# ~2023~
# Annual REPORT


**COLLINS FOODS LIMITED**

ACN 151 420 781

# Key dates

**End of financial year 2023** Sunday 30 April 2023
**Full year 2023 results announcement** Tuesday 27 June 2023
**Record date for final dividend** Tuesday 11 July 2023
**DRP election date** Wednesday 12 July 2023
**Final dividend pricing period** Thursday 13 to Wednesday 26 July 2023
**Final dividend payment** Tuesday 1 August 2023
**DRP issue date** Tuesday 1 August 2023
**Annual General Meeting** Friday 1 September 2023
**End of half year 2024** Sunday 15 October 2023
**Half year 2024 results announcement** Tuesday 5 December 2023
**Record date for interim dividend** Tuesday 12 December 2023
**DRP election date** Wednesday 13 December 2023
**Interim dividend pricing period** Thursday 14 to Friday 29 December 2023
**Interim dividend payment** Tuesday 7 January 2024
**DRP issue date** Tuesday 7 January 2024

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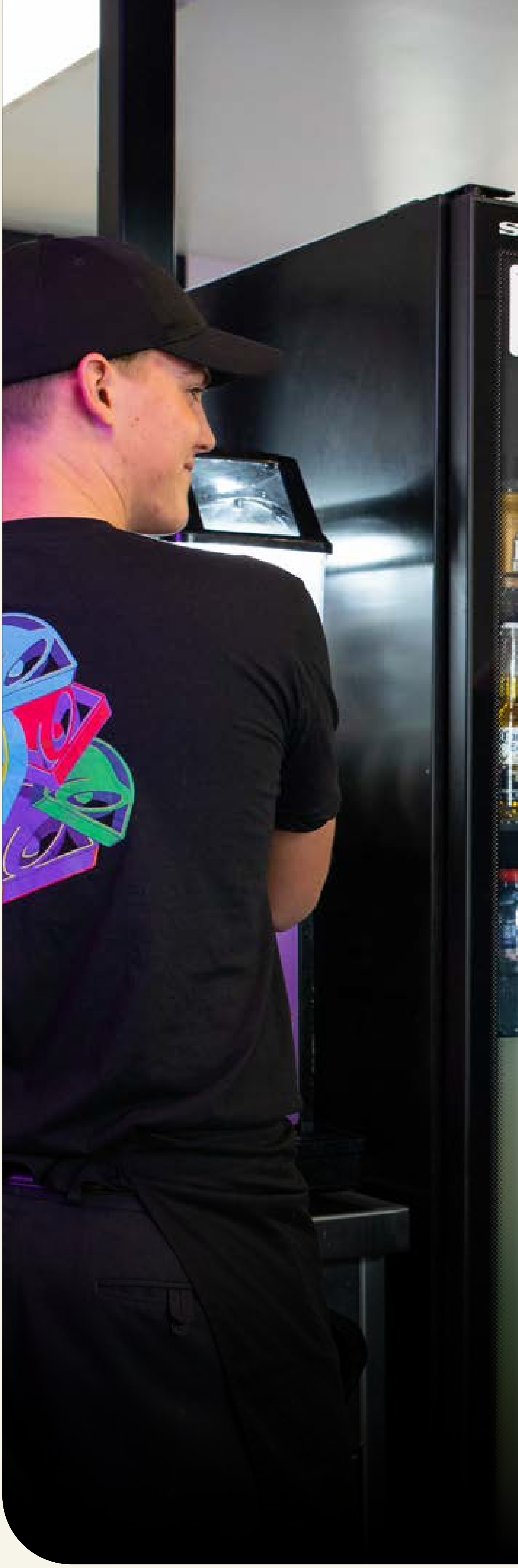

# RESTAURANTS done BETTER.

# Our Vision, Mission and Values

## Our Vision

THE WORLD'S TOP Restaurant OPERATOR.

WE CREATE UNMATCHED EXPERIENCES FOR OUR CUSTOMERS & PEOPLE.

## Our Mission

RESTAURANTS done BETTER.

WE HAVE AN OBSESSION FOR RAISING THE BAR ON WHAT PEOPLE THINK A RESTAURANT EXPERIENCE SHOULD BE.

MORE HUMAN · MORE SUSTAINABLE · MORE DIGITAL · MORE FUN

WE WILL LEAD THE WAY.

## Our Values

# Our Financial Performance

**Revenue**
(continuing operations)

**⇧14.2%**
to $1.35b
(FY22: $1.18b)


**Statutory EBITDA**
(continuing operations, post AASB 16)

**⇩3.7%**
to $197.9m
(FY22: $205.5m)

**Underlying EBITDA**
(continuing operations, post AASB 16)

**⇩1.2%**
to $205.1m
(FY22: $207.5m)

**Underlying NPAT**
(continuing operations, post AASB 16)

**⇩12.1%**
to $51.9m
(FY22: $59.0m)

**Total FY23 Fully Franked Dividend**

**27.0CPS**
(FY22: 27.0cps)


**Net Operating Cash Flow**
(post AASB 16)

**⇩$10.1M**
to $146.2m
(FY22: $156.3m)

**Statutory NPAT**
(continuing operations, post AASB 16)

**⇩79.1%**
to $11.3m
(FY22: $54.1m)

*Note: References to continuing operations excludes Sizzler Asia.*

# Our Year in Review

In FY23 we built

**20 NEW RESTAURANTS**

**10** for KFC Australia,
**2** for KFC Europe and
**8** for Taco Bell.

We operated

**300**
**RESTAURANTS**

in Australia, Germany and the Netherlands. We employ over **17,000 people** in Australia, Germany and the Netherlands.

We continued to focus on innovation, excellence and building brand strength to drive sustainable long-term growth.

# Our Positive Impact

| | *Creating* **UNMATCHED PEOPLE EXPERIENCES** | *Making a* **POSITIVE IMPACT** | *Being* **BRILLIANT AT THE BASICS** |
|---|---|---|---|
| **OUR PILLARS** | People and Communities | Planet | Governance |
| **OUR PRIMARY GOALS** | Establish **Collins Foods Giving** as a best-in-class signature program by 2026 with **75%+** Participation Rate. | Reduce our carbon footprint by achieving a **25%** reduction in **greenhouse gas emissions** by 2026 compared to FY21.<br><br>Increase **diversion of waste from landfill by 25% by 2026** compared with FY22. | Commitment to **continuous improvement towards best-practice governance standards** in all our business activities. |
| **HOW WE ARE TRACKING** | Maintained a **36% participation rate in Collins Foods Giving**, despite economic challenges and a rising strain on living costs. | The **reduction in greenhouse gas emissions from FY21 to FY23 has been 11.4%**. This reduction includes a significant growth of our business in 2023 with 8 new Taco Bell and 11 new KFCs as well as an energy offset from the implementation of our solar program. The greening of the national grid resulted in changes to the National Greenhouse Accounts (NGA) factors which has contributed 9.5% towards our reduction.<br><br>As at year-end, **waste diversion is 19.5%** (FY22: 18.3%). | Continuing to make progress towards best-practice governance standards. |
| **2023 INITIATIVES & OPPORTUNITIES** | • Safety management system that underpins strong safety culture<br>• Collins Foods Giving employee Participation Rate in FY23: 36% (FY22: 36%)<br>• Collins Family Fund: over $275,000 granted<br>• Equitable employee profile: FY23: 47.4% female, 51.9% male, 0.7% non-binary, intersex or preferred not to say<br>• Employing young Australians: 577 traineeships with 371 completed in FY23 (FY22: 566 with 307 completed)<br>• Expansion of participation in Food Recovery<br>• Extended wellbeing strategy to include EAP Ambassadors<br>• Introduced the first Collins Psychosocial Questionnaire<br>• Introduced Career Corridors to support career pathways. | • Renewable energy: 162 solar panel systems were installed by the end of the reporting period. A total of 164 have been installed at the time of writing this report<br>• Reducing Scope 1 and 2 GHG despite increasing restaurants: FY23: 60,776 tonnes $CO_2$-e (FY22: 65,926 tonnes $CO_2$-e)<br>• Reducing average energy consumption per restaurant: FY23: 1,177 GJ* (FY22: 1,226 GJ*)<br>• Reducing waste to landfill by diverting, reusing, recycling or upcycling waste. FY23: total 13,297 tonnes and a waste diversion rate of 19.5% for FY23 (FY22: 18.3%)<br>• Organics waste diversion launched at 23 stores<br>• Opportunity: water management and other energy efficiencies<br>• In FY23, we planted over 7,000 trees. In FY24, we aim to plant another 11,000 trees.<br><br>** gigajoules* | • We expect our people and those who conduct business with us to act with integrity, ethically and with openness, honesty and fairness<br>• Food safety management system underpins strong food safety culture. |

# Our Brands

## KFC AUSTRALIA

KFC Australia experienced strong topline growth thanks to its operational excellence, focus on innovation and high consumer brand trust and loyalty.

**272**
RESTAURANTS

**$1.05B**
REVENUE

**↑ 5.8%**
SAME STORE SALES GROWTH

**19.2%**
EBITDA MARGIN
(post AASB 16)

## KFC EUROPE

KFC Europe's strong same store sales growth supported stable margins.

**64**
RESTAURANTS

**$249.5M**
REVENUE

**↑ 13.9%**
SAME STORE SALES GROWTH

**13.2%**
EBITDA MARGIN
(post AASB 16)

## TACO BELL

Taco Bell is consolidating to refocus on same store sales.

**28**
RESTAURANTS

**$48.7M**
REVENUE

**↑ TO -4.8%**
SAME STORE SALES GROWTH

**(3.2)%**
EBITDA MARGIN
(post AASB 16)

# Chair's Message

## Collins Foods delivered solid top-line growth in FY23 amidst a challenging landscape, benefitting from increasing scale in Australia and Europe.

### Growth underpinned by KFC brand strength and e-commerce

Both KFC businesses recorded strong same store sales growth, reflecting the continued strength of the brand and increased adoption of digital and delivery channels.

KFC Australia surpassed $1 billion in sales for the first time. Higher ticket sizes and strong growth in e-commerce, supported by the rollout of UberEats, were primary contributors to the increase in same store sales growth. With the addition of 11 new restaurants, Collins Foods' mature Australian network now stands at 272.

Collins Foods' European KFC operations continued its strong momentum, delivering impressive double-digit revenue and same store sales growth as operational control under our Netherlands Corporate Franchise Agreement (CFA) strengthened brand and product quality perceptions. Increased transaction volumes and higher ticket sizes as value-led marketing campaigns resonated with customers driving same store sales growth. Collins Foods continues to move towards scale in the region with its footprint increasing more than 50% over the past two years. Five new restaurants opened in FY23 and a further eight were acquired in May 2023.

Digital and delivery remain key growth drivers for all three business units. Convenience is also key for Taco Bell with a high delivery mix and greater accessibility supporting brand awareness and trial. A successful UberEats rollout improved same store sales in the second half of FY23, and same store sales returned to positive in FY24 as marketing and product quality initiatives begin to impact.

### Dividend maintained

In FY23, Collins Foods delivered record revenue of $1.3495 billion, up 14.2% over the prior year due to its scaling footprint and growth across all business units.

Topline growth combined with operational efficiencies and cost mitigation initiatives helped to alleviate some of the significant cost inflation across the Group, with underlying EBITDA down 1.2% to $205.1 million. Underlying NPAT decreased 12.1% to $51.9 million. Statutory NPAT was impacted by a non-cash accounting charge taken to impair the remainder of Taco Bell.

The Company remained highly cash generative with $146.2 million in cash flow from operating activities, facilitating investment in new restaurants, remodels, and acquisitions.

Taking into consideration Collins Foods' operating cash flows, strong balance sheet, strength of the business and growth opportunities, the Board was pleased to declare a fully franked final dividend of 15.0 cents per share, bringing total FY23 dividend to 27.0 cents per share fully franked, in-line with the prior year.

### Well positioned in a challenging landscape

While cost inflation for some commodities is beginning to moderate, margin pressures are likely to remain for most of the coming year. Collins Foods is well-positioned to navigate these challenging conditions with positive same store sales growth across all three business units in the first seven weeks of FY24, and a strong program of margin support initiatives across energy, supply chain, and menu pricing.

KFC Australia EBITDA margin (pre AASB 16) is expected to remain broadly neutral in FY24 with improvement closer to historical levels in FY25. Despite a continued high inflationary environment in Europe, our European business is targeting limited EBITDA margin contraction in FY24.

Collins Foods continues to execute on its long-term growth plans with 13 to 18 new restaurant openings planned across the Group in FY24.

### Positive Impact Strategy

Collins Foods continued its commitment to sustainable growth in FY23, progressing initiatives across people and communities, planet and governance. Our Positive Impact Report, published separately, outlines Collins Foods' Australian achievements over the year, including increased safety and wellbeing for employees, more sustainable operations, and greater cyber and data management capability.

While we are proud of our progress over the past three years, we have recently appointed a Group ESG & Sustainability Manager to further strengthen our environmental, social and governance (ESG) program. Collins Foods is partnering with EY Australia on a materiality assessment to identify and understand key sustainability priorities, impacts, and opportunities within a dynamically changing landscape. A climate risk assessment and action plan are also being developed to deliver greater alignment with the Taskforce on Climate related Financial Disclosures (TCFD) recommendations.

*Note: All figures are post AASB 16 and from continuing operations unless otherwise stated. Continuing operations excludes Sizzler Asia.*


## Board changes

During the year, Collins Foods welcomed highly credentialed executive Nicki Anderson to the Board as a new independent, Non-executive Director and a member of the Audit & Risk and Remuneration & Nomination Committees. Nicki is an excellent addition to the Board, bringing more than 25 years' leadership experience across strategy, sales, marketing, customer experience and innovation within the global food, beverage, and consumer goods sectors.

On behalf of my fellow Directors, I would also like to acknowledge Russell Tate who, after 12 years, is retiring from his Non-executive Director role at the upcoming 2023 AGM, in line with succession plans. Russell's contribution to the Board has been significant, notably leading the Company as Chair from its listing through to March 2015. We wish Russell all the best for the future.


## Thank you

On behalf of the Board, I would like to thank our more than 17,000 employees for their continued hard work and dedication. Our solid FY23 performance amidst a challenging landscape is a testament to our entire team and highly skilled leadership, who continue to raise the bar on creating unmatched experiences for our customers.

I would also like to acknowledge my fellow Directors for their valuable input and guidance throughout the year. And finally, thank you to our shareholders for your support. Your company is well placed to navigate the volatility ahead, operating some of the world's most recognisable brands within the highly resilient, value-centric QSR industry.

**Robert Kaye SC**
**Independent Non-executive Chair**

# Managing Director & CEO's Report

## In FY23, Collins Foods continued to execute on its sustainable growth plans across all three business units whilst managing cost inflation during difficult trading conditions.

The Company achieved this result through its 'restaurants done better' approach to all operations and customer service, focussing on its value credentials and harnessing the strength of the powerhouse KFC brand to lead the sector on value, quality, and taste at a time when this really matters.

## KFC

KFC's strong topline growth in Australia and Europe reflect the resilience and trust in the brand during challenging economic conditions.

KFC operations in Australia strengthened in FY23 through an increased footprint and rollout of innovative marketing initiatives that are driving mainstream appeal, while the Company's KFC Europe brand delivered impressive double-digit revenue and SSS growth, even with significant inflationary pressures in the region.

## Taco Bell

New brands take time to gain traction, even those with the appeal of Taco Bell. Collins Foods is expanding the brand presence of Taco Bell in Australia by investing in marketing activities and campaigns. The Company is also being backed by Taco Bell International (Yum!) to raise awareness of the brand and increase sales so the Taco Bell brand can achieve scale within three years.

## Financial performance

Collins Foods delivered another solid financial performance in FY23. All business units achieved revenue growth, with KFC Europe seeing double-digit revenue and earnings growth and KFC Australia surpassing the $1 billion sales milestone. Group revenue increased 14.2% to $1.3495 billion, underpinned by solid KFC same stores sales growth and the contribution of 21 additional restaurants.

Statutory EBITDA was $197.9 million, while underlying EBITDA was $205.1 million, reflecting pressures on supply chains, labour and inflationary costs.

Statutory NPAT was $11.3 million and underlying NPAT came in at $51.9 million, due to a non-cash accounting impairment of $36.7 million for Taco Bell.

Net cash flow from operations decreased to $146.2 million from $156.3 million in FY22, as the Company increased its investment in growth initiatives. Net debt grew to $212.2 million and the net leverage ratio grew from 1.17 to 1.47: (pre AASB 16).

## Operational performance

### KFC AUSTRALIA

The KFC Australia brand is becoming more salient for customers as we continue to expand both its physical and digital presence. In FY23 our growing KFC Australia business delivered more than $1 billion in revenue, up 10% on the prior year, driven by an expanding network of 272 restaurants and solid same store sales growth. Transactions remained broadly flat on the prior year, in line with the overall Australian QSR market.

Same store sales rose 5.8% over the prior period, reflecting strong growth in e-commerce, increased availability through Uber Eats, and higher ticket. The second half of FY23 saw almost a quarter of all sales come through our growing digital and delivery channels, up more than 7% over the same period last year. Increased accessibility has been a key driver of this growth, with the brand now available through all major aggregators while new digital software has improved personalisation of offers through the app with great take-up of these promotions.

To accommodate our changing order mix and evolving customer trends, we are embedding convenience and innovation in new builds with dedicated delivery-driver entrances and waiting areas, increased kiosk installation, as well as enhanced design and music elements. These improvements were also rolled out to 47 remodelled restaurants during the year. At the same time, we're investing in back-of-house technology to improve efficiency, speed and reduce wastage.

While Australia currently has the highest penetration of KFC per capita of any global market, we still believe there is room to grow with plans to open a further nine to 12 restaurants over the coming year. This is ahead of our development agreement pace.

Underlying EBITDA was $201.6 million, with the EBITDA margin declining from 21.6% to 19.2% (pre AASB 16: from 17.4% to 15.0%), reflecting the impact of inflationary pressures and supply chain.

### KFC EUROPE

KFC Europe was a standout for the business in FY23, especially considering the challenging local market conditions in which annual inflation more than tripled, high energy costs reached record levels, and there were sizeable increases in labour and food. Same store sales grew +13.9% and revenue increased 31% to $249.5 million, as Collins Foods was able to utilise marketing activities through the Netherlands Corporate Franchise Agreement (CFA).

Both the Netherlands and Germany saw solid sales transaction volume increases and a higher ticket. The growth in sales was made possible by a margin strategy that prioritised value initiatives and helped mitigate significant cost pressures.

With our increased marketing and operational control, both consideration and conversion increased in FY23, as did our positive value metrics versus competitors.

*Note: All figures are post AASB 16 and from continuing operations unless otherwise stated. Continuing operations excludes Sizzler Asia.*

Like in Australia, innovation is key in our product strategy, with KFC Netherlands' veggie platform one of the highest in the world. Digital channels, at double-digit levels, are key to our convenience strategy, with improvements made to kiosk, delivery, and the introduction of a new app during the year.

Underlying EBITDA grew 19.0% to $32.8 million. On a post AASB 16 basis, the EBITDA margin contracted from 14.5% to 13.2%, noting that the pre AASB16 EBITDA margin of 6.6% was consistent with FY22.

Collins Foods has grown its FY23 market share for KFC in the Netherlands to 64%, through our 56 restaurants. This growth is in line with the CFA, which will see the Company target up to 130 net new restaurants by 2031. Collins Foods is seeing support of our leadership from sub-franchisees in the country, which was bolstered by it winning Franchisee of The Year in Western Europe by Yum!. The Company also continues to look for more opportunities to further increase its market share in the Netherlands.

### TACO BELL

Collins Foods has initiatives in place to generate more customers for its 26 Taco Bell restaurants in Australia through a metro cluster strategy that focuses on deliveries and marketing that drives more consumer trial and engagement. They feature the value of iconic craveable Taco Bell products at key price points and are based on improved quality of product through increased engagement with local suppliers to create flavour profiles and consistency that suit local tastes.

