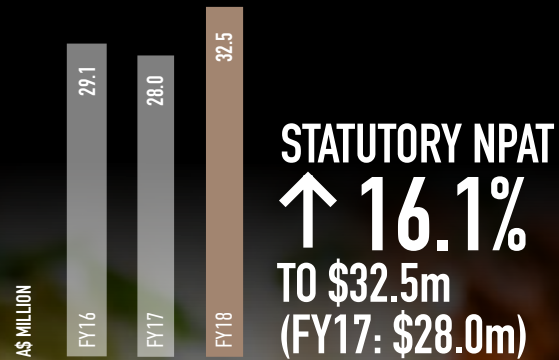
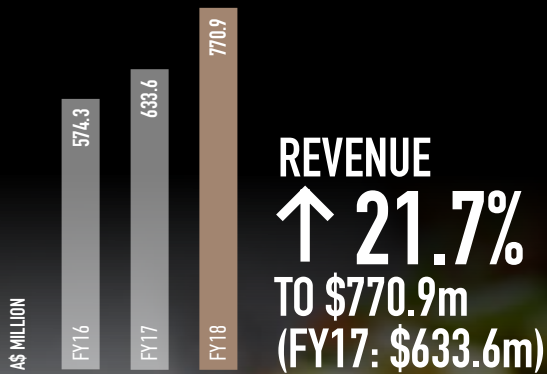


2018

ANNUAL REPORT



OUR FINANCIAL PERFORMANCE



**OUR GROWTH TRAJECTORY CONTINUES
AND WE ARE SUCCESSFULLY INTEGRATING
OUR ACQUISITIONS.**

INSIDE THIS REPORT

- 02 OUR YEAR IN REVIEW
- 04 CHAIRMAN'S MESSAGE
- 05 MANAGING DIRECTOR & CEO'S REPORT
- 07 FINANCIAL REPORT
- 08 DIRECTORS' REPORT
- 16 REMUNERATION REPORT

- 35 AUDITOR'S INDEPENDENCE DECLARATION
- 36 CONSOLIDATED INCOME STATEMENT
- 37 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- 38 CONSOLIDATED BALANCE SHEET
- 39 CONSOLIDATED STATEMENT OF CASH FLOWS

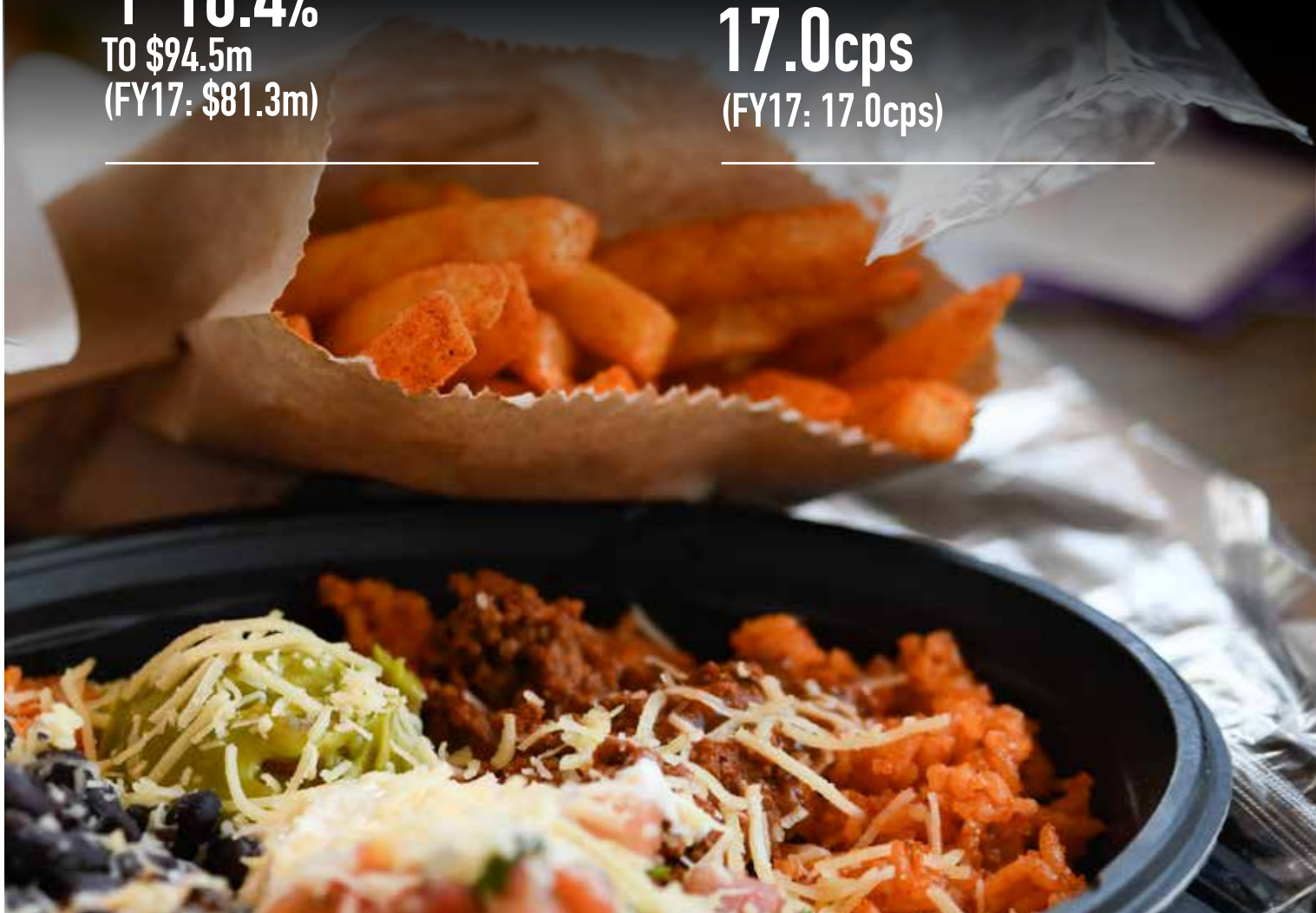
- 40 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 41 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- 83 DIRECTORS' DECLARATION
- 84 INDEPENDENT AUDITOR'S REPORT
- 92 SHAREHOLDER INFORMATION
- 93 CORPORATE DIRECTORY

**KFC AUSTRALIA
SAME STORE SALES**
↑ 1.0%
(FY17: 0.7%)

NET OPERATING CASHFLOW
↑ 23.1%
TO \$74.5m
(FY17: \$60.6m)

UNDERLYING EBITDA
↑ 16.4%
TO \$94.5m
(FY17: \$81.3m)

**TOTAL FY18 FULLY
FRANKED DIVIDENDS OF**
17.0cps
(FY17: 17.0cps)



KEY DATES

Tuesday, 26 June 2018	Full year results released
Wednesday, 11 July 2018	Final dividend record date
Thursday, 26 July 2018	Final dividend payment date
Sunday, 14 October 2018	FY19 half-year end

Wednesday, 28 November 2018	Half-year results released
Friday, 7 December 2018	Interim dividend record date
Friday, 21 December 2018	Interim dividend payment due
Sunday, 28 April 2019	FY19 end

OUR YEAR IN REVIEW

CORE PRODUCT INNOVATION

PROVIDING NEW VARIATIONS ON EXISTING PRODUCTS, GREAT VALUE, GREATER GEOGRAPHIC DIVERSITY AND SCALE ADVANTAGE, CONTINUE TO DRIVE EARNINGS GROWTH.



KFC

The KFC Australia network achieved top line growth, and we are growing the KFC Europe footprint to drive scale.



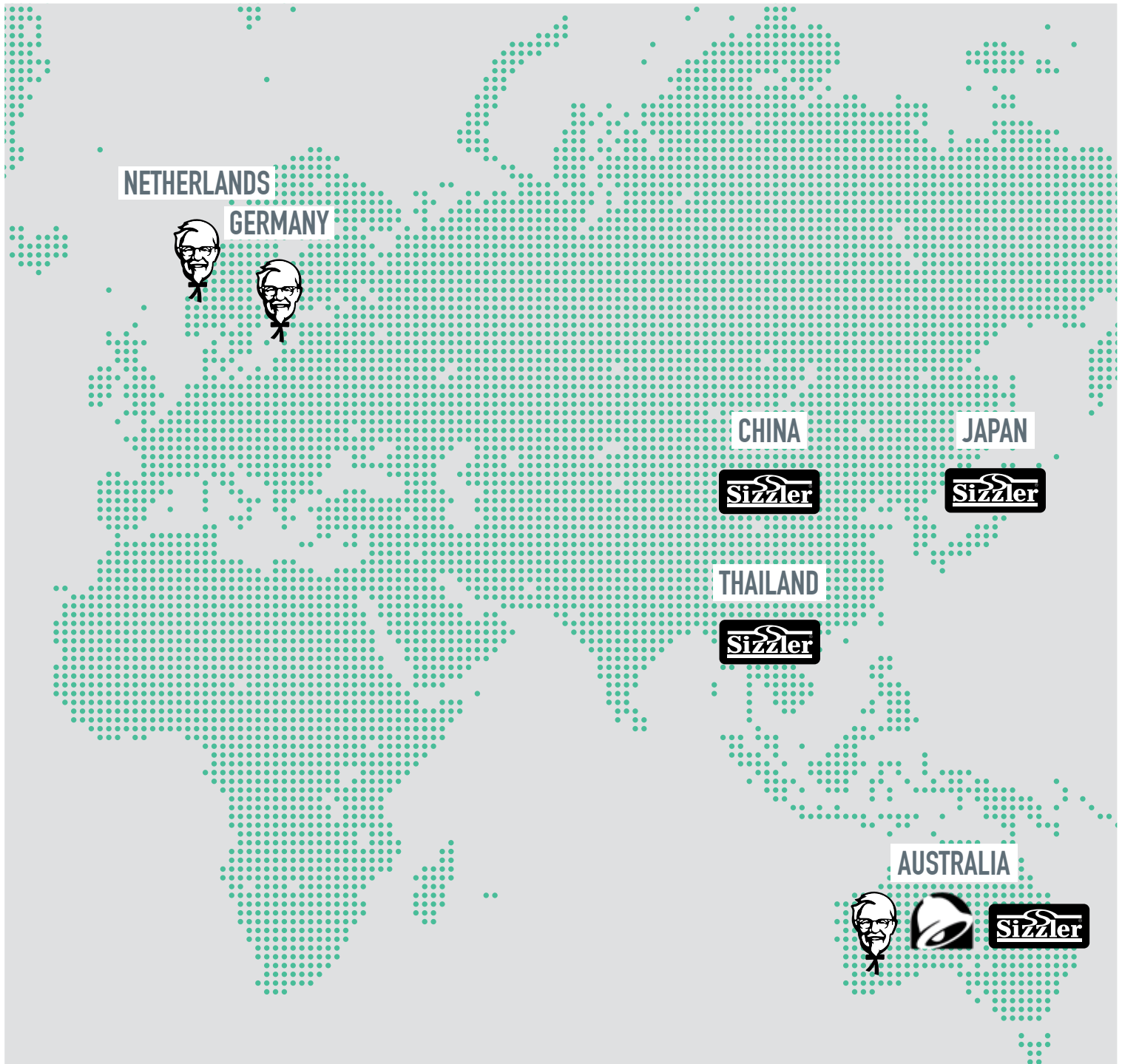
TACO BELL

Our first Taco Bell restaurant has performed strongly and positively engaged customers.



SIZZLER

Sizzler continues to transition and deliver positive earnings.



COLLINS FOODS HAS ENTERED AN EXCITING NEW PHASE WITH **KFC** RESTAURANT ACQUISITIONS IN AUSTRALIA AND EUROPE, AND THE LAUNCH OF OUR FIRST **TACO BELL** RESTAURANT IN AUSTRALIA.



CHAIRMAN'S MESSAGE

Collins Foods continues to build a platform for long-term shareholder growth, underpinned by the expansion of our footprint in Australia and Europe, and a focus on driving operational excellence across our network of restaurants.

Through the completion of KFC acquisitions in Australia and Europe over the past 12 months, Collins Foods has successfully expanded its footprint in attractive growth markets. The acquired restaurants are performing to expectations and contributing to the Group's growth profile.

Complementing the Group's expanded footprint, organic growth of the underlying business has continued due to our focus on driving operational efficiencies. Together this has resulted in another year of solid financial performance across the Group.

In FY18, Group revenue increased 21.7% to \$770.9 million, and translated to 16.4% growth in underlying EBITDA to \$94.5 million. This was underpinned by vigilant cost control and a focus on continued operational efficiency improvements, while still investing for growth.

As indicated in previous years, the Group remains committed to maintaining a strong balance sheet. There has been a sustainable increase in our level of gearing this financial year as we made accretive acquisitions to provide an additional foundation for long-term earnings growth. As Collins Foods continues to generate cash, the Company's level of debt will decrease.

As our business grows, we are delighted to share its success with our shareholders. Reflecting this, Collins Foods has paid shareholders a final fully franked dividend of 9 cents per share, bringing the full year FY18 dividend to 17 cents per share, fully franked. The final dividend will be paid on 26 July 2018 and is in line with the Board's dividend policy to pay out 50% of full year net profit.

Our Australian KFC network continues to perform well. As the largest franchisee of KFC in Australia, Collins Foods is committed to delivering the highest quality products, at great value, to our customers.

Our European businesses acquired last year have also been tracking well, with the restaurants performing to expectations and contributing to earnings. We are confident the Group's strategic decision to expand into Europe provides a significant upside and will continue to support an attractive long-term platform for growth.

During the financial year, the Board took the strategic decision to launch the Taco Bell brand in Australia. The launch of this exciting brand provides a further growth channel for shareholders.

The restaurant in Annerley, Queensland is the only Taco Bell in Australia and the initial customer reaction has been strong.

We continue to successfully transition the Sizzler business, with no further growth capital allocated to this non-core business. We have maintained a positive EBITDA contribution from Sizzler Australia, with a reduced restaurant count. At the same time, the growth of Sizzler Asia continues with solid royalty revenue generated from restaurants in Thailand, Japan and China.

Following a strategic review, Collins Foods exited the Snag Stand business during the financial year.

Outlook

With an expanded global footprint, organic growth across the restaurant network, and the introduction of the Taco Bell brand, the 2018 financial year has been another successful period for Collins Foods.

The Board is confident the strategy we are executing will generate sustainable growth over the long-term for shareholders. We will work to continue our track record of successfully integrating our acquisitions, while driving operational excellence across our business. We are excited by the potential of Taco Bell, and look forward to establishing this brand across Australia.

Serving the needs of our customers will continue to underpin our offering. To this end, Collins Foods remains focused on product innovation and offering great value to customers.

I would like to thank each of my fellow directors for their contribution to the business, and our management team — led by Managing Director & CEO, Graham Maxwell — for their leadership. I also thank our staff for another year of hard work and their very important contribution to our success.

Once again, I thank shareholders for their ongoing support of Collins Foods as we continue to execute our strategy to ensure we remain the market leader in our sector.

Robert Kaye SC
Independent Non-executive Chairman

MANAGING DIRECTOR & CEO'S REPORT



During the 2018 financial year (FY18), Collins Foods continued to deliver growth across the Group. This was driven by recent acquisitions as well as improved underlying performance across our restaurant network.

Building on our track record of successfully integrating acquisitions, the Company expanded its footprint with the addition of new restaurants in Australia and the Netherlands. At the same time, Collins Foods launched its first Taco Bell during the financial year. The restaurant is performing strongly, providing a foundation for the further roll out of additional restaurants.

Expanded KFC footprint

Collins Foods is the largest franchisee of KFC restaurants in Australia, with strategic acquisitions significantly expanding our overall KFC footprint. In FY18, 28 KFC restaurants were acquired from Yum! for cash consideration of \$110.2 million. The acquisition was partly funded by debt and partly by a heavily oversubscribed \$44.1 million, fully-underwritten, accelerated, non-renounceable entitlement offer.

We have successfully completed the acquisition of 27 Australian restaurants as part of this transaction, with one restaurant yet to complete. The acquisition was complemented by five new restaurant builds and offset by three closures. The new restaurants provide the Group greater geographic diversity and scale advantages contributing to sustainable earnings growth.

In Europe, the integration of acquired restaurants in the Netherlands and Germany has progressed well. At the year end, Collins Foods had a total of 33 KFC restaurants in Europe – 15 in Germany and 18 in the Netherlands. These restaurants complement our Australian portfolio, further expanding our geographic diversity and scale, and providing another attractive avenue for long-term growth.

In the period ahead, Collins Foods plans further restaurant openings in Australia and Europe, and we are confident of our ability to continue growth momentum in all the markets we operate in.

Financial performance

FY18 has been another period of strong performance across the Group. Driven by same store sales growth and an expanded store footprint, revenue has increased 21.7% to \$770.9 million when compared to the previous period.

Statutory EBITDA has also risen 14.7% to \$89.6 million; and underlying EBITDA increased 16.4% to \$94.5 million.

Underlying NPAT grew 13.3% to \$38.9 million, driven by solid performance across the Group.

Collins Foods continues to generate strong cash flows, with Net Operating cash flow up 23.1% to \$74.5 million (FY17: \$60.6 million).

Net debt increased by \$94.1 million to \$227.2 million, reflecting the acquisition of 16 KFC Netherlands restaurants and 28 KFC restaurants in Australia. The net leverage ratio is up to 2.14, from 1.59. As Collins Foods continues to generate cash flows from operations, the net leverage ratio is expected to decrease.

Operational performance

KFC Australia

The KFC Australia business has continued its strong growth trend, with newly integrated restaurants making contributions in line with expectations.

Revenue from the KFC Australia business increased 13.6% to \$624.1 million. EBITDA rose 10.5% to \$99.3 million, with EBITDA margins contracting slightly to 15.9% (from 16.4% in FY17) mainly due to a promotional driven shift in product mix and reduced same store sales in Western Australia. However, Western Australia same store sales recovered to positive territory in the fourth quarter of the financial year.

These strong financial results for the KFC Australia business reflects our continued focus on product innovation and offering customers high-quality products and great value.

To improve the customer experience, we continue to invest in a range of initiatives including mobile technology and home delivery.

There continues to be steady growth in our online ordering App, which now attracts more than 20,000 orders per week or more than double the level at the end of last financial year. Feedback from customers is positive and the average ticket is approximately 20% higher on the App compared to in-store orders.

Following the recent successful trial of home delivery, we have expanded this service to 15 restaurants and expect this number to grow in the near term. We are working closely with Deliveroo in these restaurants, whilst continuing to trial our own delivery service at one restaurant in Queensland.

KFC Europe

Integration of the acquired European businesses is on track and the restaurants are performing in line with expectations. We are executing our German transformation plan and have seen an improvement in sales and margins.

KFC Europe contributed revenue of \$91.6 million and \$6.6 million in underlying EBITDA. European same store sales growth was 0.8% after adjusting for the impact of cannibalisation following the opening of two new restaurants.

We are focused on driving top line growth through innovation and value while improving operational effectiveness across the region to deliver sustainable earnings growth. To support this strategy and the continuation of the German transformation plan, we have appointed a Head of Operations for KFC, Europe.

Taco Bell

We were pleased to have launched the first Australian Taco Bell restaurant in Annerley, Queensland, during the year. This restaurant has been welcomed by consumers and is performing strongly. We plan to open further restaurants over the coming year.

Sizzler

The Sizzler business maintained EBITDA while revenue was down 22% to \$50.8 million as a result of operating two fewer restaurants compared to last financial year.

Sizzler Asia continues to perform well. Royalty revenue increased 9.7% due to new restaurant openings and the introduction of a strong value offering. We opened five net restaurants during the year, with Sizzler Asia's restaurant count now numbering 73 across China, Japan and Thailand.

Making a difference

Collins Foods supports the well being of our young people in everything we do; from building their confidence and life skills, investing in their individual development, to creating a family environment which promotes safety and well-being. We are uniquely placed to make a big difference to the lives of the young people who choose to join us, and we take our responsibility seriously by going beyond what is required of us as an employer. We put our people first by investing in individual development to foster Australia's future leaders.

Recognising that no two people are the same, we constantly support and encourage our youth by celebrating uniqueness and individuality in the workplace. In doing so, we are consciously building their self-confidence and provide a supportive family environment embracing social inclusion and interaction.

