------------------------|-------------------------------------|
| Cash paid                           | 3,532                                        | (114)                        | 3,418                               |
| <b>Total purchase consideration</b> | <b>3,532</b>                                 | <b>(114)</b>                 | <b>3,418</b>                        |

The provisional fair values of the assets and liabilities of the business acquired as at the date of acquisition, including the amounts which have been altered, are as follows:

|                                              | Provisional fair value<br>at 17 October 2021 | Purchase price<br>adjustment | Revised fair value<br>at 1 May 2022 |
|----------------------------------------------|----------------------------------------------|------------------------------|-------------------------------------|
|                                              | \$000                                        | \$000                        | \$000                               |
| Cash and cash equivalents                    | 53                                           | (17)                         | 36                                  |
| Trade and other receivables                  | 46                                           | (5)                          | 41                                  |
| Inventories                                  | 29                                           | –                            | 29                                  |
| Prepayments                                  | 44                                           | –                            | 44                                  |
| Property, plant and equipment                | 34                                           | –                            | 34                                  |
| Right-of-use assets                          | 3,590                                        | (767)                        | 2,823                               |
| Trade and other payables                     | (532)                                        | (135)                        | (667)                               |
| Provisions                                   | (1,859)                                      | –                            | (1,859)                             |
| Lease liabilities                            | (3,590)                                      | 767                          | (2,823)                             |
| <b>Net identifiable liabilities acquired</b> | <b>(2,185)</b>                               | <b>(157)</b>                 | <b>(2,342)</b>                      |
| Goodwill                                     | 5,717                                        | 43                           | 5,760                               |
| <b>Net assets acquired</b>                   | <b>3,532</b>                                 | <b>(114)</b>                 | <b>3,418</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 Consolidated Income Statement (Other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (Payments to suppliers and employees).

#### Purchase consideration – cash flow

|                                               | Provisional fair value<br>at 17 October 2021 | Purchase price<br>adjustment | Revised fair value<br>at 1 May 2022 |
|-----------------------------------------------|----------------------------------------------|------------------------------|-------------------------------------|
|                                               | \$000                                        | \$000                        | \$000                               |
| Cash consideration                            | 3,532                                        | (114)                        | 3,418                               |
| Less: balances acquired                       | (53)                                         | 17                           | (36)                                |
| <b>Outflow of cash – investing activities</b> | <b>3,479</b>                                 | <b>(97)</b>                  | <b>3,382</b>                        |

The fair value of assets acquired and liabilities assumed may continue to be amended during the measurement period, however, management do not expect material differences from the amounts recognised in the reporting period to 1 May 2022.

The acquired business contributed revenues of \$4.5 million and Underlying EBITDA (as defined in Note A1) of \$0.8 million for the period the restaurants were owned, up to 1 May 2022.

## A2: Business combinations continued

### DOORNBOS – SUMMARY OF ACQUISITION

On 1 July 2021, Collins Foods Netherlands Limited, a wholly owned subsidiary of Collins Foods Limited, entered into an Asset Purchase Agreement to acquire five KFC restaurants located in the Netherlands. These restaurants have been purchased from a local franchisee in the Netherlands region. The Group have paid €6.1 million (\$9.6 million) for the acquisition of the assets and assumed liabilities relating to the five restaurants, plus transaction costs, utilising the Group's existing debt facility.

The primary reason for the acquisition was to expand the Group's European operations in the quick service restaurant market.

At 17 October 2021 (balance date of the interim financial report), the fair value of some assets and liabilities assumed were recognised on a provisional basis. Since the balance date of the interim financial report, additional information came to light that has adjusted the fair value of the assets acquired and liabilities assumed. The amounts which have been altered and the effect on the financial statements have been summarised below.

Details of the purchase consideration are as follows:

|                                     | \$000        |
|-------------------------------------|--------------|
| Cash paid                           | 9,615        |
| <b>Total purchase consideration</b> | <b>9,615</b> |

The provisional fair values of the assets and liabilities of the business acquired as at the date of acquisition, including the amounts which have been altered, are as follows:

|                                         | Provisional fair value<br>at 17 October 2021 | Purchase price<br>adjustment | Revised fair value<br>at 1 May 2022 |
|-----------------------------------------|----------------------------------------------|------------------------------|-------------------------------------|
|                                         | \$000                                        | \$000                        | \$000                               |
| Cash and cash equivalents               | 20                                           | –                            | 20                                  |
| Trade and other receivables             | 3                                            | –                            | 3                                   |
| Inventories                             | 107                                          | –                            | 107                                 |
| Prepayments                             | 69                                           | –                            | 69                                  |
| Property, plant and equipment           | 5,800                                        | (2,216)                      | 3,584                               |
| Right-of-use assets                     | 6,586                                        | (572)                        | 6,014                               |
| Trade and other payables                | (169)                                        | –                            | (169)                               |
| Provisions                              | (1,509)                                      | –                            | (1,509)                             |
| Lease liabilities                       | (6,586)                                      | (1,023)                      | (7,609)                             |
| <b>Net identifiable assets acquired</b> | <b>4,321</b>                                 | <b>(3,811)</b>               | <b>510</b>                          |
| Goodwill                                | 5,294                                        | 3,811                        | 9,105                               |
| <b>Net assets acquired</b>              | <b>9,615</b>                                 | <b>–</b>                     | <b>9,615</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 Consolidated Income Statement (Other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (Payments to suppliers and employees).

### Purchase consideration – cash flow

|                                               | As at acquisition date<br>\$000 |
|-----------------------------------------------|---------------------------------|
| Cash consideration                            | 9,615                           |
| Less: balances acquired                       | (20)                            |
| <b>Outflow of cash - investing activities</b> | <b>9,595</b>                    |

The fair value of assets acquired and liabilities assumed may continue to be amended during the measurement period, however, management do not expect material differences from the amounts recognised in the reporting period to 1 May 2022.

The acquired business contributed revenues of \$14.5 million and Underlying EBITDA (as defined in Note A1) of \$1.5 million for the period the restaurants were owned, up to 1 May 2022.

## A2: Business combinations continued

### CORPORATE FRANCHISE AGREEMENT – SUMMARY OF ACQUISITION

On 31 December 2021, Collins Foods Netherlands Management B.V., a wholly owned subsidiary of Collins Foods Limited, entered into a Framework Agreement to acquire the business assets and assumed liabilities from KFC Europe SARL. The Group have paid €0.4 million (\$0.6 million) for the acquisition.

The primary reason for the acquisition was to support the Group's operations as Corporate Franchisor in Europe.

Details of the purchase consideration are as follows:

|                                     | \$000      |
|-------------------------------------|------------|
| Cash paid                           | 581        |
| <b>Total purchase consideration</b> | <b>581</b> |

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

|                                         | Fair Value<br>\$000 |
|-----------------------------------------|---------------------|
| Prepayments                             | 21                  |
| Property, plant and equipment           | 617                 |
| Intangibles                             | 152                 |
| Trade and other payables                | (81)                |
| Provisions                              | (128)               |
| <b>Net identifiable assets acquired</b> | <b>581</b>          |
| Goodwill                                | –                   |
| <b>Net assets acquired</b>              | <b>581</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 Consolidated Income Statement (Other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (Payments to suppliers and employees).

### Purchase consideration – cash flow

|                                               | As at acquisition date<br>\$000 |
|-----------------------------------------------|---------------------------------|
| Cash consideration                            | 581                             |
| Less: balances acquired                       | –                               |
| <b>Outflow of cash - investing activities</b> | <b>581</b>                      |

The fair value of assets acquired and liabilities assumed may be amended during the measurement period, however, management do not expect material differences from the amounts recognised in the reporting period to 1 May 2022.

## A2: Business combinations continued

### DE KOK– SUMMARY OF ACQUISITION

On 1 February 2022, Collins Foods Netherlands Operations B.V., a wholly owned subsidiary of Collins Foods Limited, entered into a Share Purchase Agreement to acquire nine KFC restaurants located in the Netherlands. These restaurants have been purchased from a local franchisee in the Netherlands region. The Group paid €9.7 million (\$15.4 million) for the acquisition of the assets and assumed liabilities relating to the acquisition of the nine restaurants, plus transaction costs.

The nine restaurants are:

- KFC Barendrecht
- KFC Alexandrium
- KFC Binnenwegplein
- KFC Groene Hilledijk
- KFC Bergweg
- KFC Zuidplein
- KFC Stadion-Boulevard
- KFC Kruiskade
- KFC Spijkenisse

The primary reason for the acquisition was to expand the Group's European operations in the quick service restaurant market.

Details of the purchase consideration are as follows:

|                                     | \$000         |
|-------------------------------------|---------------|
| Cash paid                           | 15,405        |
| <b>Total purchase consideration</b> | <b>15,405</b> |

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

|                                              | Fair Value<br>\$000 |
|----------------------------------------------|---------------------|
| Cash and cash equivalents                    | 369                 |
| Trade and other receivables                  | 2,244               |
| Inventories                                  | 121                 |
| Property, plant and equipment                | 4,486               |
| Right-of-use assets                          | 10,367              |
| Trade and other payables                     | (6,181)             |
| Lease liabilities                            | (11,567)            |
| <b>Net identifiable liabilities acquired</b> | <b>(161)</b>        |
| Goodwill                                     | 15,566              |
| <b>Net assets acquired</b>                   | <b>15,405</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 Consolidated Income Statement (Other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (Payments to suppliers and employees).

### Purchase consideration – cash flow

|                                               | As at acquisition date<br>\$000 |
|-----------------------------------------------|---------------------------------|
| Cash consideration                            | 15,405                          |
| Less: balances acquired                       | (369)                           |
| <b>Outflow of cash - investing activities</b> | <b>15,036</b>                   |

The fair value of assets acquired and liabilities assumed may be amended during the measurement period, however, management do not expect material differences from the amounts recognised in the reporting period to 1 May 2022.

The acquired business contributed revenues of \$6.2 million and Underlying EBITDA (as defined in Note A1) of \$0.5 million for the period the restaurants were owned, up to 1 May 2022.

The underlying EBITDA is somewhat impacted by seasonality due to the quieter Winter trading period and a higher mix of in-line restaurants.

If all acquisitions this financial year had occurred on 3 May 2021, the consolidated revenue and consolidated Underlying EBITDA for the reporting period ended 1 May 2022 would have been \$1,204.8 million and \$211.2 million respectively. The revenue and consolidated EBITDA for all acquisitions since completion date are already reflected in the Financial Statements.

## A2: Business combinations continued

## PRIOR PERIOD

## KFC EUROPE RESTAURANTS – SUMMARY OF ACQUISITION

In the 2021 financial year, three KFC restaurants were acquired through a Share Purchase Agreement. Details of this business combination were disclosed in Note A2 of the Group's 2021 Annual Report.

At 2 May 2021, the fair value of some assets and liabilities assumed were recognised on a provisional basis. In the current reporting period, additional information came to light that has adjusted the purchase value and fair value of the assets acquired and liabilities assumed. The amounts which have been altered and the effect on the financial statements have been summarised below:

|                                             | Provisional fair value<br>at 2 May 2021 | Purchase price<br>adjustment | Final fair value at<br>2 May 2021 |
|---------------------------------------------|-----------------------------------------|------------------------------|-----------------------------------|
| Goodwill arising on acquisition             | \$000                                   | \$000                        | \$000                             |
| Purchase consideration                      | 4,378                                   | (255)                        | 4,123                             |
| Less: fair value of net identifiable assets | (576)                                   | 1,082                        | 506                               |
| <b>Goodwill on acquisition</b>              | <b>3,802</b>                            | <b>827</b>                   | <b>4,629</b>                      |
| Net identifiable assets                     | \$000                                   | \$000                        | \$000                             |
| Cash                                        | 435                                     | –                            | 435                               |
| Receivables                                 | 613                                     | –                            | 613                               |
| Inventories                                 | 50                                      | –                            | 50                                |
| Property, plant and equipment               | 971                                     | –                            | 971                               |
| Right-of-use assets                         | –                                       | 2,556                        | 2,556                             |
| Trade and other payables                    | (1,493)                                 | 241                          | (1,252)                           |
| Provisions                                  | –                                       | (1,323)                      | (1,323)                           |
| Lease liabilities                           | –                                       | (2,556)                      | (2,556)                           |
| <b>Net identifiable assets acquired</b>     | <b>576</b>                              | <b>(1,082)</b>               | <b>(506)</b>                      |

## 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.

### 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<br>Australia<br>restaurants | KFC<br>Europe<br>restaurants | Taco Bell<br>restaurants | Other        | Total            |
|---------------------------------------|---------------------------------|------------------------------|--------------------------|--------------|------------------|
| 2022                                  | \$000                           | \$000                        | \$000                    | \$000        | \$000            |
| Sale of goods                         | 955,508                         | 186,867                      | 35,752                   | –            | 1,178,127        |
| Franchise revenue                     | –                               | –                            | –                        | 2,822        | 2,822            |
| Corporate Franchise Agreement revenue | –                               | 3,572                        | –                        | –            | 3,572            |
|                                       | <b>955,508</b>                  | <b>190,439</b>               | <b>35,752</b>            | <b>2,822</b> | <b>1,184,521</b> |
| 2021                                  | \$000                           | \$000                        | \$000                    | \$000        | \$000            |
| Sale of goods                         | 900,411                         | 134,907                      | 28,039                   | –            | 1,063,357        |
| Franchise revenue                     | –                               | –                            | –                        | 2,548        | 2,548            |
|                                       | <b>900,411</b>                  | <b>134,907</b>               | <b>28,039</b>            | <b>2,548</b> | <b>1,065,905</b> |

#### TIMING OF REVENUE RECOGNITION

|                    | KFC<br>Australia<br>restaurants | KFC<br>Europe<br>restaurants | Taco Bell<br>restaurants | Other        | Total            |
|--------------------|---------------------------------|------------------------------|--------------------------|--------------|------------------|
| 2022               | \$000                           | \$000                        | \$000                    | \$000        | \$000            |
| At a point in time | 955,508                         | 187,952                      | 35,752                   | 2,775        | 1,181,987        |
| Over time          | –                               | 2,487                        | –                        | 47           | 2,534            |
|                    | <b>955,508</b>                  | <b>190,439</b>               | <b>35,752</b>            | <b>2,822</b> | <b>1,184,521</b> |
| 2021               | \$000                           | \$000                        | \$000                    | \$000        | \$000            |
| At a point in time | 900,411                         | 134,907                      | 28,039                   | 2,453        | 1,065,810        |
| Over time          | –                               | –                            | –                        | 95           | 95               |
|                    | <b>900,411</b>                  | <b>134,907</b>               | <b>28,039</b>            | <b>2,548</b> | <b>1,065,905</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.