Taco Bell saw revenue growth of 36.1% to $48.7 million, due to the opening of eight new restaurants across Australia in FY23. Same store sales improved over the second half in part due to the high 25% delivery mix and successful rollout of Uber Eats, but remained down 4.8% on a full year basis.

EBITDA profitability at the restaurant level was at $2.8 million, a decrease of $1.2 million from FY22, and underlying EBITDA saw a loss of $1.5 million. This loss was expected as Collins Foods continues to invest in Taco Bell's growth initiatives.

### SIZZLER ASIA

Sizzler Asia rebounded as operating conditions normalised with royalty revenue up 45.8% to $4.1 million, generating EBITDA growth of $2.9 million – an increase of more than 70% on the prior year. The Sizzler Asia business, considered non-core to our strategy, has now been sold for SGD $20.2 million under an agreement with a subsidiary of listed Thai company Minor International. The sale is on a cash-free, debt free and working capital neutral basis, and is expected to complete in early July 2023.

The capital has been effectively redeployed to support the expansion of our high-growth European operations.

## ESG/Sustainability

Collins Foods' Positive Impact Strategy has some of the Australian QSR industry's most substantial environmental, social and governance targets for a restaurant operator of its size. Over the year, we continued to work towards these targets under the banners of people and communities, planet, and governance.

We pride ourselves on a people-first culture and continue to create unmatched experiences for our team and customers. We continue to regularly promote health and safety practices within our day to day operations to strengthen our safety culture. Enrolment in Collins Foods Giving was stable at 36% despite cost-of-living pressures also impacting our team, with the Collins Family Fund granting $275k to employees experiencing challenging circumstances. Importantly, our people can now share in our success under a newly launched Ownership Share Plan.

On sustainability, Collins Foods decreased its greenhouse gas (GHG) emissions across its operations by 12.7% in FY23, down 20.3% since FY21, despite continuing to grow its restaurant network. Solar is now installed on all available 162 drive-thru restaurants (subject to landlord and council approvals), with installations in Europe commencing next year. We reduced waste to landfill with a diversion rate of 19.6%, supported by organics waste diversion now in 23 stores, and food recovery partnerships being rolled out to KFC restaurants in Tasmania, Queensland and NSW.

Demonstrating our commitment to best practice ESG standards, Collins Foods has appointed a Group Sustainability & ESG Manager to strengthen our capability in this area and ensure our growth remains sustainable.

## Outlook

Inflation continues to be a real part of the Australian and European operating environments, and is expected to impact margins for much of FY24. Encouragingly, most commodities appear to be easing off their peaks and we have initiatives in place across energy, supply chain and menu pricing to mitigate inflationary pressures across all three business units. These short-term headwinds have not changed our growth trajectory and we continue to prioritise customer value to protect transactions and long-term brand health. Improving brand strength and a recent uptick in market share has validated this is the right approach in the current economic climate. At the same time, e-commerce remains a key growth driver and we continue to increase accessibility of KFC and Taco Bell to meet customers' increasing demand for convenience.

I'd like to take this opportunity to acknowledge all Collins Foods staff for their enormous contribution during the year. Our continued growth in a challenging economic environment is directly attributable to the hard work of our passionate team members. I'd also like to say a special thank you to Group CFO Nigel Williams, who left the business in mid-July. Nigel has been a valued part of our growth story over the past eight years, and we wish him all the best for the future.

Thank you to our loyal shareholders for your ongoing support over the past year. We look forward to executing on our sustainable growth plans for our KFC and Taco Bell businesses, confident that our best days are ahead of us.

**Drew O'Malley**
**Managing Director & CEO**

# ~2023~ Financial REPORT

COLLINS FOODS LIMITED

ACN 151 420 781

# Contents

# 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 30 April 2023.

## 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 |
| Nicki Anderson | 13 January 2023 |
| Mark Hawthorne | 23 December 2021 |
| Christine Holman | 12 December 2019 |
| Bronwyn Morris AM [(1)] | 10 June 2011 |
| Kevin Perkins | 15 July 2011 |
| Russell Tate | 10 June 2011 |
| Drew O'Malley | 29 June 2021 |

(1) Bronwyn Morris AM retired from the Board of Directors on 2 September 2022.

## 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 272 franchised KFC restaurants in Australia, 16 franchised KFC restaurants in Germany, 48 franchised KFC restaurants in the Netherlands and 28 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 71 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, inflation and the macroeconomic backdrop affecting consumers have combined to impact the operations and financial performance of the business. This has affected all brands. The Group has worked closely with all stakeholders and our franchisor, Yum! Brands to ensure we undertake activities to mitigate these pressures whilst continuing to provide great value for our customers.

### 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 | 2023<br>$m | 2022<br>$m | Change<br>$m |
|---|---|---|---|
| Total revenue from Continuing operations [(1)] | 1,348.6 | 1,181.7 | 166.9 |
| Earnings before interest, tax, depreciation, amortisation and impairment (**EBITDA**) from Continuing operations [(1)] | 197.9 | 205.5 | (7.6) |
| Earnings before interest and tax (**EBIT**) from Continuing operations [(1)] | 47.1 | 109.9 | (62.8) |
| Profit before related income tax expense from Continuing operations [(1)] | 14.7 | 79.6 | (64.9) |
| Income tax (expense) from Continuing operations [(1)] | (3.4) | (25.5) | 22.1 |
| Net profit attributable to members (**NPAT**) from Continuing operations [(1)] | 11.3 | 54.1 | (42.8) |
| Profit from Discontinued operations | 1.5 | 0.7 | 0.8 |
| Net assets | 384.5 | 393.5 | (9.0) |
| Net operating cash flow | 146.2 | 156.3 | (10.1) |

(1) The prior reporting period has been restated to present the impacts of the current period discontinued operations (as outlined in Note F1).

| Statistory financial metrics | 2023 cents per share | 2022 cents per share | Change cents per share |
|---|---|---|---|
| Basic earnings per share from Continuing operations (1) | 9.62 | 46.34 | (36.72) |
| Basic earnings per share from Discontinued operations | 1.25 | 0.62 | 0.63 |
| Total basic earnings per share attributable to members of Collins Foods Limited | 10.87 | 46.96 | (36.09) |
| Total dividends paid/payable in relation to financial period (2) | 27.00 | 27.00 | – |

(1) Comparative Earnings per share numbers have been restated to present the impacts of the current period discontinued operations (as outlined in Note F1).
(2) Dividends paid/payable is inclusive of dividends declared since the end of the relevant reporting period.

The Group's total revenue increased by 14.1% to $1,348.6 million mainly due to same store sales growth and new restaurant openings.

Despite an increase in total revenue, the business experienced significant cost pressures, which despite good business controls, resulted in an EBITDA for the reporting period of $197.9 million. This represents a decrease on the prior reporting period of $7.6 million, down 3.7%.

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

| | EBITDA $000 | EBIT $000 | NPAT $000 |
|---|---|---|---|
| Restaurant impairments and provisions (1) – Taco Bell | 3,661 | 52,715 | 36,712 |
| Taco Bell provision for restaurant closures | 527 | 527 | 369 |
| KFC Europe impairment costs | – | 4,592 | 4,592 |
| Acquisition and operational integration costs | 3,495 | 3,495 | 3,495 |
| Europe Deferred Tax Asset/Deferred Tax Liability write-offs | – | – | (4,194) |
| Other non-trading items | (500) | (500) | (350) |
| Total non-trading items - continuing operations | **7,183** | **60,829** | **40,624** |

(1) EBITDA includes onerous lease and other related costs.

The consolidated NPAT effect of these non-trading items was $40.6 million.

In summary, from the Statutory NPAT from Continuing operations results of $11.3 million, excluding the impact of the non-trading items of $40.6 million (outlined in the table above), the Group achieved an Underlying NPAT result of $51.9 million.

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

| Underlying financial metrics from Continuing operations | 2023 $m | 2022 $m | Change |
|---|---|---|---|
| Total revenue (1) | 1,348.6 | 1,181.7 | 166.9 |
| Earnings before interest, tax, depreciation, amortisation (Underlying EBITDA) (1) | 205.1 | 207.5 | (2.4) |
| Net profit attributable to members (Underlying NPAT) (1) | 51.9 | 59.0 | (7.1) |

(1) The prior reporting period has been restated to present the impacts of the current period discontinued operations (as outlined in Note F1).

| Underlying financial metrics | 2023 cents per share | 2022 cents per share | Change cents per share |
|---|---|---|---|
| Earnings per share (Underlying EPS) basic from Continuing operations (1) | 44.29 | 50.58 | (6.29) |
| Total Earnings per share (Underlying EPS) basic | 45.54 | 51.16 | (5.62) |

(1) Comparative Earnings per share numbers have been restated to present the impacts of the current period discontinued operations (as outlined in Note F1).

Underlying EBITDA of $205.1 million is a reduction of $2.4 million on the prior reporting period, mainly due to significant cost pressures experienced by the business that were not fully mitigated by the growth in revenue.

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 10% on the prior corresponding period to $1,051.3 million, driven by positive same store sales growth of 5.8% for the full year, cycling 1.4% same store sales growth in the prior year, together with the opening of 10 new restaurants and one acquisition. KFC Australia underlying EBITDA decreased by 2.6%, down from $206.9 million to $201.6 million, with an overall underlying EBITDA margin of 19.2%. At the end of the financial period, 272 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 24.3% of total sales, up from 16.9% during the prior period.

### KFC EUROPE

KFC Europe contributed revenue of $248.7 million and $32.8 million in underlying EBITDA. By the end of the period, 64 restaurants were in operation, with 48 restaurants in the Netherlands and 16 in Germany. Underlying EBITDA margin was 13.2%. Same store sales growth was 13.9% on the prior corresponding period. This is a direct result of high quality consumer marketing and brand building, together with excellent operations.

During the year, Collins Foods Netherlands' footprint increased to 48 out of 82 restaurants, representing a 58.5% market share. This was achieved through the opening of three restaurants. Collins Foods Germany closed one restaurant during the period.

The Netherlands Corporate Franchise Agreement (**CFA**) was entered into during the prior year and Collins Foods Europe continues to have primary control over the Netherlands market, including targeted marketing campaigns, continuing the "Everyday Value" menu and having control on price. During FY23, all development and performance incentive targets related to the CFA were achieved.

KFC Europe's priority remains providing customers with great value and great tasting food and building more restaurants.

### TACO BELL

At the end of the period, 28 Taco Bell restaurants were in operation with 15 located in Queensland, nine located in Victoria and four located in Western Australia. Taco Bell contributed revenue of $48.7 million and $(1.5) million in underlying EBITDA. Same store sales decline was 4.8% on the prior corresponding period.

Taco Bell is still a relatively new brand in Australia and the focus remains on driving awareness and trial of the brand whilst improving the product quality and refining the brand positioning.

Management recognised impairment expense for the Taco Bell restaurants of $20.2 million of Property, plant and equipment, $27.8 million of Right-of-use assets and $1.1 million of Franchise rights.

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

### SIZZLER

Sizzler franchise operations in Asia contributed $4.1 million in revenue. Operations improved during the financial period resulting in a 45.8% increase in revenue over the prior corresponding period. Sizzler Asia EBITDA grew by 73.6%, up from $1.7 million to $2.9 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 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, including risk, compliance and Environmental Social Governance (**ESG**).

### KFC AUSTRALIA

The plan for the KFC Australia business is to continue to deliver great value products and excellent customer experiences, together with expanding digital and delivery channels. This will be complemented by further restaurant builds.

### KFC EUROPE

In Europe, the focus will be on continuing the momentum in same store sales growth, mitigating where possible the inflationary impact on margins and opening an increasing number of restaurants.

### TACO BELL

Taco Bell will look to consolidate and focus on growing same store sales. This activity will include implementation of product quality improvements and marketing initiatives to drive customer trial and engagement, in combination with a greater focus on delivery and value.

## 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;
- **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 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 (including wage compliance);
- **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 including simulations; 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 by monitoring regulatory changes and their impacts on the group and obtaining advice from external lawyers where required.

Collins Foods is working 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.

Collins Foods releases a sustainability report describing the environmental, social and governance related initiatives and opportunities relevant to it. During the year Collins Foods engaged EY Australia to provide advisory services to assist with the development of a Taskforce on Climate related Financial Disclosures (**TCFD**) roadmap including a materiality assessment and climate risk assessment.

The 2023 Modern Slavery statement for Collins Foods will be published in the second half of calendar year 2023.

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.

### DIVIDENDS

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

| | Cents per share | Total amount $000 | Franked/ Unfranked | Date of payment |
|---|---|---|---|---|
| Final ordinary dividend for the financial period ended 1 May 2022 | 15.0 | 17,560 | Franked | 1 August 2022 |
| Interim ordinary dividend for the financial period ended 16 October 2022 | 12.0 | 14,063 | Franked | 29 December 2022 |
| **Total** | **27.0** | **31,623** | | |

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 ($17.6 million) to be paid on 1 August 2023 (refer to Note B4 of the Financial Report).

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 2 May 2023, Collins Foods announced that its wholly owned Dutch subsidiary, Collins Foods Netherlands Operations B.V., completed the acquisition of eight KFC restaurants in the Netherlands from R. Sambo Holding B.V.

The financial effects of this transaction have not been recognised at 30 April 2023 and the operating results and assets and liabilities of the acquired company will be consolidated from 2 May 2023. The acquisition is expected to deliver additional scale and to support in further leveraging the Group's experience and operational capabilities in the Netherlands.

The purchase price payable was €8.0 million ($13.3 million), subject to adjustments. In addition, contingent consideration is also payable as a component of consideration.

At the time the financial statements were authorised for issue, the Group had not completed the accounting for the acquisition. In particular, the fair values of the assets and liabilities acquired are unable to be fully determined as the independent valuations have not been completed. Further, the fair value of the contingent consideration is unable to be determined at this time.

Full purchase price accounting will be finalised and disclosed in the 2024 half-year interim financial report.

On 23 February 2023, the Group signed a non-binding memorandum of understanding to sell the 100% owned SingCo Trading Pte. Ltd Group (**SingCo**) for SGD20.2 million. The associated SingCo assets and liabilities are consequently presented as available for sale and is reported as a discontinued operation as SingCo represents an identifiable, single geographical area of operations.

The transaction is anticipated to complete in mid July 2023 and the full impact, including any gain on sale, will be disclosed in the 2024 half-year interim financial report.

Other than noted above, the Group is not aware of any 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

| DIRECTOR | Robert Kaye SC - LLB, LLM |
|---|---|
| **Experience and expertise** | 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.<br>Robert has significant cross-border experience, including corporate restructuring and M&A across North America, Europe, Asia, and the Australia and New Zealand region.<br>In addition to his role as Non-executive Chair of Collins Foods, Robert is a Non-executive Director of Magontec Limited and FAR Limited.<br>He was formerly Non-executive Chair of Spicers Limited and Non-executive Director of Electro Optic Systems Holdings Limited, UGL Limited, HT&E Limited and the Chair of the Macular Disease Foundation Australia. |
| **Other current listed directorships** | Magontec Limited (July 2013 – current)<br>FAR Limited (30 June 2021 – current) |
| **Former listed directorships in last 3 years** | None other than Collins Foods Limited |
| **Special accountabilities** | Independent Non-executive Chair<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member |

| DIRECTOR | Drew O'Malley |
|---|---|
| **Experience and expertise** | 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.<br>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.<br>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 & Company and holds an MBA from the University of Michigan Business School. |
| **Other current listed directorships** | None other than Collins Foods Limited |
| **Former listed directorships in last 3 years** | None other than Collins Foods Limited |
| **Special accountabilities** | Managing Director & CEO |

| DIRECTOR | **Nicki Anderson** - B. Business (Marketing), MBA, FAICD |
|---|---|
| **Experience and expertise** | Nicki has over 25 years' experience working in Oceania, Asia, Europe and America and has hands on leadership experience in strategy, sales, marketing, customer experience and innovation within the food, beverage, consumer goods and agribusiness sectors. Her leadership roles include Vice President Innovation at Cadbury Schweppes Americas (Dr Pepper Snapple) based in New York, Marketing & Innovation Director for Coca Cola Amatil and McCain Foods and CEO for Powerforce, Demo Plus, Artel and Retail Facts.<br>Nicki is currently a Non-executive Director & Chair of Remuneration & Nomination Committee for ASX listed GrainCorp and Craig Mostyn Group, Deputy Chair & Chair of Nomination Committee for Australian Made Campaign Limited, and Non-executive Director for both Fred Hollows Foundation and Prostate Cancer Foundation of Australia. She is former Chair & Member of the Monash University Advisory Board for the Marketing faculty.<br>Nicki holds an Executive MBA from the University of NSW (AGSM), a Bachelor of Business (marketing major) from the University of Technology Sydney and is a Fellow of the Australian Institute of Company Directors. |
| **Other current listed directorships** | GrainCorp Limited (October 2021) |
| **Former listed directorships in last 3 years** | Toys 'R' Us Limited (25 October 2018 – 31 August 2022)<br>Select Harvests Limited (21 January 2016 – 25 February 2022)<br>Health & Plant Protein Group Limited (17 May 2021 – 4 August 2021) |
| **Special accountabilities** | Independent Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member |

| DIRECTOR | **Mark Hawthorne** - B. Financial Administration, CA, GAICD |
|---|---|
| **Experience and expertise** | Mark has extensive experience as an executive that has led 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 & Executive Director of Guzman y Gomez (GyG) 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. Mark achieved his Chartered Accountant qualification in 1997 and is a Graduate of the Australian Institute of Company Directors' Company Directors Course. |
| **Other current listed directorships** | None other than Collins Foods Limited |
| **Former listed directorships in last 3 years** | None other than Collins Foods Limited |
| **Special accountabilities** | Independent Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member |

| DIRECTOR | **Christine Holman** - PGDipBA, MBA, GAICD |
|---|---|
| **Experience and expertise** | Christine is a professional company director and a Non-Executive Director of three ASX listed boards, AGL Ltd, Metcash Ltd and Collins Foods Ltd, The National Intermodal Corporation which is a Federal Government Business Enterprise (GBE) and one private company, Indara Pty Ltd.<br>Christine also sits on the Boards of non-for-profit organisations, including The Bradman Foundation, The State Library of NSW Foundation, The McGrath Foundation and until March 2023, the ICC T20 Cricket World Cup LOC.<br>In her previous executive capacity, as both CFO & Commercial Director of Telstra Broadcast Services, Christine brings a deep understanding of legacy and emerging technologies and digital transformations. During her time in private investment management, Christine assisted management and the Board of investee companies on strategy development, mergers & acquisitions, leading due diligence teams, managing large complex commercial negotiations, and developing growth opportunities.<br>Christine has an MBA and Post-Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors.<br>Christine is a member of Chief Executive Women (CEW) and the International Women's Forum (IWF). |
| **Other current listed directorships** | AGL Limited (15 November 2022 - current)<br>Metcash Limited (October 2020 – current) |
| **Former listed directorships in last 3 years** | CSR Limited (October 2016 – 16 November 2022)<br>Blackmores Limited (March 2019 – July 2021) |
| **Special accountabilities** | Independent Non-executive Director<br>Audit and Risk Committee Chair<br>Remuneration and Nomination Committee member |

| DIRECTOR | Kevin Perkins |
| --- | --- |
| Experience and expertise | 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.<br>Kevin is the Non-executive Chair of Sizzler USA Acquisition, Inc.<br>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. |
| Other current listed directorships | None other than Collins Foods Limited |
| Former listed directorships in last 3 years | None other than Collins Foods Limited |
| Special accountabilities | Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee member |

| DIRECTOR | Russell Tate - B. Com (Econ.) |
| --- | --- |
| Experience and expertise | 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.<br>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). |
| Other current listed directorships | None other than Collins Foods Limited |
| Former listed directorships in last 3 years | None other than Collins Foods Limited |
| Special accountabilities | Independent Non-executive Director<br>Audit and Risk Committee member<br>Remuneration and Nomination Committee Chair |

## 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 FY23 and FY22 years, and the number of meetings attended by each Director, were:

| | Board | | | | Audit and Risk Committee | | | | Remuneration and Nomination Committee | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) FY23 meetings | Meetings attended | (1) FY22 meetings | Meetings attended | (1) FY23 meetings | Meetings attended | (1) FY22 meetings | Meetings attended | (1) FY23 meetings | Meetings attended | (1) FY22 meetings | Meetings attended |
| Robert Kaye SC | 15 | 15 | 18 | 18 | 6 | 6 | 6 | 6 | 5 | 5 | 7 | 7 |
| Nicki Anderson (2) | 3 | 3 | - | - | 2 | 2 | - | - | 2 | 2 | - | - |
| Mark Hawthorne (3) | 15 | 15 | 4 | 4 | 6 | 6 | 2 | 2 | 5 | 5 | 3 | 3 |
| Christine Holman | 15 | 14 | 18 | 18 | 6 | 5 | 6 | 6 | 5 | 5 | 7 | 7 |
| Bronwyn Morris AM (4) | 6 | 6 | 18 | 18 | 2 | 2 | 6 | 6 | 3 | 3 | 7 | 7 |
| Kevin Perkins | 15 | 15 | 18 | 18 | 6 | 5 | 6 | 6 | 5 | 4 | 7 | 7 |
| Russell Tate | 15 | 13 | 18 | 17 | 6 | 4 | 6 | 6 | 5 | 5 | 7 | 7 |
| Drew O'Malley (5) | 15 | 14 | 14 | 14 | -* | -* | -* | -* | -* | -* | -* | -* |

(1) FY23 and FY22 represents the number of meetings held during the time the Director held office or membership of a Committee during the period.