We are pleased with our ongoing progress towards Zero Harm in the workplace. While slightly higher than the previous year, our lost time injury frequency rate has fallen by 9.3% to 20.6 in the last two years.

Food safety is paramount to Collins Foods which is why we ensure best practice approaches to storing, preparing and supplying our food. From the paddock to in-store, we ensure our supply chain partners have a strong reputation for quality.

Collins Foods builds strong links in the communities in which we operate by supporting local charity groups and organisations. We regularly partner with not-for-profit organisations and local sporting clubs to raise much needed funds to support their endeavours.

We also support a number of charities through our employee giving program Collins Giving. This program creates a strong link between our Company, employees and the community as employees have a platform to give back to everyday Australians in need and make a real difference. During FY18, we donated over \$500,000 to our employee-selected charities. During the same period, Collins Foods also contributed \$70,000 to World Hunger, raised through in restaurant customer donations and staff fundraising initiatives.

Conclusion

The 2018 financial year has been particularly successful for our Company. We have successfully consolidated our acquired businesses, while continuing to drive operational efficiencies across our Australian and European footprint.

We believe our strategic acquisitions, and focus on ongoing operational excellence, provides a platform for sustainable long-term earnings growth across the Group.

In the year ahead, we will continue to drive organic growth in our KFC Australia business and offer our customers world-class quality products and great value.

We will prioritise the expansion of technology across our KFC network and broaden our home delivery offering. Both initiatives improve our service offering to customers and provide a platform for transaction-led sales growth.

We will leverage our experience in Australia to build our European business, which we believe offers great growth potential.

Taco Bell offers an exciting new growth opportunity for Collins Foods and we plan to open further restaurants this year.

In concluding, I would like to thank all of our employees for their hard work and commitment during the year. Together with the Board, I look forward to delivering sustainable long-term growth for our business.



Graham Maxwell
Managing Director & CEO

COLLINS FOODS LIMITED

ACN 151 420 781

FINANCIAL REPORT

For the reporting period ended 29 April 2018

Contents

08 DIRECTORS' REPORT	58 E/ RELATED PARTIES
15 LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE	58 E1/ Investments accounted for using the equity method
16 REMUNERATION REPORT	59 E2/ Related party transactions
35 AUDITOR'S INDEPENDENCE DECLARATION	60 F/ OTHER INFORMATION
36 CONSOLIDATED INCOME STATEMENT	60 F1/ Commitments for expenditure
37 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	61 F2/ Earnings per share
38 CONSOLIDATED BALANCE SHEET	61 F3/ Receivables
39 CONSOLIDATED STATEMENT OF CASH FLOWS	62 F4/ Property, plant and equipment
40 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	64 F5/ Intangible assets
41 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	67 F6/ Trade and other payables
41 A/ FINANCIAL OVERVIEW	67 F7/ Provisions
41 A1/ Segment information	68 F8/ Reserves
42 A2/ Business combinations	69 F9/ Tax
45 A3/ Revenue and other income	71 F10/ Auditor's remuneration
45 A4/ Expenses	72 F11/ Contingencies
46 B/ CASH MANAGEMENT	73 G/ GROUP STRUCTURE
46 B1/ Cash and cash equivalents	73 G1/ Subsidiaries and Deed of Cross Guarantee (Amended and Restated)
47 B2/ Borrowings	76 G2/ Parent entity financial information
47 B3/ Ratios	77 H/ BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES
48 B4/ Dividends	77 H1/ Basis of preparation
49 C/ FINANCIAL RISK MANAGEMENT	81 H2/ Other accounting policies
49 C1/ Financial risk management	82 I/ SUBSEQUENT EVENTS
52 C2/ Recognised fair value measurements	82 I1/ Acquisition of restaurants in Australia
53 C3/ Derivative financial instruments	83 DIRECTORS' DECLARATION
55 D/ REWARD AND RECOGNITION	84 INDEPENDENT AUDITOR'S REPORT
55 D1/ Key management personnel	92 SHAREHOLDER INFORMATION
55 D2/ Share based payments	93 CORPORATE DIRECTORY
57 D3/ Contributed equity	

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 29 April 2018.

Directors

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

NAME	DATE OF APPOINTMENT
Robert Kaye SC	7 October 2014
Graham Maxwell	25 March 2015
Kevin Perkins ⁽¹⁾	15 July 2011
Newman Manion	10 June 2011
Bronwyn Morris	10 June 2011
Russell Tate	10 June 2011

(1) Kevin Perkins was appointed as Non-executive Director from 19 December 2017.

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. The Group entered into an agreement to acquire 28 KFC restaurants located in Tasmania, South Australia and Western Australia from Yum! Brands Inc. (Yum!) for cash consideration of \$110.2 million and also purchased 16 KFC restaurants in the Netherlands. A 1:11 fully-underwritten, pro-rata, accelerated non-renounceable entitlement offer to raise \$44.1 million was also completed. Following a strategic review, a decision to exit the Snag Stand business was also made during the period. The Group opened its first Taco Bell restaurant in November 2017. 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 223 franchised KFC restaurants in Australia, 15 franchised KFC restaurants in Germany, 18 franchised KFC restaurants in the Netherlands and one franchised Taco Bell restaurant in Australia, which all compete in the quick service restaurant market. The Group owns and operates 14 Sizzler restaurants in Australia, which compete in the casual dining restaurant market. It is also a franchisor of the Sizzler brand in South East Asia, with 73 franchised stores predominantly in Thailand, but also in China and Japan.

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

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

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	2018	2017	CHANGE
Total revenue (\$m)	770.9	633.6	137.3
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) (\$m)	89.6	78.1	11.5
Earnings before interest and tax (EBIT) (\$m)	58.7	51.9	6.8
Profit before related income tax expense (\$m)	48.5	44.0	4.5
Income tax (expense) (\$m)	(16.0)	(16.0)	-
Net profit attributable to members (NPAT) (\$m)	32.5	28.0	4.5
Earnings per share (EPS) basic (cents per share)	28.28	⁽¹⁾ 28.67	(0.39)
Total dividends paid/payable in relation to financial period (cents per share) ⁽²⁾	17.0	17.0	-
Net assets (\$m)	333.0	266.8	66.2
Net operating cash flow (\$m)	74.5	60.6	14.0

(1) The comparative earnings per share have been restated for the bonus element of the 1:11 entitlement offer undertaken in July 2017.

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

The Group's total revenue increased by 21.7% to \$770.9 million mainly due to like-for-like sales growth, new restaurant openings and the acquisition of KFC restaurants.

This increase in total revenue combined with strong business controls flowed through to increased EBITDA for the reporting period of \$89.6 million, up 14.7% on the prior reporting period and significantly improved net operating cash flow of \$74.5 million, up 23.1%.

EBITDA, EBIT, NPAT and EPS were impacted by significant items totalling \$4.9 million pre-tax, including acquisition costs of \$3.9 million and \$1.0 million relating to Snag Stand restructuring costs.

In addition, EBIT, NPAT and EPS were impacted by \$0.2 million pre-tax, non-cash impairment charges.

Finally, NPAT and EPS were further impacted by non-cash write-offs of deferred tax assets totalling \$1.1 million which were written off at the time of the Snag Stand closure and \$0.7 million relating to the extinguishment of unamortised costs from previous refinancing. The consolidated NPAT effect of these significant items was \$6.4 million.

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

UNDERLYING FINANCIAL METRICS	2018	2017	CHANGE
Total revenue (\$m)	770.9	633.6	137.3
Earnings before interest, tax, depreciation, amortisation and impairment (Underlying EBITDA) (\$m)	94.5	81.3	13.2
Net profit attributable to members (Underlying NPAT) (\$m)	38.9	34.3	4.6
Earnings per share (Underlying EPS) basic (cents)	33.84	⁽¹⁾ 35.13	(1.29)

(1) The comparative earnings per share have been restated for the bonus element of the 1:11 entitlement offer undertaken in July 2017.

The improvement in the underlying financial metrics shown above is a reflection of the revenue growth and strong cost controls referred to above. These are discussed further in the review of underlying operations below.

Management believe that adjusting the results for significant 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 positive, with the Company expanding the national footprint following the acquisition of 28 restaurants from Yum!

Revenue in KFC Australia was up 13.6% on the prior corresponding period to \$624.1 million, driven by increased restaurant numbers (including by acquisition), as well as same store sales growth. KFC Australia underlying EBITDA grew by 10.5%, up from \$89.8 million to \$99.3 million, with an overall EBITDA margin of 15.9%.

Core product offerings, good value offers and product innovation continues to drive strong sales growth across our KFC Australia network. New products such as the "Triple Bacon Burger" and "The Big Cheese" not only provided customers a great reason to visit our restaurants but showcased the brand, keeping perceptions high.

The Group launched its own delivery service in KFC Indooroopilly (Queensland) in April 2018 in addition to the small group of trial delivery restaurants using Foodora as an aggregator. The number of delivery restaurants is expected to grow in the future and have a positive impact on the brand, sales and profitability.

In order to support growth, \$29.1 million was spent on new restaurants as well as the remodelling and maintenance program. This remains an important driver of traffic to our restaurants, in addition to supporting KFC to meet its restaurant refurbishment obligations with Yum!

KFC EUROPE

KFC Europe contributed revenue of \$91.6 million and \$6.6 million in underlying EBITDA. By the end of the period, 33 restaurants were in operation, with two new restaurants opening in the Netherlands since the acquisition as well as an additional two in Germany. Netherlands is performing to expectations with some softening of margins due to the cost of store openings. Germany is seeing improvements due to the transformation plan, albeit with some impact of new restaurant openings.

In order to support growth, \$12.1 million was spent on new restaurants, remodels and maintenance during the year.

TACO BELL

The Company's first Taco Bell restaurant opened in Annerley (Queensland) in November 2017.

The brand continues to have positive customer engagement and is trading well. The loyalty program has seen a strong uptake and product favourites include "The Cheesy Gordita Crunch" and "Pork Carnitas".

DIRECTORS' REPORT

SIZZLER

Revenue in Sizzler was down 22.0% on the prior corresponding period to \$50.8 million, driven by the closure of two restaurants in Australia. Same store sales declined in Australia to (0.5%) compared with 0.4% growth in the previous corresponding period.

Sizzler's underlying EBITDA was \$4.6 million the same as the previous corresponding period.

No growth capital was allocated to the Sizzler Australia business in this reporting period. There were 14 Sizzler restaurants at the end of the period. The restaurants will continue to be assessed on an ongoing basis in relation to their individual performance and expiry of their leases.

Sizzler franchise operations in Asia contributed an increase of 9.7% in revenue over the prior corresponding period. During the current reporting period there were five restaurant openings in Thailand. There was one restaurant opening and one restaurant closure in China, bringing the total restaurant count in Asia to 73 at the end of the period.

Strategy and future performance

GROUP

The near term strategy involves focussing on the integration of the recent KFC restaurant acquisitions in Europe and Australia, building new restaurants and developing the Taco Bell brand. The Group will continue to drive growth across the business through new product innovation, as well as great value offers that keep customers coming back. In addition, organisational capability is continually being strengthened to deliver on acquisitions and organic growth.

KFC AUSTRALIA

The plan for the core KFC Australia business is firstly to focus on top line growth and disciplined operational management to maintain or improve margins. There is also activity to increase systematisation to ensure high quality, consistent customer experiences across all Collins Foods restaurants. A further eight new restaurants are expected to be built in Australia over the coming reporting period.

KFC EUROPE

The focus for the KFC Europe business will be to grow the value concept in order to drive transactions and sales growth. Additionally, the KFC Europe business will focus on margin improvement, whilst building a strong efficient back office function. The KFC Europe business is expecting to build seven to nine restaurants across Germany and the Netherlands in FY19.

TACO BELL

Taco Bell's focus will be to introduce new products, great value and experiences that keep customer engagement high. The business will continue to build a strong customer following through a variety of online and in restaurant customer engagement tools including live music in store on Sunday afternoons. Further restaurants are scheduled to be opened prior to the end of the calendar year.

SIZZLER

The Sizzler Australia business will continue to be assessed on an ongoing basis, with no further growth capital allocated to the business. Sizzler Asia is expected to open further restaurants during the coming financial year.

KEY RISKS

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

The key risks faced by the Group that have the potential to have an effect on 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;
- **culture and people** – there is a risk that the Group's culture and people are negatively impacted by new acquisitions and growth and/or are not aligned or sustainable to support strategic priorities. We address this risk through deploying contemporary people practices, reward and recognition programs, talent management strategies and designation of appropriate human resources;
- **brand growth and diversification (non-KFC)** – there is a risk that the Group does not successfully grow emerging brands and/or acquire and integrate new brands. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews;
- **deterioration of KFC brand** – there is a risk that the global KFC brand and reputation is damaged impacting the brand's performance in Australian and European markets. We address this risk through maintaining a close working relationship with the franchisor, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance with 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;

- **systems integrity and cyber security** – there is a risk that key systems are not sufficiently stable, integrated and/or secure to support business operations and decision making. We address this risk through the increase of financial and human resources to the systems function and implementation of a systems and cyber security plan;
 - **inability to identify and react to consumer and competitive behaviour** – there is a risk that the demand for the Group's products declines as a result of a failure to understand and adapt to changes in consumer preferences or expectations and an inability to react to competitor activity and technological advances. We address this risk through keeping abreast of economic and consumer data/research, innovative product development, broadening of the menu offering and brand building; and
 - **inability to adapt, innovate and change** – there is a risk that the Group's inability to adapt, innovate and manage change which negatively influences achievement of strategic and business priorities. We address this risk through having an experienced management team, robust fit for purpose project and change management practices involving pilots/trials and staged rollouts and regular strategic reviews.
- Additional key risk for the Group's European operations include:
- **financial reporting and controls** – there is a risk of material error in the management accounts that requires restatement at half or full year. We address this risk through the development and monitoring of key financial controls and testing them in conjunction with our external auditors.

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 30 April 2017	9.0	9,595	Franked	20 July 2017
Interim ordinary dividend for the financial period ended 15 October 2017	8.0	9,317	Franked	21 December 2017
Total	17.0	18,912		

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 9.0 cents per ordinary share (\$10.5 million) to be paid on 26 July 2018 (refer to Note B4 of the Financial Report).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 7 May 2018 the Group acquired two KFC restaurants located in South Australia that were part of the Yum! acquisition announced on 26 June 2017. The details of this acquisition are referred to in Note I1 of the Financial Report.

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.

ENVIRONMENTAL REGULATIONS

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

DIRECTORS' REPORT

Information on Directors

DIRECTOR	EXPERIENCE, QUALIFICATIONS AND DIRECTORSHIPS	SPECIAL RESPONSIBILITIES
Robert Kaye SC LLB, LLM	<p>Robert Kaye SC is a barrister, mediator and professional Non-executive Director. Recognised for his strategic and commercially focused advice, Robert has acted for various commercial enterprises – both public and private – across media, retail, FMCG, property development, mining and engineering sectors. Drawing on his experience as a senior member of the NSW Bar, including serving on the Professional Conduct Committee and Equal Opportunity Committee, Robert has a strong emphasis on Board governance and is well versed in Board processes. Robert has significant cross-border experience, including corporate restructuring and M&A across North America, Europe, Asia, and the Australia and New Zealand region.</p> <p>In addition to his role as Non-executive Chairman of Collins Foods Limited (ASX:CKF), Robert is a Non-executive Director of HT&E Limited (ASX:HT1) and Magontec Limited (ASX:MGL) and the Chairman of the Macular Disease Foundation Australia. He was formerly Non-executive Chairman of Spicers Limited (ASX:SRS) and Non-executive Director of UGL Limited (UGL).</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>HT&E Limited (2018 – current) Magontec Limited (2013 – current) Spicers Limited (2012 – 2017) UGL Limited (2015 – 2017)</p>	<p>Independent Non-executive Chair</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>
Graham Maxwell	<p>Graham is an experienced senior executive of corporate and franchise businesses, predominantly in fast moving consumer goods and fast foods, both in Australia and internationally. He is a commercially astute management professional with proven success in leveraging and growing businesses through their brands.</p> <p>Prior to his current role, Graham spent more than six years working for Yum! Brands Inc (Yum!) in a number of capacities. His last position with Yum! was as Managing Director for KFC Southern Africa.</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>None other than Collins Foods Limited</p>	<p>Managing Director & CEO</p>
Newman Manion	<p>Newman has more than 33 years' experience in the food franchise industry, including various roles with Yum! (Franchisor of KFC) since 1982. Previously, Newman served as a Board member of KFC Japan (from 2005 to 2008), General Manager of KFC operations in Australia and New Zealand (from 1995 to 2004), Development Director of PepsiCo restaurants (including KFC) in Australia (from 1990 to 1995) and General Manager of KFC New Zealand (from 1988 to 1990).</p> <p>Most recently Newman was Vice-President, Operations for Yum!'s Asian franchise business (from 2004 until 2010).</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>None other than Collins Foods Limited</p>	<p>Independent Non-executive Director</p> <p>Remuneration and Nomination Committee Chair</p> <p>Audit and Risk Committee member</p>

DIRECTOR	EXPERIENCE, QUALIFICATIONS AND DIRECTORSHIPS	SPECIAL RESPONSIBILITIES
<p>Bronwyn Morris B. Com, FCA, FAICD</p>	<p>Bronwyn is a Chartered Accountant and a former partner of KPMG. Bronwyn worked with the firm and its predecessor firms in Brisbane, London and the Gold Coast.</p> <p>For more than 20 years, Bronwyn has been a full-time Non-executive Director and has served on the Boards of a broad range of companies.</p> <p>She currently serves as Chair of, or a member of, the Audit and Risk Committees with respect to a number of her Board roles. Bronwyn is a Director of Watpac Limited (since 2015), Royal Automobile Club of Queensland Limited (since 2008, Chair since 2017), RACQ Insurance Limited (since 2014), QT Mutual Bank (since 2017), Gold Coast 2018 Commonwealth Games Corporation (since 2016), and Queensland Urban Utilities (since 2017).</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>Watpac Limited (2015 to current)</p>	<p>Independent Non-executive Director</p> <p>Audit and Risk Committee Chair</p> <p>Remuneration and Nomination Committee member</p>
<p>Kevin Perkins</p>	<p>Kevin is a highly experienced executive in the Quick Service Restaurant (QSR) and casual dining segments of the Australian restaurant industry. He has had more than 33 years' experience with the Collins Foods Group, having overseen its growth both domestically and overseas over that time.</p> <p>Kevin is the Non-executive Chairman of Sizzler USA Acquisition, Inc. He holds approximately 55% of the common stock in Sizzler USA Acquisition, Inc.</p> <p>Sizzler USA Acquisition, Inc operates or franchises Sizzler restaurants across the United States and Puerto Rico. The operations of Collins Foods and Sizzler USA Acquisition, Inc are separate.</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>None other than Collins Foods Limited</p>	<p>Executive Director (until 19 December 2017)</p> <p>From 19 December 2017</p> <p>Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>
<p>Russell Tate B. Com (Econ.)</p>	<p>Russell has more than 32 years' experience in senior executive and consulting roles in marketing and media. He was CEO of ASX-listed STW Group Limited, Australia's largest marketing communications group from 1997 to 2006, Executive Chair from 2006 to 2008, and Deputy Chair (Non-executive) from 2008 to 2011.</p> <p>He was Chair (Non-executive) of Collins Foods Limited from its listing in 2011 until March 2015, and has remained Executive Chair of ASX-listed Macquarie Radio Network Limited (now Macquarie Media Limited) since 2009. He is also a Director of One Big Switch Pty Ltd (since 2012).</p> <p>Other listed entity directorships – current or held within last three years:</p> <p>Macquarie Media Limited (since 2008, Executive Chair 2009 to 1 July 2018, Non-executive Chair from 1 July 2018)</p>	<p>Independent Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>

DIRECTORS' REPORT

The relevant interest of each Director in the share capital issued by the Company, at the date of this report is as follows:

NAME	ORDINARY SHARES	PERFORMANCE RIGHTS
Robert Kaye SC	29,913	-
Graham Maxwell	480,761	251,764
Newman Manion	21,820	-
Bronwyn Morris	8,456	-
Kevin Perkins	7,621,484	-
Russell Tate	21,820	-

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 has more than 16 years' experience in legal, commercial and corporate governance working in legal, regulatory and company secretarial roles in Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 29 April 2018, and the number of meetings attended by each Director, were:

	FULL MEETINGS OF DIRECTORS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	NUMBER OF MEETINGS ⁽¹⁾	MEETINGS ATTENDED	NUMBER OF MEETINGS ⁽¹⁾	MEETINGS ATTENDED	NUMBER OF MEETINGS ⁽¹⁾	MEETINGS ATTENDED
Robert Kaye SC	8	8	6	6	4	4
Graham Maxwell	8	7	*	*	*	*
Kevin Perkins	8	8	2	2	1	1
Newman Manion	8	8	6	6	4	4
Bronwyn Morris	8	8	6	6	4	4
Russell Tate	8	8	6	5	4	4

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

* Not a member of the relevant Committee.