##### 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.

## A3: Revenue continued

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.

### Corporate Franchise Agreement revenue

Corporate Franchise Agreement (CFA) revenue entitles the Group to five streams of revenue:

- **Management service fee revenue:** revenue relating to the satisfaction of performance obligations under the CFA. This is recognised over time as the respective services are delivered.
- **Marketing fee revenue:** revenue related to advertising contributions received for the marketing of the business in the Netherlands. This is recognised at a point in time as the respective services are delivered.
- **Supply chain revenue:** fees due for the management of the Netherlands Supply Chain services. This is recognised over time as the respective services are delivered.
- **Digital and eCommerce fee revenue:** fees due for the management of the Digital and eCommerce services. This is recognised over time as the respective services are delivered.
- **Learning zone fee revenue:** fees due for the provision of Learning and Development services. This is recognised over time as the respective services are delivered.

All CFA revenue arises in Europe.

### 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.

#### A4: Material profit or loss items from continuing operations

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 | 2022<br>\$000  | 2021<br>\$000  |
|--------------------------------------------------------|-------|----------------|----------------|
| <b>Depreciation, amortisation and impairment</b>       |       |                |                |
| <b>Depreciation:</b>                                   |       |                |                |
| Property, plant and equipment                          | G5    | 43,500         | 39,374         |
| Right-of-use assets                                    | G8    | 45,031         | 41,115         |
| <b>Total depreciation</b>                              |       | <b>88,531</b>  | <b>80,489</b>  |
| <b>Amortisation</b>                                    |       |                |                |
| Intangible assets                                      | G6    | 4,564          | 3,587          |
| <b>Total amortisation</b>                              |       | <b>4,564</b>   | <b>3,587</b>   |
| <b>Impairment</b>                                      |       |                |                |
| Property, plant and equipment                          | G5    | 1,523          | 4,476          |
| Intangible assets                                      | G6    | 31             | 232            |
| Right-of-use assets                                    | G8    | 1,609          | 4,803          |
| <b>Total impairment</b>                                | G7    | <b>3,163</b>   | <b>9,511</b>   |
| <b>Total depreciation, amortisation and impairment</b> |       | <b>96,258</b>  | <b>93,587</b>  |
| <b>Employee benefits expense:</b>                      |       |                |                |
| Wages and salaries                                     |       | 295,472        | 269,973        |
| Defined contribution superannuation expense            |       | 26,313         | 22,975         |
| Employee entitlements                                  |       | 17,402         | 14,638         |
| <b>Total employee benefits expense</b>                 |       | <b>339,187</b> | <b>307,586</b> |
| Finance costs                                          |       | 30,207         | 29,391         |
| Inventories recognised as an expense                   |       | 373,821        | 342,796        |
| Fair value loss on debt modification                   |       | 945            | –              |
| Performance rights                                     |       | 1,200          | 1,201          |
| Costs of acquisitions expensed                         |       | 2,932          | 1,400          |
| Net recognition of tax losses and change in tax rates  |       | –              | (459)          |
| Net loss on disposal of property, plant and equipment  |       | 217            | 207            |
| Net gain on disposal of leases                         |       | (2,684)        | (155)          |
| Gain on sale and leaseback                             |       | (1,238)        | –              |

## 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

|                                         | 2022<br>\$000 | 2021<br>\$000 |
|-----------------------------------------|---------------|---------------|
| Cash at bank and on hand <sup>(1)</sup> | 97,217        | 95,717        |

(1) Included in cash at bank is an amount of \$2.0 million (2021: \$2.0 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. The amount is denominated in Euro at an amount of €1.3 million (2021: €1.3 million).

## RECONCILIATION OF PROFIT FROM CONTINUING OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|                                                                                          | Notes | 2022<br>\$000  | <sup>(1)</sup> 2021<br>\$000 |
|------------------------------------------------------------------------------------------|-------|----------------|------------------------------|
| <b>Profit for the period <sup>(1)</sup></b>                                              |       | <b>54,799</b>  | <b>32,608</b>                |
| <b>Adjustments for non-cash income and expense items:</b>                                |       |                |                              |
| Depreciation, amortisation and impairment (excluding right-of-use assets) <sup>(2)</sup> | A4    | 49,618         | 48,021                       |
| Depreciation and impairment of right-of-use assets <sup>(2)</sup>                        | A4    | 46,640         | 46,466                       |
| Franchise rights written off                                                             | G6    | –              | 1,327                        |
| (Gain)/loss on disposal of property, plant and equipment                                 | A4    | 217            | 424                          |
| Gain on disposal of leases                                                               | A4    | (2,684)        | (193)                        |
| (Gain)/loss on foreign exchange                                                          | G2    | (613)          | 41                           |
| Gain on sale and leaseback                                                               | A4    | (1,238)        | –                            |
| Fair value loss on debt modification                                                     | A4    | 945            | –                            |
| Amortisation of borrowing costs                                                          |       | 1,099          | 587                          |
| Non-cash employee benefits expense share based payments expense                          | G11   | 1,200          | 1,201                        |
| Provision for make good obligations                                                      |       | 58             | (381)                        |
| Provision for employee entitlements                                                      |       | (267)          | 278                          |
| <b>Changes in assets and liabilities:</b>                                                |       |                |                              |
| Receivables                                                                              |       | 874            | (98)                         |
| Inventories                                                                              |       | (1,084)        | (273)                        |
| Prepayments and other assets                                                             |       | 212            | (655)                        |
| Share of profits of joint venture                                                        |       | 5              | (50)                         |
| Trade payables and accruals <sup>(1)</sup>                                               |       | 8,292          | 5,494                        |
| Income tax payable                                                                       |       | (1,570)        | 95                           |
| Deferred tax balances                                                                    |       | 225            | (5,169)                      |
| Goods and services tax payable                                                           |       | 2              | (1,787)                      |
| Fringe benefits tax payable                                                              |       | (396)          | 312                          |
| <b>Net operating cash flows</b>                                                          |       | <b>156,334</b> | <b>128,248</b>               |

(1) The prior reporting period has been restated as a result of:

- a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details); and
- interest paid on leases being reclassified to operating cash flows.

(2) The 2021 reporting period includes depreciation of property, plant and equipment of \$352,000 and depreciation and impairment of right-of-use assets of \$548,000 relating to Sizzler Australia, which was discontinued during the 2021 reporting period.

## B1: Cash and cash equivalents continued

## RECONCILIATION OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

|                                                  | LIABILITIES     |                   | EQUITY            | Total<br>\$000  |
|--------------------------------------------------|-----------------|-------------------|-------------------|-----------------|
|                                                  | Borrowings      | Lease liabilities | Retained earnings |                 |
| 2022                                             | \$000           | \$000             | \$000             | \$000           |
| <b>At 3 May 2021</b>                             | <b>271,490</b>  | <b>397,812</b>    | <b>61,054</b>     |                 |
| <b>Changes from financing cash flows</b>         |                 |                   |                   |                 |
| Proceeds from borrowings – bank loan facilities  | 32,581          | –                 | –                 | 32,581          |
| Repayment of borrowings and other obligations    | (28,000)        | –                 | –                 | (28,000)        |
| Refinance fees paid                              | (1,472)         | –                 | –                 | (1,472)         |
| Payments for lease principal                     | –               | (36,465)          | –                 | (36,465)        |
| Dividends paid                                   | –               | –                 | (28,591)          | (28,591)        |
| <b>Total changes from financing cash flows</b>   | <b>3,109</b>    | <b>(36,465)</b>   | <b>(28,591)</b>   | <b>(61,947)</b> |
| <b>Other changes</b>                             |                 |                   |                   |                 |
| Lease additions and modifications                | –               | 141,909           | –                 | 141,909         |
| Lease disposals                                  | –               | (21,505)          | –                 | (21,505)        |
| Interest expense                                 | 6,647           | 22,679            | –                 | 29,326          |
| Interest paid (operating cash flow)              | (6,647)         | –                 | –                 | (6,647)         |
| Interest paid on leases (operating cash flow)    | –               | (22,679)          | –                 | (22,679)        |
| Foreign exchange adjustments                     | (5,649)         | (4,362)           | –                 | (10,011)        |
| Debt modification loss                           | 945             | –                 | –                 | 945             |
| Profit for the reporting period                  | –               | –                 | 54,799            | 54,799          |
| Amortisation of loan establishment fees          | 1,099           | –                 | –                 | 1,099           |
| <b>At 1 May 2022</b>                             | <b>270,994</b>  | <b>477,389</b>    | <b>87,262</b>     |                 |
| <b>2021 Restated <sup>(1) (2)</sup></b>          | <b>\$000</b>    | <b>\$000</b>      | <b>\$000</b>      | <b>\$000</b>    |
| <b>At 4 May 2020</b>                             | <b>317,252</b>  | <b>389,860</b>    | <b>52,928</b>     |                 |
| <b>Changes from financing cash flows</b>         |                 |                   |                   |                 |
| Proceeds from borrowings – bank loan facilities  | 4,673           | –                 | –                 | 4,673           |
| Repayment of borrowings and other obligations    | (42,000)        | –                 | –                 | (42,000)        |
| Payments for lease principal                     | –               | (31,222)          | –                 | (31,222)        |
| Dividends paid                                   | –               | –                 | (24,482)          | (24,482)        |
| <b>Total changes from financing cash flows</b>   | <b>(37,327)</b> | <b>(31,222)</b>   | <b>(24,482)</b>   | <b>(93,031)</b> |
| <b>Other changes</b>                             |                 |                   |                   |                 |
| Lease additions and modifications <sup>(2)</sup> | –               | 42,865            | –                 | 42,865          |
| Lease disposals                                  | –               | (238)             | –                 | (238)           |
| Interest expense                                 | 8,160           | 20,621            | –                 | 28,781          |
| Interest paid (operating cash flow)              | (8,160)         | –                 | –                 | (8,160)         |
| Interest paid on leases (operating cash flow)    | –               | (19,449)          | –                 | (19,449)        |
| Foreign exchange adjustments                     | (9,022)         | (4,625)           | –                 | (13,647)        |
| Profit for the reporting period <sup>(1)</sup>   | –               | –                 | 32,608            | 32,608          |
| Amortisation of loan establishment fees          | 587             | –                 | –                 | 587             |
| <b>At 2 May 2021</b>                             | <b>271,490</b>  | <b>397,812</b>    | <b>61,054</b>     |                 |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

(2) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## 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

|                     | 2022                     |                    | 2021                     |                    |
|---------------------|--------------------------|--------------------|--------------------------|--------------------|
|                     | Working Capital Facility | Bank Loan Facility | Working Capital Facility | Bank Loan Facility |
|                     | \$000                    | \$000              | \$000                    | \$000              |
| Used <sup>(1)</sup> | 11,902                   | 261,038            | 10,190                   | 263,794            |
| Unused              | 22,841                   | 81,132             | 25,386                   | 90,240             |
| <b>Total</b>        | <b>34,743</b>            | <b>342,170</b>     | <b>35,576</b>            | <b>354,034</b>     |

(1) \$845,000 (2021: \$845,000) of the working capital facility has been used for bank guarantees rather than drawn down cash funding. In addition, an amount of \$1,101,000 (2021: \$1,650,000) relating to capitalised fees is not included in the above figures, but included in the total Borrowings amount on the Balance Sheet.

A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a Syndicated Facility Agreement. The Syndicated Facility Agreement includes bank loan facilities (Revolving Bank Loans) and a Working Capital Facility Agreement (Working Capital Facility). On 14 September 2021, the Group entered into a new Syndicated Facility Agreement for a total of \$200 million and €120 million, which includes both the bank loan facilities and working capital facilities. The new term of the facility is a blend of maturities with \$120 million and €75 million maturing on 31 October 2024 and the remaining \$80 million and €45 million expiring on 31 October 2026.

### FACILITIES

The Revolving Bank Loans and Working Capital Facility are subject to certain financial covenants and restrictions such as net leverage ratios, interest cover ratios and others which management believe are customary for these types of loans. During the reporting period ended 1 May 2022, 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.

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

### 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 leverage 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 net leverage was 17% (2021: 34%).

| Net debt                         | Notes | 2022<br>\$000    | 2021<br>\$000    |
|----------------------------------|-------|------------------|------------------|
| General cash at bank and on hand |       | 97,217           | 95,717           |
| Borrowings                       |       | (270,994)        | (271,490)        |
| Capitalised fees                 |       | (1,101)          | (1,650)          |
| <b>Net debt</b>                  |       | <b>(174,878)</b> | <b>(177,423)</b> |

| Net leverage                                            | 2022<br>\$000 | <sup>(1)</sup> 2021<br>\$000 |
|---------------------------------------------------------|---------------|------------------------------|
| Net debt                                                | (174,878)     | (177,423)                    |
| EBITDA per Syndicated Facility Agreement <sup>(1)</sup> | 150,008       | 132,831                      |
| <b>Net leverage <sup>(1)</sup></b>                      | <b>1.17</b>   | <b>1.34</b>                  |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

**B4: Dividends**

| Dividends                                                    | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------------------------------|---------------|---------------|
| Dividends paid of \$0.25 (2021: \$0.21) per fully paid share | 28,591        | 24,482        |

| Franking credits                                                                                       | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------------------------------------------------------------------------|---------------|---------------|
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021: 30.0%) | 136,540       | 122,971       |

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

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

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

Since the end of the reporting period, the Directors of the Company have declared the payment of a fully franked final dividend of 15.0 cents per ordinary share (2021: 12.5 cents) to be paid on 1 August 2022. 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 \$17,504,417 (2021: \$14,572,656).

**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.

## 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

## 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 2022 and 2021, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivables, trade payables and borrowings 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 investment

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.