(2) Appointed as Independent Non-executive Director, member of the Audit and Risk Committee and Remuneration and Nomination Committee effective 13 January 2023.

(3) Appointed as Independent Non-executive Director, member of the Audit and Risk Committee and Remuneration and Nomination Committee effective 23 December 2022.

(4) Retired as Independent Non-executive Director effective 2 September 2022.

(5) 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 record revenue and underlying earnings before interest, tax and depreciation (**EBITDA**) in FY21 and FY22, Collins Foods Limited total group revenues from continuing operations in FY23 increased by 14.1% to $1,348.6 million, total group pre AASB 16 underlying EBITDA fell by 4.6% to $141.4 million, and pre AASB 16 underlying net profit after tax from continuing operations (**NPAT**) fell by 9.4% to $57.9 million. Supply chain issues, and significantly higher than expected and budgeted margin pressures, meant that EBITDA growth targets set at the start of the year within our Short Term Incentive (**STI**) Plan were not met for KFC Australia, Taco Bell Australia and total group. As a result, no STI payouts were triggered for Australian based Key Management Personnel (**KMP**), senior executives, or support staff.

Our Collins Foods Europe team (**CFE**), however, did reach and exceed its FY23 EBITDA target which had two components. One related to ongoing operations which faced even greater difficulties than our Australian team around severe inflation, staffing shortages, spikes in energy prices and supply chain disruptions. The other related specifically to meeting critical development targets, set out by Yum!, within the Netherlands Corporate Franchise Agreement (**CFA**) signed in 2022. Our CFE team led by CEO, Hans Miete, managed to achieve all four first-year CFA incentive targets, including the construction of three restaurants in December 2022 alone, and thereby earned maximum incentive payments under the CFA. As further recognition of the efforts of CFE, it was awarded Franchisee of the Year by the KFC WEBU (Western Europe business unit), a remarkable distinction.

Our STI Plan rules state that no individual division of the company can qualify for STI payouts unless the total group EBITDA target is also reached. In this case however, the Board has taken the view that the achievements of the CFE team should be recognised and rewarded and has exercised its discretion to award a target level STI payout to Hans Miete (CEO Europe) and 60% of target level STI payout to David Timm (CMO), both of whom are KMP based in Amsterdam, and to also make discretionary target level STI payouts to around 57 CFE Restaurant Support Centre staff and above-store employees in the Netherlands.

Whilst no discretionary STI payouts were requested by, nor will be made to, Australian based KMP or members of the senior executive team, the board has agreed with senior management that a discretionary STI payout, at 50% of award target level, will also be granted to 116 Australian Restaurant Support Centre staff and above-store employees for their contribution to earnings results in FY23 – earnings results which did not reach target levels set at the start of the year but which were nevertheless outstanding in the prevailing market conditions.

With regard to Long Term Incentive (**LTI**) Plan entitlements for eligible KMP, there will be no vesting during FY24 of performance rights granted in FY21 for the performance period of FY21, FY22 and FY23. Under the Plan rules, vesting levels are calculated against a table of annualised compound earnings-per-share growth hurdles across the three year performance period, and the threshold hurdle level was not met for this FY21 to FY23 performance period.

For FY24 some changes have been made to executive remuneration components and their links to performance outcomes. Full details of FY24 STI and LTI Plans are set out in the Remuneration Report.

In summary, the STI Plan will measure EBITDA performance against a pre-determined target level and award scale. EBITDA will be the single performance metric for FY24 STI Plan outcomes. Guest experience survey (**GES**) results, which have previously determined 15% of STI performance outcomes, will be temporarily excluded from STI results in FY24 only, while we investigate and trial, in conjunction with Yum!, alternative and more contemporary customer satisfaction measurement options. It is intended that this very important metric will return in FY25. With respect to ESG performance, we will continue, in FY24, to apply a downward "modifier" of up to 15% of STI entitlements earned for EBITDA performance if, in the Board's view, satisfactory progress has not been maintained towards reaching 2026 ESG targets. Finally, we have made a small adjustment to STI payout tables which returns the payout threshold to 95% of EBITDA target, albeit at lower payout levels than previously applied between 95% and 100% of target.

No changes have been made to our LTI Plan. The measurement period for performance rights granted at the start of FY22 ends at the conclusion of FY24, and for the first time will include a second performance measure of Relative Total Shareholder Return, contributing a 50% weighting alongside the compound EPS growth measure which has been the sole measure to date.

Whilst the challenges of FY23 have limited our ability to achieve all the growth hurdles we set for ourselves at the start of the year, the commitment and dedication of the Collins Foods' team has never wavered and on behalf of the Board and management team I am delighted to share that we have now launched a new employee Ownership Share Plan targeted at Collins Foods' Restaurant Managers and Restaurant Support Centre employees in Australia and Europe. The Plan is in keeping with Collins Foods' values of "Ownership" and "People at the Heart". Eligible employees will receive performance rights over a five year period, aligned to their role level, of up to a total value of $10,000, providing them with the opportunity to share in the company's success over the medium to long term.

Yours sincerely

**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. 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 |
| Nicki Anderson (1) | Independent Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member |
| Mark Hawthorne | Independent Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member |
| Christine Holman | Independent Non-executive Director, Audit and Risk Committee Chair, Remuneration and Nomination Committee member |
| Bronwyn Morris AM (2) | 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 | Managing Director & Chief Executive Office (Managing Director & CEO) |
| Hans Miete | CEO – Collins Foods Europe Ltd (CEO – CF Europe) |
| Nigel Williams (3) | Group Chief Financial Officer (Group CFO) |
| Dawn Linaker | Chief People Officer (CPO) |
| Helen Moore | Chief Operating Officer – KFC Australia (COO – KFC Australia) |
| David Timm | Chief Marketing Officer (CMO) |

(1) Appointed Independent Non-executive Director effective 13 January 2023.
(2) Retired as Independent Non-executive Director effective 2 September 2022.
(3) Announced resignation as Group Chief Financial Officer effective 14 July 2023.

## 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 (**RNC**) 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:

- enable the Company to attract and retain capable and experienced Directors and Executives who create value for shareholders;
- reward the achievement of both annual and long term performance objectives appropriate to the Company's circumstances and goals;
- transparency;
- demonstrate a clear relationship between performance and remuneration;
- motivate the KMP Executives to pursue sustainable growth and innovation aligned with shareholder's interests;
- have 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 RNC is authorised to obtain external professional advice as it determines necessary. As at the end of the reporting period, the RNC was comprised of Non-executive Directors only, with a majority being independent. The role and accountabilities of the committee are outlined in the RNC 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 RNC 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, RNC 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.

A review of the remuneration framework to accepted market practices and current best practices will be conducted during FY24 with any changes anticipated to apply from FY25.

## 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 set with reference to relevant market practices;
- remuneration should be reviewed annually and be made up of:
  - **Base Salary** 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 and short term and long term incentive rewards as below;
  - **Total Fixed Remuneration** (**TFR**) the sum total of Base Salary and Other Benefits;
  - **Short Term Incentive** (**STI**) which provides a cash reward for performance outcomes compared to agreed annual objectives;
  - **Long Term Incentive** (**LTI**) which provides an equity-based reward reflective of meeting shareholder aligned reward by way of compound earnings per share growth over a three year performance period (**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 FY23 | Potential value | Considerations for FY24 |
|---|---|---|---|---|
| **Total Fixed Remuneration** | 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 to be undertaken by an independent third party as part of a full remuneration framework review to occur) |
| **STI** | Rewards for annual performance | • EBITDA (pre AASB 16) performance against a pre-determined target level and award scale<br>• Improvement to Guest Experience Survey (**GES**) results against pre-determined target levels<br>• Weighting between the two metrics is 85% EBITDA performance and 15% GES improvement<br>• Australian ESG initiatives (**ESG**) applied as a modifier to STI where up to 15% of STI is at risk for non-achievement of ESG related activities<br>• Achievement of the EBITDA target is an overriding hurdle to trigger any STI payment | • **All KMP Executives**: 50% of Base Salary for target performance, with a maximum opportunity of up to 75% of Base Salary<br>• EBITDA targets must be at least equal to prior period reported EBITDA | • EBITDA (pre AASB 16) performance against a pre-determined target level and award scale weighted at 100% for FY24 only<br>• Reintroduction of overriding hurdle of greater than 95% of target EBITDA to trigger any STI payment with reduced payout scale for EBITDA between 95-100% of target EBITDA<br>• ESG applied as a modifier to STI, where up to 15% of STI is at risk for non-achievement of ESG related activities<br>• EBITDA target must be at least equal to prior period reported EBITDA<br>• From FY25, the EBITDA target will be on a post AASB 16 basis |

| Remuneration component | Purpose | Performance metrics FY23 | Potential value | Considerations for FY24 |
|---|---|---|---|---|
| LTI | Reward for contribution of shareholder value over the longer term | • Three year compound earnings per share growth performance<br>• Three year Relative Total Shareholder Return against an ASX200 index<br>• Weighting between the two hurdles will be EPS 50% and TSR 50% | • **Managing Director & CEO**: 50% of Base Salary for target performance, with a maximum opportunity of 100% of Base Salary<br>• **Other KMP Executives**: 40% of Base Salary for target performance, with a maximum opportunity of up to 80% of Base Salary | • No changes in entitlement levels for Managing Director & CEO or other KMP Executives expected for FY24 |

## 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.

All KMP Executives were 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.

### Short term incentive performance metrics

#### FY23 and FY24 STIP

The Board determined that, for FY23, two metrics were to be used to determine awards under the Company's STIP – EBITDA and Guest Experience Survey (**GES**). For FY23, a minimum hurdle criterion of 100% of EBITDA as measured against the Company Group level was required for further eligibility to participate in the STIP. 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 GES is currently the global KFC and Taco Bell measure of real customer experiences. It directly relates to customer feedback targeting executional areas such as food quality, speed of service, hospitality, cleanliness and maintenance of facilities. The GES program is currently the franchisor's global barometer of executional excellence and is administered by an independent third party provider engaged by the Franchisor.

As a result of its annual review of the remuneration framework in FY23 and in recognition of changes to the method by which customer experience data is provided to businesses (for example, multiple e-commerce channels), the Board has now determined that it is appropriate to consider more relevant methods of measuring real customer experiences and during FY24 will investigate and trial, in conjunction with Yum!, alternative customer satisfaction measurement options to be used from FY25. As a result, and for the FY24 period only, EBITDA will be the sole metric for the STI plan.

The Environmental Social Governance (**ESG**) metric that was introduced for FY22 was removed for FY23, as the Board determined that it would be applied as a modifier of up to 15% of the STI opportunity and at risk should satisfactory progress not be made towards reaching the 2026 ESG targets. This modifier will remain for FY24.

Collins Foods' 2023 Sustainability Report sets 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 compared to FY21;
- 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.

#### 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 FY23 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 result**

The FY23 award scale based upon the actual GES results achieved is set out below:

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

The FY24 award scale based upon the actual EBITDA result achieved (together with prior payout scales for comparison) is set out below:

| STANDARD % PAYOUT TABLE | | | |
|---|---|---|---|
| % EBITDA target achieved | % target bonus earned FY18 – FY21 | % target bonus earned FY22 – FY23 | % target bonus earned FY24 |
| 95 | – | – | – |
| 96 | 20 | – | 10 |
| 97 | 40 | – | 25 |
| 98 | 60 | – | 40 |
| 99 | 80 | – | 55 |
| 100 | 100 | 100 | 100 |
| 101 | 105 | 108 | 105 |
| 102 | 110 | 115 | 110 |
| 103 | 115 | 123 | 115 |
| 104 | 120 | 128 | 120 |
| 105 | 125 | 133 | 125 |
| 106 | 130 | 138 | 130 |
| 107 | 135 | 143 | 135 |
| 108 | 140 | 145 | 140 |
| 109 | 145 | 148 | 145 |
| 110 | 150 | 150 | 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**

STI Plan rules state that no individual division of the Group or its KMP qualify for STI payouts unless the total Group EBITDA target is reached. Whilst the Group target was not reached in FY23, the Board has exercised its discretion to recognise the performance of Collins Foods Europe in relation to its implementation and achievement of performance milestones associated with the CFA in the Netherlands.

Accordingly, STI payments have been granted to the CEO – CF Europe and CMO. The STI reward for the CMO did not include any payment related to Taco Bell.

#### Forfeiture

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

## LONG TERM INCENTIVE PLAN (LTIP)

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

### Long Term Incentive Performance metrics

#### Form of equity

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

#### LTI value

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

For performance rights to be granted in FY24 with a performance period including FY24, FY25 and FY26, the number of performance rights granted will be based upon a dollar value divided by the volume weighted average share price (**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.

#### 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 FY23 offers commenced 2 May 2022 and ends 27 April 2025 for the performance period of FY23, FY24 and FY25. The measurement period for FY24 offers commences on 1 May 2023 and ends 3 May 2026 for the performance period of FY24, FY25 and FY26.

#### Vesting conditions

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

#### FY23 and FY24 offers

Consistent with FY22, a second performance condition of Relative TSR is included for the FY23 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 FY22. No changes to the LTIP measures or targets, thresholds or award scales are intended for FY24.

The following vesting scale applied to the performance rights offered in FY23 and will apply to performance rights offered in FY24:

| 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 VWAP benchmark of ten trading days either side of the 2022 results announcement on 28 June 2022. Measurement will be against the VWAP benchmark ten days either side of the announcement of our financial results in late June 2025. The Board has determined that the ASX 200 Index is sufficiently broad to measure relativity from the start of the performance period (2 May 2022). The weighting for the TSR hurdle is 50% of the total award.

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 |
|---|---|
| At or above the 75th percentile | 100% |
| Between the 50th percentile and 75th percentile | 3% for each 1% > 50%, < 75% |
| At the 50th percentile | 25% |
| Below the 50th percentile | 0% |

### 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.

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

The Board continually reviews the remuneration mix for the Managing Director & CEO and other KMP Executives. As such, there were increases in other KMP Executives LTI vesting rates in FY22, with no changes to the Managing Director & CEO's remuneration mix. The remuneration mix for FY23 is consistent with FY22.

The following table shows the range of remuneration mix that was offered for current KMP Executives during FY23, for target performance.

| Mix of remuneration (excludes Other Benefits) (1) | Managing Director & CEO | Other KMP Executives |
|---|---|---|
| Base Salary | 50% | 53% |
| STI (at Target performance) | 25% | 26% |
| LTI (at Target performance) | 25% | 21% |

(1) The FY22 increase in LTI vesting rates was not applied to Helen Moore (COO – KFC Aust) in FY22, however, has been applied in FY23.

The Board considers that the remuneration mix for the Managing Director & CEO and other KMP Executives (Base Salary, STI and LTI) in FY23 resulted in appropriately weighted remuneration 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.

There are no changes for the mix of Base Salary, STI and LTI for FY24 for the Managing Director & CEO and other KMP Executives. As indicated above, a review of the remuneration framework to accepted market practices and current best practices will be conducted during FY24 with the assistance of an independent third party with any changes anticipated to apply from FY25.

## 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:

| | | | | | | Short term change in shareholder value over 1 year (SP change + dividends) | | Long term (cumulative) 3 years change in shareholder value | |
|---|---|---|---|---|---|---|---|---|---|
| FY end date | Revenue ($m) | Profit after tax ($m) | Share price | Change in share price | (1) Dividends | Amount | % | Amount | % |
| FY23 | (2) $1,348.61 | (2) $11.28 | $8.69 | ($1.46) | $0.270 | ($1.19) | (12%) | $2.48 | 36% |
| FY22 | (2) $1,181.70 | (2) $54.08 | $10.15 | ($1.22) | $0.245 | ($0.98) | (9%) | $3.22 | 42% |
| FY21 | (3) $1,065.90 | (4) $32.61 | $11.37 | $4.43 | $0.210 | $4.64 | 67% | $6.61 | 124% |
| FY20 | $981.73 | (5) $31.26 | $6.94 | ($0.65) | $0.200 | ($0.45) | (6%) | $2.24 | 43% |
| FY19 | $901.22 | (6) $39.11 | $7.59 | $2.24 | $0.180 | $2.42 | 45% | $4.08 | 101% |

(1) Dividends used are the cash amount (post franking).
(2) Excludes Sizzler Asia revenues and profit after tax.
(3) Excludes Sizzler Australia revenues.
(4) FY21 restated as a result of a change in accounting policy for the recognition of cloud computing arrangements.
(5) Includes the impact of AASB 16.
(6) Excludes the impact of AASB 16.

## Statistory Remuneration disclosures for FY23

### KMP EXECUTIVE REMUNERATION

The following table outlines the remuneration received by KMP Executives of the Company during FY23 and FY22 prepared according to statutory disclosure requirements and applicable accounting standards.

KMP Executive remuneration for FY23 (with FY22 comparatives) is reported in four components being Base Salary (including superannuation), Other Benefits, awarded values of STI and awarded values of LTI remuneration.

| | | | | | | Short Term Incentive | | (1) Long Term Incentive | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Role(s) | Year | Base salary (incl. super) | Other benefits | Total fixed remuneration | Amount | % of Total Reward | Amount | % of Total Reward | (2) Total Reward | (3) Change in accrued leave | Termination benefits |
| Drew O'Malley | MD & CEO | 2023 | $918,825 | $37,172 | $955,997 | – | 0% | ($120,702) | (14%) | $835,295 | $8,405 | – |
| | | 2022 | $858,537 | $37,050 | $895,587 | $434,139 | 26% | $357,304 | 22% | $1,687,030 | ($36,727) | – |
| Hans Miete (4) | CEO - CF Europe | 2023 | $425,504 | $36,804 | $462,308 | $213,505 | 29% | $54,137 | 7% | $729,950 | $17,489 | – |
| | | 2022 | $404,014 | $36,378 | $440,392 | $310,869 | 38% | $67,654 | 8% | $818,915 | $24,094 | – |
| Nigel Williams | Group CFO | 2023 | $611,148 | $40,765 | $651,913 | – | 0% | ($21,682) | (3%) | $630,231 | ($18,723) | (8) 175,381 |
| | | 2022 | $595,954 | $40,035 | $635,989 | $301,402 | 27% | $182,938 | 16% | $1,120,329 | $568 | – |
| Dawn Linaker | CPO | 2023 | $496,480 | $38,573 | $535,053 | – | 0% | ($16,511) | (3%) | $518,542 | ($13,694) | – |
| | | 2022 | $453,751 | $38,386 | $492,137 | $229,516 | 27% | $136,919 | 16% | $858,572 | $1,240 | – |
| Helen Moore (5) | COO – KFC Aust | 2023 | $507,375 | $27,884 | $535,259 | – | 0% | $65,763 | 11% | $601,022 | ($1,690) | – |
| | | 2022 | $419,871 | $23,701 | $443,572 | $213,044 | 30% | $63,569 | 9% | $720,185 | $7,253 | – |
| David Timm (6) (7) | CMO | 2023 | $436,517 | – | $436,517 | $119,324 | 19% | $59,403 | 10% | $615,244 | ($11,600) | – |
| | | 2022 | $147,236 | – | $147,236 | $71,377 | 32% | $7,166 | 3% | $225,779 | $11,600 | – |

(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 changes in accrued leave are measured in accordance with AASB 119 Employee Benefits.