LETTER FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE



COLLINS FOODS LIMITED

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Dear Shareholder

Collins Foods' remuneration strategy is designed to be responsible and sufficiently competitive to attract and retain valued executives and directors who create value for shareholders whilst maintaining alignment with the short term and long term objectives of the Company.

The Board continues to give diligent consideration to the introduction of appropriate additional performance incentives. As a result, an additional performance metric has been identified in the form of the Guest Experience Survey and specifically, improvement in Overall Satisfaction scores.

The decision to add a Guest Experience Survey improvement metric reflects the Company's core belief that world class customer experiences will grow the KFC and Taco Bell brands for the short term and long term benefits of all stakeholders.

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

The Board considers the Guest Experience Survey performance metric is appropriately placed as a second metric to the Collins Foods Short Term Incentive Plan that applies to KMP Executives and, that it will apply from the 2019 financial year.

When the Company listed, performance was incentivised with a single metric short term incentive plan. Since listing, the Collins Foods Executive and Employee Incentive Plan has been introduced and a decision made to revise the vesting scale to reflect the growth of the business.

For the performance rights that will be subject to vesting determination post the release of this report, the Non-executive Directors have deemed it appropriate to exercise discretion. This is discussed in further detail in the report.

In combination with the existing remuneration structure, the Directors remain confident that the outcomes for 2019 demonstrate an alignment between remuneration outcomes, and the performance delivered by Collins Foods. This is supported by the 90.97% of votes cast at the 2017 Annual General Meeting in favour of the adoption of the Remuneration Report for the prior reported period.

On behalf of the Collins Foods Board, I commend this remuneration report to our investors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Newman Manion'.

Newman Manion

Independent Non-executive Director
Chair of the Remuneration and Nomination Committee

www.collinsfoods.com



DIRECTORS' REPORT

Remuneration Report

Persons covered by this report

The Remuneration Report sets out, in accordance with section 300A of the Corporations Act:

- the Company's governance relating to remuneration;
- the policy for determining the nature and amount or value of remuneration of key management personnel;
- the various components or framework of that remuneration;
- the prescribed details relating to the amount or value paid to key management personnel, as well as a description of any performance conditions; and
- the relationship between the policy and the performance of the Company.

In addition, the Company has decided to set out such further information as shareholders may require for them to obtain an accurate and complete understanding of the Company's approach to the remuneration of Key Management Personnel (KMP).

KMP are the Non-executive Directors, the Managing Director and CEO and employees who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity. On that basis, the roles or individuals addressed in this report are set out below.

DIRECTORS

On 19 December 2017, Kevin Perkins was appointed to the role of Non-executive Director. There were no resignations of Directors during the period. Details of the Directors' appointment dates, Board and Committee membership and experience and qualifications are set out in the "Directors" and "Information on Directors" sections of the Directors' Report.

EXECUTIVES CLASSIFIED AS KMP OR OTHERWISE ADDRESSED IN THIS REPORT

NAME	TITLE
Nigel Williams	Group Chief Financial Officer (Group CFO): since 2015
Drew O'Malley	Chief Operations Officer, Australia (COO Australia): since September 2017
Dawn Linaker	Chief People Officer (CPO): since 2016, KMP from 2017
Mark van 't Loo	CEO – Collins Foods Europe Ltd (CEO – CF Europe): commenced 9 March 2017
Martin Clarke	CEO – KFC, Australia (CEO – KFC Aust): since 1980 to 2017. From 18 September 2017, Martin Clarke performed the role of Head of Operations Excellence and from that date, was no longer KMP Executive

KMP remuneration for FY18

The KMP Executive remuneration structures that appear in this report prevailed during the reporting period. These structures were implemented as part of a decision making process last financial year and included remuneration benchmarking.

The Board continue to make ongoing improvements to remuneration governance, policies and practices applied to KMP Executives of the Company, as well as other employees, to ensure appropriateness to the circumstance of the Company as it evolves over time.

The Board continues its approach to seek feedback from both stakeholders and independent consultants about remuneration governance and practices for all KMP.

KEY REMUNERATION MATTERS IDENTIFIED AND ADJUSTMENTS MADE SINCE THE PREVIOUS REPORT

During the reported period, activity focussed primarily upon the identification of additional, appropriate performance incentives.

Mix of remuneration

As confirmed in previous reported periods, the mix of remuneration elements offered to KMP Executives has been transitioned toward a higher weighting on Long Term Incentive (LTI). The Board considers that the remuneration mix is correctly weighted.

Short Term Incentive performance metrics

As indicated in the letter from the Chair of the Remuneration and Nomination Committee, the Board has approved the inclusion of a second performance metric to the Short Term Incentive (STI) plan as it relates to KMP Executives.

The Board has introduced a second performance metric to the STI plan because improvements achieved as a result of this incentive are directly related to driving positive business performance.

This has been introduced in consultation with shareholders for incentive conditions to be more tailored to the Company and to address a medium term strategic imperative to improve (not just maintain) customer service. Once the desired customer service outcomes are achieved, the use of this measure would be reviewed, and consideration given to making it a gate for other measures.

Long Term Incentive performance metrics

The Board continues to have regard to prior research to inform its approach to incentive design. For completeness, this research revealed that of 18 other ASX listed entities, approximately one half of the group used a single metric, and one half of the group used two metrics in relation to LTI performance measures. Consideration also continues to be given to commentary in relation to the use of a single metric LTI and use of earnings as the primary driver of STI, and the only driver of the LTI provides an incomplete picture of company performance.

The Board considers that with the introduction of the second performance metric to the STI plan, that the current mix of remuneration:

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

Setting of Short Term Incentive and Long Term Incentive amounts

From FY18, discrete amounts of STI and LTI were included in a competitive and appropriate target total remuneration package (fixed remuneration plus target STI plus target LTI). Annual grants of LTI are not linked to STI and will be performance tested over a measurement period of three years.

Discretion

It is the view of the Board that it is important for the Board to have the ability to make adjustments, where appropriate, to ensure the alignment between Company performance and reward, and that this is not against the interests of shareholders.

For the performance rights with a performance period commencing on 4 May 2015 and ended on 29 April 2018 (Vesting Rights), the Non-executive Directors have given detailed consideration to the method that vesting will be calculated.

Pursuant to the LTI plan rules and letters of invitation, EPS growth is to be calculated with reference to the annual compound growth of the disclosed basic EPS in the Company's annual audited financial reports for the base year and the final financial year of the performance period.

In the base year for the Vesting Rights, the basic EPS was negative. This was due to a one-off pre-tax non-cash impairment of Sizzler Australia goodwill, brand and, property, plan and equipment (Impairment).

One of the options available to the Non-executive Directors would be to not exercise any discretion other than the discretion to alter the base year as already documented. It was considered that the outcome would penalise participants as no performance rights would vest. The Impairment was a one-off with no further consequences for the FY18 results (i.e. the comparison would not be on a "like for like" basis).

The adjustments proposed by management for the FY18 year accepted by the Board were unamortised costs associated with refinancing and costs associated with the Australian and Europe KFC acquisitions. The remaining adjustments associated with de-recognition of a deferred tax asset, impairment of two KFC restaurants and a smallwares write off were considered to be attributable to management and will not be included in the EPS adjustment relating to the vesting calculation for the Vesting Rights. Allowing for these adjustments, 35.91% of long term vesting incentives would be available to vest.

The adjustments will be applied across all performance rights subject to vesting determination and to the one-off long term cash incentive disclosed on page 24 that presents the vesting of LTI that may occur during the next reporting period (i.e. in relation to the completion of FY18).

OVERVIEW OF COLLINS FOODS REMUNERATION GOVERNANCE FRAMEWORK AND STRATEGY

The performance of the Group is contingent upon the calibre of its Directors and executives. The Group's remuneration framework is based upon the following key principles:

- a policy that enables the Company to attract and retain valued Directors and executives who create value for shareholders;
- motivating executives and the Managing Director and CEO to pursue long term growth and success of the Group, aligned with shareholder's interests;
- demonstrating a clear relationship between performance and remuneration;
- having regard to prevailing market conditions;
- reflective of short term and long term performance objectives appropriate to the Company's circumstances and goals;
- transparency; and
- fairness and acceptability to shareholders.

The Company seeks input regarding the governance of KMP remuneration from a wide range of sources, including:

- shareholders;
- Remuneration and Nomination Committee members;
- stakeholder groups including proxy advisors;
- external remuneration consultants;
- other experts and professionals such as tax advisors and lawyers; and
- Company management to understand roles and issues facing the Company.

The Company's Remuneration Policy can be obtained from the Company's website. The information below outlines a summary of Collins Foods' Remuneration Governance Framework.

REMUNERATION AND NOMINATION COMMITTEE

The role of the Remuneration and Nomination Committee is to ensure that appropriate remuneration policies are in place which are designed to meet the needs of the Company and to enhance corporate and individual performance. That is, the development, maintenance and application of the Remuneration Governance Framework for the purposes of making recommendations to the Board regarding KMP remuneration matters, as well as advising the Board on procedures that must be undertaken in relation to the governance of remuneration and communicating such matters to the market (such as the calculation of grants of incentives, review of performance conditions and receipt of independent advice, etc.).

More specifically, the Committee is responsible for making recommendations to the Board on:

- the Group's remunerations principles, framework and policy for executives and Directors;
- remuneration levels of executives and Executive Directors;
- the operation of incentives plans and other employee benefit programs which apply to executives; and
- remuneration for Non-executive Directors.

DIRECTORS' REPORT

Remuneration Report (continued)

In carrying out its responsibilities, the Remuneration and Nomination Committee is authorised to obtain external professional advice as it determines necessary. The Board has ultimate responsibility for signing off on remuneration policies, practices and outcomes.

The Remuneration and Nomination Committee operated in accordance with the aims and aspirations of Principle 8 of the Corporate Governance Principles and Recommendations (Principles and Recommendations). The role and responsibilities of the Committee are outlined in the Remuneration and Nomination Committee Charter, available on the Company's website.

As at the end of the reporting period, the Remuneration and Nomination Committee was composed of all of the Company's Non-executive Directors only, with a majority being independent.

EXECUTIVE REMUNERATION

The following outlines the policy that applies to executives (and does not apply to Non-executive Directors).

The remuneration for executives is structured taking into consideration the following factors:

- Group's remuneration principles;
- level and structure of remuneration paid to executives of other publicly listed Australian companies of similar size;
- position and responsibilities of each executive;
- appropriate benchmarks and targets to reward executives for Group and individual performance;
- remuneration should be reviewed annually and composed of:
 - base package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements);
 - STI which provides a reward for performance against annual objectives;
 - LTI which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a three year period,in total, the sum of the above elements will constitute a total remuneration package (TRP);
- both internal relativities and external market factors should be considered;
- that the base package policy mid-points should be set with reference to relevant market practices;
- that TRPs should be structured with reference to market practices and the circumstances of the Company at the time;
- remuneration will be managed within a range that allows for the recognition of individual differences such as the calibre of the incumbent and the competency with which they fulfil a role;

- exceptions will be managed separately such as when particular talent needs to be retained or there are individuals with unique expertise that need to be acquired; and
- 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.

SECURITIES TRADING POLICY

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

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

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

SECURITIES HOLDING POLICY

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

REMUNERATION CONSULTANT ENGAGEMENT POLICY

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

NON-EXECUTIVE DIRECTOR REMUNERATION

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

- the level of fees paid to Board members of other publicly listed Australian companies of similar size;
- operational and regulatory complexity; and
- the responsibilities 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 responsibilities of each position within the Board. Board committee fees are structured to recognise the differing responsibilities and workload associated with chairing the Board and each of the committees. The Company's constitution allows for additional payments to be made to Directors where extra or special services are provided.

Specific fee rates are presented elsewhere in the Remuneration Report.

SHORT TERM INCENTIVE POLICY

Incentives under the Group's STI plan are at risk components of remuneration for executives provided in the form of cash. The STI plan entitles executives to earn an annual cash reward payment if predefined targets are achieved. The level of the incentive is set with reference to the accountabilities of the executive's role and their ability to impact Group performance.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE PLAN (STIP)

ASPECT	PLAN RULES, OFFERS AND COMMENTS
Purpose	The STIP's purpose is to give effect to an element of remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for executives to deliver and outperform annual business plans that will lead to sustainable superior returns for shareholders. The STIP aims to reflect current trading conditions experienced by the Company. Target based STIs are also intended to modulate the cost to the Company of employing executives, such that risk is shared with the executives themselves and the cost to the Company is reduced in periods of poor performance.
Measurement period	The Company's reporting period.
Award opportunities	<p>The Managing Director and CEO was offered a target based STI equivalent to 50% of total fixed remuneration for target performance, with a maximum opportunity of up to 75% of total fixed remuneration.</p> <p>Other executives were offered a target based STI equivalent to between 40% and 75% of their total fixed remuneration for target performance with a stretch opportunity of up to 150% of the target.</p> <p>For FY19 the STI for other executives will fall between the range of 40% and 50% for on target performance with a stretch opportunity remaining as up to 150% of the target.</p>

DIRECTORS' REPORT

Remuneration Report (continued)

Key Performance Indicators (KPIs), weighting and performance goals	<p>FY18 OFFERS</p> <p>FY18 saw changes to the STI plan rules for executives as follows:</p> <ul style="list-style-type: none">→ targets set equate to budgeted EBITDA plus bonus value;→ reduction of the threshold required to trigger the bonus payment to 95% of the target with a linear scale to 100% of the target i.e. 95.5% of target equates to 10% of bonus payment;→ 100% of target equates to 100% bonus payment;→ over-achievement is also rewarded, for example 1% point of target equating to an additional 5% of bonus payment i.e. 103% of target equates to 115% of bonus payment; and→ maximum is consistent with prior years being 110% target equating to 150% of bonus payment. <p>Comments</p> <p>For FY18, the Board was of the view that EBITDA was the primary driver of shareholder value creation in the short term, and that the combination of this measure with individual performance assessments provided a fair and accurate assessment of performance in the context of a particular executive role. That said, FY19 has seen the addition of a second metric.</p> <p>FY19 OFFERS</p> <p>Following independent external consultation, the Board considered and approved a change to the FY19 offers. This change has seen the introduction of a secondary measure against Guest Experience Survey (GES), with a focus on achieving Overall Satisfaction (OSAT) scores. The breakdown of the offer is consistent for all KMP Executives – EBITDA result: 75% and GES OSAT: 25%.</p> <p>Whilst the two measures have different targets and thresholds for payment, overarching hurdle criteria of >95% of EBITDA against budget must be achieved prior to any STI payment.</p> <p>The introduction of this measure has seen the removal of the individual performance (where it may previously have applied).</p> <p>All other STI plan rules apply as per the FY18 offers.</p>
Award determination and payment	<p>Calculations are performed following the end of the measurement period and the audit of Company accounts. Payments are made in cash with PAYG tax deducted, paid following the completion of the measurement period and audited financial report.</p>
Cessation of employment during a measurement period	<p>In the event of cessation of employment due to dismissal for cause all entitlement in relation to the measurement period are forfeited.</p> <p>In the event of cessation of employment for other reasons and the minimum term of three months of employment has not been satisfied, all entitlement in relation to the measurement period are forfeited, unless otherwise determined by the Board. No awards are paid on termination that would breach the default limit on termination benefits for managerial and executive officers, unless shareholder approval is obtained to do so.</p>
Plan gate and Board discretion	<p>If the Company's overall performance during the measurement period is substantially lower than expectations and resulted in significant loss of value for shareholders the Board may abandon the STIP for the measurement period or adjust STI payouts downward. The Board also has discretion to modify payouts, however, as noted earlier in this report, it has been determined that such discretion will only be applied in future when it would be substantially inappropriate not to do so, due to an anomaly during the measurement period, or because of exceptional circumstances, which would be explained in detail as part of the Remuneration Report. An earnings gate is effectively built into the award scale.</p>
Fraud, gross misconduct etc.	<p>If the Board forms the view that a participant has committed fraud, defalcation or gross misconduct in relation to the Company then all entitlements in relation to the measurement period will be forfeited by that participant.</p>

LONG TERM INCENTIVE POLICY

Currently, the LTI plan of the Company is that an annually offered component of remuneration of executives should be at risk and based on equity in the Company to ensure that executives hold a stake in the Company, to align their interests with those of shareholders, and that executives share risk with shareholders. Further, the:

- LTI should be based on performance rights that vest based on assessment of performance against objectives;
- measurement period should be three years; and
- measures of long term performance should be the measure or measures which best drives value creation for shareholders, given the specific circumstances of the Company.

VARIABLE REMUNERATION – LONG TERM INCENTIVE PLAN (LTIP) – PERFORMANCE RIGHTS PLAN

ASPECT	PLAN RULES, OFFERS AND COMMENTS																		
Purpose	The LTIP's purpose is to give effect to an element of executive remuneration. This element of remuneration constitutes part of a market competitive total remuneration package and aims to provide an incentive for executives to deliver Company performance that will lead to sustainable superior returns for shareholders. Another purpose of the LTIP is to act as a retention mechanism to maintain a stable team of performance focussed executives, to create alignment with the interests and experiences of shareholders and to modulate the cost to the Company of employing executives such that in periods of poor performance the cost is lesser (applies to non-market measures under AASB2).																		
Form of equity	<p>The LTIP is in the form of a performance rights plan, which is based on rights that are subject to vesting conditions, which confer the right (following valid conversion) to the value of a share at the time, either:</p> <ul style="list-style-type: none"> → settled in shares that may be issued; or → settled in the form of cash; <p>at the discretion of the Board (a feature intended to ensure appropriate outcomes in the case of a termination).</p> <p>There is no entitlement to dividends during the measurement period.</p>																		
LTI value	<p>The Board retains discretion to determine the value of LTI to be offered each reporting period, subject to shareholder approval in relation to Directors, when the rights are to be settled in the form of a new issue of Company shares. The Board may also seek shareholder approval for grants to directors in other circumstances, at its discretion.</p> <p>FY18 AND FY19 OFFERS</p> <p>Comments</p> <p>Based on the Managing Director and CEO, the following example is given regarding how the number of performance rights to grant a participant in the LTIP are calculated. This involves dividing the maximum LTI percentage of the base package (as per the policy at the time) by the relevant volume weighted average price (VWAP) for shares.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="background-color: #c6e0b4;">INDICATIVE FOR FY18 AND FY19</th> </tr> </thead> <tbody> <tr> <td style="width: 60%;">Base</td> <td></td> <td style="text-align: right;">\$800,000</td> </tr> <tr> <td>LTI Target</td> <td style="text-align: center;">50%</td> <td></td> </tr> <tr> <td>LTI Max</td> <td style="text-align: center;">100%</td> <td style="text-align: right;">\$800,000</td> </tr> <tr> <td>Share Price (VWAP)</td> <td style="text-align: center;">\$5.18</td> <td></td> </tr> <tr> <td>Number of Rights</td> <td></td> <td style="text-align: right;">154,440</td> </tr> </tbody> </table>	INDICATIVE FOR FY18 AND FY19			Base		\$800,000	LTI Target	50%		LTI Max	100%	\$800,000	Share Price (VWAP)	\$5.18		Number of Rights		154,440
INDICATIVE FOR FY18 AND FY19																			
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Number of Rights		154,440																	

DIRECTORS' REPORT

Remuneration Report (continued)

Measurement period	<p>The measurement period will include three reporting periods unless otherwise determined by the Board.</p> <p>FY18 OFFERS Beginning 1 May 2017 and ending 3 May 2020.</p> <p>FY19 OFFERS Beginning 30 April 2018 and ending 1 May 2021.</p> <p>Comments 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.</p>																					
Vesting conditions	<p>The Board has discretion to set vesting conditions for each offer. Performance rights that do not vest will lapse.</p> <p>FY18 AND FY19 OFFERS The following vesting scale applied to FY18 offers (and is anticipated to apply to future offers):</p> <table border="1" data-bbox="520 925 1441 1211"> <thead> <tr> <th>PERFORMANCE LEVEL</th> <th>ANNUALISED EPS GROWTH (CAGR)</th> <th>% OF MAX/STRETCH/GRANT VESTING</th> </tr> </thead> <tbody> <tr> <td>Stretch/maximum</td> <td>22%</td> <td>100%</td> </tr> <tr> <td>Between target and stretch</td> <td>>11%, <22%</td> <td>Pro-rata</td> </tr> <tr> <td>Target</td> <td>11%</td> <td>50%</td> </tr> <tr> <td>Between threshold and target</td> <td>>5.5%, <11%</td> <td>Pro-rata</td> </tr> <tr> <td>Threshold</td> <td>5.5%</td> <td>25%</td> </tr> <tr> <td>Below threshold</td> <td><5.5%</td> <td>0%</td> </tr> </tbody> </table> <p>Comments EPS will be measured on an absolute basis, calculating the compound growth in the Company's basic EPS attributable to ordinary equity holders of the Company over the performance period, with reference to the disclosed EPS in the Company's annual audited financial reports.</p>	PERFORMANCE LEVEL	ANNUALISED EPS GROWTH (CAGR)	% OF MAX/STRETCH/GRANT VESTING	Stretch/maximum	22%	100%	Between target and stretch	>11%, <22%	Pro-rata	Target	11%	50%	Between threshold and target	>5.5%, <11%	Pro-rata	Threshold	5.5%	25%	Below threshold	<5.5%	0%
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Threshold	5.5%	25%																				
Below threshold	<5.5%	0%																				
Retesting	<p>The plan rules do not contemplate retesting and therefore retesting is not a feature of the Company's current LTI offers.</p>																					
Plan gate and Board discretion	<p>An effective gate of EPS needing to exceed a threshold level of growth is built into the design of the vesting scale.</p> <p>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). Please refer to discussion regarding the application of such discretions, presented elsewhere in this report.</p>																					
Amount payable for performance rights	<p>No amount is payable for performance rights.</p> <p>The value of rights is included in assessments of remuneration benchmarking and policy positioning. This is standard market practice and consistent with the nature of performance rights.</p>																					
Conversion of vested performance rights	<p>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.</p> <p>No amount is payable by participants to exercise vested performance rights in respect of any grants.</p>																					

Disposal restrictions etc.