### 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.

## C1: Financial risk management continued

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 G4) is not past due, nor impaired (2021: 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 H1 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. Despite Swap Contracts being in a receivable position for the current reporting period, they have been included below for comparability to the prior year reporting period.

|                                                      |      | Less than<br>1 year | Between<br>1 and 2<br>years | Between<br>2 and 5<br>years | Total<br>contractual<br>cash flows | Carrying<br>amount<br>(assets)/<br>liabilities |
|------------------------------------------------------|------|---------------------|-----------------------------|-----------------------------|------------------------------------|------------------------------------------------|
| 2022                                                 | Note | \$000               | \$000                       | \$000                       | \$000                              | \$000                                          |
| <b>Non-derivatives</b>                               |      |                     |                             |                             |                                    |                                                |
| Trade payables                                       | G9   | 116,473             | –                           | –                           | 116,473                            | 116,473                                        |
| Borrowings (excluding finance leases)                | B2   | 5,310               | 5,520                       | 278,181                     | 289,011                            | 270,994                                        |
| <b>Total non-derivatives</b>                         |      | <b>121,783</b>      | <b>5,520</b>                | <b>278,181</b>              | <b>405,484</b>                     | <b>387,467</b>                                 |
| <b>Derivatives</b>                                   |      |                     |                             |                             |                                    |                                                |
| Net settled (Swap Contracts)                         | C3   | (675)               | (1,710)                     | (1,239)                     | (3,624)                            | (3,446)                                        |
| 2021 Restated <sup>(1) (2)</sup>                     | Note | \$000               | \$000                       | \$000                       | \$000                              | \$000                                          |
| <b>Non-derivatives</b>                               |      |                     |                             |                             |                                    |                                                |
| Trade payables <sup>(1)</sup>                        | G9   | 96,654              | –                           | –                           | 96,654                             | 96,654                                         |
| Borrowings (excluding finance leases) <sup>(2)</sup> | B2   | 6,099               | 206,233                     | 73,491                      | 285,823                            | 271,490                                        |
| <b>Total non-derivatives</b>                         |      | <b>102,753</b>      | <b>206,233</b>              | <b>73,491</b>               | <b>382,477</b>                     | <b>368,144</b>                                 |
| <b>Derivatives</b>                                   |      |                     |                             |                             |                                    |                                                |
| Net settled (Swap Contracts)                         | C3   | 1,541               | 822                         | –                           | 2,363                              | 2,355                                          |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

(2) The prior reporting period has been restated to include the maturities of working capital facility amounts.

## C1: Financial risk management continued

## 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:

|                                  | Carrying amount | Interest rate risk |                |              |              | Foreign currency risk |              |            |                |
|----------------------------------|-----------------|--------------------|----------------|--------------|--------------|-----------------------|--------------|------------|----------------|
|                                  |                 | -1%                | -1%            | +1%          | +1%          | -1%                   | -1%          | +1%        | +1%            |
|                                  |                 | Profit             | Equity         | Profit       | Equity       | Profit                | Equity       | Profit     | Equity         |
| 2022                             | \$000           | \$000              | \$000          | \$000        | \$000        | \$000                 | \$000        | \$000      | \$000          |
| Financial assets                 | 104,863         | (681)              | (1,967)        | 681          | 1,967        | 254                   | –            | (254)      | –              |
| Financial liabilities            | 392,981         | 847                | –              | (847)        | –            | (374)                 | 1,210        | 374        | (1,210)        |
| <b>Total increase/(decrease)</b> |                 | <b>166</b>         | <b>(1,967)</b> | <b>(166)</b> | <b>1,967</b> | <b>(120)</b>          | <b>1,210</b> | <b>120</b> | <b>(1,210)</b> |
| 2021 Restated <sup>(1)</sup>     | \$000           | \$000              | \$000          | \$000        | \$000        | \$000                 | \$000        | \$000      | \$000          |
| Financial assets                 | 98,758          | (670)              | –              | 670          | –            | 283                   | –            | (283)      | –              |
| Financial liabilities            | 377,583         | 671                | (1,846)        | (671)        | 1,846        | (325)                 | 958          | 325        | (958)          |
| <b>Total increase/(decrease)</b> |                 | <b>1</b>           | <b>(1,846)</b> | <b>(1)</b>   | <b>1,846</b> | <b>(42)</b>           | <b>958</b>   | <b>42</b>  | <b>(958)</b>   |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## 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.

|                                         |       | Floating interest rate | Fix interest maturing in: 3 - 5 years | Non-interest bearing | Total          | Weighted average effective rate |
|-----------------------------------------|-------|------------------------|---------------------------------------|----------------------|----------------|---------------------------------|
| 2022                                    | Notes | \$000                  | \$000                                 | \$000                | \$000          | %                               |
| Trade and other payables                | G9    | –                      | –                                     | 116,473              | 116,473        | –                               |
| Borrowings - unhedged                   | B2    | 121,038                | –                                     | –                    | 121,038        | 1.3                             |
| Borrowings - hedged <sup>(1)</sup>      | B2    | –                      | 140,000                               | –                    | 140,000        | 0.8                             |
| Borrowings - working capital            | B2    | –                      | 11,057                                | –                    | 11,057         | 1.3                             |
|                                         |       | <b>121,038</b>         | <b>151,057</b>                        | <b>116,473</b>       | <b>377,511</b> |                                 |
| 2021 Restated <sup>(2)</sup>            | Notes | \$000                  | \$000                                 | \$000                | \$000          | %                               |
| Trade and other payables <sup>(2)</sup> | G9    | –                      | –                                     | 96,654               | 96,654         | –                               |
| Borrowings - unhedged                   | B2    | 95,794                 | –                                     | –                    | 95,794         | 1.3                             |
| Borrowings - hedged <sup>(1)</sup>      | B2    | –                      | 168,000                               | –                    | 168,000        | 1.0                             |
| Borrowings - working capital            | B2    | –                      | 9,346                                 | –                    | 9,346          | 1.4                             |
|                                         |       | <b>95,794</b>          | <b>177,346</b>                        | <b>96,654</b>        | <b>360,448</b> |                                 |

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

(2) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## 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:

|                                                    | 2022  | <sup>(1)</sup> 2021 |
|----------------------------------------------------|-------|---------------------|
|                                                    | \$000 | \$000               |
| Trade and other receivables (non-interest bearing) | 4,200 | 3,041               |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## CREDIT RISK

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

## 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 1 May 2022, 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 2 May 2021, the Group had derivative financial instruments which were classified as Level 2 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 PROCESSES

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. Discussions of valuation processes and results are held between the Group CFO, Audit and Risk Committee, 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 (if any) fair values are analysed at the end of each reporting period during the half-year valuation discussion between the Group CFO, Audit and Risk Committee, 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.

## C2: Recognised fair value measurements continued

### Borrowings

The fair value of borrowings is as follows:

|                                    | 2022            |            |               | (1) 2021        |            |               |
|------------------------------------|-----------------|------------|---------------|-----------------|------------|---------------|
|                                    | Carrying amount | Fair value | Discount rate | Carrying amount | Fair value | Discount rate |
|                                    | \$000           | \$000      | %             | \$000           | \$000      | %             |
| Bank Loan (net of borrowing costs) | 270,994         | 252,374    | 4.1           | 271,490         | 258,808    | 4.1           |

(1) The prior reporting period has been restated to include the working capital facility in the calculation of fair value.

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 2 values in the fair value hierarchy due to the use of observable 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.

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.

## C2: Recognised fair value measurements continued

### (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; and
- Lease receivables and trade receivables that give rise to an unconditional right to consideration.

## C3: Derivative financial instruments

|                                                 | 2022<br>\$000 | 2021<br>\$000 |
|-------------------------------------------------|---------------|---------------|
| <b>Current assets</b>                           |               |               |
| Interest rate swap contracts - cash flow hedges | 662           | –             |
| <b>Non-current assets</b>                       |               |               |
| Interest rate swap contracts - cash flow hedges | 2,784         | –             |
| <b>Current liabilities</b>                      |               |               |
| Interest rate swap contracts - cash flow hedges | –             | 1,536         |
| <b>Non-current liabilities</b>                  |               |               |
| Interest rate swap contracts - cash flow hedges | –             | 819           |

### 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

The following Swap Contracts were entered into in the 2021 reporting period to hedge a designated portion of the interest rate exposure of the facility:

- \$75.0 million commenced 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.

These Swap Contracts remain active as at 1 May 2022.

An additional four Swap Contracts were entered into during the 2022 reporting period for a total of \$90.0 million, however are not due to commence until 30 October 2022. \$75.0 million will expire on 30 October 2024, with the remaining \$15.0 million expiring on 20 October 2026.

### C3: Derivative financial instruments continued

Swap Contracts currently in place cover approximately 100% (2021: 100%) 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 0.22% (2021: 0.06%). The notional principal amounts, periods of expiry and fixed interest rates applicable to the Swap Contracts are as follows:

|                  | 2022                                 |     | 2021                                 |     |
|------------------|--------------------------------------|-----|--------------------------------------|-----|
|                  | Weighted average fixed interest rate |     | Weighted average fixed interest rate |     |
|                  | \$000                                | %   | \$000                                | %   |
| Less than 1 year | 140,000                              | 0.8 | –                                    | –   |
| 1 - 2 years      | –                                    | –   | 168,000                              | 1.0 |
|                  | <b>140,000</b>                       |     | <b>168,000</b>                       |     |

The Swap Contracts require settlement of net interest receivable or payable each month. 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 1 May 2022, the Swap Contracts gave rise to receivables for unrealised gains on derivative instruments of \$3.45 million (2021: \$2.36 million payable on unrealised losses) 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.

#### 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 *Financial Instruments*.

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.

### C3: Derivative financial instruments continued

#### 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.

## 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

|                                            | 2022<br>Whole Dollars<br>\$ | 2021<br>Whole Dollars<br>\$ |
|--------------------------------------------|-----------------------------|-----------------------------|
| Short term employee benefits               | 5,536,290                   | 4,417,193                   |
| Long term employee benefits <sup>(1)</sup> | –                           | (100,324)                   |
| Post-employment benefits                   | 162,792                     | 132,673                     |
| Share based payments                       | 815,551                     | 678,445                     |
| Termination benefit                        | –                           | 459,821                     |
| <b>Total KMP compensation</b>              | <b>6,514,633</b>            | <b>5,587,808</b>            |

(1) Long term employee benefits are negative in the prior period due to reversal of Graham Maxwell's Long Service Leave accrual following his retirement on 1 July 2020.

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 and five trading days after the release of the audited financial results.

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 achieving performance targets. In FY22, the Board introduced a second performance target with 50% of the grant having a Compound earnings per share (EPS) growth target and the remaining 50% having a relative total shareholder return (TSR) target. 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 and TSR 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;
- 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.

## D2: Share based payments continued

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

| Performance rights                                | 2022           | 2021           |
|---------------------------------------------------|----------------|----------------|
| Balance at the beginning of the reporting period  | 653,255        | 926,998        |
| Vested and exercised                              | (114,866)      | –              |
| Issued during the reporting period                | 298,175        | 204,207        |
| Lapsed during the reporting period                | (199,279)      | (477,950)      |
| <b>Balance at the end of the reporting period</b> | <b>637,285</b> | <b>653,255</b> |

During the 2019 financial year, grants under the long-term incentive plan were made with a performance period of FY19, FY20 and FY21 (FY19 Grant). Based upon the EPS growth achieved over the three year performance period (FY19-FY21), 114,866 performance rights (Vesting Rights) granted under the LTIP converted to fully paid ordinary shares. Each participant was issued shares based on the volume weighted average price of \$11.60.

All performance rights issued during the reporting period ended 1 May 2022 have an expiry date of 24 July 2024 and were issued with an exercise price of nil. All performance rights issued during the reporting period ended 2 May 2021 have an expiry date of 27 July 2023 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 1 May 2022:

- The assessed fair value of performance rights (with an EPS growth target) issued on 14 September 2021 was \$11.76. The fair value at grant date was determined using a discounted cash flow model incorporating the share price at grant date of \$12.45, the term of the right, the expected dividend yield of 1.85% and the risk free interest rate for the term of the rights of 0.16%.
- The assessed fair value of performance rights (with an EPS growth target) issued on 1 January 2022 was \$12.69. The fair value at grant date was determined using a discounted cash flow model incorporating the share price at grant date of \$13.37, the term of the right, the expected dividend yield of 1.72% and the risk free interest rate for the term of the rights of 0.75%.
- The assessed fair value at grant date of performance rights (with TSR target) was determined using a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

The model inputs for performance rights granted with a TSR target during the reporting period ended 1 May 2022 included:

| Assumption                | Grant date        |                |
|---------------------------|-------------------|----------------|
|                           | 14 September 2021 | 1 January 2022 |
| Fair value                | \$7.54            | \$8.62         |
| Expiry date               | 24 July 2024      | 24 July 2024   |
| Share price at Grant date | \$12.45           | \$13.37        |
| Term (years)              | 3.0               | 3.0            |
| Expected dividend yield   | 1.91%             | 1.91%          |
| Risk free interest rate   | 0.11%             | 0.78%          |

There were two tranches of performance rights issued on the same date during the reporting period ended 2 May 2021:

- The assessed fair value of performance rights (with an EPS growth target) issued on 16 October 2020 was an average of \$10.18. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at grant date of \$10.78, the term of the right, the expected dividend yield of 1.86% and the risk free interest rate for the term of the rights of 0.14%.

### EXPENSES ARISING FROM SHARE BASED PAYMENT TRANSACTIONS

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were \$1,321,498 (2021: \$984,846)

## 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                          |                     |                    |
|------------------------------------------------|----------------------------------------|---------------------|--------------------|
|                                                | Number of ordinary shares - fully paid | Share capital \$000 | Total equity \$000 |
| <b>Balance as at 2 May 2021</b>                | <b>116,581,244</b>                     | <b>290,788</b>      | <b>290,788</b>     |
| Senior Executive Performance Rights Plan Issue | 114,866                                | 606                 | 606                |
| <b>End of the reporting period</b>             | <b>116,696,110</b>                     | <b>291,394</b>      | <b>291,394</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.

## 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 |           |
|-----------------------|------------------------|---------|-------------------------|-----------|
|                       |                        |         | 2022<br>%               | 2021<br>% |
| Sizzler China Pte Ltd | Singapore              | SCP     | 50                      | 50        |

#### Summarised financial information of joint ventures

|                                                                     | 2022<br>\$000 | 2021<br>\$000 |
|---------------------------------------------------------------------|---------------|---------------|
| Aggregate carrying amount of individually immaterial joint ventures | 2,497         | 2,301         |
| Aggregate amounts of the Group's share of:                          |               |               |
| Profit/(loss) from continuing operations                            | (5)           | 50            |
| <b>Total comprehensive income</b>                                   | <b>(5)</b>    | <b>50</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 one joint venture. 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.

## **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 H1. 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 AND PURCHASES OF GOODS AND SERVICES**

There were no outstanding balances (2021: nil) with related parties at the end of the reporting period.