(4) FY23 salary converted at exchange rate of AUD $1: EURO €0.6516 (FY22: AUD $1: EURO €0.6393).

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

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

(7) FY23 salary converted at exchange rate of AUD $1: GBP £0.5657 (FY22: AUD $1: GBP £0.5501).

(8) Termination benefits are accrued obligations as at 30 April 2023. The Group CFO resignation is effective 14 July 2023.

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 FY23 (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 FY23. 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.

| | | | | Short Term Incentive opportunity | | | Long Term Incentive opportunity | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Role(s) | (1) Base Salary (incl. super) | Base Salary as a % of Total Reward | Target % of Base Salary | Target STI amount | STI % of Total Reward | Target % of Base Salary | Target LTI amount | LTI % of Total Reward | Other benefits | Total Reward |
| Drew O'Malley | MD & CEO | $918,825 | 51% | 50% | $459,413 | 25% | 50% | $459,412 | 25% | $37,172 | $1,874,822 |
| Hans Miete | CEO - CF Europe | €278,250 | 55% | 50% | €139,125 | 25% | 40% | €111,300 | 20% | €23,982 | €552,657 |
| Nigel Williams | Group CFO | $611,148 | 54% | 50% | $305,574 | 25% | 40% | $244,459 | 20% | $40,765 | $1,201,946 |
| Dawn Linaker | CPO | $465,386 | 55% | 50% | $232,693 | 25% | 40% | $186,154 | 20% | $38,573 | $922,806 |
| Helen Moore | COO – KFC Aust. | $507,375 | 54% | 50% | $253,688 | 26% | 40% | $202,950 | 20% | $27,884 | $991,897 |
| David Timm | CMO | £225,000 | 53% | 50% | £112,500 | 26% | 40% | £90,000 | 21% | – | £427,500 |

(1) Base Salary based on a 52 week period (FY22: 52 week period).

## Performance outcomes for FY23 and FY22 including STI and LTI assessment

### SHORT TERM INCENTIVES

The tables below set out details of STI and LTI performance outcomes for FY23 and FY22 when compared to target.

| | | FY23 Company level KPI Summary | | | | | | Award outcomes FY23 paid FY24 |
|---|---|---|---|---|---|---|---|---|
| Name | Role | KPI summary | Average weighting | Average GES target | EBITDA target | % of target achieved | Awarded | Total STI award (EBITDA, GES & ESG) |
| Drew O'Malley | Managing Director & CEO | EBITDA | 85% | – | $152,353,000 | 90.3% | – | |
| | | GES | 15% | 62.6% | – | 101.6% | – | |
| | | ESG (STI modifier) (1) | | | | 0% | – | – |
| Hans Miete | CEO – CF Europe | EBITDA | 85% | – | $15,389,000 | 105.8% | – | |
| | | GES | 15% | 70.5% | | 106.6% | – | |
| | | DISCRETIONARY (2) | | | | 100% | $213,505 | **$213,505** |
| Nigel Williams | Group CFO | EBITDA | 85% | – | $152,353,000 | 90.3% | – | |
| | | GES | 15% | 62.6% | – | 101.6% | – | |
| | | ESG (STI modifier) (1) | | | | 0% | – | – |
| Dawn Linaker | CPO | EBITDA | 85% | – | $152,353,000 | 90.3% | – | |
| | | GES | 15% | 62.6% | – | 101.6% | – | |
| | | ESG (STI modifier) (1) | | | | 0% | – | – |
| Helen Moore | COO – KFC Aust | EBITDA | 85% | – | $172,896,000 | 92.3% | – | |
| | | GES | 15% | 60.0% | – | 102.5% | – | |
| | | ESG (STI modifier) (1) | | | | 0% | – | – |
| David Timm | CMO | EBITDA | 85% | – | $14,390,000 | 59.1% | – | |
| | | GES | 15% | 67.0% | – | 108.8% | – | |
| | | DISCRETIONARY (3) | | | | 60% | $119,324 | **$119,324** |

(1) The Board has determined that in FY23, ESG will be used as a modifier, where up to 15% of STI will be at risk for non-achievement of ESG related activities. In FY23, the Board did not use this modifier as the 100% hurdle relating to EBITDA was not achieved, therefore, no STI was payable.
(2) The Board has determined that a discretionary bonus of 100% of STI opportunity will be paid.
(3) The Board has determined that a discretionary bonus of 60% of STI opportunity will be paid.

For the purposes of the STI awarded in FY23, pre AASB 16 underlying EBITDA was adjusted for non-trading items relating to: acquisition, integration and simplification of company structure costs relating to Europe, Taco Bell impairments and provision for store closure costs and capital costs incurred on digital menu boards totalling $7.9 million, to calculate the STI performance outcomes.

| | | FY22 Company level KPI Summary | | | | | | Award outcomes FY22 paid FY23 |
|---|---|---|---|---|---|---|---|---|
| Name | Role(s) | KPI summary | Average weighting | Average GES/ ESG target | EBITDA target | % of target achieved | Awarded | Total STI award (EBITDA, GES & ESG) |
| Drew O'Malley (1) | Managing Director & CEO | EBITDA | 70% | – | $142,917,000 | 110.8% | $333,053 | |
| | | GES | 15% | 66.1% | – | 106.9% | $68,880 | |
| | | ESG (Board discretion) (4) | 15% | 0% | – | 50% | $32,206 | **$434,139** |
| Hans Miete | CEO - CF Europe | EBITDA | 80% | – | $17,083,000 | 150.0% | $248,695 | |
| | | GES | 20% | 70.5% | – | 150.0% | $62,174 | **$310,869** |
| Nigel Williams | Group CFO | EBITDA | 70% | – | $142,917,000 | 110.8% | $231,223 | |
| | | GES | 15% | 66.1% | – | 106.9% | $47,820 | |
| | | ESG (Board discretion) (4) | 15% | 0% | – | 50% | $22,359 | **$301,402** |
| Dawn Linaker | CPO | EBITDA | 70% | – | $142,917,000 | 110.8% | $176,075 | |
| | | GES | 15% | 66.1% | – | 106.9% | $36,414 | |
| | | ESG (Board discretion) (4) | 15% | 0% | – | 50% | $17,027 | **$229,516** |
| Helen Moore (2) | COO – KFC Aust | EBITDA | 70% | – | $163,961,000 | 111.8% | $165,417 | |
| | | GES | 15% | 65.5% | – | 100.2% | $31,767 | |
| | | ESG (Board discretion) (4) | 15% | 0% | – | 50% | $15,860 | **$213,044** |
| David Timm (3) | CMO | EBITDA (5) | 80% | – | $7,955,000 | 150% | $61,180 | |
| | | GES (5) | 20% | 67.0% | – | 150.0% | $10,197 | **$71,377** |

(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.
(5) Award paid relates to the achievement of targets for KFC Netherlands only. Targets related to Taco Bell were not met.

## REMUNERATION REPORT (CONTINUED)

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.

### LONG TERM INCENTIVES

During the 2021 financial year, grants under the long term incentive plan were made on 16 October 2020 with a performance period of FY21, FY22 and FY23 (**FY21 Grant**). The performance period for the FY21 Grant commenced on 4 May 2020 and ended on 30 April 2023 (**Vesting Rights**). Based upon the EPS growth achieved over the three year performance period (FY21 – FY23), no vesting was achieved for the FY21 Grants of performance rights with a performance period commencing 4 May 2022 and ending on 30 April 2023.

In relation to the completion of the reporting period, previous grants of equity made under the LTI plan during FY22 on 14 September 2021 with a performance period of FY22, FY23 and FY24 (**FY22 Grant**), these will be eligible for vesting during FY25 after the completion of FY24.

| Name | Role(s) | Tranche | Weighting | Number of eligible to vest in FY24 for FY23 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 | EPSG | 100% | 82,274 | 0% | – | $9.1645 | – |
| Nigel Williams | Group CFO | EPSG | 100% | 30,981 | 0% | – | $9.1645 | – |
| Dawn Linaker | CPO | EPSG | 100% | 23,591 | 0% | – | $9.1645 | – |

The tables below set out the annualised compound EPS growth and Relative TSR hurdles applicable to the FY22 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% |

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

### OTHER PERFORMANCE RIGHTS INFORMATION

The table below outlines the expiry dates of performance rights issued. Performance rights, the vesting of which are subject to EPS growth over defined reporting periods ending in 2020 expire in July 2023. Additionally, performance rights, the vesting of which are subject to EPS growth and Relative TSR hurdles over reporting periods ending in 2022 and 2023 expire in July 2024 and 2025.

| Reporting period ended | Expiry date | Exercise price |
|---|---|---|
| 30 April 2023 | 25 July 2025 | Nil |
| 1 May 2022 | 24 July 2024 | Nil |
| 2 May 2021 | 27 July 2023 | Nil |

There was one tranche of performance rights issued during the reporting period ended 30 April 2023. 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:

| | Grant date |
|---|---|
| Assumption | 21 September 2022 |
| Tranche | 15 |
| Fair value | $8.74 |
| Share price at Grant Date | $9.34 |
| Term (years) | 3 |
| Dividend Yield | 2.31% |
| Risk free interest rate | 3.33% |

## REMUNERATION REPORT (CONTINUED)

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<br>21 September 2022 |
|---|---|
| Tranche | 15 |
| Fair value | $5.39 |
| Expiry date | 25 July 2025 |
| Share price at Grant date | $9.34 |
| Expected dividend yield | 2.31% |
| Risk free interest rate | 3.33% |

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 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% |

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

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

| | Grant date | |
|---|---|---|
| Assumption | 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:

| | Grant date | |
|---|---|---|
| Assumption | 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% |

## 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 | (1) Period of Notice | | (2) Termination Payments |
|---|---|---|---|---|---|
| | | | From Company | From KMP | |
| Drew O'Malley | 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 | COO – KFC Australia | Open ended | 6 months | 6 months | Up to 12 months |
| David Timm | 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.

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

All KMP Executives have 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.

### VESTING RIGHTS FOR THE OUTGOING GROUP CFO AND OTHER PAYMENTS

#### Performance rights

On 24 March 2023, a change to the Group CFO was announced by the Company. In consideration of the outgoing Group CFO, Nigel Williams remaining with the Company until 14 July 2023 to support the Company with the release of its full year results and to facilitate a transition of his responsibilities, the Board considers him to be a 'good leaver'. Accordingly, the Board has determined that Nigel Williams' participation in the LTIP will continue after 14 July 2023 on a pro rata basis for unvested performance rights he was previously granted. Those performance rights are:

- 30,981 performance rights granted in FY21 for the performance period of FY21, FY22 and FY23. The threshold performance level for these rights was not achieved over the performance period and the rights have expired;
- 41,102 performance rights granted in FY22 for the performance period of FY22, FY23 and FY24. These rights are eligible for vesting in FY25 and Nigel will retain 66.66%, or 27,398 performance rights (vesting above);
- 50,982 performance rights granted in FY23 for the performance period of FY23, FY24 and FY25. These rights are eligible for vesting in FY26 and Nigel will retain 33.33%, or 16,992 performance rights.

There is no acceleration of the rights granted in FY21 as the performance was not achieved. For the rights granted in FY22 and FY23, those retained rights have been accelerated and expensed in the current year which is then offset by the reversal of previously recognised forfeited 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 have been triggered. The Board also considered that in line with all other performance rights holders, a voluntary lock would not be applied to any shares issued if any performance rights were to vest in the future.

#### Other payments

As announced on 24 March 2023, the Group CFO, Nigel Williams, will be stepping down from his role.

The Board has agreed that the following payments will also be paid to the Group CFO:

| Name | Role | Year | Termination benefits |
|---|---|---|---|
| Nigel Williams | Group CFO | 2023 | (1)(2) $526,143 |

(1) Total disclosed includes amounts disclosed in the Statutory KMP executive remuneration table of $175,381.

(2) Includes other benefits: health insurance payments and outplacement consultancy costs.

The above amounts have been accrued for in the current year based on the proportion of the remaining service provided.

## Non-executive Director fee rates and fee limit

### NON-EXECTIVE 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 2 May 2022 |
|---|---|---|
| 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 received by Non-executive Directors in FY23 and FY22 is disclosed below:

| Name | Role | Year | Board and Committee Fees | Super-annuation | Other benefits | Termination benefits | Total |
|---|---|---|---|---|---|---|---|
| Robert Kaye, SC | Independent, Non-executive Chair | 2023 | $294,973 | $25,027 | – | – | $320,000 |
| | Independent, Non-executive Chair | 2022 | $296,720 | $23,280 | – | – | $320,000 |
| Nicki Anderson (1) | Independent, Non-executive Director | 2023 | $40,844 | $4,289 | – | – | $45,133 |
| | Independent, Non-executive Director | 2022 | – | – | – | – | – |
| Mark Hawthorne (2) | Independent, Non-executive Director | 2023 | $139,770 | $14,630 | – | – | $154,400 |
| | Independent, Non-executive Director | 2022 | $49,744 | $4,974 | – | – | $54,718 |
| Christine Holman (3) | Independent, Non-executive Director | 2023 | $150,435 | $15,688 | – | – | $166,123 |
| | Independent, Non-executive Director | 2022 | $140,462 | $13,938 | – | – | $154,400 |
| Newman Manion (4) | Non-executive Director | 2023 | – | – | – | – | – |
| | Non-executive Director | 2022 | $45,987 | $4,490 | – | – | $50,477 |
| Bronwyn Morris AM (5) | Independent, Non-executive Director | 2023 | $56,870 | $2,884 | – | – | $59,754 |
| | Independent, Non-executive Director | 2022 | $167,632 | $2,268 | – | – | $169,900 |
| Kevin Perkins | Non-executive Director | 2023 | $139,770 | $14,630 | – | – | $154,400 |
| | Non-executive Director | 2022 | $140,462 | $13,938 | – | – | $154,400 |
| Russell Tate | Independent, Non-executive Director | 2023 | $171,900 | – | – | – | $171,900 |
| | Independent, Non-executive Director | 2022 | $171,900 | – | – | – | $171,900 |

(1) Appointed as Independent Non-executive Director effective 13 January 2023.
(2) Appointed as Independent Non-executive Director effective 23 December 2021.
(3) Transitioned to Chair of the Audit and Risk Committee effective 12 July 2022.
(4) Retired as Non-executive Director effective 27 August 2021.
(5) Retired as Independent Non-executive Director effective 2 September 2022.

## 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 2023 | Granted as compensation | Performance Rights forfeited | Received on exercise of Performance Rights | Acquisition/ (Disposal) | Number held at close 2023 |
|---|---|---|---|---|---|---|---|
| Drew O'Malley | Shares | 40,000 | – | – | 14,366 | 19,782 | 74,148 |
| | Performance Rights | 186,911 | 95,810 | (16,266) | (14,366) | – | 252,089 |
| Hans Miete | Shares | – | – | – | – | 11,000 | 11,000 |
| | Performance Rights | 28,808 | 34,097 | – | – | – | 62,905 |
| Nigel Williams | Shares | 39,401 | – | – | 14,366 | 4,123 | 57,890 |
| | Performance Rights | 102,715 | 50,982 | (16,266) | (14,366) | – | 123,065 |
| Dawn Linaker | Shares | 28,459 | – | – | 10,227 | 24,543 | 63,229 |
| | Performance Rights | 76,698 | 38,822 | (11,581) | (10,227) | – | 93,712 |
| Helen Moore | Shares | 416 | – | – | – | – | 416 |
| | Performance Rights | 27,069 | 42,325 | – | – | – | 69,394 |
| David Timm | Shares | – | – | – | – | – | – |
| | Performance Rights | 8,908 | 32,508 | – | – | – | 41,416 |
| | **TOTAL** | **539,385** | **294,544** | **(44,113)** | – | **59,448** | **849,264** |

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 2023 | Additions | Disposals | Other | Number held at close 2023 |
|---|---|---|---|---|---|---|
| Robert Kaye, SC | Shares | 55,813 | 12,090 | – | – | 67,903 |
| Nicki Anderson (1) | Shares | – | – | – | – | – |
| Mark Hawthorne | Shares | 3,000 | 15,000 | – | – | 18,000 |
| Christine Holman | Shares | 17,000 | 4,598 | – | – | 21,598 |
| Bronwyn Morris AM (2) | Shares | 19,456 | 289 | – | (19,745) | – |
| Kevin Perkins | Shares | 7,221,484 | 20,000 | – | – | 7,241,484 |
| Russell Tate | Shares | 21,820 | – | – | – | 21,820 |
| | **TOTAL** | **7,338,573** | **51,977** | **–** | **(19,745)** | **7,370,805** |

(1) Appointed as Independent Non-executive Director effective 13 January 2023.

(2) Retired as Independent Non-executive Director effective 2 September 2022. The number disclosed under Other represents number of shares held at retirement date.

| 2023 Equity Grants | | | |
|---|---|---|---|
| **Name** | **Role(s)** | **FY in which Rights may vest** | **Maximum value yet to vest ($)** |
| Drew O'Malley | Managing Director & CEO | 2024 | – |
| | | 2025 | 93,001 |
| | | 2026 | 277,523 |
| Hans Miete (1) | CEO - CF Europe | 2024 | – |
| | | 2025 | 36,204 |
| | | 2026 | 98,766 |
| Nigel Williams | Group CFO | 2024 | – |
| | | 2025 | 51,653 |
| | | 2026 | 147,675 |
| Dawn Linaker | CPO | 2024 | – |
| | | 2025 | 39,333 |
| | | 2026 | 112,452 |
| Helen Moore (2) | COO – KFC Australia | 2024 | – |
| | | 2025 | 34,017 |
| | | 2026 | 122,598 |
| David Timms (3) | CMO | 2024 | – |
| | | 2025 | 16,845 |
| | | 2026 | 94,162 |

(1) Appointed as CFO – Europe effective 5 October 2020.

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

(3) Appointed as 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 RNC 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 RNC.

## Other remuneration related matters

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

## Most recent AGM – Remuneration Report comments and voting

At the most recent AGM in 2022: 99.12% of votes cast at the meeting in favour of the adoption of the Remuneration Report.

## External remuneration consultant advice

From time to time, the Board engages the services of external remuneration consultants. During the reporting period, the Board did not engage an external remuneration consultant to provide KMP remuneration recommendations and advice.

To ensure that KMP remuneration recommendations are free from undue influence from the KMP to whom they relate, the Company has 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 RNC.
- 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 above policies ensure any KMP remuneration recommendations are received free from undue influence from KMP to whom the recommendations related. The Board remains closely involved in all dealings with the external remuneration consultants and each KMP remuneration recommendation received during a reporting period would be 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 (**ARC**), 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 ARC to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company, or not jointly sharing economic risk or rewards.

## DIRECTORS' REPORT (CONTINUED)

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:

| | 2023<br>Whole dollars<br>$ | 2022<br>Whole dollars<br>$ |
|---|---|---|
| **AUDIT AND OTHER ASSURANCE SERVICES** | | |
| AUDIT SERVICES: | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | 616,311 | 401,370 |
| Audit and review of financial reports and other audit work for foreign subsidiary | 48,073 | 45,402 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Audit and review of financial reports and other audit work for foreign subsidiary | 517,928 | 349,618 |
| | **1,182,312** | **796,390** |
| OTHER ASSURANCE SERVICES: | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Restaurant sales certificates | 5,400 | 25,096 |
| Agreed upon procedures for covenant calculations | 8,100 | 7,650 |
| ESG assurance | 35,000 | 70,890 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Taxation advice | – | 10,457 |
| | **48,500** | **114,093** |
| **Total remuneration for audit and other assurance services** | **1,230,812** | **910,483** |
| **TAXATION SERVICES** | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Tax compliance services, including review of tax returns and allowance claims | – | 46,560 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Tax compliance services, including review of company tax returns | – | 5,011 |
| **Total remuneration for taxation services** | – | **51,571** |
| **OTHER SERVICES** | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Acquisition related due diligence | – | 120,000 |
| **Total remuneration for other services** | – | **120,000** |
| **TOTAL REMUNERATION FOR SERVICES** | **1,230,812** | **1,082,054** |

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
27 June 2023

## Auditor's Independence Declaration

As lead auditor for the audit of Collins Foods Limited for the period 2 May 2022 to 30 April 2023, 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.