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 entitlement 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.

Non-executive Director fee policy rates and fee limit

Non-executive Director fees are managed within the current annual fees limit (AFL or fee pool) of \$900,000 which was approved by shareholders at the 2016 Annual General Meeting.

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

FUNCTION	ROLE	FEE INCLUDING SUPER
Main Board	Chair	\$210,000
	Member	\$100,000
Audit and Risk Committee	Chair	\$20,000
	Member	\$7,500
Remuneration and Nomination Committee	Chair	\$15,000
	Member	\$7,500

The same fee policy rates are expected to apply for FY19, unless the Board determines to undertake a review during the period.

DIRECTORS' REPORT

Remuneration Report (continued)

Remuneration records for FY18 – statutory disclosures

KMP EXECUTIVE REMUNERATION

The following table outlines the remuneration received by KMP Executives of the Company during FY17 and FY18 prepared according to statutory disclosure requirements and applicable accounting standards:

NAME	ROLE(S)	YEAR	SALARY	SUPER-ANNUATION CONTRIBUTIONS	OTHER BENEFITS	CHANGE IN ACCRUED LEAVE ⁽¹⁾	BASE PACKAGE		STI		LTI ⁽²⁾		TOTAL REMUNERATION PACKAGE (TRP)	TERMINATION BENEFITS
							AMOUNT	% OF TRP	AMOUNT	% OF TRP	AMOUNT	% OF TRP		
Graham Maxwell	Managing Director & CEO	2018	\$780,018	\$19,982	\$13,699	\$63,250	\$876,950	79%	-	-	⁽¹¹⁾ \$234,426	21%	\$1,111,376	-
	Managing Director & CEO	2017	\$728,018	\$21,982	\$40,308	\$4,675	\$794,983	83%	-	-	\$160,258	17%	\$955,241	-
Kevin Perkins ⁽³⁾	Non-executive Director	2018	\$149,721	\$13,042	\$11,443	(\$10,620)	\$163,586	100%	-	-	-	-	\$163,586	\$11,193
	Executive Director	2017	\$222,849	\$19,568	\$31,795	(\$932)	\$273,280	100%	-	-	-	-	\$273,280	-
Mark van 't Loo ⁽⁴⁾	CEO - CF Europe	2018	\$412,408	\$29,734	-	\$12,211	\$454,353	97%	-	-	\$16,256	3%	\$470,609	-
	CEO - CF Europe	2017	\$65,208	\$4,172	-	\$6,270	\$75,650	100%	-	-	-	-	\$75,650	-
Nigel Williams	Group CFO	2018	\$384,891	\$19,982	\$18,838	(\$3,447)	\$420,264	99%	-	-	\$2,141	1%	\$422,405	-
	Group CFO	2017	\$338,109	\$19,568	⁽⁸⁾ \$76,823	\$2,771	\$437,271	87%	-	-	\$68,192	13%	\$505,463	-
Drew O'Malley ⁽⁵⁾	COO Australia	2018	\$244,229	\$12,338	\$7,980	\$3,760	\$268,307	85%	\$30,792	10%	\$16,326	5%	\$315,426	-
	-	2017	-	-	-	-	-	-	-	-	-	-	-	-
Dawn Linaker ⁽⁶⁾	CPO	2018	\$294,634	\$19,982	\$16,325	\$1,692	\$332,632	93%	-	-	\$25,233	7%	\$357,865	-
	CPO	2017	-	-	-	-	-	-	-	-	-	-	-	-
Martin Clarke ⁽⁷⁾	CEO - KFC Aust	2018	\$122,775	\$7,644	⁽⁹⁾ \$24,452	(\$14,465)	\$140,407	94%	\$6,058	4%	\$3,403	2%	\$149,868	-
	CEO - KFC Aust	2017	\$299,431	\$19,568	⁽¹⁰⁾ \$73,699	(\$42,629)	\$350,069	85%	-	-	\$62,236	15%	\$412,305	-

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

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

(3) KMP up until 19 December 2017 and then transitioned to Non-executive Director.

(4) Commenced 9 March 2017. FY18 salary converted at exchange rate of AUD \$1: EURO €0.6246 (FY17: EURO €0.7).

(5) Commenced 18 September 2017.

(6) KMP Executive from 1 May 2017.

(7) From 18 September 2017 Martin Clarke transitioned to Head of Operations Excellence and from that date was no longer a KMP Executive.

(8) Other benefits include a discretionary payment of \$29,750. The EBITDA target for FY17 was not achieved, however there was a discretionary bonus pool that was approved by the Board.

(9) Other benefits include a discretionary payment of \$17,122.

(10) Other benefits include a discretionary payment of \$30,750. The EBITDA target for FY17 was not achieved, however there was a discretionary bonus pool that was approved by the Board.

(11) Included in the LTI value is a one-off long term cash incentive of \$68,865 that may be payable in FY19. Other than cash being the means by which the incentive is settled, all other terms and conditions (including vesting scale) of the one-off long term cash incentive are identical to the performance rights granted, with the FY15 as the base.

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 executives.

NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration received by Non-executive Directors in FY17 and FY18 is disclosed below:

NAME	ROLE(S)	YEAR	BOARD AND COMMITTEE FEES	SUPERANNUATION	OTHER BENEFITS	TERMINATION BENEFITS	TOTAL
Robert Kaye, SC	Independent, Non-executive Chairman	2018	\$191,781	\$18,219	-	-	\$209,999
	Independent, Non-executive Chairman	2017	\$191,781	\$18,548	-	-	⁽¹⁾ \$210,329
Newman Manion	Independent Non-executive Director	2018	\$111,872	\$10,628	-	-	\$122,500
	Independent Non-executive Director	2017	\$111,872	\$10,628	-	-	\$122,500
Bronwyn Morris	Independent Non-executive Director	2018	\$116,438	\$11,061	-	-	\$127,499
	Independent Non-executive Director	2017	\$116,438	\$11,253	-	-	⁽¹⁾ \$127,691
Kevin Perkins ⁽²⁾	Non-executive Director	2018	\$38,334	\$3,642	-	-	\$41,976
	Executive Director	2017	-	-	-	-	-
Russell Tate	Independent Non-executive Director	2018	\$115,000	-	-	-	\$115,000
	Independent Non-executive Director	2017	\$115,000	-	-	-	\$115,000

(1) The total paid includes 52 weeks of fees and 53 weeks of superannuation.

(2) Transitioned to Non-executive Director as at 19 December 2017. Non-executive Director fees represent period from 19 December 2017 to 29 April 2018. Refer to KMP Executive Remuneration table for remuneration during 2017.

PLANNED KMP EXECUTIVE REMUNERATION FOR FY18 (NON-STATUTORY DISCLOSURE)

The following table is provided to ensure that shareholders have an accurate understanding of the Board's intention regarding the remuneration that was offered to KMP Executives during FY18, for target performance. 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. 150% of the target). The stretch/maximum LTI is 200% of target, as is typical practice for LTIs.

INCUMBENT	POSITION	BASE PACKAGE INCLUDING SUPER	FIXED % TRP	STI OPPORTUNITY			LTI OPPORTUNITY			TOTAL REMUNERATION PACKAGE AT TARGET PERFORMANCE
				TARGET % OF BASE PACKAGE	TARGET STI AMOUNT	STI % TRP	TARGET % OF BASE PACKAGE	TARGET LTI AMOUNT	LTI % TRP	
Graham Maxwell	Managing Director & CEO	\$800,000	40%	50%	\$400,000	20%	100%	\$800,000	40%	\$2,000,000
Kevin Perkins	Executive Director ⁽¹⁾	\$265,000	100%	-	-	-	-	-	-	\$265,000
Mark van 't Loo	CEO - CF Europe	€276,355	52%	75%	€207,266	39%	17%	€46,059	9%	€529,680
Nigel Williams	Group CFO	\$410,000	50%	50%	\$205,000	25%	50%	\$205,000	25%	\$820,000
Drew O'Malley	COO Australia	\$420,000	50%	50%	\$210,000	25%	50%	\$210,000	25%	\$840,000
Dawn Linaker	CPO	\$315,000	53%	40%	\$126,000	21%	50%	\$157,500	26%	\$598,500
Martin Clarke	CEO - KFC Aust ⁽²⁾	\$319,000	56%	60%	\$191,400	33%	20%	\$63,800	11%	\$574,200

(1) Executive salary shown and includes director fees. From 19 December 2017 to 29 April 2018 Mr Perkins held the role of Non-executive Director.

(2) KMP Executive salary shown. From 18 September 2017, Mr Clarke held the role of Head of Operations Excellence and from that date was no longer KMP Executive.

The LTI presented in the table above represents the fair value of LTI granted during the FY18 period.

DIRECTORS' REPORT

Remuneration Report (continued)

Performance outcomes for FY17 including STI and LTI assessment

COMPANY PERFORMANCE

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

FY END DATE	REVENUE (\$M)	PROFIT AFTER TAX (\$M)	SHARE PRICE	CHANGE IN SHARE PRICE	DIVIDENDS ⁽¹⁾	SHORT TERM CHANGE IN SHAREHOLDER VALUE OVER 1 YEAR (SP INCREASE + DIVIDENDS)		LONG TERM (CUMULATIVE) 3 YEARS CHANGE IN SHAREHOLDER VALUE	
						AMOUNT	%	AMOUNT	%
FY18	\$770.94	\$32.49	\$5.35	\$0.10	\$0.170	\$0.270	5%	\$3.37	138%
FY17	\$633.56	\$27.99	\$5.25	\$1.23	\$0.160	\$1.390	35%	\$3.74	196%
FY16	\$574.28	\$29.12	\$4.02	\$1.58	\$0.125	\$1.705	70%	\$2.47	130%
FY15	\$571.59	(\$10.36)	\$2.44	\$0.53	\$0.110	\$0.640	34%	\$1.61	140%
FY14	\$440.56	\$14.03	\$1.91	\$0.02	\$0.100	\$0.120	6%		

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

There was no STI paid under the STIP during the FY18 period relating to performance during the FY17 period.

NAME	POSITION HELD AT REPORTING PERIOD END	FY17 COMPANY LEVEL KPI SUMMARY					AWARDED	TOTAL STI AWARD	AWARD OUTCOMES FY17 PAID FY18 ⁽³⁾
		KPI SUMMARY	WEIGHTING	EBITDA TARGET	ACHIEVEMENT				
Graham Maxwell	Managing Director & CEO	EBITDA	100%	\$82,029,965	-	-	-	-	
Kevin Perkins ⁽¹⁾	Executive Director	EBITDA	100%	-	-	-	-	-	
Mark van 't Loo	CEO – CF Europe	EBITDA	100%	-	-	-	-	-	
Nigel Williams	Group CFO	EBITDA	100%	\$82,029,965	-	-	-	-	
Martin Clarke ⁽²⁾	CEO – KFC Aust	EBITDA	100%	\$95,520,588	-	-	-	-	

(1) From 19 December 2017 to 29 April 2018 Mr Perkins held the role of Non-executive Director.

(2) From 18 September 2017, Mr Clarke held the role of Head of Operations Excellence.

(3) The EBITDA target for FY17 was not achieved, however, there was a discretionary bonus pool that was approved by the Board and made available to all employees based on their individual performance.

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

During the reporting period grants of equity were made in relation to the LTI plan as part of remuneration for FY18 but did not vest due to the presence of the long-term measurement period and vesting conditions that are yet to be completed/assessed. Details are given elsewhere in this report in relation to changes in equity interests.

During the reporting period, grants that were made on 13 November 2014, vested in relation to FY17 being completed, i.e. vesting during FY18 are noted below:

INCUMBENT	ROLE	TRANCHE	WEIGHTING	NUMBER ELIGIBLE TO VEST IN FY18 FOR FY17 COMPLETION	ACTUAL OUTCOME	% OF MAX/STRETCH/GRANT VESTED	NUMBER VESTED	GRANT DATE VWAP	\$ VALUE OF LTI THAT VESTED (AS PER GRANT DATE VWAP)
Graham Maxwell	Managing Director & CEO	EPSG	100%	92,301	24.5%	100%	92,301	\$2.166810	\$200,000
Kevin Perkins ⁽¹⁾	Executive Director	EPSG	100%	-	-	-	-	-	-
Mark van 't Loo	CEO – CF Europe	EPSG	100%	-	-	-	-	-	-
Nigel Williams ⁽²⁾	Group CFO	EPSG	100%	-	-	-	-	-	-
Drew O'Malley	COO Australia	EPSG	100%	-	-	-	-	-	-
Dawn Linaker	CPO	EPSG	100%	-	-	-	-	-	-
Martin Clarke	CEO – KFC Aust	EPSG	100%	27,690	24.5%	100%	27,690	\$2.166810	\$60,000

(1) Relates to performance rights granted whilst still performing the role of Managing Director and CEO.

(2) Appointed to Group CFO role on 18 May 2015.

On 11 July 2017 following satisfaction of the vesting conditions the performance rights previously granted under the LTIP converted to fully paid ordinary shares. Each participant was issued with shares based on the volume weighted average price of \$5.72.

The following outlines the vesting scale that was applicable to the above outcomes:

PERFORMANCE LEVEL	ANNUALISED EPS GROWTH (CAGR)	% OF MAX/STRETCH/GRANT VESTING
Stretch/maximum	10%	100%
Between threshold and stretch	>6%, <10%	Pro-rata
Threshold	6%	20%
Below threshold	<6%	0%

In relation to the completion of the reporting period, previous grants of equity made under the LTI plan are eligible to be tested for vesting in relation to grants that were made on 1 October 2015 and 22 December 2015 (i.e. will be eligible for vesting during FY19 in relation to the completion of FY18). However, as at the date of drafting of this report, vesting was yet to be determined. Therefore, the table below presents the vesting of LTI that may occur during the next reporting period i.e. in relation to the completion of FY18.

INCUMBENT	ROLE	TRANCHE	WEIGHTING	NUMBER ELIGIBLE TO VEST IN FY19 FOR FY18 COMPLETION	% OF MAX/STRETCH/GRANT VESTED	NUMBER ELIGIBLE TO VEST	GRANT DATE VWAP	\$ VALUE OF LTI THAT VESTED (AS PER GRANT DATE VWAP)
Graham Maxwell	Managing Director & CEO	EPSG	100%	33,316	100%	33,316	\$3.248406	\$108,225
Kevin Perkins ⁽¹⁾	Executive Director	EPSG	100%	-	-	-	-	-
Mark van 't Loo	CEO – CF Europe	EPSG	100%	-	-	-	-	-
Nigel Williams ⁽²⁾	Group CFO	EPSG	100%	40,019	100%	40,019	\$3.248406	\$130,000
Drew O'Malley	COO Australia	EPSG	100%	-	-	-	-	-
Dawn Linaker	CPO	EPSG	100%	-	-	-	-	-
Martin Clarke	CEO – KFC Aust	EPSG	100%	-	-	-	-	-

(1) Eligible participant, however as announced via ASX, did not receive performance rights pursuant to the relevant executive services agreement.

(2) Appointed to Group CFO role on 18 May 2015.

DIRECTORS' REPORT

Remuneration Report (continued)

All performance rights issued over the historical period ends have the following expiry dates and exercise prices:

REPORTING PERIOD ENDED	EXPIRY DATE	EXERCISE PRICE
29 April 2018	24 July 2020	Nil
30 April 2017	23 July 2019	Nil
1 May 2016	24 July 2018	Nil

There were two tranches of performance rights issued during the reporting period ended 29 April 2018. The fair value at issuance date was determined using a discounted cash flow model incorporating the assumptions below. It should be noted that fair values are not used to determine LTI allocations, and a separate methodology appropriate to the purposes is used, as described in the LTI summary presented earlier.

TRANCHE	ISSUE DATE	FAIR VALUE	SHARE PRICE AT ISSUANCE	TERM	DIVIDEND YIELD	RISK FREE INTEREST RATE
7	28 September 2017	\$5.30	\$5.82	3	3.27%	2.16%
8	29 November 2017	\$5.41	\$5.93	3	3.05%	2.16%

The following outlines the vesting scale that was applicable to the performance rights issued to executives during the current reported period and as part of remuneration for FY19:

PERFORMANCE LEVEL	ANNUALISED EPS GROWTH (CAGR)	% OF MAX/STRETCH/GRANT VESTING
Stretch/maximum	22%	100%
Between target and stretch	>11%, <22%	Pro-rata
Target	11%	50%
Between threshold and target	>5.5%, <11%	Pro-rata
Threshold	5.5%	25%
Below threshold	<5.5%	0%

There were two tranches of performance rights issued during the reporting period ended 30 April 2017. The fair value at issuance date was determined using a discounted cash flow model incorporating the assumptions below.

TRANCHE	ISSUE DATE	FAIR VALUE	SHARE PRICE AT ISSUANCE	TERM	DIVIDEND YIELD	RISK FREE INTEREST RATE
5	7 September 2016	\$4.20	\$4.58	3	2.83%	1.51%
6	29 September 2016	\$4.13	\$4.50	3	2.83%	1.51%

The following outlines the vesting scale that was applicable to the above outcomes applicable to the performance rights that have vested in respect of FY18 being completed:

PERFORMANCE LEVEL	ANNUALISED EPS GROWTH (CAGR)	% OF MAX/STRETCH/GRANT VESTING
Stretch/maximum	10%	100%
Between target and stretch	>6%, <10%	Pro-rata
Threshold	6%	20%
Below threshold	<6%	0%

LINKS BETWEEN COMPANY STRATEGY AND REMUNERATION

The Company intends to attract the superior talent required to successfully implement the Company's strategies at a reasonable and appropriately variable cost by:

- positioning Base Packages (the fixed element) around relevant market data benchmarks when they are undertaken;
- supplementing the Base Package with at-risk remuneration, being incentives that motivate executive focus on:
 - short to mid-term objectives linked to the strategy via KPIs and annual performance assessments; and
 - long term value creation for shareholders by linking a material component of remuneration to those factors that shareholders have expressed should be the long term focus of executives and the Board.