### **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.

## F: DISCONTINUED OPERATION

### F1: Sizzler Australia

### F2: Financial performance and cash flow information

### F1: Sizzler Australia

There were no discontinued operations for the period ended 1 May 2022.

During the period ended 2 May 2021, the Group announced its intention to permanently close its remaining nine Sizzler restaurants in Australia. The restaurants were formally closed on 15 November 2020.

### F2: Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 1 May 2022 and 2 May 2021.

|                                                                                                     | 2022<br>\$000 | 2021<br>\$000  |
|-----------------------------------------------------------------------------------------------------|---------------|----------------|
| Revenue                                                                                             | –             | 9,573          |
| Cost of Sales                                                                                       | –             | (6,354)        |
| <b>Gross profit</b>                                                                                 | <b>–</b>      | <b>3,219</b>   |
| Other Expenses                                                                                      | –             | (2,395)        |
| Marketing and royalty expenses                                                                      | –             | (3,344)        |
| Occupancy expenses                                                                                  | –             | (928)          |
| Administration expenses                                                                             | –             | (532)          |
| Restaurant related expenses                                                                         | –             | (1,809)        |
| Other income                                                                                        | –             | 39             |
| <b>Loss from discontinued operations before finance income, finance costs and income tax (EBIT)</b> | <b>–</b>      | <b>(5,750)</b> |
| Finance costs                                                                                       | –             | (7)            |
| <b>Loss before Income tax</b>                                                                       | <b>–</b>      | <b>(5,757)</b> |
| Income tax benefit                                                                                  | –             | 1,094          |
| <b>Loss of discontinued operations</b>                                                              | <b>–</b>      | <b>(4,663)</b> |

Expenses in the 2021 reporting period included closure costs of \$2,630,000.

|                                                                      | 2022<br>\$000 | 2021<br>\$000  |
|----------------------------------------------------------------------|---------------|----------------|
| Net cash outflow from operating activities                           | –             | (3,374)        |
| Net cash inflow from investing activities                            | –             | 266            |
| Net cash inflow from financing activities                            | –             | –              |
| <b>Net decrease in cash generated by the discontinued operations</b> | <b>–</b>      | <b>(3,108)</b> |

## G: OTHER ITEMS

G1: Commitments for expenditure

G2: Other gains/(losses) - net

G3: Earnings per share

G4: Receivables

G5: Property, plant and equipment

G6: Intangible assets

G7: Impairment of assets

G8: Leases

G9: Trade and other payables

G10: Provisions

G11: Reserves

G12: Tax

G13: Auditor's Remuneration

G14: Contingencies

### G1: 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:

|                                    | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------------|---------------|---------------|
| Right-of-use assets <sup>(1)</sup> | 31,134        | 29,908        |
| Property, plant and equipment      | 8,541         | 2,637         |
| Land and buildings                 | 5,125         | 4,300         |
| <b>Total commitments</b>           | <b>44,800</b> | <b>36,845</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.

### G2: Other gains/(losses) – net

|                                                       | 2022<br>\$000 | 2021<br>\$000 |
|-------------------------------------------------------|---------------|---------------|
| Net foreign exchange gain                             | 613           | 41            |
| Net loss on disposal of property, plant and equipment | (217)         | (207)         |
| Net gain/(loss) on disposal of leases                 | 2,684         | (155)         |
| Gain on sale and leaseback                            | 1,238         | –             |
| Fair value loss on debt modification                  | (945)         | –             |
| <b>Other gains/(losses) – net</b>                     | <b>3,373</b>  | <b>(321)</b>  |

### G3: Earnings per share

|                                                                                                                    | 2022         | <sup>(1)</sup> 2021 |
|--------------------------------------------------------------------------------------------------------------------|--------------|---------------------|
|                                                                                                                    | \$000        | \$000               |
| Earnings used in the calculation of basic and diluted earnings per share from continuing operations <sup>(1)</sup> | 54,799       | 37,271              |
| Net profit/(loss) from discontinued operation                                                                      | –            | (4,663)             |
|                                                                                                                    | Shares       | Shares              |
| Weighted average basic ordinary shares outstanding                                                                 | 116,696,110  | 116,581,244         |
| Weighted average diluted ordinary shares outstanding                                                               | 117,223,628  | 117,141,933         |
|                                                                                                                    | Cents        | Cents               |
| <b>Basic earnings per share</b>                                                                                    |              |                     |
| Basic earnings per share from continuing operations                                                                | 46.96        | 31.97               |
| Basic earnings per share from discontinued operations                                                              | –            | (4.00)              |
| <b>Total basic earnings per share attributable to members of Collins Foods Limited</b>                             | <b>46.96</b> | <b>27.97</b>        |
| <b>Diluted earnings per share</b>                                                                                  |              |                     |
| Diluted earnings per share from continuing operations                                                              | 46.75        | 31.82               |
| Diluted earnings per share from discontinued operations                                                            | –            | (3.98)              |
| <b>Total diluted earnings per share attributable to members of Collins Foods Limited</b>                           | <b>46.75</b> | <b>27.84</b>        |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

### Weighted average number of shares used as the denominator

|                                                                                                                                            | 2022<br>Shares     | 2021<br>Shares     |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share                                 | 116,696,110        | 116,581,244        |
| Adjustments for calculation of diluted earnings per share:                                                                                 |                    |                    |
| Performance rights                                                                                                                         | 527,518            | 560,689            |
| <b>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</b> | <b>117,223,628</b> | <b>117,141,933</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.

### G4: Receivables

#### CURRENT ASSETS – RECEIVABLES

|                   | 2022         | <sup>(1)</sup> 2021 |
|-------------------|--------------|---------------------|
|                   | \$000        | \$000               |
| Trade receivables | 4,200        | 3,041               |
|                   | <b>4,200</b> | <b>3,041</b>        |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

### 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.

## G4: Receivables continued

### 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 1 May 2022 or 2 May 2021 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.

## G5: Property, plant and equipment

|                                                  | Land & Buildings | Leasehold improvements | Plant and equipment | Construction in progress | Total          |
|--------------------------------------------------|------------------|------------------------|---------------------|--------------------------|----------------|
|                                                  | \$000            | \$000                  | \$000               | \$000                    | \$000          |
| <b>At 3 May 2021</b>                             |                  |                        |                     |                          |                |
| Cost or fair value                               | 13,774           | 264,633                | 163,545             | 9,983                    | 451,935        |
| Accumulated depreciation & impairments           | (968)            | (158,055)              | (103,993)           | –                        | (263,016)      |
| <b>Net book amount at 3 May 2021</b>             | <b>12,806</b>    | <b>106,578</b>         | <b>59,552</b>       | <b>9,983</b>             | <b>188,919</b> |
| Additions                                        | –                | 1,950                  | 2,265               | 65,105                   | 69,320         |
| Acquisitions through controlled entity purchased | –                | 6,039                  | 2,530               | 152                      | 8,721          |
| Transfers                                        | 10,000           | 27,868                 | 20,868              | (59,374)                 | (638)          |
| Depreciation charge                              | (361)            | (22,900)               | (20,239)            | –                        | (43,500)       |
| Impairment charge <sup>(2)</sup>                 | –                | (968)                  | (555)               | –                        | (1,523)        |
| Disposals                                        | (1,482)          | (249)                  | (385)               | (350)                    | (2,466)        |
| Exchange differences                             | –                | (1,600)                | (852)               | (282)                    | (2,734)        |
| <b>Net book amount at 1 May 2022</b>             | <b>20,963</b>    | <b>116,718</b>         | <b>63,184</b>       | <b>15,234</b>            | <b>216,099</b> |
| <b>At 1 May 2022</b>                             |                  |                        |                     |                          |                |
| Cost or fair value                               | 22,201           | 293,736                | 182,607             | 15,234                   | 513,778        |
| Accumulated depreciation & impairments           | (1,238)          | (177,018)              | (119,423)           | –                        | (297,679)      |
| <b>Net book amount at 1 May 2022</b>             | <b>20,963</b>    | <b>116,718</b>         | <b>63,184</b>       | <b>15,234</b>            | <b>216,099</b> |
|                                                  | \$000            | \$000                  | \$000               | \$000                    | \$000          |
| <b>At 4 May 2020</b>                             |                  |                        |                     |                          |                |
| Cost or fair value                               | 13,774           | 256,296                | 143,273             | 7,078                    | 420,421        |
| Accumulated depreciation & impairments           | (606)            | (142,272)              | (90,074)            | –                        | (232,952)      |
| <b>Net book amount at 4 May 2020</b>             | <b>13,168</b>    | <b>114,024</b>         | <b>53,199</b>       | <b>7,078</b>             | <b>187,469</b> |
| Additions                                        | –                | 10,835                 | 10,681              | 25,383                   | 46,899         |
| Acquisitions through controlled entity purchased | –                | 18                     | 953                 | –                        | 971            |
| Transfers                                        | –                | 8,089                  | 14,494              | (22,087)                 | 496            |
| Depreciation charge <sup>(1)</sup>               | (362)            | (21,172)               | (18,192)            | –                        | (39,726)       |
| Impairment charge <sup>(2)</sup>                 | –                | (3,322)                | (1,154)             | –                        | (4,476)        |
| Disposals                                        | –                | (23)                   | (251)               | 36                       | (238)          |
| Exchange differences                             | –                | (1,871)                | (178)               | (427)                    | (2,476)        |
| <b>Net book amount at 2 May 2021</b>             | <b>12,806</b>    | <b>106,578</b>         | <b>59,552</b>       | <b>9,983</b>             | <b>188,919</b> |
| <b>At 2 May 2021</b>                             |                  |                        |                     |                          |                |
| Cost or fair value                               | 13,774           | 264,633                | 163,545             | 9,983                    | 451,935        |
| Accumulated depreciation & impairments           | (968)            | (158,055)              | (103,993)           | –                        | (263,016)      |
| <b>Net book amount at 2 May 2021</b>             | <b>12,806</b>    | <b>106,578</b>         | <b>59,552</b>       | <b>9,983</b>             | <b>188,919</b> |

(1) Includes depreciation charge of \$352,000 relating to Sizzler Australia, which was discontinued during the prior reporting period.

(2) Included in Note G7 is the breakdown of impairments.

## G5: 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 G7).

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.

## G6: Intangible assets

|                                                  | (1) Goodwill   | Franchise rights | Brand names  | (2) Software | Total          |
|--------------------------------------------------|----------------|------------------|--------------|--------------|----------------|
|                                                  | \$000          | \$000            | \$000        | \$000        | \$000          |
| <b>At 3 May 2021</b>                             |                |                  |              |              |                |
| Cost                                             | 455,463        | 19,577           | 29,648       | 9,844        | 514,532        |
| Accumulated amortisation & impairments           | (28,070)       | (8,220)          | (21,183)     | (5,510)      | (62,983)       |
| <b>Net book amount at 3 May 2021</b>             | <b>427,393</b> | <b>11,357</b>    | <b>8,465</b> | <b>4,334</b> | <b>451,549</b> |
| Additions                                        | –              | 1,753            | –            | 2,696        | 4,449          |
| Acquisitions through controlled entity purchased | 30,431         | –                | –            | 152          | 30,583         |
| Transfers                                        | –              | –                | –            | 638          | 638            |
| Amortisation                                     | –              | (1,094)          | (878)        | (2,592)      | (4,564)        |
| Impairment charge                                | –              | (31)             | –            | –            | (31)           |
| Exchange differences                             | (7,801)        | (218)            | 725          | (38)         | (7,332)        |
| <b>Net book amount at 1 May 2022</b>             | <b>450,023</b> | <b>11,767</b>    | <b>8,312</b> | <b>5,190</b> | <b>475,292</b> |
| <b>At 1 May 2022</b>                             |                |                  |              |              |                |
| Cost                                             | 478,093        | 21,154           | 31,105       | 13,142       | 543,494        |
| Accumulated amortisation & impairments           | (28,070)       | (9,389)          | (22,793)     | (7,950)      | (68,202)       |
| <b>Net book amount at 1 May 2022</b>             | <b>450,023</b> | <b>11,765</b>    | <b>8,312</b> | <b>5,192</b> | <b>475,292</b> |

## G6: Intangible assets continued

|                                                      | (1) Goodwill   | Franchise rights | Brand names   | (2) Software | Total          |
|------------------------------------------------------|----------------|------------------|---------------|--------------|----------------|
|                                                      | \$000          | \$000            | \$000         | \$000        | \$000          |
| <b>At 4 May 2020</b>                                 |                |                  |               |              |                |
| Cost                                                 | 459,231        | 17,819           | 33,585        | 8,157        | 518,792        |
| Accumulated amortisation & impairments               | (28,070)       | (7,017)          | (22,335)      | (3,981)      | (61,403)       |
| <b>Net book amount at 4 May 2020</b>                 | <b>431,161</b> | <b>10,802</b>    | <b>11,250</b> | <b>4,176</b> | <b>457,389</b> |
| Additions                                            | –              | 3,379            | –             | 2,633        | 6,012          |
| Acquisitions through controlled entity purchased (1) | 4,629          | –                | –             | –            | 4,629          |
| Transfers                                            | –              | –                | –             | (495)        | (495)          |
| Amortisation                                         | –              | (1,029)          | (881)         | (1,677)      | (3,587)        |
| Impairment charge                                    | –              | (175)            | –             | (57)         | (232)          |
| Disposals                                            | –              | (1,327)          | –             | –            | (1,327)        |
| Exchange differences                                 | (8,397)        | (293)            | (1,904)       | (246)        | (10,840)       |
| <b>Net book amount at 2 May 2021</b>                 | <b>427,393</b> | <b>11,357</b>    | <b>8,465</b>  | <b>4,334</b> | <b>451,549</b> |
| <b>At 2 May 2021</b>                                 |                |                  |               |              |                |
| Cost                                                 | 455,463        | 19,577           | 29,648        | 9,844        | 514,532        |
| Accumulated amortisation & impairments               | (28,070)       | (8,220)          | (21,183)      | (5,510)      | (62,983)       |
| <b>Net book amount at 2 May 2021</b>                 | <b>427,393</b> | <b>11,357</b>    | <b>8,465</b>  | <b>4,334</b> | <b>451,549</b> |

(1) Goodwill in the prior reporting period has been restated due to adjustments to the provisional fair value of a business combination. Refer to Note A2 for further details.

(2) Software in the prior reporting period includes a restatement as a result of a change in accounting policy for the recognition of cloud computing arrangements. Refer to Note I2 for further details.