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
27 June 2023

PricewaterhouseCoopers, ABN 52 780 433 757
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# CONSOLIDATED INCOME STATEMENT

For the reporting period ended 30 April 2023

| | Notes | 2023 $000 | [1] 2022 $000 |
|---|---|---|---|
| Revenue | A3 | 1,348,614 | 1,181,699 |
| Cost of sales | | (672,345) | (562,358) |
| **Gross profit** | | **676,269** | **619,341** |
| Selling, marketing and royalty expenses | | (297,738) | (256,607) |
| Occupancy expenses | | (126,282) | (79,523) |
| Restaurant related expenses | | (112,982) | (93,291) |
| Administrative expenses | | (78,131) | (69,967) |
| Other expenses | | (18,884) | (15,099) |
| Other income | | 5,878 | 1,588 |
| Other gains/(losses) – net | G2 | (1,050) | 3,373 |
| **Profit from continuing operations before finance income, finance costs and income tax (EBIT)** | | **47,080** | **109,815** |
| Finance income | A4 | 1,022 | – |
| Finance costs | A4 | (33,429) | (30,207) |
| Share of net loss of associates and joint ventures accounted for using the equity method | E1 | (5) | (5) |
| **Profit from continuing operations before income tax** | | **14,668** | **79,603** |
| Income tax expense | G12 | (3,390) | (25,526) |
| **Profit from continuing operations** | | **11,278** | **54,077** |
| Profit from discontinued operation (attributable to equity holders of the Company) | F1 | 1,468 | 722 |
| **Net profit attributable to members of Collins Foods Limited** | | **12,746** | **54,799** |

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations (as outlined in Note F1)

| | Notes | 2023 cents per share | 2022 cents per share |
|---|---|---|---|
| Basic earnings per share from continuing operations (cents) | G3 | 9.62 | 46.34 |
| Basic earnings per share from discontinued operations (cents) | G3 | 1.25 | 0.62 |
| Diluted earnings per share from continuing operations (cents) | G3 | 9.57 | 46.13 |
| Diluted earnings per share from discontinued operations (cents) | G3 | 1.25 | 0.62 |

| | Notes | 2023 Shares | 2022 Shares |
|---|---|---|---|
| Weighted average basic ordinary shares outstanding | G3 | 117,177,086 | 116,696,110 |
| Weighted average diluted ordinary shares outstanding | G3 | 117,904,019 | 117,223,628 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 30 April 2023

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Net profit attributable to members of Collins Foods Limited** | | **12,746** | **54,799** |
| items that may be reclassified to profit or loss | | | |
| **Other comprehensive income/(expense):** | | | |
| Exchange differences on translation of foreign operations | G11 | 2,172 | (511) |
| Exchange differences on translation of discontinued operations | G11 | 971 | – |
| Cash flow hedges | G11 | 1,474 | 5,760 |
| Income tax relating to components of other comprehensive income | G12 | (442) | (1,728) |
| **Other comprehensive income/(expense) for the period, net of tax** | | **4,175** | **3,521** |
| **Total comprehensive income for the reporting period** | | **16,921** | **58,320** |
| Total comprehensive income for the period is attributable to: | | | |
| Owners of the parent | | **16,921** | 58,320 |

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

# CONSOLIDATED BALANCE SHEET

As at 30 April 2023

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | B1 | 80,236 | 97,217 |
| Receivables | G4 | 20,099 | 4,200 |
| Inventories | | 8,320 | 7,930 |
| Derivative financial instruments | C3 | 3,367 | 662 |
| Current tax assets | | 3,562 | – |
| Other assets | | 2,479 | 3,845 |
| Assets classified as held for sale | F1 | 12,242 | – |
| **Total current assets** | | **130,305** | **113,854** |
| **Non-current assets:** | | | |
| Property, plant and equipment | G5 | 224,520 | 216,099 |
| Intangible assets | G6 | 492,292 | 475,292 |
| Right-of-use assets | G8 | 465,818 | 432,468 |
| Deferred tax assets | G12 | 55,658 | 39,825 |
| Investments accounted for using the equity method | | – | 2,397 |
| Derivative financial instruments | C3 | 1,779 | 2,784 |
| Other assets | | – | 252 |
| **Total non-current assets** | | **1,240,067** | **1,169,117** |
| **Total assets** | | **1,370,372** | **1,282,971** |
| **LIABILITIES** | | | |
| **Current liabilities:** | | | |
| Trade and other payables | G9 | 116,515 | 116,473 |
| Lease liabilities | G8 | 44,639 | 37,766 |
| Current tax liabilities | | 2,013 | 5,514 |
| Provisions | G10 | 13,959 | 6,736 |
| Liabilities directly associated with assets classified as held for sale | F1 | 2,032 | – |
| **Total current liabilities** | | **179,158** | **166,489** |
| **Non-current liabilities:** | | | |
| Borrowings | B3 | 291,857 | 270,994 |
| Lease liabilities | G8 | 506,872 | 439,623 |
| Deferred tax liabilities | G12 | 123 | 5,148 |
| Provisions | G10 | 7,864 | 7,190 |
| **Total non-current liabilities** | | **806,716** | **722,955** |
| **Total liabilities** | | **985,874** | **889,444** |
| **NET ASSETS** | | **384,498** | **393,527** |
| **EQUITY** | | | |
| Contributed equity | D3 | 297,372 | 291,394 |
| Reserves | G11 | 18,741 | 14,871 |
| Retained earnings | | 68,385 | 87,262 |
| **TOTAL EQUITY** | | **384,498** | **393,527** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 30 April 2023

| | Notes | (1) 2023 $000 | (1) 2022 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST and VAT) | | 1,474,617 | 1,313,864 |
| Payments to suppliers and employees (inclusive of GST and VAT) | | (1,201,214) | (1,042,196) |
| Goods and services taxes (GST) and Value added taxes (VAT) paid | | (65,177) | (59,236) |
| Interest received | | 910 | – |
| Interest and other borrowing costs paid | B1 | (7,272) | (6,647) |
| Interest paid on leases | B1 | (25,376) | (22,679) |
| Income tax paid | | (30,272) | (26,772) |
| **Net operating cash flows** | **B1** | **146,216** | **156,334** |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of subsidiary, net of cash acquired | A2 | (4,601) | (28,339) |
| Deposit for acquisition of subsidiary | | (13,316) | – |
| Payments for property, plant and equipment | | (65,766) | (67,844) |
| Proceeds from sale of property, plant and equipment | | – | 4,246 |
| Payments for intangible assets | | (9,860) | (5,372) |
| **Net investing cash flows** | | **(93,543)** | **(97,309)** |
| **Cash flows from financing activities** | | | |
| Refinance fees paid | B1 | – | (1,472) |
| Proceeds from borrowings - bank loan facilities | B1 | 28,296 | 32,581 |
| Repayment of borrowings and other obligations | B1 | (25,000) | (28,000) |
| Payments for lease principal | B1 | (39,863) | (36,465) |
| Dividends paid | B1 | (29,377) | (28,591) |
| **Net financing cash flows** | | **(65,944)** | **(61,947)** |
| **Net decrease in cash and cash equivalents** | | **(13,271)** | **(2,922)** |
| Cash and cash equivalents at the beginning of the reporting period | | 97,217 | 95,717 |
| Effects of exchange rate changes on cash and cash equivalents | | (3,710) | 4,422 |
| **Cash and cash equivalents at end of reporting period** | **B1** | **80,236** | **97,217** |

(1) Cash flows from the discontinued Sizzler Asia business are included above – refer to Note F for breakdown of separate cash flows relating to the discontinued operation.

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 30 April 2023

| | Notes | Contributed equity | Reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| 2023 | | $000 | $000 | $000 | $000 |
| **Balance as at 1 May 2022** | | **291,394** | **14,871** | **87,262** | **393,527** |
| Profit for the reporting period | | – | – | 12,746 | 12,746 |
| Other comprehensive income | | – | 4,175 | – | 4,175 |
| **Total comprehensive income for the reporting period** | | **–** | **4,175** | **12,746** | **16,921** |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity, net of transaction costs | D3 | 2,246 | – | – | 2,246 |
| Share based payments | G11 | – | 427 | – | 427 |
| Issue of shares as consideration for acquisition | A2 | 3,000 | – | – | 3,000 |
| Dividends provided for or paid | B4 | – | – | (31,623) | (31,623) |
| Performance rights vested | G11 | 732 | (732) | – | – |
| **End of the reporting period** | | **297,372** | **18,741** | **68,385** | **384,498** |
| 2022 | | $000 | $000 | $000 | $000 |
| **Balance as at 2 May 2021** | | 290,788 | 10,756 | 61,054 | 362,598 |
| Profit for the reporting period | | – | – | 54,799 | 54,799 |
| Other comprehensive income | | – | 3,521 | – | 3,521 |
| **Total comprehensive income for the reporting period** | | **–** | **3,521** | **54,799** | **58,320** |
| 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) | – | – |
| **End of the reporting period** | | **291,394** | **14,871** | **87,262** | **393,527** |

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 Australia restaurants | KFC Europe restaurants | Taco Bell restaurants | (1) Other | Total |
|---|---|---|---|---|---|
| **2023** | **$000** | **$000** | **$000** | **$000** | **$000** |
| Total segment revenue | 1,051,272 | 248,676 | 48,666 | 4,113 | 1,352,727 |
| Underlying EBITDA (2) | 201,623 | 32,819 | (1,546) | (24,858) | 208,038 |
| Depreciation and amortisation (3) | 65,567 | 23,650 | 5,098 | 3,839 | 98,154 |
| Impairment (4) | – | 4,592 | 49,054 | – | 53,646 |
| Finance costs - net | 19,944 | 5,481 | 1,502 | 5,480 | 32,407 |
| Income tax expense | – | – | – | 3,899 | 3,899 |
| **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 and amortisation (3) | 63,510 | 19,998 | 5,208 | 4,379 | 93,095 |
| Impairment (4) | – | – | 3,163 | – | 3,163 |
| Finance costs - net | 18,242 | 4,110 | 925 | 6,930 | 30,207 |
| Income tax expense | – | – | – | 25,890 | 25,890 |

(1) Other includes Shared Services and Sizzler Asia restaurants. The Sizzler Asia business has been classified as held for sale at 30 April 2023, however has been included in the Segment information as the operating results were reviewed by the Managing Director & CEO for the financial period to 30 April 2023 (Note F).

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

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

(4) Refer to Note G7 for information on impairment per asset class, per segment for the reporting period. The prior year comparatives have been restated to separate impairment from depreciation and amortisation.

## A1: Segment information continued

### LOCATION OF REVENUE AND NON-CURRENT ASSETS

| | Australia | Europe | (1) Asia | Total |
|---|---|---|---|---|
| 2023 | $000 | $000 | $000 | $000 |
| Revenue | 1,099,938 | 248,676 | 4,113 | 1,352,727 |
| Non-current assets (property, plant and equipment, intangibles, and right-of-use assets) | 900,836 | 281,794 | – | 1,182,630 |
| 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 |

(1) The Sizzler Asia business has been classified as held for sale at 30 April 2023, however has been included in the Segment information as the operating results were reviewed by the Managing Director & CEO for the financial period to 30 April 2023. Refer to Note F. All non-current assets are classified as current assets at 30 April 2023.

### OTHER SEGMENT INFORMATION

#### Segment revenue

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

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

#### Underlying EBITDA

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. This measurement basis excludes the effects of costs associated with acquisitions (refer to Note A2). 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 operations before income tax is provided as follows:

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Underlying EBITDA | 208,038 | 209,216 |
| Finance costs | (32,407) | (30,207) |
| Acquisition and operational integration costs expensed | (3,495) | (2,932) |
| Depreciation | (94,062) | (88,531) |
| Amortisation | (4,092) | (4,564) |
| Impairment of property, plant and equipment | (21,534) | (1,523) |
| Impairment of intangible assets | (1,060) | (31) |
| Impairment of right-of-use assets | (31,052) | (1,609) |
| Share of net profit of joint venture accounted for using the equity method | (5) | (5) |
| Fair value gain on debt modification | – | (945) |
| Provision for store closure and onerous contracts | (2,393) | – |
| Gain on sale and leaseback | – | 1,243 |
| Other non-trading items | (1,293) | 577 |
| **Profit before income tax from operations** | **16,645** | **80,689** |

## A2: Business combinations

### CURRENT PERIOD

### KFC RESTAURANTS (AUSTRALIA) – SUMMARY OF ACQUISITION (GRIFFITH)

On 3 May 2022, Collins Restaurants South Pty Ltd, a wholly owned subsidiary of Collins Foods Limited, entered into a Business Sale Agreement to acquire the KFC Griffith restaurant from Shayden Nominees Pty Ltd as Trustee for the C&M Income Trust. The Group paid $7.6 million for the acquisition.

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

Details of the purchase consideration is as follows:

| | $000 |
|---|---|
| Cash paid | 4,604 |
| Ordinary shares issued | 3,000 |
| **Total purchase consideration** | **7,604** |

The fair value of the 284,091 ordinary shares issued as part of the considerations paid for KFC Griffith ($3.0 million) was based on the VWAP of Collins Foods Limited (ASX Ticker: CKF) for the 10 trading days immediately prior to the date of the Agreement.

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

| | Fair Value $000 |
|---|---|
| Cash and cash equivalents | 3 |
| Receivables | 1 |
| Inventories | 27 |
| Property, plant and equipment | 266 |
| Intangibles | 9 |
| Right-of-use asset | 3,138 |
| Deferred tax asset | 17 |
| Lease liability | (3,138) |
| Provisions | (36) |
| **Net identifiable assets acquired** | **287** |
| Goodwill | 7,317 |
| **Net assets acquired** | **7,604** |

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 $000 |
|---|---|
| Cash consideration | 4,604 |
| Less: balances acquired | (3) |
| **Outflow of cash - investing activities** | **4,601** |

The fair value of assets acquired and liabilities assumed may be amended during the measurement period, however, management did not identify any changes from the provisional amounts recognised during the reporting period to 30 April 2023.

The acquired business contributed revenues of $4.8 million and Underlying EBITDA of $0.6 million for the period the restaurant was owned, up to 30 April 2023.

If the acquisition had occurred on 2 May 2022, the consolidated revenue from Continuing operations and consolidated Underlying EBITDA for the reporting period ending 30 April 2023 would have been $1,349.1 million and $208.1 million respectively.

## A2: Business combinations continued

### PRIOR PERIOD

On 1 June 2021, Collins Foods Netherlands Limited, a wholly owned subsidiary of Collins Foods Limited, acquired 100% of the share capital of KFC Taupo Lelystad. Details of this business combination were disclosed in note A2 of the Group's annual financial statements for the year ended 1 May 2022.

On 1 July 2021, Collins Foods Netherlands Limited, a wholly owned subsidiary of Collins Foods Limited, acquired five KFC restaurants located in the Netherlands. Details of this business combination were disclosed in note A2 of the Group's annual financial statements for the year ended 1 May 2022.

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. Details of this business combination were disclosed in note A2 of the Group's annual financial statements for the year ended 1 May 2022.

On 1 February 2022, Collins Foods Operations B.V., a wholly owned subsidiary of Collins Foods Limited, acquired nine KFC restaurants in the Netherlands. Details of this business combination were disclosed in note A2 of the Group's annual financial statements for the year ended 1 May 2022.

### 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 Australia restaurants | KFC Europe restaurants | Taco Bell restaurants | (1) Total |
|---|---|---|---|---|
| **2023** | **$000** | **$000** | **$000** | **$000** |
| Sale of goods | 1,051,272 | 245,062 | 48,666 | 1,345,000 |
| CFA revenue | – | 3,614 | – | 3,614 |
| | **1,051,272** | **248,676** | **48,666** | **1,348,614** |

## A3: Revenue continued

| 2022 | KFC Australia restaurants $000 | KFC Europe restaurants $000 | Taco Bell restaurants $000 | (1) Total $000 |
|---|---|---|---|---|
| Sale of goods | 955,508 | 186,867 | 35,752 | 1,178,127 |
| CFA revenue | – | 3,572 | – | 3,572 |
| | **955,508** | **190,439** | **35,752** | **1,181,699** |

(1) The Sizzler Asia business has been classified as held for sale at 30 April 2023. All revenue for the Sizzler Asia business are included in Note F1.

### TIMING OF REVENUE RECOGNITION

| | KFC Australia restaurants | KFC Europe restaurants | Taco Bell restaurants | (1) Total |
|---|---|---|---|---|
| **2023** | **$000** | **$000** | **$000** | **$000** |
| At a point in time | 1,051,272 | 245,062 | 48,666 | 1,345,000 |
| Over time | – | 3,614 | – | 3,614 |
| | **1,051,272** | **248,676** | **48,666** | **1,348,614** |
| **2022** | **$000** | **$000** | **$000** | **$000** |
| At a point in time | 955,508 | 187,952 | 35,752 | 1,179,212 |
| Over time | – | 2,487 | – | 2,487 |
| | **955,508** | **190,439** | **35,752** | **1,181,699** |

(1) The Sizzler Asia business has been classified as held for sale at 30 April 2023. All revenue for the Sizzler Asia business are included in Note F1.

### 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.

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.

## A3: Revenue continued

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.

### CFA revenue

CFA revenue entitles the Group to one stream of revenue:

- **Management service fee revenue**: revenue relating to the satisfaction of a single performance obligation: managing and growing the KFC brand in the Netherlands. The revenue is recognised over time as the respective services are delivered.

In satisfying the above performance obligation, the following funds are received by the Group in their capacity as agent:

- **Marketing fees:** funds received for advertising contributions received for the marketing of the business in the Netherlands.
- **Supply chain fees:** funds received for the management of the Netherlands Supply Chain services.
- **Digital and eCommerce fees:** for the management of the Digital and eCommerce services.
- **Learning zone fee:** received for the provision of Learning and Development services.

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 | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Depreciation, amortisation and impairment** | | | |
| **Depreciation:** | | | |
| Property, plant and equipment | G5 | 45,185 | 43,500 |
| Right-of-use assets | G8 | 48,877 | 45,031 |
| **Total depreciation** | | **94,062** | **88,531** |
| **Amortisation** | | | |
| Intangible assets | G6 | 4,092 | 4,564 |
| **Total amortisation** | | **4,092** | **4,564** |
| **Impairment** | | | |
| Property, plant and equipment | G5 | 21,534 | 1,523 |
| Intangible assets | G6 | 1,060 | 31 |
| Right-of-use assets | G8 | 31,052 | 1,609 |
| **Total impairment** | G7 | **53,646** | **3,163** |
| **Total depreciation, amortisation and impairment** | | **151,800** | **96,258** |
| **Employee benefits expense:** | | | |
| Wages and salaries | | 336,596 | 295,472 |
| Defined contribution superannuation expense | | 32,151 | 26,313 |
| Employee entitlements | | 21,885 | 17,402 |
| **Total employee benefits expense** | | **390,632** | **339,187** |
| Finance income | | (1,022) | – |
| Finance costs | | 33,429 | 30,207 |
| Inventories recognised as an expense | | 447,825 | 373,821 |
| Fair value loss on debt modification | | – | 945 |
| Performance rights | | 427 | 1,200 |
| Acquisition and operational integration costs expensed | | 3,495 | 2,932 |
| Net loss on disposal of property, plant and equipment | | 33 | 217 |
| Net (gain) / loss on disposal of leases | | 891 | (2,684) |
| 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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Cash at bank and on hand (1) | 80,236 | 97,217 |

(1) Included in cash at bank is an amount of $5.3 million (2022: $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 €3.2 million (2022: €1.3 million).