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	Base pay and benefits including superannuation	To provide competitive fixed remuneration set with reference to position and responsibilities in the context of the market	Group and individual performance assessments are considered in an annual remuneration review, and market capitalisation plays a role in benchmarking
Short Term Incentive Plan (STIP)	Cash bonus payment	Rewards executives for their contribution to the achievement of Group and/or divisional outcomes	EBITDA targets must be met in order for bonus to be paid
Long Term Incentive Plan (LTIP) (approved by shareholders at the 2013 and 2016 Annual General Meetings)	Awards in the form of performance rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	Earnings per share (EPS) targets over three year period must be met in order for rights to vest

The Group's aim is to reward executives with an appropriate level and mix of remuneration to attract, retain and motivate them to build long term value for the Group and its shareholders.

The introduction of the LTIP has changed the remuneration mix for executives, resulting in a higher proportion of an executive's target pay being at risk. The effect of the introduction of the LTIP is that a percentage of the executive's remuneration is directly linked to Group performance in both the short and longer term.

Employment terms for KMP

SERVICE AGREEMENTS

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

NAME	POSITION HELD AT CLOSE OF FY18	DURATION OF CONTRACT	PERIOD OF NOTICE ⁽¹⁾		TERMINATION PAYMENTS ⁽²⁾
			FROM COMPANY	FROM KMP	
Graham Maxwell	Managing Director & CEO	Open ended	12 months	12 months	Up to 12 months
Nigel Williams	Group CFO	Open ended	3 months	3 months	Up to 12 months
Drew O'Malley	COO Australia	Open ended	3 months	3 months	Up to 12 months
Dawn Linker	CPO	Open ended	3 months	2 months	Up to 12 months
Mark van 't Loo	CEO - CF Europe	Open ended	6 months	3 months	Up to 12 months

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

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

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

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

DIRECTORS' REPORT

Remuneration Report (continued)

Changes in KMP Executive 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 2018	GRANTED AS COMPENSATION	SHARES ISSUED ON VESTING OF RIGHTS	PARTICIPATION IN RIGHTS ISSUE	NUMBER HELD AT CLOSE 2018
Graham Maxwell	Shares	356,088	-	92,302	32,371	480,761
	Performance rights	206,134	137,931	(92,301)	-	251,764
Kevin Perkins ⁽¹⁾	Shares	7,444,692	-	-	176,792	7,621,484
	Performance rights	-	-	-	-	-
Mark van 't Loo	Shares	-	-	-	-	-
	Performance rights	-	36,052	-	-	36,052
Nigel Williams	Shares	-	-	-	-	-
	Performance rights	53,615	35,311	-	-	88,926
Drew O'Malley	Shares	-	-	-	-	-
	Performance rights	-	36,206	-	-	36,206
Dawn Linaker	Shares	5,000	-	-	-	5,000
	Performance rights	8,588	27,122	-	-	35,710
Martin Clarke ⁽²⁾	Shares	161,870	-	27,690	-	189,560
	Performance rights	61,295	-	(27,690)	-	33,605
Total		8,297,282	272,622	-	209,163	8,779,068

(1) From 19 December 2017 Mr Perkins held the role of Non-executive Director. The number of securities reported is for the full reported period.

(2) From 18 September 2017, Mr Clarke held the role of Head of Operations Excellence.

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 2018	NUMBER HELD AT CLOSE 2018
Robert Kaye, SC	Shares	10,000	29,913
Newman Manion	Shares	20,001	21,820
Bronwyn Morris	Shares	5,001	8,456
Kevin Perkins ⁽¹⁾	Shares	7,444,692	7,621,484
Russell Tate	Shares	20,001	21,820
Total		7,499,695	7,703,493

(1) From 19 December 2017 Mr Perkins held the role of Non-executive Director. The number of securities reported is for the full reported period.

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

2018 EQUITY GRANTS			MAXIMUM VALUE YET TO VEST (\$)
NAME	ROLE	FY IN WHICH RIGHTS MAY VEST	
Graham Maxwell	Managing Director & CEO	2019	-
		2020	84,600
		2021	121,245
Kevin Perkins ⁽¹⁾	Executive Director	2019	-
		2020	-
		2021	-
Mark van 't Loo	CEO - CF Europe	2019	-
		2020	-
		2021	32,511
Nigel Williams	Group CFO	2019	-
		2020	14,038
		2021	31,845
Drew O'Malley	COO Australia	2019	-
		2020	-
		2021	32,653
Dawn Linaker	CPO	2019	-
		2020	8,867
		2021	24,459

(1) From 19 December 2017 Mr Perkins held the role of Non-executive Director. The number of securities reported is for the full reported period.

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 2017, 90.97% of votes cast at the meeting in favour of the adoption of the Remuneration Report.

External remuneration consultant advice

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

Godfrey Remuneration Group Pty Limited

Review of and advice on peer incentive practices evident in the market \$18,500

Subsequent to the end of the reporting period, the RC has also been engaged to assist with improving the Remuneration Report. Any fees charged in relation to this activity will be disclosed as part of the FY19 Remuneration Report.

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

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

DIRECTORS' REPORT

Remuneration Report (continued)

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

Indemnification and insurance of officers

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

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

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

WHOLE DOLLARS

	2018 \$	2017 \$
Audit and other assurance services		
Audit services:		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	392,202	346,678
Audit and review of financial reports and other audit work for foreign subsidiary	45,169	34,145
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	352,142	26,532
	789,513	407,355
Other assurance services:		
PricewaterhouseCoopers Australian firm		
Store sales certificates	11,258	10,930
Agreed upon procedures for covenant calculations	22,096	21,452
Due diligence services relating to European and domestic acquisitions	-	575,074
	33,354	607,456
Total remuneration for assurance services	822,867	1,014,811
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	88,774	37,700
International tax consulting and tax advice on acquisitions	-	521,268
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	11,316	4,785
International tax consulting and tax advice on acquisitions	11,822	32,500
Total remuneration for taxation services	111,912	596,253
Other services		
PricewaterhouseCoopers Australian firm		
Accounting advice	-	29,580
Business process review	-	25,000
Total remuneration for other services	-	54,580
Total remuneration for services	934,779	1,665,644

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.

DIRECTORS' REPORT

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 35.

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
Chairman

Brisbane
26 June 2018

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Collins Foods Limited for the reporting period ended 29 April 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'K Challenor'.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
26 June 2018

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CONSOLIDATED INCOME STATEMENT

For the reporting period ended 29 April 2018

	NOTE	2018 \$000	2017 \$000
Revenue	A3	770,936	633,562
Cost of sales		(364,927)	(301,250)
Gross profit		406,009	332,312
Selling, marketing and royalty expenses ⁽¹⁾		(159,907)	(128,946)
Occupancy expenses ⁽¹⁾		(62,445)	(50,946)
Restaurant related expenses ⁽¹⁾		(72,878)	(59,277)
Administration expenses ⁽¹⁾⁽²⁾		(46,948)	(39,224)
Other expenses		(6,129)	(4,454)
Other income ⁽³⁾	A3	1,004	2,395
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		58,706	51,860
Finance income	A4	347	357
Finance costs ⁽⁴⁾	A4	(10,856)	(8,428)
Share of net profit/(loss) of joint ventures accounted for using the equity method		301	217
Profit from continuing operations before income tax		48,498	44,006
Income tax expense ⁽⁵⁾	F9(a)	(16,009)	(16,018)
Profit from continuing operations		32,489	27,988
Net profit attributable to members of Collins Foods Limited		32,489	27,988
Basic earnings per share	F2	28.28 cps	⁽⁶⁾ 28.67 cps
Diluted earnings per share	F2	28.17 cps	⁽⁶⁾ 28.52 cps
Weighted average basic ordinary shares outstanding	F2	114,864,101	97,622,731
Weighted average diluted ordinary shares outstanding	F2	115,350,131	98,123,170

(1) Selling, marketing and royalty, occupancy, restaurant related and administration expenses include charges of \$1,200,000 (2017: \$2,136,000) relating to impairment charges and Snag Stand restructuring costs.

(2) Administration expenses include costs of acquisitions and European set up and integration costs of \$3,934,000 (2017: \$4,981,000).

(3) Gain on disposal of land and building \$nil (2017: \$500,000); gain on disposal of property, plant and equipment of \$nil (2017: \$605,000); and realised foreign exchange gain of \$nil (2017: \$734,000).

(4) Finance costs include \$1,000,000 (2017: nil) in relation to the extinguishment of unamortised costs from previous refinancing.

(5) Income tax expense includes \$1,105,000 relating to a derecognition of a deferred tax asset (2017: reversal of deferred tax assets associated with restaurant closures \$976,000).

(6) The comparative earnings per share has been restated for the bonus element of the 1:11 entitlement offer undertaken in July 2017.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 29 April 2018

	NOTE	2018 \$000	2017 \$000
Net profit attributable to members of Collins Foods Limited		32,489	27,988
Items that may be reclassified to profit or loss			
Other comprehensive income:			
Exchange difference upon translation of foreign operations	F8	5,608	771
Cash flow hedges	F8	2,281	977
Income tax relating to components of other comprehensive income	F9	(685)	(293)
Other comprehensive income for the reporting period, net of tax		7,204	1,455
Total comprehensive income for the reporting period		39,693	29,443
Total comprehensive income for the reporting period is attributable to:			
Owners of the parent		39,693	29,443

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

CONSOLIDATED BALANCE SHEET

As at 29 April 2018

	NOTE	2018 \$000	2017 \$000
Current assets			
Cash and cash equivalents	B1	60,450	104,751
Receivables	F3	6,455	4,241
Inventories		5,975	5,076
Total current assets		72,880	114,068
Non-current assets			
Property, plant and equipment	F4	165,260	103,380
Intangible assets, net	F5	438,361	282,470
Deferred tax assets	F9(b)	31,922	28,585
Receivables	F3	523	6
Investments accounted for using the equity method		1,874	1,571
Derivative financial instruments	C3	63	-
Total non-current assets		638,003	416,012
Total assets		710,883	530,080
Current liabilities			
Trade and other payables	F6	77,132	61,863
Current tax liabilities		1,033	4,648
Derivative financial instruments	C3	1,216	1,773
Provisions	F7	6,146	5,298
Total current liabilities		85,527	73,582
Non-current liabilities			
Borrowings	C2	286,258	183,022
Derivative financial instruments	C3	-	1,684
Deferred tax liabilities	F9(b)	2,631	1,901
Provisions	F7	3,499	3,098
Total non-current liabilities		292,388	189,705
Total liabilities		377,915	263,287
Net assets		332,968	266,793
Equity			
Contributed equity	D3	290,328	245,260
Reserves	F8	10,951	3,420
Retained earnings		31,689	18,113
Total equity		332,968	266,793

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 29 April 2018

	NOTE	2018 \$000	2017 \$000
Cash flows from operating activities:			
Receipts from customers (inclusive of GST)		843,260	694,202
Payments to suppliers and employees (inclusive of GST)		(702,787)	(573,356)
GST paid		(39,113)	(37,009)
Interest received		347	358
Interest and other borrowing costs paid		(8,528)	(8,044)
Income tax paid		(18,656)	(15,588)
Net operating cash flows	B1	74,523	60,563
Cash flows from investing activities:			
Payment for acquisition of subsidiary, net of cash acquired (Australia KFC acquisition)	A2	(99,744)	(15,322)
Payment for acquisition of subsidiary, net of cash acquired (Netherlands and Germany KFC acquisitions)	A2	(94,121)	(19,250)
Payment for asset acquisition		(4,150)	-
Net cash acquired upon acquisition of subsidiary (Snag Stand acquisition)		-	282
Proceeds from sale of property, plant and equipment		53	635
Purchase of franchise rights		(1,526)	(668)
Payments for plant and equipment		(43,823)	(30,609)
Net investing cash flows		(243,311)	(64,932)
Cash flow from financing activities:			
Proceeds from borrowings – bank loan facilities	B3	113,518	28,592
Repayment of borrowings and other obligations	B3	(16,000)	(10,000)
Loans advanced – related parties		-	(200)
Refinance fees paid		(1,841)	(437)
Proceeds from share placement	D3	46,065	54,484
Share issuance and placement costs	D3	(1,827)	(2,120)
Dividends paid	B4	(18,913)	(15,110)
Net financing cash flows		121,002	55,209
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the reporting period		104,751	52,464
Effects of exchange rate changes on cash and cash equivalents		3,485	1,447
Cash and cash equivalents at the end of the reporting period	B1	60,450	104,751

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 29 April 2018

	NOTE	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL EQUITY
		\$000	\$000	\$000	\$000
2017					
Beginning of the reporting period		182,098	2,364	5,235	189,697
Profit for the reporting period		-	-	27,988	27,988
Other comprehensive income		-	1,455	-	1,455
Total comprehensive income for the reporting period		-	1,455	27,988	29,443
Transactions with owners in their capacity as owners:					
Share based payments		-	399	-	399
Dividends provided for or paid	B4	-	-	(15,110)	(15,110)
Performance rights vested		798	(798)	-	-
Shares issued		62,364	-	-	62,364
End of the reporting period		245,260	3,420	18,113	266,793
2018					
Beginning of the reporting period		245,260	3,420	18,113	266,793
Profit for the reporting period		-	-	32,489	32,489
Other comprehensive income		-	7,204	-	7,204
Total comprehensive income for the reporting period		-	7,204	32,489	39,693
Transactions with owners in their capacity as owners:					
Share based payments		-	611	-	611
Dividends provided for or paid	B4	-	-	(18,913)	(18,913)
Performance rights vested		283	(283)	-	-
Shares issued (net of share issue costs)		44,785	-	-	44,785
End of the reporting period		290,328	10,952	31,689	332,969

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 and other income

A4/ Expenses

A1/ Segment information

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

DESCRIPTION OF SEGMENTS

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

Other includes Shared Services which performs a number of administrative and management functions for the Group's KFC and Sizzler Restaurants, as well as Taco Bell and Snag Stand trading activities. This reporting period, Shared Services has been grouped with Other as it is not considered a reportable operating segment as it does not generate its own revenues and a support function of the group.

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 RESTAURANTS AUSTRALIA	SIZZLER RESTAURANTS	KFC RESTAURANTS EUROPE	OTHER ⁽²⁾	TOTAL
	\$000	\$000	\$000	\$000	\$000
2018					
Total segment revenue	624,095	50,762	91,561	4,518	770,936
Underlying EBITDA ⁽¹⁾	99,260	4,560	6,635	(15,907)	94,548
Depreciation, amortisation and impairment	23,094	1,329	4,652	1,213	30,288
Finance costs – net	(4)	–	50	10,463	10,509
Income tax expense					16,009
2017					
Total segment revenue	549,472	65,049	14,806	4,235	633,562
Underlying EBITDA ⁽¹⁾	89,849	4,575	633	(13,799)	81,258
Depreciation, amortisation and impairment	20,349	1,538	616	3,329	25,832
Finance costs – net	(5)	(4)	8	8,072	8,071
Income tax expense					16,018

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

(2) Other includes: Shared Services; Snag Stand; and Taco Bell.

LOCATION OF NON-CURRENT ASSETS

	AUSTRALIA	EUROPE	ASIA	TOTAL
	\$000	\$000	\$000	\$000
2018				
Revenue	675,260	91,561	4,114	770,936
Non-current asset (property, plant and equipment, and intangibles)	459,908	131,597	12,116	603,621
2017				
Revenue	615,006	14,806	3,749	633,562
Non-current asset (property, plant and equipment, and intangibles)	352,068	21,047	12,735	385,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A1/ Segment information (continued)

OTHER SEGMENT INFORMATION

Segment revenue

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

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

Underlying EBITDA

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. This measurement basis excludes the effects of costs associated with acquisitions (refer to Note A2). Additionally, impairment of property, plant, equipment, franchise rights, brand assets and goodwill are also excluded to the extent they are isolated, non-recurring events. 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 from continuing operations before income tax is provided as follows:

	2018 \$000	2017 \$000
Underlying EBITDA	94,548	81,258
Finance costs – net	(10,509)	(8,071)
Realised foreign exchange gain	–	734
Performance rights	(611)	(399)
Costs of acquisitions expensed	(3,933)	(4,981)
Depreciation	(28,307)	(22,150)
Amortisation	(1,746)	(1,546)
Impairment of property, plant and equipment	(191)	(1,212)
Impairment of KFC franchise rights	(44)	–
Impairment of Snag Stand goodwill	–	(924)
Write-off of restaurant smallwares	–	(25)
Other one-off costs	(1,010)	–
Gain on disposal of land and building	–	1,105
Share of net profit/(loss) of joint ventures accounted for using the equity method	301	217
Profit from continuing operations before income tax	48,498	44,006

A2/ Business combinations

KFC RESTAURANTS (AUSTRALIA) – SUMMARY OF ACQUISITION

On 26 June 2017, Collins Foods South Pty Ltd, a wholly owned subsidiary of Collins Foods Limited entered into binding agreements to acquire 28 KFC restaurants from Yum! Brands Inc. subsidiaries located in Western Australia, South Australia and Tasmania. The following acquisitions were completed:

- acquisition of five restaurants in Western Australia on 9 October 2017;
- acquisition of five restaurants in South Australia on 23 October 2017; and
- acquisition of 14 restaurants in Tasmania on 4 December 2017.

The remaining restaurants are to be completed in FY19.

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

As part of the Group's ongoing franchisee relationship with Yum!, there were other agreements entered into.

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

	\$000
Purchase consideration – cash paid	99,826

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	82
Prepaid expenses	115
Inventories	322
Property, plant and equipment	26,698
Intangible assets	1,518
Deferred tax asset, net	3,616
Trade and other payables	(17)
Provisions	(1,739)
Net identifiable assets acquired	30,595
Goodwill	69,231
Net assets acquired	99,826

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

Acquisition – related costs

Acquisition related costs of \$2.9 million have been recognised in the Consolidated Income (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	99,826
Less balances acquired	82
Inflow of cash – investing activities	99,744

The acquired business contributed revenues of \$39.1 million and underlying EBITDA of \$6.7 million to the Group for the period the stores were owned by Collins Foods, up to 29 April 2018.

KFC RESTAURANTS (NETHERLANDS) – SUMMARY OF ACQUISITION

On 31 August 2017, Collins Foods Netherlands Limited, a subsidiary of the Company, acquired 16 KFC Restaurants located in the Netherlands from subsidiaries of Yum! Brands Inc. The purchase price was €62.3 million plus franchise fees and adjusted down for employee liabilities accrued prior to completion. The acquisition provides a strategic entry into the KFC Netherlands market which further support the growth platform for Collins Foods' KFC operations outside of Australia.

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

	\$000
Purchase consideration – cash paid	94,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A2/ Business combinations (continued)

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

	FAIR VALUE \$000
Cash	103
Inventories	393
Property, plant and equipment	15,230
Intangible assets	1,005
Net identifiable assets acquired	16,731
Goodwill	77,493
Net assets acquired	94,224

The goodwill represents the value of markets with an established business name that has a strong reputation and market presence.

Acquisition – related costs

Acquisition related costs of \$0.7 million have been recognised in the 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	94,224
Less balances acquired	103
Outflow of cash – investing activities	94,121

The acquired business contributed revenues of \$48.8 million and an underlying EBITDA of \$7.2 million to the Group for the period 31 August 2017 to 29 April 2018.

If all of the acquisitions had occurred on 1 May 2017, consolidated revenue and consolidated Underlying EBITDA for the reporting period ended 29 April 2018 would have been \$841.7 million and \$106.6 million respectively.

At the time the financial statements were approved and issued, the Group has not yet completed the accounting for the acquisition. In particular, the property, plant and equipment have been determined provisionally as the valuation has not yet been finalised

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. 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 and other income

	2018 \$000	2017 \$000
Revenue from continuing operations		
Sales revenue:		
Sale of goods	766,822	629,813
Other revenue:		
Franchise revenue from external parties	4,114	3,749
Total revenue	770,936	633,562
Other income		
Net gain on disposal of property, plant and equipment	15	837
Realised foreign exchange gain	-	734
Traineeship income	80	143
Other	909	681
Total other income	1,004	2,395

ACCOUNTING POLICY

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the Group has passed control of the goods to the customer. Interest income is recognised on a time proportion basis using the effective interest method and traineeship income is recognised as revenue when the right to receive payment is established.