## G7: Impairment of assets

## 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.

## IMPAIRMENT TEST FOR GOODWILL

## Allocation of goodwill

|                           | Carrying value |                   |
|---------------------------|----------------|-------------------|
|                           | 2022<br>\$000  | (1) 2021<br>\$000 |
| KFC Restaurants Australia | 327,005        | 327,005           |
| KFC Restaurants Europe    | 121,716        | 99,191            |
| Sizzler Asia              | 1,302          | 1,197             |
|                           | <b>450,023</b> | <b>427,393</b>    |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

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.

## G7: Impairment of assets continued

During the reporting period ended 1 May 2022, the above cash generating units and the individual restaurant assets (including Taco Bell restaurants) were tested for impairment in accordance with AASB 136 Impairment of Assets. 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 Australia restaurants |       | KFC Europe restaurants |       | Taco Bell restaurants |       | Total |       |
|------------------------|---------------------------|-------|------------------------|-------|-----------------------|-------|-------|-------|
|                        | 2022                      | 2021  | 2022                   | 2021  | 2022                  | 2021  | 2022  | 2021  |
|                        | \$000                     | \$000 | \$000                  | \$000 | \$000                 | \$000 | \$000 | \$000 |
| Leasehold improvements | –                         | –     | –                      | 1,224 | 968                   | 2,098 | 968   | 3,322 |
| Plant and equipment    | –                         | –     | –                      | 1,154 | 555                   | –     | 555   | 1,154 |
| Franchise rights       | –                         | –     | –                      | 82    | 31                    | 93    | 31    | 175   |
| Software               | –                         | –     | –                      | 57    | –                     | –     | –     | 57    |
| Right-of-use assets    | –                         | –     | –                      | 2,346 | 1,609                 | 2,457 | 1,609 | 4,803 |
| Total                  | –                         | –     | –                      | 4,863 | 3,163                 | 4,648 | 3,163 | 9,511 |

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

|                                        | KFC Australia       |                     | KFC Europe          |                     | Taco Bell           |                     |
|----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                        | 2022                | 2021                | 2022                | 2021                | 2022                | 2021                |
| Post-tax discount rate segment         | 7.4%                | 7.5%                | 7.4%                | 7.3%                | (2) N/A             | (2) N/A             |
| Post-tax discount rate restaurant      | Restaurant specific | Restaurant specific | Restaurant specific | Restaurant specific | Restaurant specific | Restaurant specific |
| Growth rates:                          |                     |                     |                     |                     |                     |                     |
| Revenue for Yr 1 – Yr 5 <sup>(1)</sup> | * 5.0%              | * 3.7%              | * 4.1%              | * 4.8%              | * 12.0%             | * 9.3%              |
| Revenue for Yr 6 – Yr 20               | 2.5%                | 2.5%                | 1.5%                | 1.5%                | 2.5%                | 2.5%                |
| Annual growth for terminal value       | 2.5%                | 2.5%                | 1.5%                | 1.5%                | 2.5%                | 2.5%                |

(1) The Revenue Growth rates applied from Yr 1 – Yr 5 relate specifically to restaurant assets where detailed impairment models were prepared.

(2) Only individual restaurant assets were tested for impairment in the Taco Bell cash generating unit.

\* Restaurant specific plans with average annual growth rate.

### KFC Australia restaurants

Value in use recoverable amount valuations were performed at the cash generating unit level and at the individual restaurant level for the purpose of testing goodwill and restaurant specific assets, respectively. Restaurant assets include Property, Plant & Equipment and Right-of-use assets. Detailed impairment models were prepared for the cash generating unit and for some of the KFC Australia restaurants where indicators of impairment were identified. The impairment test did not result in any impairments for the KFC Australia restaurants.

The impairment models have been prepared as follows:

- The cash flow estimate for the cash generating unit has been prepared based on a period of five years.
- The cash flows estimate for the individual restaurant assets have been estimated after applying growth rates from the commencement date of FY 2023 through to the end of 2042. The value in use calculations were based on a 20 year-period due to the analysis required to conform with AASB 16 Leases.
- The annual growth rates applied in the first five years average 5.0% (2021: 3.7%) for the stores modelled. The year one projections have been aligned to the division's specific cash flows reflected in the 2023 budget.
- Annual growth rates of 2.5% (2021: 2.5%) have been applied from year 6 onwards.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during 2022, prior to COVID-19, in prior reporting periods, and in the weeks since year-end.

- Cost of sales percentage is estimated to remain reasonably consistent over the cash flow period. Cost of labour percentage is estimated to steadily decrease with the increase in sales volume.
- An indefinite terminal cash flow calculation has been applied for cash flows beyond 2027 and 2042, for the cash generating unit and the restaurant assets, respectively. These projections used those years' cash flows as a base. The growth rate of 2.5% (2021: 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.

## G7: Impairment of assets continued

- A post-tax discount rate of 7.4% has been calculated for the KFC Australia segment (2021: 7.5% post tax). The change in the post-tax discount rate applied to certain restaurant assets is the result of the discount rates applied to each individual restaurant being adjusted by the incremental borrowing rate (IBR) applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range 5.0 - 8.5% for the individual restaurants assessed for impairment (2021: range 5.5 - 8.5%).

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

Management recognises that a change in one of the assumptions applied to the discount rates or growth rates could result in the impairment of some of the Group's KFC Australia restaurant assets.

However, management has considered the likelihood of these possible changes and believe that strong revenue growth achieved in the operating segment historically, during the current financial year and in the weeks since year-end, supports the growth percentages applied in the cash flows and that the discount rates applied are appropriate having assessed against current market factors.

Management do not consider that a reasonable possible change in any of the key assumptions would cause their carrying amounts to significantly exceed their recoverable amounts.

### KFC Europe restaurants

Value in use recoverable amount valuations were performed at the cash generating unit level and at the individual restaurant level for the purpose of testing goodwill and restaurant specific assets, respectively. Restaurant assets include Property, Plant & Equipment and Right-of-use assets. Detailed impairment models were prepared for the cash generating unit and for some of the KFC Europe restaurants where indicators of impairment were identified. The impairment test did not result in any impairments for the KFC Europe restaurants. These results correlate with an improved restaurant performance in the KFC Europe market as a result of the post-lockdown recovery during FY22.

The impairment models have been prepared as follows:

- The cash flow estimate for the cash generating unit has been prepared based on a period of five years.
- The cash flows estimates for the individual restaurant assets have been estimated after applying growth rates from the commencement date of FY 2023 through to the end of 2042. The value in use calculations were based on a 20 year-period due to the analysis required to conform with AASB 16 Leases.
- The year one projections have been aligned to the division's specific cash flows reflected in the 2023 budget. In addition, the annual growth rates applied in the first 5 years are reflective of restaurant specific plans which assume a continuing trend in sales recovery to pre-COVID-19 levels, particularly for the inline restaurants, and certain locations that continue to suffer the impact of COVID-19 restrictions during the financial year. This results in certain restaurants having additional growth expectations (the average annual revenue growth is 4.1% in the first five years). 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.
- Cost of sales percentage is estimated to remain reasonably consistent over the cash flow period.
- Annual growth rates of 1.5% have been applied from year 6 onwards (2021: 1.5%).
- An indefinite terminal cash flow calculation has been applied for cash flows beyond 2027 and 2042, for the cash generating unit and the restaurant assets, respectively. These projections used those years' cash flows as a base. The growth rate of 1.5% (2021: 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 post-tax discount rate of 7.4% has been calculated for the KFC Europe segment (2021: 7.3% post tax). The change in the post-tax discount rate applied to certain restaurant assets is the result of the discount rates applied to each individual restaurant being adjusted by the incremental borrowing rate (IBR) applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range of 5.5 - 7.8% for the individual restaurants assessed for impairment (2021: range 5.5 - 7.8%).

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

Management recognises that a change in one of the assumptions applied to the discount rates or growth rates could result in the impairment of some of the Group's KFC Europe restaurant assets.

However, management has considered the likelihood of these possible changes and believe that strong revenue growth achieved in the operating segment historically and prior to COVID-19 supports the growth percentages applied in the cash flows and that the discount rate applied are appropriate having assessed against current market factors.

Management do not consider that a reasonable possible change in any of the key assumptions would cause their carrying amounts to significantly exceed their recoverable amounts.

## G7: Impairment of assets continued

### Taco Bell

Value in use recoverable amount valuations were not performed at the Taco Bell segment level as there is no goodwill or other indefinite life intangible assets for Taco Bell. However, each of the individual restaurants represents a cash generating unit for the purpose of testing Property, Plant & Equipment, Right-of-use assets and other restaurant specific assets. Accordingly, impairment models were prepared for all Taco Bell restaurants where indicators of impairment were identified.

Management identified indicators of impairment amongst the Taco Bell restaurants network due to their financial performance compared to the individual restaurant forecasts. Detailed impairment models were prepared, resulting in the impairment of \$1.5 million of Property, plant and equipment, \$1.6 million of Right-of-use assets and \$31 thousand of Franchise rights.

The restaurant specific impairment models have been prepared as follows:

- The cash flow estimates for the individual restaurant assets have been estimated after applying growth rates from the commencement date of FY 2023 through to the end of 2042. The value in use calculations were based on a 20 year-period due to the analysis required to conform with AASB 16 Leases.
- The annual growth rates applied in the first 5 years are reflective of significant growth expected for the Taco Bell brand in Australia, given the increase in brand awareness as a result of marketing-focused campaigns. 5-year restaurant specific plans have been developed for the Taco Bell restaurants based on the underlying drivers of expected sales in each market and location, resulting in most restaurants having high average growth expectations during this period (the average annual revenue growth is 12.0% in the first five years) (2021: average 9.3%). The increased average growth assumption is partly due to the stronger recovery expected from certain inline locations that continued to experience disruptions from COVID-19 during FY22, together with greater confidence around future benefits arising from upcoming brand and marketing campaigns.
- The year one projections have been aligned to the division's specific cash flows reflected in the FY 2023 budget. Management believes that these growth percentages are reasonable considering the growth that has been seen in existing restaurants since opening and the overall growth of QSR sector and the Mexican category.
- Cost of sales percentage is estimated to remain reasonably consistent over the cash flow period.
- Annual growth rates of 2.5% have been applied from year 6 onwards (2021: 2.5%).
- An indefinite terminal cash flow calculation has been applied for cash flows beyond 2042, using that year's cash flow as a base. The growth rate of 2.5% (2021: 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.
- Restaurant specific discount rates have been applied to restaurant assets to account for the different post-tax discount rates applied to each individual restaurant after being adjusted by the IFR applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range of 7.0 – 8.0% for the individual restaurants assessed for impairment (2021: range 6.3 – 9.3%).

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

The business is still in the growth phase, with a further 12 restaurants planned to open in FY 2023 and a significant investment in marketing campaigns to increase brand awareness. Therefore, the revenue growth rates for Years 1 - 5 are the most significant assumptions underpinning the Taco Bell impairment analysis.

Management recognises that changes in the key assumptions such as revenue growth rates and discount rates could result in either partial or full impairment of two additional restaurants.

However, management has considered the likelihood of the assumed growth rates and believe that the strong revenue growth is achievable based on the current strategy for the Taco Bell business, which includes the increase in marketing efforts and continued introduction of new restaurants. Significant expansion plans are underway in South-East Queensland and Victoria.

## G7: Impairment of assets continued

### Sizzler Asia

The cash flows for the Sizzler Asia cash generating unit have been estimated after applying growth rates from the commencement of 2023 through to the end of the 2027 reporting period which average 3.0% (2021: 3.0%). The year one projections have been aligned to the cash flows reflected in the 2023 budget. The growth rate of 3.0% (2021: 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. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2027, using that year's cash flow as a base.

A pre-tax discount rate of 14.0% (2021: 14.0%) has been applied to the cash flows.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this cash generating unit during 2022, prior to COVID-19 and prior reporting periods.

## 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 deferred and amortised over the renewal option period. The unamortised balance is reviewed each balance date and charged to the Consolidated Income Statement to the extent that future benefits are no longer probable.

### 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 *Intangible Assets* 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.

## G8: 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:

|                            | 2022<br>\$000  | (1) 2021<br>\$000 |
|----------------------------|----------------|-------------------|
| <b>Right-of-use assets</b> |                |                   |
| Property                   | 430,162        | 360,945           |
| Motor vehicles             | 2,306          | 712               |
|                            | <b>432,468</b> | <b>361,657</b>    |
| <b>Lease liabilities</b>   |                |                   |
| Current                    | 37,766         | 34,211            |
| Non-current                | 439,623        | 363,601           |
|                            | <b>477,389</b> | <b>397,812</b>    |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

Additions to the right-of-use assets during the 2022 financial period were \$98,199,000 (2021: \$40,037,000).

### AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The income statement shows the following amounts relating to leases:

|                                                   | 2022<br>\$000 | 2021<br>\$000 |
|---------------------------------------------------|---------------|---------------|
| <b>Depreciation charge of right-of-use assets</b> |               |               |
| Property                                          | 44,008        | 40,415        |
| Motor vehicles                                    | 1,023         | 700           |
|                                                   | <b>45,031</b> | <b>41,115</b> |
| <b>Impairment charge of right-of-use assets</b>   |               |               |
| Properties                                        | 1,609         | 4,803         |
|                                                   | <b>1,609</b>  | <b>4,803</b>  |

|                                                                                                                           | 2022<br>\$000 | 2021<br>\$000 |
|---------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Gain on sale and leaseback                                                                                                | 1,238         | –             |
| Interest expense (included in finance costs) (1)                                                                          | 22,679        | 20,614        |
| Expense relating to short-term leases (included in selling marketing and royalty, occupancy, and administrative expenses) | 919           | 519           |
| Expense relating to variable lease payments not included in lease liabilities (included in occupancy expenses)            | 3,056         | 2,649         |

(1) In the 2021 reporting period, Finance costs of \$7,000 in relation to Sizzler Australia have been excluded.

### 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 20 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.

## G8: Leases continued

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, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

In the current reporting period, the weighted average lessee's incremental borrowing rate applied to the lease liabilities was 4.85% (2021: 7.45%)

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 restaurant. For individual restaurants, 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 restaurants. 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.

## G8: Leases continued

## 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 penalty payments 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 restaurants 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 restaurant 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.

| Segment              | Lease term assumption                                                                 |
|----------------------|---------------------------------------------------------------------------------------|
| <b>KFC Australia</b> | Primary term of the lease, plus options, to an upper limit of 20 years.               |
| <b>KFC Europe</b>    | Primary term of the lease, plus next option term where renewal process has commenced. |
| <b>Taco Bell</b>     | Primary term of the lease, plus next option term where renewal process has commenced. |
| <b>Other</b>         | 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.