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

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Profit for the period** | | **12,746** | **54,799** |
| **Adjustments for non-cash income and expense items:** | | | |
| Depreciation, amortisation and impairment (excluding right-of-use assets) | A4 | 71,871 | 49,618 |
| Depreciation and impairment of right-of-use assets | A4 | 79,929 | 46,640 |
| Loss on disposal of property, plant and equipment | A4 | 33 | 217 |
| (Gain) / loss on disposal of leases | A4 | 891 | (2,684) |
| (Gain)/loss on foreign exchange | G2 | 126 | (613) |
| Gain on sale and leaseback | A4 | – | (1,238) |
| Fair value loss on debt modification | A4 | – | 945 |
| Amortisation of borrowing costs | | 489 | 1,099 |
| Non-cash employee benefits expense share based payments expense | G11 | 427 | 1,200 |
| Provision for make good obligations | | (464) | 58 |
| Provision for employee entitlements | | 1,322 | (267) |
| **Changes in assets and liabilities:** | | | |
| Receivables | | (2,917) | 874 |
| Inventories | | (639) | (1,084) |
| Prepayments and other assets | | (1,794) | 212 |
| Share of profits of joint venture | | 5 | 5 |
| Trade payables and accruals | | 11,946 | 8,292 |
| Income tax payable | | (7,062) | (1,570) |
| Deferred tax balances | | (18,618) | 225 |
| Goods and services tax payable | | (2,120) | (396) |
| Fringe benefits tax payable | | 45 | 2 |
| **Net operating cash flows** | | **146,216** | **156,334** |

## B1: Cash and cash equivalents continued

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

| | LIABILITIES | | EQUITY | |
|---|---|---|---|---|
| | Borrowings | Lease liabilities | Retained earnings | Total $000 |
| **2023** | $000 | $000 | $000 | $000 |
| **At 2 May 2022** | **270,994** | **477,389** | **87,262** | |
| **Changes from financing cash flows** | | | | |
| Proceeds from borrowings – bank loan facilities | 28,296 | – | – | 28,296 |
| Repayment of borrowings and other obligations | (25,000) | – | – | (25,000) |
| Payments for lease principal | – | (39,863) | – | (39,863) |
| Dividends paid | – | – | (29,377) | (29,377) |
| **Total changes from financing cash flows** | **3,296** | **(39,863)** | **(29,377)** | |
| **Other changes** | | | | |
| Lease additions and modifications | – | 102,841 | – | 102,841 |
| Lease disposals | – | (24) | – | (24) |
| Interest expense | 7,272 | 25,376 | – | 32,648 |
| Interest paid (operating cash flow) | (7,272) | – | – | (7,272) |
| Interest paid on leases (operating cash flow) | – | (25,376) | – | (25,376) |
| Foreign exchange adjustments | 17,078 | 11,168 | – | 28,246 |
| Dividend reinvestment impact on retained earnings | – | – | (2,246) | (2,246) |
| Profit for the reporting period | – | – | 12,746 | 12,746 |
| Amortisation of loan establishment fees | 489 | – | - | 489 |
| **At 30 April 2023** | **291,857** | **551,511** | **68,385** | |
| **2022** | $000 | $000 | $000 | $000 |
| **At 3 May 2021** | **271,490** | **397,812** | **61,054** | |
| **Changes from financing cash flows** | | | | |
| 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) |
| **Total changes from financing cash flows** | **3,109** | **(36,465)** | **(28,591)** | **(61,947)** |
| **Other changes** | | | | |
| 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 |
| **At 1 May 2022** | **270,994** | **477,389** | **87,262** | |

### 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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Working Capital Facility | Bank Loan Facility | Working Capital Facility | Bank Loan Facility |
| | $000 | $000 | $000 | $000 |
| Used [1] | 13,328 | 279,947 | 11,902 | 261,038 |
| Unused | 23,317 | 83,142 | 22,841 | 81,132 |
| **Total** | **36,645** | **363,089** | **34,743** | **342,170** |

(1) $845,000 (2022: $845,000) of the working capital facility has been used for bank guarantees rather than drawn down cash funding. In addition, an amount of $573,000 (2022: $1,101,000) 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 30 April 2023, 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 47% (2022: 17%).

| Net debt | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Cash at bank and on hand | 80,236 | 97,217 |
| Borrowings | (291,857) | (270,994) |
| Capitalised fees | (573) | (1,101) |
| **Net debt** | **(212,194)** | **(174,878)** |

| Net leverage | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| Net debt | (212,194) | (174,878) |
| EBITDA per Syndicated Facility Agreement | 144,379 | 150,008 |
| **Net leverage** | **1.47** | **1.17** |

## B4: Dividends

| Dividends | 2023 $000 | 2022 $000 |
|---|---|---|
| Dividends paid of $0.27 (2022: $0.25) per fully paid share | (1) 31,623 | 28,591 |

(1) Includes $2,246,493 relating to the Dividend Reinvestment Plan.

| Franking credits | 2023 $000 | 2022 $000 |
|---|---|---|
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2022: 30.0%) | 146,478 | 136,540 |

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.

During FY23, the Group introduced a Dividend Reinvestment Plan (**DRP**), allowing shareholders with a registered address in Australia and New Zealand to reinvest all or part of their dividends into additional fully paid Collins Foods Limited shares.

In FY23, 256,807 shares were issued to eligible shareholders (2022: nil) with a value of $2,246,493 (2022: nil). Refer to Note D3.

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 (2022: 15.0 cents) to be paid on 1 August 2023. 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 $17,598,386 (2022: $17,504,417).

### 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

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 2023 and 2022, 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 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). Due to a restructure of the European operations during FY23, the European investment is now subscribed in Collins Foods Holding Europe Holdings B.V. (and subsidiaries). As at inception in 2017, this hedge was considered to be completely effective and there has been no change to this designation as a result of the restructuring of operations.

#### 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 (2022: 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 1 year | Between 1 and 2 years | Between 2 and 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|---|---|---|---|---|---|
| **2023** | **Note** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Non-derivatives** | | | | | | |
| Trade payables | G9 | 116,515 | – | – | 116,515 | 116,515 |
| Borrowings (excluding finance leases) | B3 | 13,201 | 222,199 | 82,723 | 318,123 | 291,857 |
| **Total non-derivatives** | | **129,716** | **222,199** | **82,723** | **434,638** | **408,372** |
| **Derivatives** | | | | | | |
| Net settled (Swap Contracts) | C3 | (3,428) | (1,710) | (158) | (5,296) | (5,146) |
| **2022** | **Note** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **Non-derivatives** | | | | | | |
| Trade payables | G9 | 116,473 | – | – | 116,473 | 116,473 |
| Borrowings (excluding finance leases) | B3 | 5,310 | 5,520 | 278,181 | 289,011 | 270,994 |
| **Total non-derivatives** | | **121,783** | **5,520** | **278,181** | **405,484** | **387,467** |
| **Derivatives** | | | | | | |
| Net settled (Swap Contracts) | C3 | (675) | (1,710) | (1,239) | (3,624) | (3,446) |

## 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:

| | | Interest rate risk | | | | Foreign currency risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | -1% | | +1% | | -1% | | +1% | |
| | | Profit | Equity | Profit | Equity | Profit | Equity | Profit | Equity |
| **2023** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| Financial assets | 105,481 | (562) | (2,675) | 562 | 2,675 | 555 | – | (555) | – |
| Financial liabilities | 410,386 | 514 | – | (514) | – | (387) | 1,649 | 387 | (1,649) |
| **Total increase/(decrease)** | | **(48)** | **(2,675)** | **48** | **2,675** | **168** | **1,649** | **(168)** | **(1,649)** |
| **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) |
| **Total increase/(decrease)** | | **166** | **(1,967)** | **(166)** | **1,967** | **(120)** | **1,210** | **120** | **(1,210)** |

### 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 | Fixed interest maturing in: 2 - 4 years | Non-interest bearing | Total | Weighted average effective rate |
|---|---|---|---|---|---|---|
| **2023** | **Notes** | **$000** | **$000** | **$000** | **$000** | **%** |
| Trade and other payables | G9 | – | – | 116,515 | 116,515 | – |
| Borrowings - unhedged | B2 | 73,435 | – | – | 73,435 | 4.5% |
| Borrowings - hedged (1) | B2 | – | 206,511 | – | 206,511 | 1.9% |
| Borrowings - working capital | B2 | – | 12,484 | – | 12,484 | 4.2% |
| | | **73,435** | **218,995** | **116,515** | **408,945** | |
| **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 (1) | B2 | – | 140,000 | – | 140,000 | 0.8 |
| Borrowings - working capital | B2 | – | 11,057 | – | 11,057 | 1.3 |
| | | **121,038** | **151,057** | **116,473** | **388,568** | |

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

### Interest rate risk exposures - current asset receivables

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

| | | 2023<br>$000 | 2022<br>$000 |
|---|---|---|---|
| Trade and other receivables (non-interest bearing) | G4 | 20,099 | 4,200 |

### 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 30 April 2023, 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 1 May 2022, 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:

| | | | 2023 | | | 2022 |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Discount rate | Carrying amount | Fair value | Discount rate |
| | $000 | $000 | % | $000 | $000 | % |
| Bank Loan (net of borrowing costs) | 291,857 | 285,608 | 4.5% | 270,994 | 252,374 | 4.1 |

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Current assets** | | |
| Interest rate swap contracts - cash flow hedges | 3,367 | 662 |
| **Non-current assets** | | |
| Interest rate swap contracts - cash flow hedges | 1,779 | 2,784 |

### 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 2023 reporting period, and commenced on the dates outlined below, to hedge a designated portion of the interest rate exposure of the facility:

- $20.0 million commenced on 30 October 2022 with a maturity date of 30 October 2024;
- $25.0 million commenced on 31 October 2022 with a maturity date of 31 October 2024;
- $30.0 million commenced on 31 October 2022 with a maturity date of 30 October 2024;
- $15.0 million commenced on 31 October 2022 with a maturity date of 30 October 2026;
- €30.0 million commenced on 4 January 2023 with a maturity date of 31 October 2024;
- €10.0 million commenced on 4 January 2023 with a maturity date of 31 October 2024;
- €14.5 million commenced on 4 January 2023 with a maturity date of 31 October 2024; and
- €15.5 million commenced on 4 January 2023 with a maturity date of 30 October 2026.

These Swap Contracts remain active as at 30 April 2023.

The Swap Contracts entered into during FY21 had a maturity date of 31 October 2022 and these terminated during FY23.

## C3: Derivative financial instruments continued

Swap Contracts currently in place cover approximately 80% (2022: 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 3.68% (2022: 0.22%). The notional principal amounts, periods of expiry and fixed interest rates applicable to the Swap Contracts are as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | | Weighted average fixed interest rate | | Weighted average fixed interest rate |
| | $000 | % | $000 | % |
| Less than 1 year | – | – | 140,000 | 0.8% |
| 1 - 2 years | 165,712 | 1.8% | – | – |
| 2 – 3 years | – | – | – | – |
| 3 – 4 years | 40,799 | 2.5% | – | – |
| | **206,511** | | **140,000** | |

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 30 April 2023, the Swap Contracts gave rise to receivables for unrealised gains on derivative instruments of $5.15 million (2022: $3.45 million receivable on unrealised gains) for the Group. Management has undertaken these contracts with the Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and Rabobank, all of 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

| | 2023 Whole Dollars $ | 2022 Whole Dollars $ |
|---|---|---|
| Short term employee benefits | 4,748,398 | 5,536,290 |
| Long term employee benefits | – | – |
| Post-employment benefits | 216,021 | 162,792 |
| Share based payments | 20,408 | 815,551 |
| Termination benefit | 146,659 | – |
| **Total KMP compensation** | **5,131,486** | **6,514,633** |

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 (RTSR) 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 | 2023 | 2022 |
|---|---|---|
| Balance at the beginning of the reporting period | 637,285 | 653,255 |
| Vested and exercised | (85,564) | (114,866) |
| Issued during the reporting period | 424,650 | 298,175 |
| Lapsed during the reporting period | (86,116) | (199,279) |
| **Balance at the end of the reporting period** | **890,255** | **637,285** |

During the 2020 financial year, grants under the long-term incentive plan were made with a performance period of FY20, FY21 and FY22 (**FY20 Grant**). Based upon the EPS growth achieved over the three year performance period (FY20-FY22), 85,564 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 $9.59.

All performance rights issued during the reporting period ended 30 April 2023 have an expiry date of 25 July 2025 and were issued with an exercise price of nil. 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.

### FAIR VALUE OF PERFORMANCE RIGHTS ISSUED

There was one tranche of performance rights issued during the reporting period ended 30 April 2023:

- The assessed fair value of performance rights (with an EPS growth target) issued on 21 September 2022 was $8.74.
  The fair value at grant date was determined using a discounted cash flow model incorporating the share price at grant date of $9.34, the term of the right, the expected dividend yield of 2.31% and the risk free interest rate for the term of the rights of 3.33%.
- 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 30 April 2023 included:

| Assumption | 21 September 2022: |
|---|---|
| Fair value | $5.39 |
| Expiry date | 25 July 2025 |
| Share price at Grant date | $9.34 |
| Term (years) | 3.0 |
| Expected dividend yield | 2.31% |
| Risk free interest rate | 3.33% |

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.

## D2: Share based payments continued

| Assumption | Grant date 14 September 2021 | Grant date 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% |

### OWNERSHIP SHARE PLAN – PERFORMANCE RIGHTS

During FY23, the Group established an Ownership Share Plan (OSP) designed to maintain and enhance a performance centred environment for eligible Restaurant General Managers (RGMs), Area Coaches (ACs) and Restaurant Support Centre (RSC) employees. The OSP aims to reflect current market conditions and to ensure remuneration practices remain competitive. Under the plan, participants are granted performance rights over shares. The number of performance rights is calculated by dividing the dollar value of the employee's grant by the ASX volume weighted average price of the shares for the five trading days prior and five days after the release of the audited financial results. Each annual grant spans a five year period and will vest in 5 separate tranches, each with a distinct service period. Employees who are participants of any other Group Share Scheme (e.g. LTIP) are ineligible to participate in the OSP.

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 satisfaction of a service condition, with one-fifth (20%) of each employee's entitlement vesting annually, providing that employee remains employed by the Group. There are no performance conditions attached the rights granted under the OSP.

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

| Performance rights | 2023 | 2022 |
|---|---|---|
| Balance at the beginning of the reporting period | – | – |
| Vested and exercised | – | – |
| Issued during the reporting period | 239,535 | – |
| Lapsed during the reporting period | – | – |
| **Balance at the end of the reporting period** | **239,535** | **–** |

### FAIR VALUE OF PERFORMANCE RIGHTS ISSUED UNDER THE OSP

- The assessed fair values of performance rights issued on 27 April 2023 ranged from $7.70 to $8.43. The fair value at grant date was determined using a discounted cash flow model incorporating the share price at grant date of $8.70, the term of the right, the expected dividend yield of 3.1% and the risk-free interest rate for the term of the rights ranging from 3.01% to 3.05%.

### EXPENSES ARISING FROM SHARE BASED PAYMENT TRANSACTIONS

Total expenses arising from share based payment transactions (LTIP and OSP) recognised during the period as part of employee benefit expense were $434,007 (2022: $1,321,498).

### 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

| | 30 April 2023 | | 1 May 2022 | |
|---|---|---|---|---|
| | Shares | Share capital | Shares | Share capital |
| | | $000 | | $000 |
| **Issues of ordinary shares during the financial year:** | | | | |
| Balance at beginning of the period | 116,696,110 | 291,394 | 116,581,244 | 290,788 |
| Acquisition – Share component | 284,091 | 3,000 | – | – |
| Dividend reinvestment plan | 256,807 | 2,246 | – | – |
| Senior executive performance rights plan | 85,564 | 732 | 114,866 | 606 |
| **Balance at the end of the period** | **117,322,572** | **297,372** | **116,696,110** | **291,394** |

### 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 | |
|---|---|---|---|---|
| | | | 2023 % | 2022 % |
| Sizzler China Pte Ltd | Singapore | SCP | 50 | 50 |

### Summarised financial information of joint ventures

| | 2023 (1) $000 | 2022 $000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial joint ventures | – | 2,497 |
| Aggregate amounts of the Group's share of: | | |
| Loss from operations | (5) | (5) |
| **Total comprehensive income** | **(5)** | **(5)** |

(1) The Sizzler China Pte Ltd Joint Venture is held by the Sizzler Asia business. This has been classified as held for sale as at 30 April 2023. Refer to Note F.

### 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 (2022: nil) with related parties at the end of the reporting period.

### TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the reporting period ending 30 April 2023.

Any outstanding balances other than loans to key management personnel are unsecured and are repayable in cash. There were no outstanding balances from other transactions (2022: nil) with related parties at the end of the reporting period.

# F: DISCONTINUED OPERATION



## F: Description

On 30 April 2023, the Group signed a Letter of Intent to sell the 100% owned SingCo Trading Pte. Ltd Group (**SingCo**) for SGD20.2 million. The associated SingCo assets and liabilities are consequently presented as available for sale and is reported as a discontinued operation as SingCo represents an identifiable, single geographical area of operations.

## F1(a): Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 30 April 2023 and 1 May 2022.

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Revenue | 4,113 | 2,822 |
| Cost of Sales | – | – |
| **Gross profit** | **4,113** | **2,822** |
| Other Expenses | (13) | (43) |
| Administration expenses | (2,123) | (1,693) |
| **Profit from discontinued operations before finance income, finance costs and income tax (EBIT)** | **1,977** | **1,086** |
| Finance costs | – | – |
| **Profit before Income tax** | **1,977** | **1,086** |
| Income tax expense | (509) | (364) |
| **Profit from discontinued operations** | **1,468** | **722** |

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Net cash inflow from operating activities | 2,188 | 1,073 |
| Net cash inflow from investing activities | – | – |
| Net cash outflow from financing activities | – | (8,760) |
| **Net increase / (decrease) in cash generated by the discontinued operations** | **2,188** | **(7,687)** |

## F1(b): Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations at 30 April 2023.

| | 2023<br>$000 |
|---|---|
| **Assets classified as held for sale** | |
| Receivables | 334 |
| Other assets | 113 |
| Intangible assets [1] | 9,402 |
| Investments accounted for using the equity method | 2,393 |
| **Total assets of disposal group** | **12,242** |
| **Liabilities directly associated with assets classified as held for sale** | |
| Trade and other payables | 672 |
| Deferred tax liabilities | 1,360 |
| **Total liabilities of disposal group held for sale** | **2,032** |

(1) Includes recognised Goodwill of $1,405,000.

### ACCOUNTING POLICY

#### Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

# G: OTHER ITEMS



## 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:

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Right-of-use assets (1) | 24,843 | 31,134 |
| Property, plant and equipment | 3,234 | 8,541 |
| Land and buildings | 5,042 | 5,125 |
| **Total commitments** | **33,119** | 44,800 |

(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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Net foreign exchange gain / (loss) | (126) | 613 |
| Net loss on disposal of property, plant and equipment | (33) | (217) |
| Net gain / (loss) on disposal of leases | (891) | 2,684 |
| Gain on sale and leaseback | – | 1,238 |
| Fair value loss on debt modification | – | (945) |
| **Other gains / (losses) – net** | **(1,050)** | **3,373** |

## G3: Earnings per share

| | 2023 | (1) 2022 |
|---|---|---|
| | $000 | $000 |
| Earnings used in the calculation of basic and diluted earnings per share from continuing operations | 11,278 | 54,077 |
| Net profit from discontinued operation | 1,468 | 722 |
| | Shares | Shares |
| Weighted average basic ordinary shares outstanding | 117,177,086 | 116,696,110 |
| Weighted average diluted ordinary shares outstanding | 117,904,019 | 117,223,628 |
| | Cents | Cents |
| **Basic earnings per share** | | |
| Basic earnings per share from continuing operations | 9.62 | 46.34 |
| Basic earnings per share from discontinued operations | 1.25 | 0.62 |
| **Total basic earnings per share attributable to members of Collins Foods Limited** | **10.87** | **46.96** |

## G3: Earnings per share continued

| | 2023 | [(1)] 2022 |
|---|---|---|
| | Cents | Cents |
| **Diluted earnings per share** | | |
| Diluted earnings per share from continuing operations | 9.57 | 46.13 |
| Diluted earnings per share from discontinued operations | 1.25 | 0.62 |
| **Total diluted earnings per share attributable to members of Collins Foods Limited** | **10.82** | **46.75** |

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations (as outlined in Note F)

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

| | 2023 Shares | 2022 Shares |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 117,177,086 | 116,696,110 |
| Adjustments for calculation of diluted earnings per share: | | |
| Performance rights | 726,933 | 527,518 |
| **Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share** | **117,904,019** | **117,223,628** |

### 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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Trade receivables | [(1)] 20,099 | 4,200 |
| | **20,099** | **4,200** |

(1) Includes $13.3 million receivable in relation to the deposit paid for the acquisition from R. Sambo Holdings B.V. (refer Note J1).