A4/ Expenses

	2018 \$000	2017 \$000
Profit from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment		
Depreciation	28,307	22,150
Amortisation	1,746	1,546
Impairment	235	2,136
Total depreciation, amortisation and impairment	30,288	25,832
Finance income and costs		
Finance income	(347)	(357)
Finance costs	10,856	8,428
Net finance costs	10,509	8,071
Employee benefits expense		
Wages and salaries	186,072	151,628
Defined contribution superannuation expense	15,735	11,559
Employee entitlements	13,811	10,780
Total employee benefits expense	215,618	173,967
Operating lease rentals	43,793	35,290
Inventories recognised as an expense	250,879	209,243
Costs of acquisitions expensed	3,933	4,981
Performance rights	611	399
Write-off of restaurant smallwares	-	25
Bank transaction fees	3,251	2,393
Loss on disposal of property, plant and equipment	240	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2018 \$000	2017 \$000
Cash at bank and on hand ⁽¹⁾	60,450	104,751

(1) Included in cash at bank and on hand is an amount of \$1.4 million (2017: \$0.8 million) that is held under lien by the bank as security for Europe lease agreements and are therefore not available for use by the Group.

Reconciliation of profit from continuing operations to net cash inflow from operating activities

	2018 \$000	2017 \$000
Profit from continuing operations	32,489	27,988
Adjustments for non-cash income and expense items:		
Depreciation, amortisation and impairment	30,288	25,832
Loss/(gain) on disposal of property, plant and equipment	225	(226)
Amortisation of borrowing costs	1,407	238
Non-cash employee benefits expense share based payments expense	611	399
Transfer to/(from) provisions:		
Provision for inventory write-offs	(52)	43
Provision for employee entitlements	19	(829)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(250)	(1,305)
Inventory	(91)	(200)
Prepayments and other assets	(2,346)	2,826
Share of profits of joint ventures	(301)	(217)
Increase in liabilities:		
Trade payables and accruals	15,032	4,731
Movement in:		
Income tax payable	(3,506)	517
Deferred tax balances – costs associated with acquisitions	844	(81)
Fringe benefits tax payable	(54)	33
Goods and services tax payable	208	814
Net operating cash flows	74,523	60,563

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

	2018		2017	
	WORKING CAPITAL FACILITY \$000	REVOLVING BANK LOANS \$000	WORKING CAPITAL FACILITY \$000	REVOLVING BANK LOANS \$000
Used	640	287,650	807	183,981
Unused	35,370	42,402	14,193	63,838
Total	36,010	330,052	15,000	247,819

A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a Syndicated Facility Agreement (Syndicated Facility) and a Working Capital Facility Agreement (Working Capital Facility). On 26 June 2017, the Group entered into a new Syndicated Facility Agreement of \$270 million and €60 million, including working capital facilities. The new term of the facility is a blend of maturities with \$175 million, expiring on 31 October 2020, and the remaining \$95 million together with €60 million expiring on 31 October 2022.

Facilities

The Syndicated Facility and Working Capital Facility are subject to certain financial covenants and restrictions such as net leverage ratios, interest coverage ratios and others which management believe are customary for these types of loans. During the reporting period ended 29 April 2018, 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.

ACCOUNTING POLICY

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

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

B3/ Ratios

CAPITAL MANAGEMENT

The Group manages its capital by maintaining a strong capital base. The Group assesses its capital base by reference to its gearing ratio, which it defines as net debt divided by total capital. Net debt is calculated as borrowings (excluding capitalised fees) less cash and cash equivalents. Total capital is calculated as total equity as shown in the balance sheet plus net debt. At balance date, the gearing ratio was 41% (2017: 23%).

NET DEBT

	NOTE	2018 \$000	2017 \$000
Cash at bank and on hand	B1	60,450	104,751
Borrowings	B2	287,650	183,981
Net debt		227,200	79,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B3/ Ratios (continued)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 \$000	CASH FLOWS \$000	FX \$000	2018 \$000
Borrowings	183,981	97,518	6,151	287,650
Total liabilities from financing activities	183,981	97,518	6,151	287,650

NET LEVERAGE

	2018 \$000	2017 \$000
Net debt	227,200	79,230
EBITDA per Syndicated Facility Agreement	106,114	83,932
Net leverage	2.14	⁽¹⁾ 0.94

(1) The net proceeds raised from the share placement of ordinary shares to partially fund the acquisition of KFC restaurants in the Netherlands is included in net debt. Excluding these proceeds the net leverage ratio is 1.59.

B4/ Dividends

DIVIDENDS

	2018 \$000	2017 \$000
Dividends paid of \$0.17 (2017: \$0.16) per fully paid share	18,913	15,110

FRANKING CREDITS

	2018 \$000	2017 \$000
Franking credits available for the subsequent reporting period based on a tax rate of 30%	80,414	74,199

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

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

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

Since the end of the reporting period, the Directors of the Company have declared the payment of a fully franked final dividend of 9.0 cents per ordinary share (\$10.5 million) to be paid on 26 July 2018. 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 \$10,482,087.

ACCOUNTING POLICY

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

C/ FINANCIAL RISK MANAGEMENT

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

C1/ Financial risk management

C2/ Recognised fair value measurements

C3/ Derivative financial instruments

C1/ Financial risk management

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

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

Market risk

CURRENCY RISK

Foreign exchange risk

During 2018 and 2017, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivables and trade payables in respect of the Group's Asian operations and European operations which were denominated in foreign currencies at the Group level. Management has decided not to hedge the foreign exchange risk exposure for Asia. 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). The Group's exposure to foreign currency risk is disclosed in the tables below.

Hedge of net investment in foreign entity

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

Cash flow and interest rate risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 F3) is not past due, nor impaired (2017: nil past due). The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

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

LIQUIDITY RISK

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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	NOTE	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
		\$000	\$000	\$000	\$000	\$000	\$000
2018							
Non-derivatives							
Trade and other payables	F6	77,132	-	-	-	77,132	77,132
Borrowings	C2	10,638	9,739	298,193	-	318,570	286,258
Total non-derivatives		87,770	9,739	298,193	-	395,702	363,390
Derivatives							
Net settled (Swap Contracts)	C3	1,219	316	(405)	-	1,130	1,153
2017							
Non-derivatives							
Trade and other payables	F6	61,863	-	-	-	61,863	61,863
Borrowings	C2	9,207	69,823	130,927	-	210,002	183,022
Total non-derivatives		71,070	69,823	130,927	-	271,865	244,885
Derivatives							
Net settled (Swap Contracts)	C3	1,814	1,227	545	-	3,586	3,457

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

INTEREST RATE RISK AND FOREIGN EXCHANGE RISK

	CARRYING AMOUNT	INTEREST RATE RISK				FOREIGN CURRENCY RISK			
		-1%		+1%		-1%		+1%	
		PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
2018	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets	63,126	(423)	-	423	-	205	-	(205)	-
Financial liabilities	366,968	838	(1,545)	(838)	1,545	(61)	-	61	-
Total increase/(decrease)		415	(1,545)	(415)	1,545	144	-	(144)	-
2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets	107,177	(733)	-	733	-	668	-	(668)	-
Financial liabilities	253,949	415	(2,350)	(415)	2,350	(16)	-	16	-
Total increase/(decrease)		(318)	(2,350)	318	2,350	652	-	(652)	-

INTEREST RATE RISK EXPOSURES – LIABILITIES

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

	NOTES	FIXED INTEREST MATURING IN:					TOTAL	WEIGHTED AVERAGE EFFECTIVE RATE
		FLOATING INTEREST RATE	5 YEARS OR LESS	MORE THAN 5 YEARS	NON-INTEREST BEARING			
2018		\$000	\$000	\$000	\$000	\$000		
Trade and other payables	F6	-	-	-	77,132	77,132		
Borrowings – unhedged	B2	119,650	-	-	-	119,650	2.1%	
Borrowings – hedged ⁽¹⁾	B2	-	168,000	-	-	168,000	4.6%	
		119,650	168,000	-	77,132	364,782		
2017		\$000	\$000	\$000	\$000	\$000		
Trade and other payables	F6	-	-	-	61,863	61,863		
Borrowings – unhedged	B2	59,231	-	-	-	59,231	2.7%	
Borrowings – hedged ⁽¹⁾	B2	-	124,750	-	-	124,750	4.9%	
		59,231	124,750	-	61,863	245,844		

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

INTEREST RATE RISK EXPOSURES – CURRENT ASSETS (RECEIVABLES)

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

	NOTES	FIXED INTEREST MATURING IN:					TOTAL
		FLOATING INTEREST RATE	5 YEARS OR LESS	MORE THAN 5 YEARS	NON-INTEREST BEARING		
2018		\$000	\$000	\$000	\$000	\$000	
Trade and other receivables	F3	-	-	-	3,199	3,199	
		-	-	-	3,199	3,199	
2017		\$000	\$000	\$000	\$000	\$000	
Trade and other receivables	F3	-	-	-	2,432	2,432	
		-	-	-	2,432	2,432	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C2/ Recognised fair value measurements

CREDIT RISK

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

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.

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.

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

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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 29 April 2018, the Group has derivative financial instruments which are classified as Level 3 financial instruments. There are no Level 1 or Level 2 financial instruments. As at 30 April 2017, the Group had derivative financial instruments which were classified as Level 3 financial instruments. There were no Level 1 or Level 2 financial instruments.

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.

Borrowings

The fair value of borrowings is as follows:

	2018			2017		
	CARRYING AMOUNT \$000	FAIR VALUE \$000	DISCOUNT RATE %	CARRYING AMOUNT \$000	FAIR VALUE \$000	DISCOUNT RATE %
Bank Loan (net of borrowing costs)	286,258	261,904	5.6	183,022	175,892	5.8

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

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 3 fair values. The finance department reports directly to the Group CFO and the Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the Group CFO, ARC and the finance department at least once every six months, in line with the Group's half-year reporting periods.

The main Level 3 inputs used by the Group are discount rates for financial assets and financial liabilities that are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

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

ACCOUNTING POLICY

Investments and other financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

All investments and other financial assets with the exception of held-to-maturity investments and loans and receivables are measured at fair value. Held-to-maturity investments and loans and receivables are measured at amortised cost. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Changes in fair value are either taken to the Consolidated Income Statement or an equity reserve.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in current receivables (Note F3) and non-current receivables (Note F3) in the Consolidated Balance Sheet.

Available-for-sale financial assets are included in non-current assets unless management intend to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have determinable payments and management intends to hold them for the medium to long term.

C3/ Derivative financial instruments

	2018 \$000	2017 \$000
Non-current assets		
Interest rate swap contracts – cash flow hedges	63	–
Current liabilities		
Interest rate swap contracts – cash flow hedges	1,216	1,773
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	–	1,684

INSTRUMENTS USED BY THE GROUP

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

INTEREST RATE SWAP CONTRACTS – CASH FLOW HEDGES

During the reporting period ended 29 April 2018 the Group entered into the following Swap Contracts to hedge a designated portion of the interest rate exposure of the facility:

- \$15.25 million commenced on 4 December 2017, with a maturity date of 31 October 2018;
- \$28.0 million commenced on 4 December 2017, with a maturity date of 31 October 2022; and
- \$65.0 million commencing on 31 October 2018, with a maturity date of 31 October 2020.

Swap Contracts currently in place cover approximately 80% (2017: 80%) of the Australian dollar denominated loan principal outstanding and are timed to expire as each loan repayment falls due. The variable rates are Bank Bill Swap Bid Rate (BBSY) which at balance date was 1.90% (2017: 1.675%). The notional principal amounts, periods of expiry and fixed interest rates applicable to the Swap Contracts are as follows:

	2018 \$000	2018 WEIGHTED AVERAGE FIXED INTEREST RATE	2017 \$000	2017 WEIGHTED AVERAGE FIXED INTEREST RATE
Less than 1 year	140,000	2.9%	–	–
1–2 years	–	–	124,750	3.1%
2–3 years	140,000	2.4%	–	–
3–4 years	–	–	75,000	2.7%
4–5 years	28,000	2.2%	–	–
	308,000		199,750	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

C3/ Derivative financial instruments (continued)

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

CREDIT RISK EXPOSURES

At 29 April 2018, the Swap Contracts gave rise to payables for unrealised losses on derivative instruments of \$1.2 million (2017: \$3.5 million) for the Group. Management has undertaken these contracts with the Australia and New Zealand Banking Group Limited which is an AA rated financial institution.

ACCOUNTING POLICY

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Hedge accounting is only applied where effective tests are met on a prospective basis.

The Group utilises interest rate swap contracts which are designated as cash flow hedges. The effective portion of changes in the fair value of swap contracts is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement. Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item will affect profit or loss.

The Group will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship no longer qualifies for hedge accounting, which includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

When hedge accounting is discontinued any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

D/ REWARD AND RECOGNITION

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

D1/ Key management personnel

D2/ Share based payments

D3/ Contributed equity

D1/ Key management personnel

KMP COMPENSATION

	WHOLE DOLLARS	
	2018 \$	2017 \$
Short term employee benefits	3,094,277	2,520,372
Long term employee benefits	49,792	(58,016)
Post employment benefits	166,254	130,179
Long term incentive (share based payments and long term cash incentive)	297,785	290,686
Total KMP compensation	3,608,109	2,883,221

Note: FY17 Short term employee benefits includes discretionary payments.

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 Australian Securities Exchange (ASX) volume weighted average price of the shares for the five trading days prior to the date of offer of the performance rights.

Unless otherwise determined by the Board in its discretion, performance rights are issued for nil consideration. The amount of performance rights that will vest depends upon the achievement of certain vesting conditions, including the satisfaction of a minimum 12 month term of employment and the achievement of earnings per share (EPS) growth targets by the Company. In the event of cessation of employment within 12 months of the date of grant, unvested 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 the performance rights remain 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 LTIP beyond the date of cessation of employment when deemed appropriate to the circumstances. The EPS growth targets must be achieved over a three year performance period. Performance rights will automatically vest on the business day after the Board determines the vesting conditions have all been satisfied and is a date that is no later than 5.00pm (Brisbane time) on the day that is four weeks after the public release of the audited financial report of the Company for the final year of the three year performance period (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

D2/ Share based payments (continued)

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

	2018	2017
Balance at the beginning of the reporting period	446,105	803,548
Vested and exercised during the reporting period	(149,527)	(531,163)
Issued during the reporting period	329,412	176,403
Lapsed during the reporting period	(270)	(2,683)
Balance at the end of the reporting period	625,720	446,105

On 11 July 2017, following the satisfaction of the vesting conditions, 149,527 performance rights previously granted under the LTIP converted to fully paid ordinary shares. Each participant was issued with shares based on the volume weighted average price of \$5.72.

All performance rights issued during the reporting period ended 29 April 2018 have an expiry date of 26 July 2020 and were issued with an exercise price of nil. All performance rights issued during the reporting period ended 30 April 2017 have an expiry date of 23 July 2019 and were issued with an exercise price of nil.

FAIR VALUE OF PERFORMANCE RIGHTS ISSUED

There were two tranches of performance rights issued during the reporting period ended 29 April 2018:

- The assessed fair value of performance rights issued on 28 September 2017 was an average of \$5.27. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$5.82, the term of the performance right, the expected dividend yield of 3.27% and the risk free interest rate for the term of the performance rights of 2.16%.
- The assessed fair value of performance rights issued on 29 November 2017 was an average of \$5.41. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$5.93, the term of the performance right, the expected dividend yield of 3.05% and the risk free interest rate for the term of the performance rights of 2.16%.

There were two tranches of performance rights issued during the reporting period ended 30 April 2017:

- The assessed fair value of performance rights issued on 7 September 2016 was an average of \$4.20. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$4.58, the term of the performance right, the expected dividend yield of 2.83% and the risk free interest rate for the term of the performance rights of 1.51%.
- The assessed fair value of performance rights issued on 29 September 2016 was an average of \$4.13. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$4.50, the term of the performance right, the expected dividend yield of 2.83% and the risk free interest rate for the term of the performance rights of 1.51%.

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 benefits expense with a corresponding increase in equity. The determination of fair value includes consideration of any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

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

D3/ Contributed equity

EQUITY OF PARENT COMPANY

PARENT ENTITY

	DATE	NUMBER OF ORDINARY SHARES - FULLY PAID	SHARE CAPITAL \$000	TOTAL EQUITY \$000
Balance	1 May 2017	106,251,049	245,260	245,260
Share purchase plan	5 May 2017	371,145	1,949	1,949
Institutional Entitlement Offer	5 July 2017	5,681,930	25,853	25,853
Senior Executive Performance Rights Plan	11 July 2017	149,527	283	283
Retail Entitlement Offer	18 July 2017	4,013,986	18,264	18,264
Less capital raising costs	18 July 2017	-	⁽¹⁾ (1,281)	(1,281)
Balance	29 April 2018	116,467,637	290,328	290,328

(1) Net of tax effect.

ORDINARY SHARES

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

ACCOUNTING POLICY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
			2018	2017
Sizzler China Pte Ltd	Singapore	SCP	50	50

INDIVIDUALLY IMMATERIAL ASSOCIATES

	2018 \$000	2017 \$000
Aggregate carrying amount of the investment of individually immaterial associates	2,064	1,766
Aggregate amounts of the Group's share of:		
Profit from continuing operations	301	217
Total comprehensive income	301	217

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. 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 G1.

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

TRANSACTIONS WITH RELATED PARTIES

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

		WHOLE DOLLARS	
TRANSACTION TYPE	CLASS OF RELATED PARTY	2018 \$	2017 \$
Loans to related parties			
Interest received or receivable	Related entity – joint venture	–	38,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F/ OTHER INFORMATION

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

F1/ Commitments for expenditure

	2018 \$000	2017 \$000
Capital commitments		
Property, plant and equipment:		
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities, payable	2,330	8,307
Operating leases		
Operating leases relate to land, buildings and equipment with lease terms ranging from 1 to 20 years and expire on varying dates through 2038. The Company has the right to extend many of these leases and many contain market review clauses. Certain leases require contingent rent, determined as a percentage of sales, when annual sales exceed specified levels.		
Operating lease commitments:		
Aggregate lease expenditure contracted for at balance date but not recognised as liabilities, payable:		
Not later than 1 year	52,436	40,598
Later than 1 year but not later than 5 years	153,749	117,615
Later than 5 years	93,143	60,963
	299,328	219,176
Less recoverable Goods and Services Tax	(19,723)	(22,482)
Minimum lease payments	279,605	196,694

ACCOUNTING POLICY

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

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

F2/ Earnings per share

	2018	2017
Basic earnings per share (cents)	28.28	⁽¹⁾ 28.67
Diluted earnings per share (cents)	28.17	⁽¹⁾ 28.52
Earnings used in the calculation of basic and diluted earnings per share from continuing operations (\$'000)	32,489	27,988
Weighted average number of ordinary shares for the purpose of basic earnings per share (number)	114,864,101	97,622,731
Weighted average number of ordinary shares for the purpose of diluted earnings per share (number)	115,350,131	98,123,170

(1) The comparative earnings per share has been restated for the bonus element of the 1:11 entitlement offer undertaken in July 2017.

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2018	2017
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	114,864,101	97,622,731
Adjustments for calculation of diluted earnings per share:		
Performance rights	486,030	500,439
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	115,350,131	98,123,170

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.

