



COLLINS FOODS LIMITED

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ACN 151 420 781

TAX TRANSPARENCY REPORT

For the reporting period ended 30 April 2023



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 payments and policies 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 audited financial statements (**Financial Report**) for the period ended 30 April 2023 (**FY23**). The Financial Report is prepared in accordance with Australian Accounting Standards and therefore 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. 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 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	30,272	30,272
GST/VAT paid	65,177	64,051
Total	95,449	94,323

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	14,668	* 118,134
Current tax expense	13,154	21,929
Deferred tax expense	(10,935)	(15,990)
(Over)/Under provided in prior reporting periods	1,680	140
Income tax expense as per financial statements	3,899	6,078
Effective tax rate – Total tax	27%	* 5%

* Due to the impact of Brexit, an internal restructure was undertaken to simplify Collins Foods' holding structure for its European business. As part of this restructure, a non-cash intra-group distribution was made from Europe to Australia in FY23. This distribution is included in the accounting profit for Australia but is eliminated on consolidation of Group results. As this distribution is non-assessable for Australian tax purposes, the effective tax rate for Australia above is below the statutory 30% tax rate. However, when this distribution is excluded, the effective tax rate of the Australian operations is 31.9%.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX PAYABLE

Due to the materiality of the Australian contribution to Group profit in FY23, the below reconciliation of accounting profit to income tax payable starts with Australian profit.

	\$000
Australia - Closed group profit (Note H1 to Financial Report)	118,134
Non-assessable distribution	(99,082)
Australian profit before income tax	19,052
Prima facie tax at 30%	5,716
Non-deductible expenditure	362
Income tax expense	6,078
Effect of temporary differences:	
Movement in employee provisions	569
Movement in accruals	872
Movements in fixed assets	22,038
Movements in intangibles	25
Deductions related to leases	(8,807)
Other	1,154
Income tax payable for current year	21,929
Less: Instalments paid	25,322
Less: Losses brought forward claimed	82
Current tax payable – Australia	(3,475)
Current tax payable – Rest of world	1,926
Tax payable per financial statements	(1,549)

INTERNATIONAL RELATED PARTY DEALINGS

In FY23, 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.