### ACCOUNTING POLICY

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

### Impairment of trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of receivables over a period of 36 months before 30 April 2023 or 1 May 2022 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 |
| **At 2 May 2022** | | | | | |
| Cost | 22,201 | 293,736 | 182,607 | 15,234 | 513,778 |
| Accumulated depreciation & impairments | (1,238) | (177,018) | (119,423) | – | (297,679) |
| **Net book amount at 2 May 2022** | **20,963** | **116,718** | **63,184** | **15,234** | **216,099** |
| Additions | – | 2,621 | 286 | 67,299 | 70,206 |
| Acquisitions through controlled entity purchased | – | 132 | 134 | – | 266 |
| Transfers | 4,439 | 32,396 | 34,370 | (70,895) | 310 |
| Depreciation charge | (471) | (23,544) | (21,170) | – | (45,185) |
| Impairment charge [(1)] | – | (13,222) | (8,312) | – | (21,534) |
| Disposals | – | (60) | (32) | (1,149) | (1,241) |
| Exchange differences | – | 3,581 | 1,819 | 199 | 5,599 |
| **Net book amount at 30 April 2023** | **24,931** | **118,622** | **70,279** | **10,688** | **224,520** |
| **At 30 April 2023** | | | | | |
| Cost | 26,639 | 334,424 | 220,056 | 10,688 | 591,807 |
| Accumulated depreciation & impairments | (1,708) | (215,802) | (149,777) | – | (367,287) |
| **Net book amount at 30 April 2023** | **24,931** | **118,622** | **70,279** | **10,688** | **224,520** |
| | $000 | $000 | $000 | $000 | $000 |
| **At 3 May 2021** | | | | | |
| Cost | 13,774 | 264,633 | 163,545 | 9,983 | 451,935 |
| Accumulated depreciation & impairments | (968) | (158,055) | (103,993) | – | (263,016) |
| **Net book amount at 3 May 2021** | **12,806** | **106,578** | **59,552** | **9,983** | **188,919** |
| 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 [(1)] | – | (968) | (555) | – | (1,523) |
| Disposals | (1,482) | (249) | (385) | (350) | (2,466) |
| Exchange differences | – | (1,600) | (852) | (282) | (2,734) |
| **Net book amount at 1 May 2022** | **20,963** | **116,718** | **63,184** | **15,234** | **216,099** |
| **At 1 May 2022** | | | | | |
| Cost | 22,201 | 293,736 | 182,607 | 15,234 | 513,778 |
| Accumulated depreciation & impairments | (1,238) | (177,018) | (119,423) | – | (297,679) |
| **Net book amount at 1 May 2022** | **20,963** | **116,718** | **63,184** | **15,234** | **216,099** |

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

### 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.

## G5: Property, plant and equipment continued

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 (1) |
| Other leasehold improvements | Straight Line | Primary term of lease (2) |
| 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

| | Goodwill | Franchise rights | Brand names | Software | Other | Total |
|---|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **At 2 May 2022** | | | | | | |
| Cost | 478,093 | 21,154 | 31,105 | 13,142 | – | 543,494 |
| Accumulated amortisation & impairments | (28,070) | (9,389) | (22,793) | (7,950) | – | (68,202) |
| **Net book amount at 2 May 2022** | **450,023** | **11,765** | **8,312** | **5,192** | **–** | **475,292** |
| Additions | – | 2,552 | – | 586 | 5,302 | 8,440 |
| Acquisitions through controlled entity purchased | 7,317 | – | – | 9 | – | 7,326 |
| Transfers | – | – | – | (310) | – | (310) |
| Amortisation charge | – | (1,386) | (950) | (1,678) | (78) | (4,092) |
| Impairment charge (1) | – | (1,034) | – | (26) | – | (1,060) |
| Transfers to assets held for sale (2) | (1,405) | – | (7,997) | – | – | (9,402) |
| Exchange differences | 15,127 | 203 | 635 | 133 | - | 16,098 |
| **Net book amount at 30 April 2023** | **471,062** | **12,100** | **–** | **3,906** | **5,224** | **492,292** |
| **At 30 April 2023** | | | | | | |
| Cost | 499,132 | 33,638 | 11,261 | 13,937 | 5,302 | 563,270 |
| Accumulated amortisation & impairments | (28,070) | (21,538) | (11,261) | (10,031) | (78) | (70,978) |
| **Net book amount at 30 April 2023** | **471,062** | **12,100** | **–** | **3,906** | **5,224** | **492,292** |

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

(2) Relates to the intangible assets of the Sizzler Asia business which was classified as held for sale at 30 April 2023. Refer to Note F.

## G6: Intangible assets continued

| | Goodwill | Franchise rights | Brand names | Software | Total |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| **At 3 May 2021** | | | | | |
| Cost | 455,463 | 19,577 | 29,648 | 9,844 | 514,532 |
| Accumulated amortisation & impairments | (28,070) | (8,220) | (21,183) | (5,510) | (62,983) |
| **Net book amount at 3 May 2021** | **427,393** | **11,357** | **8,465** | **4,334** | **451,549** |
| Additions | – | 1,753 | – | 2,696 | 4,449 |
| Acquisitions through controlled entity purchased | 30,431 | – | – | 152 | 30,583 |
| Transfers | – | – | – | 638 | 638 |
| Amortisation charge | – | (1,094) | (878) | (2,592) | (4,564) |
| Impairment charge (1) | – | (31) | – | – | (31) |
| Exchange differences | (7,801) | (220) | 725 | (36) | (7,332) |
| **Net book amount at 1 May 2022** | **450,023** | **11,765** | **8,312** | **5,192** | **475,292** |
| **At 1 May 2022** | | | | | |
| Cost | 478,093 | 21,154 | 31,105 | 13,142 | 543,494 |
| Accumulated amortisation & impairments | (28,070) | (9,389) | (22,793) | (7,950) | (68,202) |
| **Net book amount at 1 May 2022** | **450,023** | **11,765** | **8,312** | **5,192** | **475,292** |

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

## 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 | |
|---|---|---|
| | 2023 | 2022 |
| | $000 | $000 |
| KFC Restaurants Australia | 334,323 | 327,005 |
| KFC Restaurants Europe | 136,739 | 121,716 |
| Sizzler Asia (1) | – | 1,302 |
| | **471,062** | **450,023** |

(1) Goodwill in Sizzler Asia has been classified as held for sale at 30 April 2023. Refer to Note F2.

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 Restaurants Australia and KFC Restaurants Europe cash generating units, there are no reasonable and likely changes in assumptions which would result in an impairment to goodwill.

## G7: Impairment of assets continued

During the reporting period ended 30 April 2023, 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2023 $000 | 2022 $000 | 2023 $000 | 2022 $000 | 2023 $000 | 2022 $000 | 2023 $000 | 2022 $000 |
| Leasehold improvements | – | – | 948 | – | 12,274 | 968 | 13,222 | 968 |
| Plant and equipment | – | – | 363 | – | 7,949 | 555 | 8,312 | 555 |
| Franchise rights | – | – | – | – | 1,034 | 31 | 1,034 | 31 |
| Software | – | – | – | – | 26 | – | 26 | – |
| Right-of-use assets | – | – | 3,281 | – | 27,771 | 1,609 | 31,052 | 1,609 |
| Total | – | – | 4,592 | – | 49,054 | 3,163 | 53,646 | 3,163 |

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

| | KFC Australia | | KFC Europe | | Taco Bell | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Post-tax discount rate segment | 7.4% | 7.4% | 7.4% | 7.4% | (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 (1) | * 4.6% | * 5.0% | * 3.8% | * 4.1% | * 1.2% | * 12.0% |
| 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 annual growth rates applied in the first five years average 4.6% (2022: 5.0%) for the stores modelled. The year one projections have been aligned to the division's specific cash flows reflected in the 2024 budget.
- Annual growth rates of 2.5% (2022: 2.5%) have been applied from year 6 onwards, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during 2023, 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.
- A post-tax discount rate of 7.4% has been calculated for the KFC Australia segment (2022: 7.4% 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 6.3 – 8.5% for the individual restaurants assessed for impairment (2022: range 5.0 – 8.5%).

## G7: Impairment of assets continued

### 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 resulted in the impairment of one KFC Europe restaurant.

Impairment charges of $5.0 million were recognised in respect of KFC Europe restaurants, comprising $3.3 million of Right-of-use assets, $0.9 million of leasehold improvements and $0.4 million of plant and equipment. The impairment charge principally relates to the full impairment of one restaurant.

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 year one projections have been aligned to the division's specific cash flows reflected in the 2024 budget. The annual growth rates applied in the first 5 years average 3.8% (2022: 4.1%) The year one projections have been aligned to the division's specific cash flows reflected in the 2024 budget.
- Cost of sales percentage is estimated to remain consistent over the cash flow period.
- Annual growth rates of 1.5% have been applied from year 6 onwards (2022: 1.5%) which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during 2023, prior to COVID-19, in prior reporting periods, and in the weeks since year-end.

- A post-tax discount rate of 7.4% has been calculated for the KFC Europe segment (2022: 7.4% 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 IBR applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range of 5.5 - 7.5% for the individual restaurants assessed for impairment (2022: 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 during FY23 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.

### 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 $20.2 million of Property, plant and equipment, $27.8 million of Right-of-use assets and $1.1 million of Franchise rights.

- As stated in the interim financial statements to 16 October 2022, the revenue growth and EBITDA rates for Years 1 - 5 are the most significant assumptions underpinning the Taco Bell impairment analysis.
- During the second half of the financial reporting period ending 30 April 2023, the performance of the Taco Bell business unit was below expectations.

## G7: Impairment of assets continued

- Further business improvement initiatives are underway, however, as at the Balance Sheet date, management has reduced its revenue growth and EBITDA assumptions for future years. This has had the effect of additional restaurant impairments across the Group's Taco Bell portfolio.
- The total charge for the financial period to 30 April 2023 has been $49.1 million.
- The remaining net book value of the Taco Bell restaurants on 30 April 2023, after the recognition of the $49.1 million impairment charge, is nil for all stores. One remaining restaurant is due to open in July 2023 where an onerous lease provision for $1.9m has been taken up due to the revised outlook for this store based on the experience from other store openings.

### 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.

## 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:

| | 2023<br>$000 | 2022<br>$000 |
|---|---|---|
| **Right-of-use assets** | | |
| Property | 463,420 | 430,162 |
| Motor vehicles | 2,398 | 2,306 |
| | **465,818** | **432,468** |
| **Lease liabilities** | | |
| Current | 44,639 | 37,766 |
| Non-current | 506,872 | 439,623 |
| | **551,511** | **477,389** |

Additions to the right-of-use assets during the 2023 financial period were $56,348,030 (2022: $98,199,000).

## G8: Leases continued

### AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The income statement shows the following amounts relating to leases:

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Property | 47,685 | 44,008 |
| Motor vehicles | 1,192 | 1,023 |
| | **48,877** | **45,031** |
| **Impairment charge of right-of-use assets** | | |
| Properties | 31,052 | 1,609 |
| | **31,052** | **1,609** |

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Gain on sale and leaseback | – | 1,238 |
| Interest expense (included in finance costs) | 25,376 | 22,679 |
| Expense relating to short-term leases (included in selling marketing and royalty, occupancy, and administrative expenses) | 778 | 919 |
| Expense relating to variable lease payments not included in lease liabilities (included in occupancy expenses) | 3,437 | 3,056 |

### 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.

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.

## G8: Leases continued

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 5.17% (2022: 4.85%)

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.

### 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.

## G8: Leases continued

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### 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 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| **2023** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| Lease liabilities | 71,172 | 68,920 | 185,812 | 440,220 | **766,124** | **551,511** |
| **2022** | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| Lease liabilities | 59,837 | 57,670 | 158,807 | 373,916 | **650,230** | **477,389** |

## G9: Trade and other payables

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Current liabilities** | | |
| Trade payables and accruals - unsecured | 99,575 | 97,944 |
| Other payables - unsecured | 16,940 | 18,529 |
| **Total payables** | **116,515** | **116,473** |

### 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

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| Employee benefits | 9,123 | 2,372 | 11,495 | 5,907 | 3,954 | 9,861 |
| Make good provision | 667 | 3,846 | 4,513 | 548 | 3,236 | 3,784 |
| Other provisions | 4,169 | 1,646 | 5,815 | 281 | – | 281 |
| **Total provisions** | **13,959** | **7,864** | **21,823** | **6,736** | **7,190** | **13,926** |

### ACCOUNTING POLICY

#### Employee benefits

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.

In addition, the Group has identified that on certain occasions some employees may have been entitled to receive additional allowances. A program is underway to review and confirm any instances where this may apply and this program will be completed in the next financial period. As at 30 April 2023 there is a provision to recognise these additional amounts totalling $1.7 million (2022: nil), covering the six year period from 1 May 2017 to 30 April 2023.

Accounting estimates and judgements have been made in calculating these additional amounts. Any revisions of the estimates will be recognised in the period during which they are identified.

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Hedging - cash flow hedges | 3,499 | 2,467 |
| Share based payments | 1,782 | 2,087 |
| Foreign currency translation | 13,460 | 10,317 |
| | **18,741** | **14,871** |

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| MOVEMENTS: | | | |
| **Cash flow hedges:** | | | |
| Opening balance | | 2,467 | (1,565) |
| Revaluation – gross | | 1,700 | 5,488 |
| Deferred tax | G12 | (510) | (1,646) |
| Transfer to net profit - gross | | (226) | 272 |
| Deferred tax | G12 | 68 | (82) |
| **Closing balance** | | **3,499** | **2,467** |
| **Share based payments:** | | | |
| Opening balance | | 2,087 | 1,493 |
| Valuation of performance rights | | 427 | 1,200 |
| Performance rights vested | | (732) | (606) |
| **Closing balance** | | **1,782** | **2,087** |
| **Foreign currency translation:** | | | |
| Opening balance | | 10,317 | 10,828 |
| Exchange fluctuations arising on net investment in hedge | | 12,328 | (4,537) |
| Exchange fluctuations arising on net assets of foreign operations | | (9,185) | 4,026 |
| **Closing balance** | | **13,460** | **10,317** |

### 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 and Ownership Share Plan that have 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

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Income tax expense** | | | |
| Current tax | | 13,154 | 26,018 |
| Deferred tax | | (10,935) | 132 |
| Under / (Over) provided in prior reporting periods | | 1,680 | (260) |
| | | **3,899** | **25,890** |
| Income tax expense is attributable to: | | | |
| Profit from continuing operations | | 3,390 | 25,526 |
| Profit from discontinued operations (1) | F1 | 509 | 364 |
| Aggregate income tax expense | | **3,899** | **25,890** |
| Deferred income tax expense/(benefit) included in income tax expense comprises: | | | |
| Increase in deferred tax assets | | (15,957) | (17,430) |
| Increase in deferred tax liabilities | | 5,022 | 17,562 |
| | | **(10,935)** | **132** |

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations (as outlined in Note F1)

| Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| Profit from continuing operations before income tax expense | | 14,668 | 79,603 |
| Profit from discontinued operation before income tax expense | F1 | 1,977 | 1,086 |
| | | **16,645** | **80,689** |
| Tax at the Australian tax rate of 30.0% (2022: 30.0%) | | 4,994 | 24,207 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | | |
| Other non-deductible expenses | | 2,113 | 1,293 |
| Difference in foreign taxation rates | | 365 | 89 |
| Non-assessable income received | | (679) | (688) |
| Changes in tax laws and / or tax rates | | 2,909 | - |
| Carried forward losses brought to account | | (7,550) | (443) |
| Derecognition of previously recognised deductible temporary differences | | – | 428 |
| Current year tax losses for which no deferred income tax was recognised | | 67 | 1,264 |
| | | **2,219** | **26,150** |
| Amounts under / (over) provided in prior reporting periods | | 1,680 | (260) |
| **Income tax expense** | | **3,899** | **25,890** |

| | Notes | 2023 $000 | 2022 $000 |
|---|---|---|---|
| **Tax expense relating to items of other comprehensive income** | | | |
| Cash flow hedges | G11 | **(442)** | (1,728) |

## G12: Tax continued

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Tax losses** | | |
| Unused revenue tax losses for which no deferred tax asset has been recognised | 9,051 | 51,429 |
| Unused capital tax losses for which no deferred tax asset has been recognised | 64,505 | 64.505 |
| **Total unused tax losses for which no deferred tax asset has been recognised** | **73,556** | **115,934** |

### DEFERRED TAX BALANCES

| Deferred tax assets (DTA) | 2023 $000 | 2022 $000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Depreciation | 27,681 | 25,384 |
| Employee benefits | 2,223 | 3,554 |
| Provisions | 8,309 | 6,256 |
| Lease liabilities | 175,469 | 130,678 |
| Carried forward revenue losses | 12,564 | 1,226 |
| Capitalised costs | 256 | 408 |
| Cash flow hedges | 56 | – |
| | **226,558** | **167,506** |
| | | |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (170,900) | (127,681) |
| **Net deferred tax assets** | **55,658** | **39,825** |

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

| Deferred tax liabilities (DTL) | 2023 $000 | 2022 $000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Right-of-use assets | 151,986 | 120,997 |
| Inventories | 970 | 979 |
| Intangibles | 16,456 | 10,327 |
| Financial assets at fair value through profit or loss | 250 | 458 |
| Prepayments | 12 | – |
| Cash flow hedges | 1,348 | 1,034 |
| Other | 1 | (966) |
| | **171,023** | **132,829** |
| | | |
| Set-off of deferred tax liabilities pursuant to set-off provisions | (170,900) | (127,681) |
| **Net deferred tax liabilities** | **123** | **5,148** |

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 on 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:

| | 2023 Whole dollars $ | 2022 Whole dollars $ |
|---|---|---|
| **AUDIT AND OTHER ASSURANCE SERVICES** | | |
| AUDIT SERVICES: | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Audit and review of financial reports and other audit work under the Corporations Act 2001 | 616,311 | 401,370 |
| Audit and review of financial reports and other audit work for foreign subsidiary | 48,073 | 45,402 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Audit and review of financial reports and other audit work for foreign subsidiary | 517,928 | 349,618 |
| | **1,182,312** | **796,390** |
| OTHER ASSURANCE SERVICES: | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Restaurant sales certificates | 5,400 | 25,096 |
| Agreed upon procedures for covenant calculations | 8,100 | 7,650 |
| ESG assurance | 35,000 | 70,890 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Taxation advice | – | 10,457 |
| | **48,500** | **114,093** |
| **Total remuneration for audit and other assurance services** | **1,230,812** | **910,483** |
| **TAXATION SERVICES** | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Tax compliance services, including review of tax returns and allowance claims | – | 46,560 |
| *Network firm of PricewaterhouseCoopers Australia:* | | |
| Tax compliance services, including review of company tax returns | – | 5,011 |
| **Total remuneration for taxation services** | **–** | **51,571** |
| **OTHER SERVICES** | | |
| *PricewaterhouseCoopers Australian firm:* | | |
| Acquisition related due diligence | – | 120,000 |
| **Total remuneration for other services** | **–** | **120,000** |
| **TOTAL REMUNERATION FOR SERVICES** | **1,230,812** | **1,082,054** |