F3/ Receivables

CURRENT ASSETS – RECEIVABLES

	2018 \$'000	2017 \$'000
Trade receivables	2,676	2,426
Prepayments	3,779	1,815
	6,455	4,241

NON-CURRENT ASSETS – RECEIVABLES

	2018 \$'000	2017 \$'000
Security deposits	523	6
	523	6

ACCOUNTING POLICY

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment loss is recognised in the Consolidated Income Statement within other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F4/ Property, plant and equipment

	LAND & BUILDINGS	LEASEHOLD IMPROVEMENTS	PLANT & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
	\$000	\$000	\$000	\$000	\$000
At 2 May 2016					
Cost	5,475	127,458	87,459	10,156	230,548
Accumulated depreciation	(1,710)	(80,164)	(60,674)	-	(142,548)
Net book amount at 2 May 2016	3,765	47,294	26,785	10,156	88,000
Additions	13	1,254	3,396	22,775	27,438
Transfers from construction in progress	-	17,376	8,204	(25,580)	-
Depreciation expense	(23)	(12,315)	(9,812)	-	(22,150)
Impairment charge	-	(667)	(545)	-	(1,212)
Disposals – cost	(1,620)	(5,060)	(6,217)	(13)	(12,910)
Disposals – accumulated depreciation	1,620	5,006	5,875	-	12,501
Acquisition through controlled entity purchased	-	5,698	5,903	41	11,642
Exchange differences	-	32	39	-	71
Net book amount at 30 April 2017	3,755	58,618	33,628	7,379	103,380
At 1 May 2017					
Cost	3,868	146,726	98,745	7,379	256,718
Accumulated depreciation (including impairment)	(113)	(88,108)	(65,117)	-	(153,338)
Net book amount at 1 May 2017	3,755	58,618	33,628	7,379	103,380
Additions	2	6,263	6,099	30,792	43,156
Transfers from construction in progress	2,882	16,400	9,230	(28,512)	-
Depreciation expense	(28)	(15,801)	(12,478)	-	(28,307)
Impairment charge	-	(75)	(116)	-	(191)
Net disposals – cost	(17)	(3,335)	(6,895)	(21)	(10,268)
Net disposals – accumulated depreciation	17	3,288	6,685	-	9,990
Acquisition through controlled entity purchased	-	33,484	12,420	-	45,904
Adjustment to purchase accounting relating to prior period ⁽¹⁾	-	(71)	(153)	-	(224)
Exchange differences	-	1,080	599	141	1,820
Net book amount at 29 April 2018	6,611	99,851	49,019	9,779	165,260
At 29 April 2018					
Cost (including purchase accounting adjustment)	6,735	199,467	119,446	9,638	335,286
Accumulated depreciation (including impairment)	(124)	(99,616)	(70,427)	141	(170,026)
Net book amount at 29 April 2018	6,611	99,851	49,019	9,779	165,260

(1) This adjustment relates to a change in the provisional fair value at acquisition date for the KFC Germany acquisition completed in FY17.

ACCOUNTING POLICY

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

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

	METHOD	2018 AVERAGE LIFE	2017 AVERAGE LIFE
Buildings	Straight line	20 years	20 years
Leasehold improvements:			
Buildings	Straight line	20 years or term of the lease ⁽¹⁾	Primary term of lease
Other leasehold improvements	Straight line	Primary term of lease ⁽²⁾	Primary term of lease
Plant and equipment	Straight line	8 years	8 years
Motor vehicles	Straight line	4 years	4 years

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

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

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

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

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

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

REVISION OF USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the estimated useful lives of leasehold improvements were revised. The net difference to the depreciation expense for all assets held in prior financial period was a decrease in the depreciation expense of (\$531,000).

Assuming the assets are held until the end of their estimated useful lives, the depreciation expense for the next five years in relation to these assets will have the following net (decrease):

PERIOD ENDED APRIL	\$000
2019	(403)
2020	(261)
2021	(261)
2022	(261)

IMPAIRMENT OF ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F5/ Intangible assets

	GOODWILL	FRANCHISE RIGHTS	SIZZLER BRAND AUSTRALIA	SIZZLER BRAND ASIA	OTHER	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
At 2 May 2016						
Cost	257,087	7,789	11,261	16,795	-	292,932
Accumulated amortisation (including accumulated impairment losses and foreign currency translation)	(27,146)	(2,565)	(11,261)	(4,008)	-	(44,980)
Net book amount at 2 May 2016	229,941	5,224	-	12,787	-	247,952
Purchase of controlled entities	34,721	1,160	-	-	28	35,909
Additions	-	658	-	-	-	658
Amortisation	-	(685)	-	(857)	(4)	(1,546)
Impairment charge	(924)	-	-	-	-	(924)
Net foreign currency translation – cost	186	-	-	292	-	478
Net foreign currency translation – accumulated	-	10	-	(67)	-	(57)
Net book amount at 30 April 2017	263,924	6,367	-	12,155	24	282,470
At 1 May 2017						
Cost	291,994	9,607	11,261	17,087	28	329,949
Accumulated amortisation (including accumulated impairment losses and foreign currency translation)	(28,070)	(3,240)	(11,261)	(4,932)	(4)	(47,503)
Net book amount at 1 May 2017	263,924	6,367	-	12,155	24	282,470
Purchase of controlled entities	146,390	2,655	-	-	-	149,045
Additions	-	1,526	-	-	-	1,526
Amortisation	-	(891)	-	(831)	(24)	(1,746)
Impairment charge	-	(44)	-	-	-	(44)
Adjustment to purchase accounting relating to prior year ⁽¹⁾	334	-	-	-	-	334
Net foreign currency translation – cost	6,686	247	-	(95)	-	6,838
Net foreign currency translation – accumulated	-	(70)	-	8	-	(62)
Net book amount at 29 April 2018	417,334	9,790	-	11,237	-	438,361
At 29 April 2018						
Cost	445,404	14,035	11,261	16,992	28	487,720
Accumulated amortisation (including accumulated impairment losses and foreign currency translation)	(28,070)	(4,245)	(11,261)	(5,755)	(28)	(49,359)
Net book amount at 29 April 2018	417,334	9,790	-	11,237	-	438,361

(1) This adjustment relates to a change in the provisional fair value at acquisition date for the KFC Germany acquisition completed in FY17.

IMPAIRMENT TEST FOR GOODWILL

Allocation of goodwill

CASH GENERATING UNIT	KFC RESTAURANTS AUSTRALIA		KFC RESTAURANTS EUROPE		SIZZLER ASIA	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Carrying value	319,564	250,332	96,542	12,357	1,228	1,235

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

The allocation of goodwill to cash generating units (CGUs) was revisited in the current year. Following the appointment of the COO Australia to manage the KFC Australia Restaurants, the KFC business is no longer monitored on a regional basis, but on a national basis for KFC Australia as a whole. Furthermore, as franchise acquisitions in recent years have been predominantly at a national level rather than a regional level, the synergies and cash generating activities associated with the acquisitions benefit the KFC business at a national level and it is no longer possible to allocate goodwill to a regional level on a non-arbitrary basis. Consequently, management have determined that it is now appropriate to allocate goodwill to KFC Australia as a whole for impairment testing purposes.

During the reporting period ended 29 April 2018, the above CGUs were tested for impairment in accordance with AASB 136. During the reporting period ended 29 April 2018, individual restaurant assets were also tested for impairment in accordance with AASB 136. In the event that the carrying value of these assets was higher than the recoverable amount (measured as the higher of fair value less costs to sell and value in use) an impairment charge was recognised in the Consolidated Income Statement as set out in the table below.

IMPAIRMENT OF ASSETS RECOGNISED DURING THE REPORTING PERIOD	2018 \$000	2017 \$000
Goodwill allocated to Snag Stand	-	924
KFC franchise rights	44	-
Restaurants:		
Sizzler Australia		
Leasehold improvements	41	24
Plant and equipment	49	158
KFC Australia		
Leasehold improvements	34	643
Plant and equipment	67	387
	235	2,136

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

KFC Australia restaurants

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2019 through to the end of the 2023 reporting period which average 2.5% (2017: 2.9%). The year one projections have been aligned to the division's specific cash flows reflected in the 2019 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2018 and prior reporting periods. A pre-tax discount rate of 14.7% (2017: 12.0%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2023, using that year's cash flow as a base. The growth rate of 2.50% (2017: 2.75%) has been used in determining the terminal value, which does not exceed the long term average growth rate for the industry segment in which the restaurants operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F5/ Intangible assets (continued)

KFC Europe Restaurants

The cash flows by restaurant have been estimated after applying growth rates from the commencement of 2019 through to the end of the 2023 reporting period which average 4.0%. The year one projections have been aligned to the division's specific cash flows reflected in the 2019 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment together with initiatives intended to improve operating margins. A pre-tax discount rate of 8.4% has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2023, using that year's cash flow as a base. The growth rate of 2.5% has been used in determining the terminal value, which does not exceed the long term average growth rate for the industry segment in which the restaurants operate.

Sizzler Australia Restaurants

The cash flows for the Sizzler Australia Restaurants from the beginning of 2019 to the end of the 2023 reporting period have been estimated at an average decline of 5.0% (2017: 5.0%) reflecting the recent trends experienced in this operating segment together with initiatives intended to improve operating margins. The projection for 2019 has been aligned to the division's specific cash flows reflected in the 2019 budget.

A pre-tax discount rate of 22.2% (2017: 20.0%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2023, using that year's cash flow as a base. No growth has been used in determining the terminal value, which is less than the long term average growth rate for the industry.

Sizzler Asia

The cash flows for the Sizzler Asia cash generating unit have been estimated after applying growth rates from the commencement of 2019 through to the end of the 2023 reporting period which average 3.0% (2017: 4.0%). The year one projections have been aligned to the cash flows reflected in the 2019 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this cash generating unit during the 2018 and prior reporting periods. A pre-tax discount rate of 14.0% (2017: 13.9%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2023, using that year's cash flow as a base.

The growth rate of 3.0% (2017: 4.0%) has been used in determining the terminal rate which does not exceed the long term average growth rate for the casual dining industry segment.

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.

Deferred franchise rights

Costs associated with franchise licences which provide a benefit for more than one reporting period are deferred and 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.

Other intangibles – Sizzler brand

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

F6/ Trade and other payables

	2018 \$000	2017 \$000
Trade payables and accruals – unsecured	62,015	48,167
Other payables	15,117	13,696
Total payables	77,132	61,863

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.

F7/ Provisions

CURRENT LIABILITIES

	2018 \$000	2017 \$000
Employee entitlements ⁽¹⁾	5,549	4,626
Make good provision	597	672
Total current liabilities – provisions	6,146	5,298

NON-CURRENT LIABILITIES

	2018 \$000	2017 \$000
Employee entitlements ⁽¹⁾	3,247	2,873
Make good provision	252	225
Total non-current liabilities – provisions	3,499	3,098

(1) Provision for employee entitlements includes long service leave. Annual leave is classified under trade and other payables as it is a guaranteed settlement.

ACCOUNTING POLICY

Employee entitlements

Provision has been made for benefits accruing to employees up to balance date, such as annual leave, long service leave and incentives. Annual leave and incentive provisions that are expected to be settled wholly within 12 months after the end of the reporting period are measured at their nominal amounts using the remuneration rates expected to apply at the time of settlement and are classified in provisions.

Long service leave, annual leave and incentive provisions that are not expected to be settled wholly within twelve months after the end of the reporting period are measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date.

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

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

Make good provision

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F8/ Reserves

	2018 \$000	2017 \$000
Hedging – cash flow hedges	(736)	(2,332)
Share based payments	970	643
Foreign currency translation	10,717	5,109
	10,951	3,420
Movements in hedging reserve – cash flow hedges:		
Opening balance	(2,332)	(3,016)
Revaluation – gross	2,304	974
Transfer to net profit – gross	(23)	3
Net deferred tax (Note F9)	(685)	(293)
Closing balance	(736)	(2,332)
Movements in share based payments reserve:		
Opening balance	643	1,042
Valuation of performance rights	611	399
Performance rights vested	(284)	(798)
Closing balance	970	643
Movements in foreign currency translation reserve:		
Opening balance	5,109	4,338
Exchange fluctuations arising on net assets of foreign operations	11,727	1,157
Exchange fluctuations arising on net investment in hedge	(6,119)	(386)
Closing balance	10,717	5,109

NATURE AND PURPOSE OF RESERVES

Hedging reserve – cash flow hedges

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

Share based payments reserve – performance rights

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

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations 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.

F9/ Tax

A) INCOME TAX EXPENSE

	2018 \$000	2017 \$000
Income tax expense		
Current tax	15,280	16,286
Deferred tax	889	(62)
(Over) provided in prior reporting periods	(160)	(206)
	16,009	16,018
Income tax expense is attributable to:		
Profit from continuing operations	16,009	16,018
Aggregate income tax expense	16,009	16,018
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets	(1,210)	(43)
(Increase)/decrease in deferred tax liabilities	2,099	(19)
	889	(62)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	48,498	44,006
Tax at the Australian tax rate of 30%	14,549	13,201
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	2,114	3,179
Difference in foreign taxation rates	(139)	-
Provision transfers	634	597
Non-assessable income received	(869)	(753)
Carried forward capital losses	(120)	-
	16,169	16,224
Amounts (over)/under provided in prior reporting periods	(160)	(206)
Income tax expense	16,009	16,018
Tax expense relating to items of other comprehensive income		
Cash flow hedges (Note F8)	685	293
Tax losses		
Unused revenue tax losses for which no deferred tax asset has been recognised	3,283	-
Unused capital tax losses for which no deferred tax asset has been recognised	65,090	64,892
Potential tax benefit @ 30%	20,512	19,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F9/ Tax (continued)

B) DEFERRED TAX BALANCES

	2018 \$000	2017 \$000
Deferred tax assets (DTA)		
The balance comprises temporary differences attributable to:		
Depreciation	25,532	22,186
Employee benefits	5,447	4,863
Provisions	2,354	1,920
Carried forward revenue losses	1,478	1,160
Capitalised costs	1,252	614
Cash flow hedges	313	998
Other	56	-
Total deferred tax assets	36,432	31,741
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,510)	(3,156)
Net deferred tax assets	31,922	28,585
All movements in DTA were recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income		
Deferred tax liabilities (DTL)		
The balance comprises temporary differences attributable to:		
Inventories	752	637
Intangibles	6,387	4,417
Prepayments	2	3
Total deferred tax liabilities	7,141	5,057
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,510)	(3,156)
Net deferred tax liabilities	2,631	1,901
All movements in DTL were recognised in the Consolidated Income Statement		

ACCOUNTING POLICY

Income tax

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

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

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

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

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

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

Tax consolidation

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

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

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

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

F10/ Auditor's remuneration

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

	WHOLE DOLLARS	
	2018 \$	2017 \$
Audit and other assurance services		
Audit services:		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	392,202	346,678
Audit and review of financial reports and other audit work for foreign subsidiary	45,169	34,145
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	352,142	26,532
	789,513	407,355
Other assurance services:		
PricewaterhouseCoopers Australian firm		
Store sales certificates	11,258	10,930
Agreed upon procedures for covenant calculations	22,096	21,452
Due diligence services relating to European and domestic acquisitions	-	575,074
	33,354	607,456
Total remuneration for assurance services	822,867	1,014,811
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	88,774	37,700
International tax consulting and tax advice on acquisitions	-	521,268
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	11,316	4,785
International tax consulting and tax advice on acquisitions	11,822	32,500
Total remuneration for taxation services	111,912	596,253
Other services		
PricewaterhouseCoopers Australian firm		
Accounting advice	-	29,580
Business process review	-	25,000
Total remuneration for other services	-	54,580
Total remuneration for services	934,779	1,665,644

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F10/ Auditor's remuneration (continued)

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.

F11/ Contingencies

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

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

G/ GROUP STRUCTURE

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

G2/ Parent entity financial information

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

The Consolidated Financial Statements at 29 April 2018 include the following subsidiaries. The reporting period end of all subsidiaries is the same as that of the parent entity^(a).

NAME OF CONTROLLED ENTITY	NOTES	PLACE OF INCORPORATION	ACRONYM	% OF SHARES HELD	
				2018	2017
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
Sizzler South Pacific Pty. Ltd.	(c)	Nevada, USA	SSP	-	100
SingCo Trading Pte Ltd	(d)	Singapore	SingCo	100	100
Sizzler International Marks LLC	(d)	Delaware, USA	SIM	100	100
Sizzler Asia Holdings LLC	(d)	Delaware, USA	SAH	100	100
Sizzler South East Asia LLC	(d) (e)	Delaware, USA	SSEA	100	100
Sizzler New Zealand LLC	(d) (e)	Delaware, USA	SNZ	100	100
Sizzler Restaurant Services LLC	(d) (e)	Delaware, USA	SRS	100	100
Collins Foods Europe Limited	(d)	United Kingdom	CFEL	100	100
Collins Foods Europe Services Limited	(d)	United Kingdom	CFESL	100	100
Collins Foods Europe Finco Limited	(d)	United Kingdom	CFEFL	100	-
Collins Foods Germany Limited	(d)	United Kingdom	CFGL	100	100
Collins Foods Netherlands Limited	(d)	United Kingdom	CFNL	100	100

(a) Collins Foods Limited is domiciled in Brisbane, 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) Sizzler South Pacific Pty. Ltd. This company was dissolved on 24 May 2017 in Australia and 6 June 2017 in Nevada.

(d) These companies are not Australian registered companies and are not covered by the ASIC Instrument 2016/785.

(e) Originally incorporated in Nevada, upon conversion to a Limited Liability Company (LLC) became registered in Delaware.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits 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	
	2018	2017
	\$000	\$000
CONSOLIDATED INCOME STATEMENT		
Sales revenue	675,261	615,007
Cost of sales	(323,296)	(294,341)
Gross profit	351,965	320,666
Selling, marketing and royalty expenses	(139,330)	(125,609)
Occupancy expenses	(53,278)	(49,489)
Restaurant related expenses	(60,901)	(57,226)
Administration expenses	(38,660)	(36,333)
Other expenses	(5,240)	(4,378)
Share of net profit of joint ventures accounted for using the equity method	-	(112)
Other income	367	2,395
Finance income	353	362
Finance costs	(10,812)	(8,428)
Profit from continuing operations before income tax	44,464	41,848
Income tax expense	(15,196)	(15,501)
Profit from continuing operations	29,268	26,347
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Profit from continuing operations	29,268	26,347
Other comprehensive income:		
Cash flow hedges	2,281	977
Income tax relating to components of other comprehensive income	(685)	(293)
Other comprehensive income for the reporting period, net of tax	1,596	684
Total comprehensive income for the reporting period	30,864	27,031
Total comprehensive income for the reporting period is attributable to:		
Owners of the parent	30,864	27,031
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS/(ACCUMULATED LOSSES)		
Retained earnings/(accumulated losses) at the beginning of the reporting period	16,472	(376)
Profit for the reporting period	29,268	26,347
Dividends provided for or paid	(18,913)	(9,499)
Retained earnings/(accumulated losses) at the end of the reporting period	26,826	16,472

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	
	2018	2017
	\$'000	\$'000
Current assets		
Cash and cash equivalents	41,173	38,257
Receivables	3,461	3,822
Inventories	5,196	4,793
Total current assets	49,830	46,872
Non-current assets		
Property, plant and equipment	132,731	95,536
Intangible assets, net	325,187	254,504
Deferred tax assets, net	31,589	28,983
Receivables	225	6
Derivative financial instrument	63	-
Other financial assets	134,302	91,783
Total non-current assets	624,097	470,812
Total assets	673,927	517,684
Current liabilities		
Trade and other payables	64,822	58,515
Current tax liabilities	1,129	4,644
Derivative financial instruments	1,216	1,773
Provisions	6,145	5,298
Total current liabilities	73,312	70,230
Non-current liabilities		
Borrowings	286,258	183,022
Derivative financial instruments	-	1,684
Provisions	3,499	3,098
Total non-current liabilities	289,757	187,804
Total liabilities	363,069	258,034
Net assets	310,858	259,650
Equity		
Contributed equity	290,328	245,260
Reserves	(6,296)	(2,082)
Retained earnings	26,826	16,472
Total equity	310,858	259,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

G2/ Parent entity financial information

SUMMARY FINANCIAL INFORMATION

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

	2018 \$'000	2017 \$'000
Balance sheet		
Current assets	139	123
Non-current assets	391,082	330,192
Total assets	391,221	330,315
Current liabilities	1,344	4,857
Non-current liabilities	50,945	31,725
Total liabilities	52,289	36,582
Net assets	338,932	293,733
Shareholder's equity:		
Issued capital ⁽¹⁾	336,659	291,588
Reserves	967	642
Retained earnings	1,306	1,503
	338,932	293,733
Profit for the reporting period	18,716	14,477
Total comprehensive income	18,716	14,477

(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 \$270 million and €60 million as stated in Note B2. In addition, there are cross guarantees given by the parent entity as described in Note G1. All controlled entities will together be capable of meeting their obligations as and when they fall due by virtue to the Deed of Cross Guarantee (Amended and Restated) dated 27 April 2017. 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 29 April 2018.

H/ BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

H1/ Basis of preparation

H2/ Other accounting policies

H1/ Basis of preparation

COMPLIANCE

These financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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.

CONSOLIDATION

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

REPORTING PERIOD

The Group utilises a fifty-two, fifty-three week reporting period ending on the Sunday nearest to 30 April. The 2018 reporting period comprised the fifty-two weeks which ended on 29 April 2018 (2017 was a fifty-two week reporting period which ended on 30 April 2017).

FOREIGN CURRENCIES

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

H1/ Basis of preparation (continued)

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 F4 Property, plant and equipment
- Note F5 Intangible assets

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 adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the first time for their annual reporting period commencing 1 May 2017.