## 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.

|                                     | Less than<br>1 year | Between<br>1 and 2<br>years | Between<br>2 and 5<br>years | Over<br>5 years | Total<br>contractual<br>cash flows | Carrying<br>amount |
|-------------------------------------|---------------------|-----------------------------|-----------------------------|-----------------|------------------------------------|--------------------|
| <b>2022</b>                         | <b>\$000</b>        | <b>\$000</b>                | <b>\$000</b>                | <b>\$000</b>    | <b>\$000</b>                       | <b>\$000</b>       |
| Lease liabilities                   | 59,837              | 57,670                      | 158,807                     | 373,916         | <b>650,230</b>                     | <b>477,389</b>     |
| <b>2021 Restated <sup>(1)</sup></b> | <b>\$000</b>        | <b>\$000</b>                | <b>\$000</b>                | <b>\$000</b>    | <b>\$000</b>                       | <b>\$000</b>       |
| Lease liabilities                   | 52,764              | 49,052                      | 135,644                     | 326,618         | <b>564,078</b>                     | <b>397,812</b>     |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## G9: Trade and other payables

|                                         | 2022<br>\$000  | (1) 2021<br>\$000 |
|-----------------------------------------|----------------|-------------------|
| <b>Current liabilities</b>              |                |                   |
| Trade payables and accruals - unsecured | 97,944         | 79,014            |
| Other payables - unsecured              | 18,529         | 17,640            |
| <b>Total payables</b>                   | <b>116,473</b> | <b>96,654</b>     |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## 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.

## G10: Provisions

|                         | 2022         |              |               | (1) 2021     |              |               |
|-------------------------|--------------|--------------|---------------|--------------|--------------|---------------|
|                         | Current      | Non-current  | Total         | Current      | Non-current  | Total         |
|                         | \$000        | \$000        | \$000         | \$000        | \$000        | \$000         |
| Employee entitlements   | 5,907        | 3,954        | 9,861         | 5,838        | 4,292        | 10,130        |
| Make good provision     | 548          | 3,236        | 3,784         | 202          | 2,684        | 2,886         |
| Other provisions        | 281          | –            | 281           | 1,514        | –            | 1,514         |
| <b>Total provisions</b> | <b>6,736</b> | <b>7,190</b> | <b>13,926</b> | <b>7,554</b> | <b>6,976</b> | <b>14,530</b> |

(1) The prior reporting period has been restated as a result of an adjustment to the provisional accounting for the KFC restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details).

## 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 restaurants 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.

**G11: Reserves**

|                              | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------|---------------|---------------|
| Hedging - cash flow hedges   | 2,467         | (1,565)       |
| Share based payments         | 2,087         | 1,493         |
| Foreign currency translation | 10,317        | 10,828        |
|                              | <b>14,871</b> | <b>10,756</b> |

|                                                                   | Notes | 2022<br>\$000 | 2021<br>\$000  |
|-------------------------------------------------------------------|-------|---------------|----------------|
| MOVEMENTS:                                                        |       |               |                |
| <b>Cash flow hedges:</b>                                          |       |               |                |
| Opening balance                                                   |       | (1,565)       | (2,923)        |
| Revaluation – gross                                               |       | 5,488         | 2,089          |
| Deferred tax                                                      | G12   | (1,646)       | (627)          |
| Transfer to net profit - gross                                    |       | 272           | (149)          |
| Deferred tax                                                      | G12   | (82)          | 45             |
| <b>Closing balance</b>                                            |       | <b>2,467</b>  | <b>(1,565)</b> |
| <b>Share based payments:</b>                                      |       |               |                |
| Opening balance                                                   |       | 1,493         | 292            |
| Valuation of performance rights                                   |       | 1,200         | 1,201          |
| Performance rights vested                                         |       | (606)         | –              |
| <b>Closing balance</b>                                            |       | <b>2,087</b>  | <b>1,493</b>   |
| <b>Foreign currency translation:</b>                              |       |               |                |
| Opening balance                                                   |       | 10,828        | 16,719         |
| Exchange fluctuations arising on net investment in hedge          |       | (4,537)       | 6,756          |
| Exchange fluctuations arising on net assets of foreign operations |       | 4,026         | (12,647)       |
| <b>Closing balance</b>                                            |       | <b>10,317</b> | <b>10,828</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.

## G12: Tax

## INCOME TAX EXPENSE

|                                                                                 | 2022<br>\$000 | 2021<br>\$000  |
|---------------------------------------------------------------------------------|---------------|----------------|
| <b>Income tax expense</b>                                                       |               |                |
| Current tax                                                                     | 26,018        | 29,332         |
| Deferred tax                                                                    | 132           | (6,234)        |
| (Over)/under provided in prior reporting periods                                | (260)         | (559)          |
|                                                                                 | <b>25,890</b> | <b>22,539</b>  |
| Income tax expense is attributable to:                                          |               |                |
| Profit from continuing operations                                               | 25,890        | 23,633         |
| Loss from discontinued operation                                                | –             | (1,094)        |
| Aggregate income tax expense                                                    | <b>25,890</b> | <b>22,539</b>  |
| Deferred income tax expense/(benefit) included in income tax expense comprises: |               |                |
| Decrease/(increase) in deferred tax assets                                      | (17,430)      | 17             |
| (Decrease)/increase in deferred tax liabilities                                 | 17,562        | (6,251)        |
|                                                                                 | <b>132</b>    | <b>(6,234)</b> |

| <b>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</b> | 2022<br>\$000 | (1) 2021<br>\$000 |
|--------------------------------------------------------------------------------------------|---------------|-------------------|
| Profit from continuing operations before income tax expense (1)                            | 80,689        | 60,904            |
| Loss from discontinued operation before income tax expense                                 | –             | (5,757)           |
|                                                                                            | <b>80,689</b> | <b>55,147</b>     |
| Tax at the Australian tax rate of 30.0% (2021: 30.0%)                                      | 24,207        | 16,544            |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income:    |               |                   |
| Other non-deductible expenses                                                              | 1,293         | 2,872             |
| Difference in foreign taxation rates                                                       | 89            | 1,635             |
| Non-assessable income received                                                             | (688)         | 100               |
| Changes in tax laws and/or tax rates                                                       | –             | (1,335)           |
| Carried forward losses brought to account                                                  | (443)         | –                 |
| Derecognition of previously recognised deductible temporary differences                    | 428           | –                 |
| Derecognition of previously recognised carried forward tax losses                          | –             | 876               |
| Current year tax losses for which no deferred income tax was recognised                    | 1,264         | 2,406             |
|                                                                                            | <b>26,150</b> | <b>23,098</b>     |
| Amounts (over)/under provided in prior reporting periods                                   | (260)         | (559)             |
| <b>Income tax expense</b>                                                                  | <b>25,890</b> | <b>22,539</b>     |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

|                                                                    | Notes | 2022<br>\$000  | 2021<br>\$000 |
|--------------------------------------------------------------------|-------|----------------|---------------|
| <b>Tax expense relating to items of other comprehensive income</b> |       |                |               |
| Cash flow hedges                                                   | G11   | <b>(1,728)</b> | (582)         |

## G12: Tax continued

|                                                                                    | 2022<br>\$000  | 2021<br>\$000  |
|------------------------------------------------------------------------------------|----------------|----------------|
| <b>Tax losses</b>                                                                  |                |                |
| Unused revenue tax losses for which no deferred tax asset has been recognised      | 51,429         | 50,603         |
| Unused capital tax losses for which no deferred tax asset has been recognised      | 64,607         | 66,083         |
| <b>Total unused tax losses for which no deferred tax asset has been recognised</b> | <b>116,036</b> | <b>116,686</b> |

## DEFERRED TAX BALANCES

| Deferred tax assets (DTA)                                          | 2022<br>\$000  | 2021<br>\$000  |
|--------------------------------------------------------------------|----------------|----------------|
| The balance comprises temporary differences attributable to:       |                |                |
| Depreciation                                                       | 25,384         | 28,464         |
| Employee benefits                                                  | 3,554          | 5,137          |
| Provisions                                                         | 6,256          | 4,838          |
| Lease liabilities                                                  | 130,678        | 110,007        |
| Carried forward revenue losses                                     | 1,226          | 1,371          |
| Capitalised costs                                                  | 408            | 259            |
| Cash flow hedges                                                   | –              | 706            |
|                                                                    | <b>167,506</b> | <b>150,782</b> |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (127,681)      | (109,653)      |
| <b>Net deferred tax assets</b>                                     | <b>39,825</b>  | <b>41,129</b>  |

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

| Deferred tax liabilities (DTL)                                     | 2022<br>\$000  | 2021<br>\$000  |
|--------------------------------------------------------------------|----------------|----------------|
| The balance comprises temporary differences attributable to:       |                |                |
| Right-of-use assets                                                | 120,997        | 103,764        |
| Inventories                                                        | 979            | 923            |
| Intangibles                                                        | 10,327         | 9,844          |
| Financial assets at fair value through profit or loss              | 458            | 336            |
| Cash flow hedges                                                   | 1,034          | –              |
| Other                                                              | (966)          | (634)          |
|                                                                    | <b>132,829</b> | <b>114,233</b> |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (127,681)      | (109,653)      |
| <b>Net deferred tax liabilities</b>                                | <b>5,148</b>   | <b>4,580</b>   |

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

## G12: 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.

### G13: 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:

|                                                                                            | 2022<br>Whole<br>dollars<br>\$ | 2021<br>Whole<br>dollars<br>\$ |
|--------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>AUDIT AND OTHER ASSURANCE SERVICES</b>                                                  |                                |                                |
| AUDIT SERVICES:                                                                            |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | 401,370                        | 579,747                        |
| Audit and review of financial reports and other audit work for foreign subsidiary          | 45,402                         | 42,432                         |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Audit and review of financial reports and other audit work for foreign subsidiary          | 349,618                        | 506,824                        |
|                                                                                            | <b>796,390</b>                 | <b>1,129,003</b>               |
| OTHER ASSURANCE SERVICES:                                                                  |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Restaurant sales certificates                                                              | 25,096                         | 29,478                         |
| Agreed upon procedures for covenant calculations                                           | 7,650                          | 7,650                          |
| ESG support                                                                                | 70,890                         | –                              |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Government subsidy audit                                                                   | –                              | 129,620                        |
| Taxation advice                                                                            | 10,457                         | –                              |
|                                                                                            | <b>114,093</b>                 | <b>166,748</b>                 |
| <b>Total remuneration for audit and other assurance services</b>                           | <b>910,483</b>                 | <b>1,295,751</b>               |
| <b>TAXATION SERVICES</b>                                                                   |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Tax compliance services, including review of tax returns and allowance claims              | 46,560                         | 58,160                         |
| <i>Network firm of PricewaterhouseCoopers Australia:</i>                                   |                                |                                |
| Tax compliance services, including review of company tax returns                           | 5,011                          | 56,675                         |
| <b>Total remuneration for taxation services</b>                                            | <b>51,571</b>                  | <b>114,835</b>                 |
| <b>OTHER SERVICES</b>                                                                      |                                |                                |
| <i>PricewaterhouseCoopers Australian firm:</i>                                             |                                |                                |
| Acquisition related due diligence                                                          | 120,000                        | 276,787                        |
| <b>Total remuneration for other services</b>                                               | <b>120,000</b>                 | <b>276,787</b>                 |
| <b>TOTAL REMUNERATION FOR SERVICES</b>                                                     | <b>1,082,054</b>               | <b>1,687,373</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.

### G14: Contingencies

The parent entity and certain controlled entities indicated in Note H1 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 wholly-owned 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.

## H: GROUP STRUCTURE

### H1: Subsidiaries and Deed of Cross Guarantee (Amended and Restated)

#### H2: Parent entity financial information

### H1: Subsidiaries and Deed of Cross Guarantee

The Consolidated Financial Statements at 1 May 2022 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/<br>country of<br>incorporation | Acronym | Percentage of<br>shares held |           |
|----------------------------------------|---------|---------------------------------------------------|---------|------------------------------|-----------|
|                                        |         |                                                   |         | 2022<br>%                    | 2021<br>% |
| 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       |

## H1: Subsidiaries and Deed of Cross Guarantee continued

| Name of entity                                               | Notes   | Place of business/<br>country of<br>incorporation | Acronym | Percentage of<br>shares held |           |
|--------------------------------------------------------------|---------|---------------------------------------------------|---------|------------------------------|-----------|
|                                                              |         |                                                   |         | 2022<br>%                    | 2021<br>% |
| 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       |
| Collins Foods SPV B.V. (formerly MAAS KFC Amersfoort B.V.)   | (c) (e) | Netherlands                                       | SPV     | 100                          | 100       |
| MAAS KFC Utrecht B.V.                                        | (c) (e) | Netherlands                                       | UTR     | 100                          | 100       |
| MAAS KFC Veenendaal B.V.                                     | (c) (e) | Netherlands                                       | VDL     | 100                          | 100       |
| Taupo Lelystad B.V.                                          | (c) (f) | Netherlands                                       | TAU     | 100                          | –         |
| Collins Foods Holdings Europe B.V.                           | (c)     | Netherlands                                       | CFEH    | 100                          | –         |
| Collins Foods Netherlands Operations B.V.                    | (c)     | Netherlands                                       | CFNO    | 100                          | –         |
| Collins Foods Netherlands Management B.V.                    | (c)     | Netherlands                                       | CFNM    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Alexandrium B.V.      | (c) (g) | Netherlands                                       | ALEX    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Spijkenisse B.V.      | (c) (g) | Netherlands                                       | SPIJ    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Binnenwegplein B.V.   | (c) (g) | Netherlands                                       | BINN    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Barendrecht B.V.      | (c) (g) | Netherlands                                       | BARE    | 100                          | –         |
| H.E.M. de Kok Stadion-Boulevard B.V.                         | (c) (g) | Netherlands                                       | STAD    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Groene Hilledijk B.V. | (c) (g) | Netherlands                                       | GROE    | 100                          | –         |
| Horeca Exploitatie Maatschappij J.G.B. De Kok Bergweg B.V.   | (c) (g) | Netherlands                                       | BERG    | 100                          | –         |
| Horeca Exploitatie Maatschappij De Kok Zuidplein B.V.        | (c) (g) | Netherlands                                       | ZUID    | 100                          | –         |
| Horeca Exploitatie Maatschappij J.G.B. De Kok Kruiskade B.V. | (c) (g) | Netherlands                                       | KRUI    | 100                          | –         |