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 have entered into Syndicated and Working Capital credit facilities. As a consequence of this, the Company and its subsidiaries 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 30 April 2023 include the following subsidiaries. The reporting period end of all subsidiaries is the same as that of the parent entity [(a)].

| Name of entity | Notes | Place of business/ country of incorporation | Acronym | Percentage of shares held | |
|---|---|---|---|---|---|
| | | | | 2023 % | 2022 % |
| 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/ country of incorporation | Acronym | Percentage of shares held 2023 % | 2022 % |
|---|---|---|---|---|---|
| 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) (g) | United Kingdom | CFEL | 100 | 100 |
| Collins Foods Europe Services Limited | (c) (g) | United Kingdom | CFESL | 100 | 100 |
| Collins Foods Europe Finco Limited | (c) (g) | United Kingdom | CFEFL | 100 | 100 |
| Collins Foods Germany Limited | (c) (g) | United Kingdom | CFGL | 100 | 100 |
| Collins Foods Netherlands Limited | (c) (g) | United Kingdom | CFNL | 100 | 100 |
| Collins Foods SPV B.V. (formerly MAAS KFC Amersfoort B.V.) | (c) (e) | Netherlands | SPV | – | 100 |
| MAAS KFC Utrecht B.V. | (c) (e) | Netherlands | UTR | – | 100 |
| MAAS KFC Veenendaal B.V. | (c) (e) | Netherlands | VDL | – | 100 |
| Taupo Lelystad B.V. | (c) (e) | Netherlands | TAU | – | 100 |
| Collins Foods Holdings Europe B.V. | (c) | Netherlands | CFEH | 100 | 100 |
| Collins Foods Netherlands Operations B.V. | (c) | Netherlands | CFNO | 100 | 100 |
| Collins Foods Netherlands Management B.V. | (c) | Netherlands | CFNM | 100 | 100 |
| Collins Foods Germany GmbH | (c) (f) | Germany | GmbH | 100 | – |
| Horeca Exploitatie Maatschappij De Kok Alexandrium B.V. | (c) (e) | Netherlands | ALEX | – | 100 |
| Horeca Exploitatie Maatschappij De Kok Spijkenisse B.V. | (c) (e) | Netherlands | SPIJ | – | 100 |
| Horeca Exploitatie Maatschappij De Kok Binnenwegplein B.V. | (c) (e) | Netherlands | BINN | – | 100 |
| Horeca Exploitatie Maatschappij De Kok Barendrecht B.V. | (c) (e) | Netherlands | BARE | – | 100 |
| H.E.M. de Kok Stadion-Boulevard B.V. | (c) (e) | Netherlands | STAD | – | 100 |
| Horeca Exploitatie Maatschappij De Kok Groene Hilledijk B.V. | (c) (e) | Netherlands | GROE | – | 100 |
| Horeca Exploitatie Maatschappij J.G.B. De Kok Bergweg B.V. | (c) (e) | Netherlands | BERG | – | 100 |
| Horeca Exploitatie Maatschappij De Kok Zuidplein B.V. | (c) (e) | Netherlands | ZUID | – | 100 |
| Horeca Exploitatie Maatschappij J.G.B. De Kok Kruiskade B.V. | (c) (e) | 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) These companies were merged into CFNO as a result of a restructure of European operations.

(f) Collins Foods Germany GmbH was established on 7 June 2022.

(g) Entities in the process of being liquidated as a result of the restructure of European operations.

## 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 | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| CONSOLIDATED INCOME STATEMENT | | |
| Sales revenue | 1,099,938 | 991,260 |
| Cost of sales | (544,082) | (473,796) |
| **Gross profit** | **555,856** | **517,464** |
| Selling, marketing and royalty expenses | (254,879) | (219,447) |
| Occupancy expenses | (103,198) | (64,224) |
| Restaurant related expenses | (83,300) | (70,033) |
| Administration expenses | (56,611) | (53,412) |
| Other expenses | (11,261) | (8,058) |
| Other income | 99,476 | 415 |
| Finance costs – net | (26,926) | (26,096) |
| Other gains/(losses) – net | (1,023) | 2,124 |
| **Profit from operations before income tax** | **118,134** | **78,733** |
| Income tax expense | (6,078) | (24,296) |
| **Profit from operations** | **112,056** | **54,437** |
| **Net profit attributable to the Closed Group** | **112,056** | **54,437** |

| | Closed Group | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | |
| **Profit from continuing operations** | 112,056 | 54,437 |
| Other comprehensive income: | | |
| Cash flow hedges | 783 | 5,760 |
| Income tax relating to components of other comprehensive income | (235) | (1,728) |
| **Other comprehensive income for the period, net of tax** | **548** | **4,032** |
| **Total comprehensive income for the period** | **112,604** | **58,469** |
| Total comprehensive income for the reporting period is attributable to: | | |
| **Owners of the parent** | **112,604** | **58,469** |

| | Closed Group | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS | | |
| **Retained earnings at the beginning of the reporting period** | **127,892** | **102,046** |
| Profit for the period | 112,056 | 54,437 |
| Dividends provided for or paid | (31,623) | (28,591) |
| **Retained earnings at the end of the reporting period** | **208,325** | **127,892** |

## 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 | |
|---|---|---|
| | 2023<br>$000 | 2022<br>$000 |
| **Current assets** | | |
| Cash and cash equivalents | 48,845 | 74,360 |
| Receivables | 2,742 | 1,159 |
| Inventories | 6,718 | 6,258 |
| Derivative financial instruments | 2,936 | 662 |
| Current tax asset | 3,562 | – |
| Other assets | 1,598 | 2,096 |
| **Total current assets** | **66,401** | **84,535** |
| **Non-current assets** | | |
| Property, plant and equipment | 173,418 | 173,380 |
| Intangible assets | 347,628 | 341,896 |
| Right-of-use assets | 379,792 | 364,011 |
| Deferred tax assets | 55,658 | 39,825 |
| Derivative financial instruments | 1,558 | 2,784 |
| Other financial assets | 108,852 | 134,244 |
| **Total non-current assets** | **1,066,906** | **1,056,140** |
| **TOTAL ASSETS** | **1,133,307** | **1,140,675** |
| **Current liabilities** | | |
| Trade and other payables | 90,751 | 90,689 |
| Lease liabilities | 28,269 | 25,566 |
| Current tax liabilities | 87 | 5,023 |
| Provisions | 13,681 | 6,488 |
| **Total current liabilities** | **132,788** | **127,766** |
| **Non-current liabilities** | | |
| Borrowings | 194,893 | 210,217 |
| Lease liabilities | 422,439 | 373,026 |
| Provisions | 6,232 | 6,218 |
| **Total non-current liabilities** | **623,564** | **589,461** |
| **TOTAL LIABILITIES** | **756,352** | **717,227** |
| **NET ASSETS** | **376,955** | **423,448** |
| **Equity** | | |
| Contributed equity | 297,372 | 291,394 |
| Reserves | (128,742) | 4,162 |
| Retained earnings | 208,325 | 127,892 |
| **TOTAL EQUITY** | **376,955** | **423,448** |

## H2: Parent entity financial information

### SUMMARY FINANCIAL INFORMATION

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 491,548 | 516,071 |
| Non-current assets | – | – |
| **Total assets** | **491,548** | **516,071** |
| Current liabilities | 121,482 | 148,459 |
| Non-current liabilities | 364 | 379 |
| **Total liabilities** | **121,846** | **148,838** |
| **Net assets** | **369,702** | **367,233** |
| **Shareholders' equity** | | |
| Issued capital (1) | 343,703 | 337,725 |
| Reserves | 1,782 | 2,080 |
| Retained earnings | 24,217 | 27,428 |
| | **369,702** | **367,233** |
| **Profit or loss for the period** | **28,423** | **46,644** |
| **Total comprehensive income** | **28,423** | **46,644** |

(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 2024. 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 30 April 2023 (2022: nil).

# I: BASIS OF PREPARATION AND 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 $48.9 million. The predominant reason for this net current liability position is the application of AASB16, with lease payments due in the next financial year recognised as current liabilities. The Group does not deem this to be a risk to its' going concern, as excluding lease liabilities there would be a net current liability position of $4.2 million with undrawn bank loan facilities of $83.1 million and undrawn working capital facilities of $23.3 million. The Group's loan covenants are based on results excluding the impact of AASB16. 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 2023 reporting period comprised the fifty-two weeks which ended on 30 April 2023 (2022: a fifty-two week reporting period which ended on 1 May 2022).

### 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.

## I1: Basis of preparation continued

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

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 2 May 2022.

### NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 30 April 2023 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 new standards before the effective dates.

## I2: Changes in accounting policies

The accounting policies adopted in this report have been consistently applied to each entity in the Group and are consistent with those of the prior reporting period.

## 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 G9).

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 $6.1 million.

### BUSINESS COMBINATIONS UNDER COMMON CONTROL

When an entity within the Group acquires an entity under common control, the acquiring entity consolidates the carrying values of the acquired entity's asset and liabilities from the date of acquisition. The consolidated financial statements of the Group include the income and expenditures from the date of acquisition. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets / (liabilities) of the acquired are taken to the common control reserve in the equity section of the balance sheet.

# J: SUBSEQUENT EVENTS

## J1: Subsequent events

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

On 2 May 2023, Collins Foods announced that its wholly owned Dutch subsidiary, Collins Foods Netherlands Operations B.V. completed the acquisition of eight KFC restaurants in the Netherlands from R. Sambo Holding B.V.

The financial effects of this transaction have not been recognised at 30 April 2023 and the operating results and assets and liabilities of the acquired company will be consolidated from 2 May 2023. The acquisition is expected to deliver additional scale and to support in further leveraging the Group's experience and operational capabilities in the Netherlands.

The purchase price payable was €8.0 million ($13.3 million), subject to adjustments. In addition, contingent consideration is also payable as a component of consideration.

At the time the financial statements were authorised for issue, the Group had not completed the accounting for the acquisition. In particular, the fair values of the assets and liabilities acquired are unable to be fully determined as the independent valuations have not been completed. Further, the fair value of the contingent consideration is unable to be determined at this time.

Full purchase price accounting will be finalised and disclosed in the 2024 half-year interim financial report.

On 23 February 2023, the Group signed a non-binding memorandum of understanding to sell the 100% owned SingCo Trading Pte. Ltd Group (**SingCo**) for SGD20.2 million. The associated SingCo assets and liabilities are consequently presented as available for sale and is reported as a discontinued operation as SingCo represents an identifiable, single geographical area of operations.

The transaction is anticipated to complete in mid July 2023 and the full impact, including any gain on sale, will be disclosed in the 2024 half-year interim financial report.

Other than noted above, the Group is not aware of any 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.

# DIRECTORS' DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 30 to 87 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 30 April 2023 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 I1 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
27 June 2023

# 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 30 April 2023 and of its financial performance for the period 2 May 2022 to 30 April 2023

(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 30 April 2023
- the consolidated income statement for the period 2 May 2022 to 30 April 2023
- the consolidated statement of comprehensive income for the period 2 May 2022 to 30 April 2023
- the consolidated statement of changes in equity for the period 2 May 2022 to 30 April 2023
- the consolidated statement of cash flows for the period 2 May 2022 to 30 April 2023
- 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
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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in 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* |
|---|---|---|
| • For the purpose of our audit we used overall Group materiality of $3.4m, which represents approximately 5% of the profit from continuing operations before income tax, adjusted for the Taco Bell impairment and asset write-offs, onerous provision and restaurant closure costs.<br>• 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.<br>• We chose Group profit from continuing operations before income tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the Taco Bell impairment and asset write-offs, onerous provision and restaurant closure costs as they are unusual or | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed by us, as the Group engagement team, and by component auditors in the Netherlands and Germany operating under our instruction.<br>• We structured our audit as follows:<br>– We performed audit procedures over the Australian & Asian operations, in addition to auditing the consolidation of the Group's reporting units into the Group's financial report.<br>- Component auditors in the Netherlands and Germany performed audit procedures over the Group's European operations.<br>• For the work performed by component auditors in the Netherlands and Germany, we determined the level of involvement we needed to have in the audit work | • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:<br>– Impairment of Taco Bell restaurant assets<br>– Accounting for leases in accordance with AASB 16 *Leases*<br>• These are further described in the *Key audit matters* section of our report. |

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infrequently occurring items impacting profit and loss.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

at these locations to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue throughout the year through discussions, issuing written instructions, receiving formal interoffice reporting, as well as attending meetings with local management.

## 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* |
|---|---|
| ***Impairment of Taco Bell restaurant assets***<br><br>*Impairment charge comprises of Property, plant and equipment $20.2 million, Franchise rights $1.1 million and Right-of-use assets $27.8 million (Refer to note G7)*<br><br>The Group assesses recoverability of the Taco Bell restaurant assets for each individual restaurant. An impairment indicators analysis is performed, and where indicators are present, impairment models are then prepared on a value in use basis to determine whether the carrying amount is recoverable.<br><br>Following the Group's assessment, a pre-tax impairment charge of $49.1 million was recorded in relation to the Taco Bell stores, largely comprising $20.2 million for Property, plant and equipment, $1.1 million for Franchise rights, and $27.8 million for Right-of-use assets.<br><br>We considered this a key audit matter given the financial significance of the Taco Bell restaurant asset balances in the Group's balance sheet and the significant level of judgement and estimation involved in determining the value in use for each restaurant with indicators of impairment. | We performed the following audit procedures in relation to the Group's impairment assessment of Taco Bell restaurant assets, amongst others:<br>• Evaluated the reasonableness of management's impairment indicator assessment.<br>• Developed an understanding of the process undertaken by the Group in the preparation of the impairment models used to assess the recoverable amount of the restaurant assets (the "impairment models").<br>• Tested the mathematical accuracy of the underlying calculations in the impairment models.<br>• Compared the FY2023 actual results with prior corresponding reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.<br>• Assessed the reasonableness of growth rates used with reference to historical results.<br>• Evaluated the appropriateness of the discount rate and long-term growth rate assumptions in the impairment models, with the support of PwC valuation experts.<br>• Evaluated the adequacy of the disclosures made in note G7: Impairment of assets to the financial report in light of the requirements of Australian Accounting Standards. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Accounting for leases in accordance with AASB 16 Leases***<br><br>*Right-of-use assets $465.8 million, Lease liabilities $551.5 million (Refer to note G8)*<br><br>The Group applies Australian Accounting Standard AASB 16 *Leases* in accounting for the Group's portfolio of restaurant leases. As a result, Right-of-use assets and Lease liabilities are recognised in the balance sheet.<br><br>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 in relation the accounting for leases in accordance with AASB 16 *Leases*:<br><br>• Assessed whether the Group's accounting policies are in accordance with the requirements of AASB 16 *Leases*.<br>• Evaluated the adequacy of the disclosures made in note G8 in light of the requirements of Australian Accounting Standards.<br>• Evaluated the judgements applied by the Group in determining the probability of exercising extension options for each of the Group's operating segments.<br><br>For a sample of lease agreements, we:<br><br>• Evaluated the lease calculation against the terms of the lease agreement and the requirements of AASB 16 *Leases*.<br>• Tested the mathematical accuracy of the lease calculations.<br>• 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 period 2 May 2022 to 30 April 2023, 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.

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## Responsibilities of the directors for the financial report

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

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

## 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. 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 11 to 25 of the directors' report for the period 2 May 2022 to 30 April 2023.

In our opinion, the remuneration report of Collins Foods Limited for the period 2 May 2022 to 30 April 2023 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
27 June 2023

# 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 19 June 2023.

## Distribution of equity securities

Analysis of the number of equity security holders by size of holding and the total percentage of securities inthat 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 % | Number of holders of ownership share plan rights | Percentage of ownership share plan rights on issue % |
|---|---|---|---|---|---|---|
| 1 - 1000 | 6,447 | 2.24 | 15 | 2.98 | 391 | 100% |
| 1,001 - 5,000 | 4,069 | 8.18 | 24 | 8.37 | - | - |
| 5,001 - 10,000 | 736 | 4.54 | 1 | 1.16 | - | - |
| 10,001 - 100,000 | 452 | 8.67 | 9 | 87.49 | - | - |
| 100,001 and over | 44 | 76.37 | - | - | - | - |
| **TOTAL** | **11,748** | **100.00** | **29** | **100.00** | **391** | **100%** |

| | |
|---|---|
| **TOTAL ORDINARY SHARES ON ISSUE** | **117,322,572** |
| **TOTAL UNQUOTED PERFORMANCE RIGHTS ON ISSUE** | **890,255** |
| **TOTAL UNQUOTED OWNERSHIP SHARE PLAN RIGHTS ON ISSUE** | **239,535** |

There were 716 holders of less than a marketable parcel of ordinary shares.

## Equity security holders

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

| | ORDINARY SHARES | |
|---|---|---|
| Name | Number held | Percentage of issued shares % |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 24,829,100 | 21.16 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 18,707,975 | 15.95 |
| CITICORP NOMINEES PTY LIMITED | 16,531,416 | 14.09 |
| MR KEVIN WILLIAM JOSEPH PERKINS | 6,750,574 | 5.75 |
| NATIONAL NOMINEES LIMITED | 6,709,741 | 5.72 |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C> | 2,932,541 | 2.50 |
| BNP PARIBAS NOMS PTY LTD <DRP> | 2,835,004 | 2.42 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 1,711,889 | 1.46 |
| BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 888,636 | 0.76 |
| CHRIKIM PTY LTD <GEOFFREY WRIGHT INCOME A/C> | 796,585 | 0.68 |
| MRS HEATHER LYNNETTE GRACE | 429,801 | 0.37 |
| ANACACIA PTY LTD <WATTLE FUND A/C> | 388,093 | 0.33 |
| CHRIKIM PTY LTD <GEOFFREY WRIGHT INCOME A/C> | 369,421 | 0.31 |
| PERKINS FAMILY INVESTMENT CORPORATION PTY LTD | 327,273 | 0.28 |
| CITICORP NOMINEES PTY LIMITED <DPSL A/C> | 308,329 | 0.26 |
| MICHAEL KEMP PTY LTD <MICHAEL KEMP A/C> | 300,910 | 0.26 |
| BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP> | 284,212 | 0.24 |
| CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C> | 280,845 | 0.24 |
| MS DEBORAH LEE CHOW + MR EDWARD CHOW <CHOW FAMILY S/F A/C> | 272,703 | 0.23 |
| MICHELE TAYLOR PTY LTD <SUPER FUND A/C> | 266,319 | 0.23 |
| **TOTAL** | **85,921,367** | **73.24** |

## 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 | 7,241,484 | 6.18 |
| Yarra Capital Management Limited | 7,230,900 | 6.16 |
| Challenger Limited | 7,730,844 | 6.59 |

## Restricted Securities and share buy-backs

A voluntary holding lock will be applied to:

- 8,340 fully paid ordinary shares for a period of 12 months, if they are issued, upon the vesting of 8,340 performance rights in accordance with the rules of the LTIP; and
- 32,508 fully paid ordinary shares for a period of 24 months, if they are issued, upon the vesting of 32,508 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

| | |
|---|---|
| **Directors** | Robert Kaye SC, *Chair*<br>Drew O'Malley, *Managing Director & CEO*<br>Nicki Anderson<br>Mark Hawthorne<br>Christine Holman<br>Kevin Perkins<br>Russell Tate |
| **Company Secretary** | Frances Finucan |
| **Principal registered office in Australia** | Level 3, KSD1, 485 Kingsford Smith Drive<br>Hamilton QLD 4007<br>Telephone: +61 7 3352 0800 |
| **Share and debenture register** | 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 |
| **Auditor** | PricewaterhouseCoopers<br>480 Queen Street<br>Brisbane QLD 4000 |
| **Stock exchange listings** | Collins Foods Limited shares are listed on the Australian Securities Exchange |
| **Website address** | www.collinsfoods.com |

The Collins Foods Corporate Governance Statement is located at www.collinsfoods.com/investors/corporate-governance/

COLLINS FOODS LIMITED

RECYCLED · RESPONSIBLE FORESTRY PRACTICES · ISO14001 EMS · PROCESS CHLORINE FREE

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