



COLLINS FOODS LIMITED

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ACN 151 420 781

TAX TRANSPARENCY REPORT

For the reporting period ended 1 May 2022



ABOUT US

Collins Foods Limited (**the Company**) is an Australian listed public company (ASX: CKF) and the ultimate parent of the Collins Foods Group (**Collins Foods**). Collins Foods is committed to providing transparency over its tax policies and payments to demonstrate its commitment to complying with all tax laws in the countries in which it operates.

This report follows the guidelines in the Australian Board of Taxation's Tax Transparency Code and the information contained herein has been sourced from financial records and the audited financial statements (**Financial Report**) for the period ended 1 May 2022 (**FY22**). The Financial Report is prepared in accordance with Australian Accounting Standards and complies with International Financial Reporting Standards (**IFRS**).

Collins Foods' business is the operation, management and administration of restaurants, comprising three restaurant brands: KFC, Taco Bell and Sizzler. For further information, please visit www.collinsfoods.com

TAX POLICY, STRATEGY, AND GOVERNANCE

Collins Foods understands that tax risk management is a key part of good corporate governance and is committed to ensuring full compliance with its statutory taxation obligations in all countries in which it operates.

Collins Foods maintains documented frameworks, policies and procedures in relation to tax risk management. The Board delegates oversight of tax risk management to the Audit and Risk Committee. Collins Foods' procedures include regular reporting by management to the Audit and Risk Committee which in turn updates the Board. The Financial Report, including tax calculations and disclosures, are subject to external audit. Further, corporate income tax filings in all jurisdictions are either prepared or reviewed by external tax advisors and advice is sought for all material tax matters.

Collins Foods makes the following commitments:

- Taxes will be managed with the objective that all tax liabilities properly due under the law in all jurisdictions are correctly recorded, accounted for and paid on time.
- Relationships with tax authorities will be transparent and pro-actively managed.
- All transactions entered, and structures adopted will have commercial substance and, wherever possible, the aim is for a high level of comfort and certainty on adopted tax positions. All material tax positions taken will be supported by documentation and will respect the spirit of the law.

TOTAL TAX CONTRIBUTIONS

Tax disclosures in this report are sourced from the Financial Report. Due to the application of accounting standards, differences may exist between income tax expense calculated in the Financial Report and the total cash taxes paid in a relevant jurisdiction during the same income year. These differences may arise from various factors including the availability of current or prior period tax losses, and the timing of tax instalments and payments.

The amounts below exclude other indirect taxes paid by Collins Foods or collected and passed on to the ATO and other local authorities responsible for the collection of taxes, such as fringe benefits tax, payroll tax, PAYG withholding and stamp duty.

	Group	Australia
	\$000	\$000
Corporate income tax	26,772	26,772
GST/VAT paid	59,236	57,320
Total	86,008	84,092

EFFECTIVE TAX RATE

The effective tax rate (being accounting income tax expense expressed as a percentage of the profit before tax) differs from the actual income tax payable in an income year due to timing differences (where the timing of income and expense recognition differs for accounting and tax purposes).

	Group	Australia
	\$000	\$000
Accounting profit	80,689	78,733
Current tax expense	26,018	27,601
Deferred tax expense	132	(951)
(Over)/Under provided in prior reporting periods	(260)	(2,354)
Income tax expense as per financial statements	25,890	24,293
Effective tax rate – Total tax	32%	31%

The effective tax rate of the Australian operations is slightly above the statutory 30% rate. This can occur where taxable income is higher than accounting income. For example, some costs related to Collins Foods' expansion through acquisitions are not deductible for Australian tax purposes (even though they are recognised as an expense in determining accounting profit before tax). As a result, taxable income is higher than accounting income, and the effective tax rate is higher than 30%.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

Due to the materiality of the Australian contribution to Group profit in FY22, the below reconciliation of accounting profit to income tax payable starts with Australian profit.

	\$000
Australian profit before income tax (Note H1 to Financial Report)	78,733
Prima facie tax at 30%	23,620
Non-deductible expenditure	676
Income tax expense	24,296
Effect of temporary differences:	
Movement in employee provisions	(234)
Movement in accruals	194
Movements in fixed assets	10,728
Movements in intangibles	(197)
Deductions related to leases	(7,046)
Other	(140)
Income tax payable for current year	27,601
Less: Instalments paid	22,468
Less: Losses brought forward claimed	110
Current tax payable – Australia	5,023
Current tax payable – Rest of world	491
Tax payable per financial statements	5,541

INTERNATIONAL RELATED PARTY DEALINGS

In FY22, Collins Foods operated in Australia, Germany, Netherlands, United Kingdom and the Asian region. International related party dealings were minimal; however, they were conducted in accordance with Australian transfer pricing laws utilising arm's length methodologies prescribed by the Organisation of Economic Cooperation and Development.

The main dealings between Collins Foods' Australian operations and European operations were:

- shareholder related activities; and
- recharges of costs.

The main dealings between Collins Foods' Australian operations and Asian operations were:

- providing administrative support and shareholder related activities.
- providing sales and marketing services and technical support.