(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

(e) On 1 February 2021 Collins Foods Netherlands Limited acquired three KFC restaurants from MAAS Holdings B.V. located in the Netherlands, Europe

(f) On 1 June 2021 Collins Foods Netherlands Limited acquired one KFC restaurant Kia Ora Holdings B.V. located in the Netherlands, Europe

(g) On 1 February 2022 Collins Foods Netherlands Operations B.V. acquired nine KFC restaurants from the De Kok Group of companies, located in the Netherlands, Europe

## H1: Subsidiaries and Deed of Cross Guarantee continued

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   |                   |
|------------------------------------------------------------|----------------|-------------------|
|                                                            | 2022<br>\$000  | (1) 2021<br>\$000 |
| <b>CONSOLIDATED INCOME STATEMENT</b>                       |                |                   |
| Sales revenue                                              | 991,260        | 928,450           |
| Cost of sales                                              | (473,796)      | (439,267)         |
| <b>Gross profit</b>                                        | <b>517,464</b> | <b>489,183</b>    |
| Selling, marketing and royalty expenses                    | (219,447)      | (199,925)         |
| Occupancy expenses                                         | (64,224)       | (59,938)          |
| Restaurant related expenses                                | (70,033)       | (70,393)          |
| Administration expenses (1)                                | (53,412)       | (50,769)          |
| Other expenses                                             | (8,058)        | (6,667)           |
| Other income                                               | 415            | 468               |
| Finance costs                                              | (26,096)       | (26,084)          |
| Other gains/(losses) – net                                 | 2,124          | (109)             |
| <b>Profit from continuing operations before income tax</b> | <b>78,733</b>  | <b>75,766</b>     |
| Income tax expense                                         | (24,296)       | (23,544)          |
| <b>Profit from continuing operations</b>                   | <b>54,437</b>  | <b>52,222</b>     |
| Loss from discontinued operation                           | –              | (4,663)           |
| <b>Net profit attributable to the Closed Group</b>         | <b>54,437</b>  | <b>47,559</b>     |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

|                                                                         | Closed Group  |                   |
|-------------------------------------------------------------------------|---------------|-------------------|
|                                                                         | 2022<br>\$000 | (1) 2021<br>\$000 |
| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>                   |               |                   |
| <b>Profit from continuing operations</b>                                | <b>54,437</b> | <b>47,559</b>     |
| Other comprehensive income:                                             |               |                   |
| Cash flow hedges                                                        | 5,760         | 1,940             |
| Income tax relating to components of other comprehensive income         | (1,728)       | (582)             |
| <b>Other comprehensive income for the period, net of tax</b>            | <b>4,032</b>  | <b>1,358</b>      |
| <b>Total comprehensive income for the period</b>                        | <b>58,469</b> | <b>48,917</b>     |
| Total comprehensive income for the reporting period is attributable to: |               |                   |
| <b>Owners of the parent</b>                                             | <b>58,469</b> | <b>48,917</b>     |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

|                                                                   | Closed Group   |                   |
|-------------------------------------------------------------------|----------------|-------------------|
|                                                                   | 2022<br>\$000  | (1) 2021<br>\$000 |
| <b>SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS</b>     |                |                   |
| <b>Retained earnings at the beginning of the reporting period</b> | <b>102,046</b> | <b>70,931</b>     |
| Profit for the period (1)                                         | 54,437         | 47,559            |
| Dividends provided for or paid                                    | (28,591)       | (16,444)          |
| <b>Retained earnings at the end of the reporting period</b>       | <b>127,892</b> | <b>102,046</b>    |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

## H1: Subsidiaries and Deed of Cross Guarantee continued

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     |                              |
|--------------------------------------|------------------|------------------------------|
|                                      | 2022<br>\$000    | <sup>(1)</sup> 2021<br>\$000 |
| <b>Current assets</b>                |                  |                              |
| Cash and cash equivalents            | 74,360           | 68,684                       |
| Receivables                          | 1,159            | 9,141                        |
| Inventories                          | 6,258            | 6,082                        |
| Derivative financial instruments     | 662              | –                            |
| Other assets                         | 2,096            | 2,159                        |
| <b>Total current assets</b>          | <b>84,535</b>    | <b>86,066</b>                |
| <b>Non-current assets</b>            |                  |                              |
| Property, plant and equipment        | 173,380          | 155,043                      |
| Intangible assets <sup>(1)</sup>     | 341,896          | 340,477                      |
| Right-of-use assets                  | 364,011          | 319,196                      |
| Deferred tax assets                  | 39,825           | 41,130                       |
| Derivative financial instruments     | 2,784            | –                            |
| Other financial assets               | 134,244          | 134,244                      |
| <b>Total non-current assets</b>      | <b>1,056,140</b> | <b>990,090</b>               |
| <b>TOTAL ASSETS</b>                  | <b>1,140,675</b> | <b>1,076,156</b>             |
| <b>Current liabilities</b>           |                  |                              |
| Trade and other payables             | 90,689           | 81,866                       |
| Lease liabilities                    | 25,566           | 20,846                       |
| Current tax liabilities              | 5,023            | 7,077                        |
| Derivative financial instruments     | –                | 1,536                        |
| Provisions                           | 6,488            | 6,141                        |
| <b>Total current liabilities</b>     | <b>127,766</b>   | <b>117,466</b>               |
| <b>Non-current liabilities</b>       |                  |                              |
| Borrowings                           | 210,217          | 241,895                      |
| Lease liabilities                    | 373,026          | 321,509                      |
| Derivative financial instruments     | –                | 819                          |
| Provisions                           | 6,218            | 6,139                        |
| <b>Total non-current liabilities</b> | <b>589,461</b>   | <b>570,362</b>               |
| <b>TOTAL LIABILITIES</b>             | <b>717,227</b>   | <b>687,828</b>               |
| <b>NET ASSETS</b>                    | <b>423,448</b>   | <b>388,328</b>               |
| <b>Equity</b>                        |                  |                              |
| Contributed equity                   | 291,394          | 290,788                      |
| Reserves                             | 4,162            | (4,507)                      |
| Retained earnings                    | 127,892          | 102,047                      |
| <b>TOTAL EQUITY</b>                  | <b>423,448</b>   | <b>388,328</b>               |

(1) The prior reporting period has been restated as a result of a change in accounting policy for the recognition of cloud computing arrangements (refer to Note 12 for further details).

## H2: Parent entity financial information

### SUMMARY FINANCIAL INFORMATION

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

|                                      | 2022<br>\$000  | 2021<br>\$000  |
|--------------------------------------|----------------|----------------|
| Balance sheet                        |                |                |
| Current assets                       | 516,071        | 487,484        |
| Non-current assets                   | –              | 208            |
| <b>Total assets</b>                  | <b>516,071</b> | <b>487,692</b> |
| Current liabilities                  | 148,459        | 139,682        |
| Non-current liabilities              | 379            | 23             |
| <b>Total liabilities</b>             | <b>148,838</b> | <b>139,705</b> |
| <b>Net assets</b>                    | <b>367,233</b> | <b>347,987</b> |
| Shareholders' equity                 |                |                |
| Issued capital <sup>(1)</sup>        | 337,725        | 337,119        |
| Reserves                             | 2,080          | 1,493          |
| Retained earnings                    | 27,428         | 9,375          |
|                                      | <b>367,233</b> | <b>347,987</b> |
| <b>Profit or loss for the period</b> | <b>46,644</b>  | <b>35,156</b>  |
| <b>Total comprehensive income</b>    | <b>46,644</b>  | <b>35,156</b>  |

(1) 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 \$200 million and €120 million as stated in Note B2. In addition, there are cross guarantees given by the parent entity as described in Note H1. 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 2023. 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 1 May 2022 (2021: nil).

## I: BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

### I1: Basis of preparation

### I2: Changes to accounting policies

### I3: Other accounting policies

## I1: 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 consolidated 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 \$52.6 million. The predominant reason for this net current liability position is the introduction of AASB 16, with lease payments due in the next financial year recognised as current liabilities. The Group does not deem this to be a going concern risk, as excluding lease liabilities there would be a net current liability position of \$14.9 million with undrawn bank loan facilities of \$81.1 million and undrawn working capital facilities of \$22.8 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 H1 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 2022 reporting period comprised the fifty-two weeks which ended on 1 May 2022 (2021: a fifty-two week reporting period which ended on 2 May 2021).

### 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.

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 combinations;
- Note G5 Property, plant and equipment;
- Note G6 Non-current assets - intangible assets;
- Note G7 Impairment of assets;
- Note G8 Leases; and
- Note G10 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 that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## COMPARATIVES AND RESTATEMENTS OF PRIOR YEAR BALANCES

Amounts have been restated as a result of:

- an adjustment to the provisional accounting for the KFC Restaurants (Europe) acquisition that occurred in the prior period (refer to Note A2 for further details); and
- a change in accounting policy for the recognition of cloud computing arrangements (refer to Note I2 for further details).

Other comparatives have been reclassified where appropriate to enhance comparability.

## NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has not applied any new standards or amendments for the first time for their annual reporting period commencing 3 May 2021.

## NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 1 May 2022 reporting periods and have not been early adopted by the group. The Group's assessment of the impact 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 following standards before the effective dates.

## I2: Changes in accounting policies

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The revised accounting policy is presented below. Historical financial information has been restated to account for the impact of the change, which is presented below.

### SAAS ARRANGEMENTS – ACCOUNTING POLICY APPLIED FROM 4 MAY 2020

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

| Cost treatment                                                                                                                      | Stage of implementation process                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Recognise as an operating expense over the term of the service contract</b>                                                      | <ul style="list-style-type: none"> <li>• Fee for use of application software</li> <li>• Customisation costs of provider offerings</li> </ul>                                                                                                                                                          |
| <b>Recognise as an operating expense as the service is received</b>                                                                 | <ul style="list-style-type: none"> <li>• Configuration costs of provider offerings</li> <li>• Data conversion and migration costs</li> <li>• Testing costs</li> <li>• Employee training costs</li> <li>• Post-implementation maintenance</li> <li>• Post-implementation access to the SaaS</li> </ul> |
| <b>Recognise as an asset that depreciates over the shorter of the term of the related service contract or estimated useful life</b> | <ul style="list-style-type: none"> <li>• Acquisition or development of bridging modules to existing systems and applications</li> <li>• Development of training materials</li> <li>• Acquisition or development of data conversion software</li> </ul>                                                |

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Refer to the annual report for the period ended 2 May 2021 for an outline of accounting for intangible assets.

### Impact of revision

In previous reporting periods, the Group had capitalised software implementation costs where future economic benefits are expected to be derived from its use. These costs were recognised as intangible assets and from the point at which the asset was ready for use, were amortised on a straight-line basis over their estimated useful life.

In the current reporting period, the Group has revised its accounting policy in response to the IFRIC agenda decisions on SaaS arrangements, resulting in such costs being recognised as an expense as services are received. This revision in accounting policy has been applied retrospectively and the prior period comparative amounts restated.

## I2: Changes in accounting policies continued

The following tables disclose the impact of the change in accounting policy in relation to SaaS arrangements affecting the prior reporting period. In addition, other adjustments have been included to display the full impact to the restated balances. Other adjustments relate to a change in the provisional accounting for the KFC restaurants (Europe) acquisition in the Balance Sheet (refer to Note A2 for further details) and the reclassification of interest paid on leases in the Statement of Cash Flows.

| Consolidated Income Statement                                                                       | As previously reported | SaaS Policy adjustments | <sup>(1)</sup> Other adjustments | As restated    |
|-----------------------------------------------------------------------------------------------------|------------------------|-------------------------|----------------------------------|----------------|
| For the reporting period ended 2 May 2021                                                           | \$000                  | \$000                   | \$000                            | \$000          |
| Administration expenses                                                                             | (63,339)               | (341)                   | –                                | (63,680)       |
| <b>Underlying EBITDA</b>                                                                            | <b>186,130</b>         | <b>(341)</b>            | <b>–</b>                         | <b>185,789</b> |
| <b>Profit from continuing operations before finance income, finance costs and income tax (EBIT)</b> | <b>90,586</b>          | <b>(341)</b>            | <b>–</b>                         | <b>90,245</b>  |
| <b>Profit from continuing operations before income tax</b>                                          | <b>61,245</b>          | <b>(341)</b>            | <b>–</b>                         | <b>60,904</b>  |
| <b>Profit from continuing operations</b>                                                            | <b>37,612</b>          | <b>(341)</b>            | <b>–</b>                         | <b>37,271</b>  |
| <b>Net profit attributable to members of Collins Foods Limited</b>                                  | <b>32,949</b>          | <b>(341)</b>            | <b>–</b>                         | <b>32,608</b>  |
| <b>Total comprehensive income for the reporting period</b>                                          | <b>28,416</b>          | <b>(341)</b>            | <b>–</b>                         | <b>28,075</b>  |

(1) Other adjustments relate to a change in the provisional accounting for the KFC restaurants (Europe) acquisition. They have been included in this table to display a full impact to the restated income statement. Refer to Note A2 for further details.

| Consolidated Balance Sheet       | As previously reported | SaaS Policy adjustments | <sup>(1)</sup> Other adjustments | As restated      |
|----------------------------------|------------------------|-------------------------|----------------------------------|------------------|
| As at 2 May 2021                 | \$000                  | \$000                   | \$000                            | \$000            |
| Receivables                      | 2,786                  | –                       | 255                              | 3,041            |
| <b>Total current assets</b>      | <b>110,836</b>         | <b>–</b>                | <b>255</b>                       | <b>111,091</b>   |
| Intangible assets                | 451,063                | (341)                   | 827                              | 451,549          |
| Right-of-use assets              | 359,100                | –                       | 2,557                            | 361,657          |
| <b>Total non-current assets</b>  | <b>1,042,969</b>       | <b>(341)</b>            | <b>3,384</b>                     | <b>1,046,012</b> |
| <b>Total assets</b>              | <b>1,153,805</b>       | <b>(341)</b>            | <b>3,639</b>                     | <b>1,157,103</b> |
| Trade and other payables         | 96,895                 | –                       | (241)                            | 96,654           |
| Lease liabilities (current)      | 31,654                 | –                       | 2,557                            | 34,211           |
| Provisions (current)             | 6,231                  | –                       | 1,323                            | 7,554            |
| <b>Total current liabilities</b> | <b>143,400</b>         | <b>–</b>                | <b>3,639</b>                     | <b>147,039</b>   |
| <b>Total liabilities</b>         | <b>790,866</b>         | <b>–</b>                | <b>3,639</b>                     | <b>794,505</b>   |
| <b>Net assets</b>                | <b>362,939</b>         | <b>(341)</b>            | <b>–</b>                         | <b>362,598</b>   |
| Retained earnings                | 61,395                 | (341)                   | –                                | 61,054           |
| <b>Total equity</b>              | <b>362,939</b>         | <b>(341)</b>            | <b>–</b>                         | <b>362,598</b>   |

(1) Other adjustments relate to a change in the provisional accounting for the KFC Restaurants (Europe) acquisition. They have been included in this table to display a full impact to the restated balance sheet. Refer to Note A2 for further details.

| Consolidated Statement of Cash Flows                   | As previously reported | SaaS Policy adjustments | <sup>(1)</sup> Other adjustments | As restated     |
|--------------------------------------------------------|------------------------|-------------------------|----------------------------------|-----------------|
| For the reporting period ended 2 May 2021              | \$000                  | \$000                   | \$000                            | \$000           |
| Payments to suppliers and employees (inclusive of GST) | (933,159)              | (341)                   | –                                | (933,500)       |
| Interest paid on leases                                | –                      | –                       | (19,449)                         | (19,449)        |
| <b>Net operating cash flows</b>                        | <b>148,038</b>         | <b>(341)</b>            | <b>(19,449)</b>                  | <b>128,248</b>  |
| Payments for intangible assets                         | (5,359)                | 341                     | –                                | (5,018)         |
| <b>Net investing cash flows</b>                        | <b>(50,918)</b>        | <b>341</b>              | <b>–</b>                         | <b>(50,577)</b> |
| Interest paid on leases                                | (19,449)               | –                       | 19,449                           | –               |
| <b>Net financing cash flows</b>                        | <b>(112,480)</b>       | <b>–</b>                | <b>19,449</b>                    | <b>(93,031)</b> |

(1) Other adjustments relate to a change in the classification of interest paid on leases from Financing cash flows to Operating cash flows. They have been included in this table to display a full impact to the restated Statement of cash flows.