Outlined below are the new and revised Standards and amendments and interpretations effective for the current reporting period that are relevant to the Group, and the impact of their application:

AASB 1048 Interpretation of Standards

The Group has applied the new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including Interpretation 22 Foreign Currency Transactions and Advance Consideration and Interpretation 23 Uncertainty over Income Tax Treatments.

The application of these amendments has had no impact on the Group's consolidated financial statements as this is a service standard that ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify AASB 112 Income Taxes in regard to:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Amends AASB 107 Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (Note C2). A reconciliation between the opening and closing balances is provided in Note B3. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note B3, the application of these amendments has had no impact on the Group's consolidated financial statements.

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Amends AASB 12 Disclosure of Interests in Other Entities to clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 29 April 2018 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 set out below. At this stage the Group does not intend to adopt any of the following standards before the effective dates.

Standards and Interpretations effective from the 2019 reporting period onwards:

AASB 9 Financial Instruments

This standard and the related subsequent amendments replaces AASB 139 Financial Instruments: Recognition and Measurement and applies to the classification, measurement and derecognition of financial instruments. The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. Lastly, the standard amends the rules on hedge accounting to more closely align the accounting treatment with the risk management practices of the business.

The Group has conducted a detailed assessment of the impacts of the new standard, and the results of the impact are:

- There is no change to the financial assets falling under the scope of AASB 139 and subsequently under the scope of AASB 9. These assets are classified as amortised cost under both standards, therefore there is insignificant impact the classification and measurement of the Group's financial assets.
- The financial liabilities at fair value through profit and loss currently held by the Group are almost fully designated as hedge instruments, therefore any impact of the new standard on financial liabilities is minimised by the hedge accounting treatment.
- As a general rule, under the new standard more hedge relationships may be eligible for hedge accounting. Existing hedge relationships within the Group appear to qualify as continuing hedge relationships upon adoption of the new standard.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses. The assets impacted by this change are immaterial to the Group and are disclosed in Note F3. In the future this change may result in earlier recognition of credit loss provisions, however the impact when the new standard is first adopted is expected to be insignificant due to the nature of the Group's trade receivables, the business relationship with the debtors, and having a solid history of minimal credit losses.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised. It replaces existing guidance around revenue recognition requirements, including those set out in AASB 118 Revenue. The core principle of AASB 15 is that an entity shall recognise revenue when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is in the final stages of completing the assessment of the impact on its consolidated financial statements as a result of the application of the new standard.

Of the total revenue disclosed in Note A3, the following impact is expected:

- Sale of goods: The new standard will not result in a change of the timing of recognition of sale of goods revenue.
- Franchise revenue from external parties: This revenue stream is made up of sales-based royalties (FY18: 97.5%) and franchise fees (FY18: 2.5%) payable for acquiring or renewing a franchise agreement.
- Under the new standard, sales-based royalties will continue to be recognised over time based on when the sales occur that the royalties are derived from. This is not a change from the existing treatment.
- Franchise fees are currently recognised in full at the commencement of a franchise agreement or renewal of an agreement. Within a franchise agreement there are several separate performance obligations throughout the term of the agreement. As revenue is required to be allocated to each performance obligation and recognised on transfer of control, the allocation of this revenue will result in a change of the timing of revenue recognition to various points across the term of the agreement.

The impact of the standard will alter the timing of revenue recognition of 2.5% of the franchise revenue from external parties and less than 1% of the Group's total revenue, resulting in an immaterial impact to revenue and the financial statements of the Group.

The new standard requires certain additional disclosures in relation to revenue derived from contracts, key judgements and future revenue expected to be granted.

The Group expects to adopt the modified retrospective approach to implementation, where the cumulative impact of the adoption will be recognised in retained earnings at the date of implementation of the standard (the first day of the 2019 reporting period), and comparatives will not be restated. The new standard will only be applied to contracts that remain in force at the transition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

H1/ Basis of preparation (continued)

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions

The amendments clarify the following:

In estimating the fair value of a cash-settled share based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share based payments.

Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share based payment would have been classified as equity-settled had it not included the net settlement feature.

A modification of a share based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

- The original liability is derecognised.
- The equity-settled share based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The application of the amendments in the future are not anticipated to have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share based payment arrangements or any withholding tax arrangements with tax authorities in relation to share based payments.

Interpretation 22 Foreign Currency Transactions and Advance Considerations

This interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. (e.g. Non-refundable deposit or plant and equipment).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Group is currently in the process of evaluating the impact of this pronouncement.

Standards and Interpretations effective from the 2020 reporting period onwards:

AASB 16 Leases

The introduction of AASB 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases, which are instead recognised on a straight-line basis as an expense in the Income Statement.

The liability recognised will initially be measured at present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the lease liability if the Group is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or a rate, but excludes other variable lease payments, such as payments contingent on the performance of the asset e.g. Payments based on percentage of sales of the store.

The right of use asset reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

Depreciation of the right of use assets and interest on the lease liabilities will be recognised in the Income Statement over the lease term.

The total amount of cash paid relating to leases will be separated in the Statement of Cash Flows into a principal portion (within cashflows from financing activities) and an interest portion (within cashflows from operating activities). The net increase/decrease in cash and cash equivalents will remain the same.

The Standard will primarily affect the accounting for the Group's operating leases. The majority of these leases are expected to fall under the scope of AASB 16. This will result in higher assets and liabilities on the Balance Sheet. Information on the amount of the Group's non-cancellable operating lease commitments is disclosed in Note F1. The disclosed amounts are not discounted and do not include amounts payable for renewal options not yet exercised. It is anticipated that more than 80% of the Group's leases will have reasonable certainty that the renewal options will be taken up.

Underlying EBITDA, as disclosed in Note A1 (Segment Note) will increase as the current lease treatment under AASB 117 Leases results in the operating lease cost being charged against EBITDA, while under AASB 16 the charge will be included in depreciation and interest which are excluded from EBITDA (although included in profit before income tax).

The standard must be implemented retrospectively, either with the full retrospective approach where comparatives are restated, or with the modified retrospective approach where the cumulative impact of application is recognised as at the first date of the financial year the standard is applied to. The Group expects to use the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

The Standard contains a number of practical expedients, one of which permits the retention of the classification of existing contracts as leases under current accounting standards instead of reassessing whether existing contracts are or contain a lease at the date of initial application of the new standard. At this stage in the impact assessment, the Group intends on applying this practical expedient.

AASB 16 is expected to be the most significant of the new accounting pronouncements for the Group in terms of impact on the primary statements and on systems and processes.

To date, work has focused on understanding the provisions of the standard, how it will impact the Group, establishing the population of lease contracts that will extend beyond the first date of adoption, and a review of system requirements. In FY2019, a detailed impact analysis will be completed, along with discount rate determination, and system and accounting process updates required will be addressed.

Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ('tax amounts'), when there is uncertainty over income tax treatments under AASB 112 Income Taxes.

The Interpretation requires an entity to:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities.
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) If an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

The Group does not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

H2/ 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 F6).

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 KFC 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I/ SUBSEQUENT EVENTS

I1/ Acquisition of restaurants in Australia

I1/ Acquisition of restaurants in Australia

On 7 May 2018 the Group acquired two KFC restaurants located in South Australia that were part of the Yum! acquisition announced on the 26 June 2017. The acquisition further strengthens the growth platform of the Group as it provides a footprint from which to grow in these new areas.

The financial effects of this transaction have not been recognised at 29 April 2018. The operating results and assets and liabilities of the acquired company will be consolidated from 7 May 2018.

	\$000
Purchase consideration – cash paid	4,267

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

	FAIR VALUE \$000
Cash	5
Inventories	21
Property, plant and equipment	921
Intangible assets	133
Deferred tax asset, net	299
Provisions	(67)
Net identifiable assets acquired	1,312
Goodwill	2,955
Net assets acquired	4,267

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 Consolidated Income Statement (other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (payments to suppliers and employees). Refer to the KFC Australia acquisition for details of the acquisition related costs.

At the time the financial statements were approved and issued, the Group has not yet completed the accounting for the acquisition. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as property, plant and equipment and the associated DTA are based on a draft valuation.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 36 to 82 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 29 April 2018 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 G 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 G.

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

The Directors have been given the declarations by the Chief Executive Officer and the 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
Chairman

Brisbane
26 June 2018

INDEPENDENT AUDITOR'S REPORT



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 29 April 2018 and of its financial performance for the reporting period then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 29 April 2018
- the consolidated statement of comprehensive income for the reporting period then ended
- the consolidated statement of changes in equity for the reporting period then ended
- the consolidated statement of cash flows for the reporting period then ended
- the consolidated income statement for the reporting period then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

The Group operates across Australia, Asia and Europe. Its key segments are KFC Restaurants in Australia and Europe, and Sizzler Restaurants in Australia and Asia. The Group has a corporate accounting function based in Brisbane.



Materiality of the Group

- For the purpose of our audit we used overall Group materiality of \$2.4 million, which represents approximately 5% of the Group's profit before tax.
- 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.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope of the Group

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In establishing the overall approach to the Group audit, we determined the type of audit work that needed to be performed. Full scope audit procedures were performed over the Australian operations and the Collins Foods Europe business, assisted by local component auditors in the Netherlands. Site visits were conducted at KFC and Sizzler Restaurants in Queensland, Western Australia, Germany and the Netherlands.
- To be satisfied that sufficient audit evidence has been obtained on the Collins Foods Europe business for our opinion on the Group financial report as a whole, the group audit engagement team had active dialogue throughout the reporting period with the local component auditors, including issuing written

INDEPENDENT AUDITOR'S REPORT



instructions, receiving formal interoffice reporting, as well as attending final audit clearance meetings with management and the board in the Netherlands and United Kingdom respectively.

- Due to the nature of the Group's business, our IT systems specialists assisted us with developing our understanding of the Group's IT systems and complex revenue generation processes.
- As part of our audit, we also utilised the expertise of our Valuations experts and Tax specialists to assist with our audit procedures on the Group's impairment models and tax calculations.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
 - Assessment of the carrying value of goodwill
 - Carrying value of other non-current assets
 - Accounting for business combinations
- These are further described in the *Key audit matters* section of our report.

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
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Assessment of the carrying value of goodwill
(Refer to note F5) [\$417.3m]

Collins Foods Limited recorded goodwill of \$417.3m as at 29 April 2018, allocated between 3 cash generating units ('CGUs') being KFC Restaurants Australia, KFC Restaurants Europe and Sizzler Asia. As noted in Note F5 to the financial report, goodwill previously allocated to individual states for KFC Australia has since been aggregated at the KFC Restaurants Australia CGU level.

As required by Australian Accounting Standards, at 29 April 2018, management performed an impairment assessment over the goodwill balance by calculating the value in use for each CGU using a discounted cash flow model. Refer to Note F5, for details of the impairment test and assumptions.

We focused on this area due to the size of the goodwill balance which has increased substantially due to business acquisitions during the period, the restructure

We performed a number of audit procedures in relation to goodwill, including:

- Assessing the appropriateness of the Group's determination of cash generating units (CGUs) following the reassessment performed.
- Evaluating the cash flow forecasts including assessing the assumptions they were based on and testing the mathematical accuracy of the underlying calculations.
- Comparing the cash flow forecasts for the reporting period ending 28 April 2019 ('FY2019') in the calculations to the Board approved budget for FY2019.
- Comparing the actual results for the reporting period ending 29 April 2018 ('FY2018') with prior year forecasts to assess the historical



Key audit matter

in CGUs during the period and because the directors' assessment of the 'value in use' of the Group's CGUs involved judgement about the future results of the Group and the discount rate and long term growth rates applied to future cash flows.

How our audit addressed the key audit matter

accuracy of the Group's forecasting processes.

With assistance from our Valuations experts, we also evaluated:

- Key assumptions for long-term growth rates in the forecasts by comparing them to historical results and economic and industry forecasts; and
- The discount rate used in the models by comparing the cost of capital for the Group to market data and industry research.

We found that the long-term growth rate assumptions were consistent with historical results adjusted for the economic outlook and industry forecasts.

We performed a sensitivity analysis on the models by adopting other assumptions which we viewed as reasonably possible for the FY2019 cash flow forecasts, the long term growth rate and the discount rate.

We also compared the Group's net assets as at 29 April 2018 of \$332.97m to its market capitalisation of \$617.3m as at 29 April 2018.

Carrying value of other non-current assets
(Refer to note F4 and F5) [\$165.3m]

Collins Foods Limited recorded fixed assets of \$165.3m as at 29 April 2018.

Management have followed their formal policy to prepare a value-in-use calculation for all restaurants and consider them for fixed asset impairment at an individual restaurant level.

Following management's assessment, a fixed asset impairment of \$0.2m was recorded in the financial report for KFC and Sizzler Australia stores.

We focused on this area due to the size of the fixed asset balance, the judgement involved in determining the value in use calculations for each restaurant and the

Our audit procedures in relation to management's review of each restaurant included the following procedures amongst others:

- Evaluating the cash flow forecasts in the models for each individual restaurant including assessing the assumptions they were based on and testing the mathematical accuracy of the underlying calculations.
- Comparing the cash flow forecasts for FY2019 in the calculations to the Board approved budget for FY2019.
- Comparing the FY2018 actual results with prior year forecasts to assess the historical accuracy of the Group's forecasting processes.

INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
<p>associated risk of impairment.</p>	<ul style="list-style-type: none"> Performing sensitivity analysis on assumptions within the detailed calculations. Evaluating the adequacy of the disclosures made in Note F5, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. <p>With assistance from our Valuations experts, we also evaluated:</p> <ul style="list-style-type: none"> Key assumptions for long-term growth rates in the forecasts by comparing them to historical results and economic and industry forecasts; and The discount rate used in the calculations by comparing the cost of capital for the Group to market data and industry research.
<p>Accounting for business combinations <i>(Refer to note A2)</i></p> <p>Collins Foods Limited completed a number of acquisitions during the period, which included:</p> <ul style="list-style-type: none"> Acquisition of 16 Netherlands Restaurants which completed on 31 August 2017, for purchase consideration of \$94.2m. The provisional fair value of the net assets acquired was \$16.7m and goodwill of \$77.5m was recognised as part of the acquisition. Acquisition of 5 KFC Restaurants in Western Australia, 5 KFC Restaurants in South Australia, and 14 KFC Restaurants in Tasmania which completed on 9 October 2017, 23 October 2017 and 4 December 2017 respectively for purchase consideration of \$99.8m. The provisional fair value of the net assets acquired was \$30.6m and goodwill of \$69.2m was recognised as part of the 	<p>Our procedures in relation to the accounting for the business combinations included, amongst others:</p> <ul style="list-style-type: none"> Assessment of fair value adjustments of assets and liabilities performed by management against a third party valuation, taking into consideration the methodology utilised, expertise and independence of the third party valuation expert; Assessment of the allocation of goodwill to the cash generating unit and consideration of operating and reporting segments. Assessment of the accuracy and completeness of business combination disclosures in the financial statements. This included consideration of the aggregation of the completion of individual tranches in the one disclosure. We found that the disclosures provided the users with appropriate information to understand the nature of the



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>acquisition.</p> <p>To assist in funding, a share capital raising and debt refinance occurred.</p> <p>We also note per note I1 that 2 additional KFC Restaurants were acquired subsequent to period end and settled on 7 May 2018.</p> <p>We focused on each of these acquisitions because they are material, the accounting is considered to be complex and because of the judgements made by management with respect to the allocation of fair value to the assets and liabilities acquired.</p>	<p>acquisitions.</p> <ul style="list-style-type: none"> • Consideration of the completeness of the recognition of intangible assets by evaluating the assets purchased on acquisition. • Testing of the consideration paid for the acquisitions to bank statement, loan documents and the purchase agreement. • Assessment of any provisional accounting updates processed during the period since acquisition. <p>Our procedures in relation to the share capital raising and debt refinance were as follows:</p> <ul style="list-style-type: none"> • Testing the inputs in the retrospectively adjusted basic and diluted Earnings per Share ('EPS') for all financial reporting periods presented in the period end financial statements. • Testing a sample of equity raising costs recognised in equity net of tax to supporting documents including invoices, and share capital raising proceeds to bank statements. • Assessment of the treatment of the refinance in light of the Australian Accounting Standards, and giving consideration to the newly signed loan agreement. • Assessment of whether previously capitalised costs were expensed in the P&L upon refinance, and tested a sample of debt refinance costs newly capitalised to supporting documents including invoices.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the reporting period ended 29 April 2018, but

INDEPENDENT AUDITOR'S REPORT



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 the Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report, including CEO's Report, Letter to Shareholders and Chairman's Message.

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 identified above 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 as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *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:



http://www.auasb.gov.au/auditors_responsibilities/ar1.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 16 to 33 of the directors' report for the reporting period ended 29 April 2018.

In our opinion, the remuneration report of Collins Foods Limited for the reporting period ended 29 April 2018 complies with section 300A of the *Corporations Act 2001*.

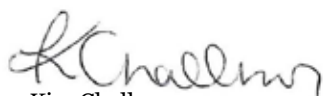
Responsibilities

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.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Collins Foods Limited for the reporting period ended 29 April 2018 included on Collins Foods Limited's web site. The directors of the Company are responsible for the integrity of Collins Foods Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.


PricewaterhouseCoopers


Kim Challenor
Partner

Brisbane
26 June 2018

SHAREHOLDER INFORMATION

Shareholder information not 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 22 June 2018.

Distribution of equity securities

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

HOLDING	NUMBER OF SHAREHOLDERS OF ORDINARY SHARES	NUMBER OF HOLDERS OF PERFORMANCE RIGHTS
1-1,000	2,363	-
1,001-5,000	2,964	14
5,001-10,000	746	-
10,001-100,000	516	8
100,001 and over	45	1
Total	6,634	23

There were 195 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	
	NUMBER HELD	PERCENTAGE OF ISSUED SHARES %
HSBC Custody Nominees (Australia) Limited	24,503,084	21.04
J P Morgan Nominees Australia Limited	21,537,862	18.49
National Nominees Limited	9,482,726	8.14
Citicorp Nominees Pty Limited	9,138,142	7.85
Kevin Perkins	7,146,715	6.14
BNP Paribas Noms Pty Ltd <DRP>	2,898,017	2.49
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,530,177	2.17
Chrikim Pty Ltd <Geoffrey Wright Income A/C>	1,477,580	1.27
Leendert Hoeksema and Aaltje Hoeksema	920,000	0.79
BNP Paribas Noms (NZ) Ltd <DRP>	863,086	0.74
Hooks Enterprises Pty Ltd <Hoeksema Superfund A/C>	840,000	0.72
Chrikim Pty Ltd <Geoffrey Wright Income A/C>	569,421	0.49
Ecapital Nominees Pty Limited <Accumulation A/C>	551,947	0.47

	ORDINARY SHARES	
	NUMBER HELD	PERCENTAGE OF ISSUED SHARES %
Brazil Farming Pty Ltd	550,000	0.47
Graham Maxwell	480,761	0.41
Heather Lynnette Grace	478,801	0.41
UBS Nominees Pty Ltd	473,076	0.41
CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	414,196	0.36
Aust Executor Trustees Ltd <GFFD>	412,268	0.35
AMP Life Limited	405,741	0.35
TOTAL	85,673,600	73.56

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
BT Investment Management Limited	7,639,366	6.56
Kevin Perkins	7,621,484	6.54

Restricted securities and share buy-backs

There are no restricted fully paid shares on issue in the Company. A voluntary holding lock will be applied in relation to 65,181 fully paid ordinary shares, if they are issued, upon the vesting of 65,181 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, Chairman
Graham Maxwell, Managing Director & CEO
Newman Manion
Bronwyn Morris
Kevin Perkins
Russell Tate

COMPANY SECRETARY

Frances Finucan

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 3, KSD1, 485 Kingsford Smith Drive
Hamilton QLD 4007

SHARE REGISTER

Computershare Investor Services Pty Ltd
Level 1, 200 Mary Street
Brisbane QLD 4000 Australia
Telephone number: 1300 850 505
Outside Australia: +61 3 9415 4000

AUDITOR

PricewaterhouseCoopers
480 Queen Street
Brisbane QLD 4000

SECURITIES EXCHANGE LISTING

Collins Foods Limited shares are listed on the Australian Securities Exchange. (ASX:CKF)

WEBSITE ADDRESS

www.collinsfoods.com