## I3: 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 G8).

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.

### OTHER INCOME

Interest income is recognised on a time proportion basis using the effective interest method.

Also included in other income is development agreement income, which is related to achieving targets included in development agreements. This is recognised at a point in time when the targets are achieved.

Other items of miscellaneous income are also included in this amount.

### 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.

Traineeship grants are accounted for as a reduction of the related expense.

Government grants were received by the Group in the current year for traineeships, amounting to \$2.7 million.

In the 2021 reporting period, government grants were received by the Group for traineeships and support in relation to the impacts of COVID-19. COVID-19 support amounts were received from both Australian and overseas governments, amounting to \$6.3 million. Of the \$6.3 million, \$4.2 million was received in Australia by Sizzler Australia, with the total amount being passed on to employees. \$2.4 million was a direct pass through to employees (top up to the minimum fortnightly wage of \$1,500), with the balance of \$1.8 million covering wages for hours worked by employees. In March 2021, the Group repaid the \$1.8 million of JobKeeper to the Australian Government. Net grant receipts of \$4.5 million have been offset against the expense to which they relate under the profit or loss.

## J: SUBSEQUENT EVENTS

### J1: Subsequent events

Subsequent to year-end, on 3 May 2022, Collins Restaurants South Pty Ltd, a wholly-owned subsidiary of the Group, entered into a Business Sale Agreement to purchase the assets and assume the liabilities of a KFC restaurant located in Griffith, New South Wales from Shayden Nominees Pty Ltd

The consideration transferred amounted to \$7.6 million, satisfied by \$4.6 million in cash and \$3.0 million in Collins Food Limited (ASX Ticker: CKF) fully paid ordinary shares. This amounted to 284,091 shares based on a volume weighted average price of the shares for the ten trading days to 2 May 2022 of \$10.56.

The purchase price accounting will be finalised after the completion date and will be disclosed in the 2023 half-year interim financial report.

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.

## DIRECTOR'S DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 30 to 91 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 1 May 2022 and of its performance for the period ended on that date;
- 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 H1 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 H1.

Note 11 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 Managing Director & Chief Executive Officer and the Group Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

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



**Robert Kaye SC**  
Chair

Brisbane  
28 June 2022



## Independent auditor's report

To the members of Collins Foods Limited

### Report on the audit of the financial report

---

#### 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 1 May 2022 and of its financial performance for the period from 3 May 2021 to 1 May 2022 (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 1 May 2022
- the consolidated income statement for the reporting period then ended
- 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 notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

---

#### 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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999

Liability limited by a scheme approved under Professional Standards Legislation.



### 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 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 \$4.0m, which represents approximately 5% of the Group's profit before tax adjusted for the impairment charge recognised in the current 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 for impairment as it is an unusual or infrequently occurring item 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 and Taco Bell restaurants operated by the Group.</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:               <ul style="list-style-type: none"> <li>Carrying value of store assets</li> <li>Accounting for leases in accordance with AASB 16 Leases</li> </ul> </li> <li>These are further described in the "Key audit matters" section of our report.</li> </ul> |



## 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>Carrying value of store assets</b></p> <p><i>Impairment of Assets (Refer to note G7)</i></p> <p><i>Property, Plant &amp; Equipment \$216.1m (Refer to note G5), Franchise Rights \$11.8m (Refer to note G6), and Right of Use assets \$432.5m (Refer to note G8)</i></p> <p>The Group assesses impairment of store assets on a restaurant-by-restaurant basis for each segment. An impairment indicators analysis is performed, and where impairment indicators are present, value in use impairment models are then prepared to determine whether the carrying amount is supported.</p> <p>Following the Group's assessment, a pre-tax impairment charge of \$3.1m was recorded in relation to two Taco Bell stores (\$1.5m for Property Plant &amp; Equipment, and \$1.6m for Right of Use Asset).</p> <p>We considered this a key audit matter given the financial significance of the store asset balances in the Group's balance sheet and the significant level of judgement and estimate involved in determining the value in use for each restaurant with indicators of impairment.</p> | <p>We performed the following audit procedures in relation to the Group's review of each restaurant, amongst others:</p> <ul style="list-style-type: none"> <li>Evaluated the reasonableness of management's impairment indicator assessment</li> </ul> <p>For each restaurant that presented an indicator of impairment, we:</p> <ul style="list-style-type: none"> <li>Developed an understanding of the process undertaken by the Group in the preparation of the discounted cash flow models used to assess the recoverable amount of the store asset (the "impairment models").</li> <li>Tested the mathematical accuracy of the underlying calculations in the impairment models.</li> <li>Compared the FY2022 actual results with prior corresponding reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.</li> <li>Assessed the reasonableness of growth rates used for Year 1 to Year 5 with reference to historical results, and specific store action plans and initiatives as required.</li> <li>Evaluated the appropriateness of the discount rate and long-term growth rate assumptions in the impairment models, with the support of PwC valuation specialists, by comparing them to market observable inputs.</li> <li>Assessed the sensitivity to changes in key assumptions that would be required for assets to be impaired and considered the likelihood of such movements in those key assumptions arising.</li> <li>Evaluated the adequacy of the disclosures made in note G7 to the financial report in light of the requirements of Australian Accounting Standards.</li> </ul> |



### Accounting for leases in accordance with AASB 16 Leases

*Right of Use assets \$432.5m, Lease Liabilities \$477.4m (Refer to note G8)*

The Group applies Australian Accounting Standard AASB 16 Leases (AASB 16) in accounting for the Group's portfolio of store leases. As a result, Right of Use assets and Lease Liabilities are recognised in the balance sheet.

We considered this a key audit matter given the financial significance of the related balances in the Group's balance sheet and the critical judgements used in determining the lease term assumptions in the lease calculations, as well as the significant amount of audit effort in auditing the balances.

We performed the following audit procedures:

- Assessed whether the Group's accounting policies are in accordance with the requirements of AASB 16.
- Evaluated the adequacy of the disclosures made in note G8 in light of the requirements of Australian Accounting Standards.
- Evaluated the judgements applied by the Group in determining the probability of exercising extension options.

For a sample of lease agreements, we:

- Evaluated the lease calculation against the terms of the lease agreement and the requirements of AASB 16.
- Tested the mathematical accuracy of the lease calculations.
- Evaluated the appropriateness of the lease term applied and the Group's assumptions relating to the exercise of option periods.

### 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 1 May 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors Report, Shareholder Information and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.



---

### **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.

---

### **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: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

---

#### **Our opinion on the remuneration report**

We have audited the remuneration report included in pages 10 to 25 of the directors' report for the reporting period ended 1 May 2022.

In our opinion, the remuneration report of Collins Foods Limited for the period 3 May 2021 to 1 May 2022 complies with section 300A of the *Corporations Act 2001*.



---

### 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 cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Michael Crowe'.

Michael Crowe  
Partner

Brisbane  
28 June 2022

## 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 17 June 2022.

### Distribution of equity securities

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

| Holding                                           | Number of shareholders of ordinary shares | Percentage of total ordinary shares on issue % | Number of holders of performance rights | Percentage of performance rights on issue % |
|---------------------------------------------------|-------------------------------------------|------------------------------------------------|-----------------------------------------|---------------------------------------------|
| 1 - 1000                                          | 5,995                                     | 2.23                                           | 0                                       | 0.00                                        |
| 1,001 - 5,000                                     | 4,140                                     | 8.35                                           | 8                                       | 3.02                                        |
| 5,001 - 10,000                                    | 716                                       | 4.43                                           | 12                                      | 10.06                                       |
| 10,001 - 100,000                                  | 451                                       | 8.84                                           | 7                                       | 41.47                                       |
| 100,001 and over                                  | 40                                        | 76.15                                          | 2                                       | 45.45                                       |
| <b>TOTAL</b>                                      | <b>11,342</b>                             | <b>100.00</b>                                  | <b>29</b>                               | <b>100.00</b>                               |
| <b>TOTAL ORDINARY SHARES ON ISSUE</b>             |                                           |                                                |                                         | <b>116,980,201</b>                          |
| <b>TOTAL UNQUOTED PERFORMANCE RIGHTS ON ISSUE</b> |                                           |                                                |                                         | <b>637,285</b>                              |

There were 619 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:

| Name                                                                       | ORDINARY SHARES   |                               |
|----------------------------------------------------------------------------|-------------------|-------------------------------|
|                                                                            | Number held       | Percentage of issued shares % |
| HSBC Custody Nominees (Australia) Limited                                  | 21,507,121        | 18.39                         |
| J P Morgan Nominees Australia Pty Limited                                  | 20,015,208        | 17.11                         |
| Citicorp Nominees Pty Limited                                              | 13,777,441        | 11.78                         |
| National Nominees Limited                                                  | 10,580,369        | 9.04                          |
| Mr Kevin William Joseph Perkins                                            | 6,850,574         | 5.86                          |
| BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>                      | 2,969,989         | 2.54                          |
| BNP Paribas Noms Pty Ltd <DRP>                                             | 2,900,492         | 2.48                          |
| Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>                            | 1,322,812         | 1.13                          |
| HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C> | 1,116,466         | 0.95                          |
| Chrikim Pty Ltd <Geoffrey Wright Income A/C>                               | 823,710           | 0.70                          |
| BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>            | 520,505           | 0.44                          |
| BNP Paribas Noms Pty Ltd <Global Markets DRP>                              | 475,179           | 0.41                          |
| UBS Nominees Pty Ltd                                                       | 431,268           | 0.37                          |
| Mrs Heather Lynnette Grace                                                 | 429,801           | 0.37                          |
| Chrikim Pty Ltd <Geoffrey Wright Income A/C>                               | 369,421           | 0.32                          |
| Perkins Family Investment Corporation Pty Ltd                              | 327,273           | 0.28                          |
| Citicorp Nominees Pty Limited <DPSL A/C>                                   | 313,229           | 0.27                          |
| Michael Kemp Pty Ltd <Michael Kemp A/C>                                    | 300,910           | 0.26                          |
| Shayden Nominees Pty Ltd                                                   | 284,091           | 0.24                          |
| HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C>             | 283,802           | 0.24                          |
| <b>TOTAL</b>                                                               | <b>85,599,661</b> | <b>73.00</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      | 7,221,484       | 6.17         |
| Challenger Limited | 8,909,589       | 7.63         |

## Restricted Securities and share buy-backs

A voluntary holding lock will be applied to 1,658 fully paid ordinary shares for a period of 48 months, if they are issued, upon the vesting of 1,658 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.

## CORPORATE DIRECTORY

|                                                 |                                                                                                                                                                               |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>                                | Robert Kaye SC, <i>Chair</i><br>Drew O'Malley, <i>Managing Director &amp; CEO</i><br>Mark Hawthorne<br>Christine Holman<br>Bronwyn Morris AM<br>Kevin Perkins<br>Russell Tate |
| <b>Company Secretary</b>                        | Frances Finucan                                                                                                                                                               |
| <b>Principal registered office in Australia</b> | Level 3, KSD1, 485 Kingsford Smith Drive<br>Hamilton QLD 4007<br>Telephone: +61 7 3352 0800                                                                                   |
| <b>Share and debenture register</b>             | Computershare Investor Services Pty Ltd<br>Level 1, 200 Mary Street<br>Brisbane QLD 4000<br><br>Telephone: 1300 850 505<br>Outside Australia: +61 3 9415 4000                 |
| <b>Auditor</b>                                  | PricewaterhouseCoopers<br>480 Queen Street<br>Brisbane QLD 4000                                                                                                               |
| <b>Stock exchange listings</b>                  | Collins Foods Limited shares are listed on the Australian Securities Exchange                                                                                                 |
| <b>Website address</b>                          | <a href="http://www.collinsfoods.com">www.collinsfoods.com</a>                                                                                                                |

The Collins Foods Corporate Governance Statement is located at [www.collinsfoods.com/investors/corporate-governance/](http://www.collinsfoods.com/investors/corporate-governance/)



## FOR FURTHER INFORMATION PLEASE CONTACT

### CORPORATE

Drew O'Malley  
Managing Director & CEO  
P: +61-7 3352 0800

### INVESTORS

Ronn Bechler  
Market Eye  
P: +61-400 009 774  
E: [ronn.bechler@marketeye.com.au](mailto:ronn.bechler@marketeye.com.au)

### MEDIA

Tristan Everett  
Market Eye  
P: +61-403 789 096  
E: [tristan.everett@marketeye.com.au](mailto:tristan.everett@marketeye.com.au)