



2019 Annual Report

COLLINS FOODS LIMITED





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Key dates

Tuesday, 25 June 2019	Full year results released
Wednesday, 10 July 2019	Final dividend record date
Thursday, 25 July 2019	Final dividend payment date
Sunday, 13 October 2019	FY20 half-year end
Wednesday, 27 November 2019	Half-year results released
Thursday, 6 December 2019	Interim dividend record date
Tuesday, 17 December 2019	Interim dividend payment due

Our Financial Performance

Revenue

↑ 16.9%
to \$901.2m

(FY18: \$770.9m)

Statutory NPAT

↑ 20.4%
to \$39.1m

(FY18: \$32.5m)

Underlying NPAT

↑ 15.7%
to \$45.0m

(FY18: \$38.9m)

Underlying EBITDA

↑ 20.3%
to \$113.7m

(FY18: \$94.5m)

Net Operating Cashflow

↑ 30.9%
to \$97.5m

(FY18: \$74.5m)

Total FY19 Fully Franked Dividends of 19.5cps

(FY18: 17cps)



Our Year in Review



KFC Australia

Initiatives relating to delivery, digital and ongoing operational efficiencies have underpinned KFC Australia's strong performance.

Locations

- Australia



231

Restaurants

\$722.6m

Revenue

3.7%

Same Store
Sales **growth**

16.6%

EBITDA
margin



KFC

Europe

In Europe, the focus will be on driving sales growth by implementing a greater range of value products across all restaurants in the Netherlands and Germany.

Locations

- Netherlands
- Germany



37

Restaurants

\$123.8m

Revenue

National
brand refresh
launch in
Germany

Renewed focus
on **value** and
more targeted
product
innovation

Our Year in Review



Taco Bell

Taco Bell continues to trade in line with expectations, with great value products and contemporary restaurant designs resonating well with our customers.

Locations

- Australia



Restaurants



Restaurants
planned for
opening before
the end of
the year





Sizzler

Sizzler Australia continues to transition; Sizzler Asia continues to grow in both existing restaurant sales and new builds delivering solid results.

Locations

- Australia
- China
- Japan
- Thailand



Restaurants
in Australia



Restaurants
in Asia

12.2%

Royalty revenue
growth for
Sizzler Asia

Chairman's Message



Dear shareholders,

I am delighted to report on the successful 2019 financial year (FY19), that saw Collins Foods continue to execute on its strategic growth objectives and initiatives and grow shareholder value.

Strong earnings growth was delivered in FY19, particularly in the core KFC Australia business, stemming from successful initiatives in the areas of delivery, digital and operations. In the core domestic business, we reported positive Same Store Sales (SSS) growth in all States, while also expanding our footprint with five net new restaurants built and the final three restaurants as part of the Yum! acquisition completing.

Investments in delivery and digital contributed to incremental sales and further penetration in existing markets. We are pleased with the progress of the delivery channel to date as an emerging incremental growth avenue.

In Europe, we are continuing to focus on driving improved sales. This includes the introduction of a brand refresh in Germany and a renewed focus on value in the Netherlands. These initiatives are expected to have positive impacts in these respective regions in FY20.

The Sizzler Australia business continues to be transitioned and consistent with prior years, we are reducing restaurant numbers as leases expire while still retaining a positive EBITDA contribution from the restaurants. Sizzler Asia royalties continue to grow due to higher sales and an increased restaurant count in Thailand, Japan and China.

Following the Board's positive assessment of the viability of the Taco Bell brand, we were pleased to sign a Development Agreement with Taco Bell, a subsidiary of Yum! Brands Inc. The Taco Bell roll out is to be funded from the Group's internally generated cash flows and customer engagement and feedback continues to be strong. The Board believes that expansion via the Taco Bell brand provides a high-quality growth opportunity for the Company and its shareholders.

Solid results from across the Company resulted in revenue increasing 16.9% to \$901.2 million, the Group's highest ever. Driving this strong revenue result was an expanded restaurant footprint, positive SSS growth in the core domestic market, ongoing marketing, and the delivery channel which has enhanced the customer experience. A consistent focus on operational excellence and efficiency improvements underpinned 20.3% growth in underlying EBITDA to \$113.7 million.

As in prior years, Collins Foods is focused on maintaining a strong balance sheet and comfortable levels of gearing. The Company generated strong net operating cash flows, and this was used to build and new restaurants and refurbish older ones, pay our dividends and continue paying down debt and reducing leverage.

The Board was pleased to declare a final FY19 fully franked dividend of 10.5 cents per share, with the total dividend for FY19 being 19.5 cents per share fully franked, up from 17 cents per share in FY18.

Outlook

Collins Foods is enacting initiatives to support a platform for continued sustainable growth across the Group. Our ongoing focus on delivery, digital and operations will ensure that we are able to provide our customers with the highest levels of service and satisfaction, while still offering good value.

The Group will maintain its disciplined approach to operational management while continuing to invest in new and innovative products that taste great and customers enjoy.

On behalf of the Board, I would like to thank all of our 13,500+ employees for their tremendous efforts and contributions this year.

I would like to specifically thank our Managing Director and Chief Executive Officer, Graham Maxwell, for the leadership he has shown over FY19 and the strong growth platform that has been put in place since he was appointed five years ago. As you may be aware, the Company announced Graham's intention to retire from 1 July 2020 to assist with an orderly transition to our next CEO.

Reflecting the strong succession planning that has been implemented at Collins Foods, our Chief Operating Officer (COO), Drew O'Malley, will take over the CEO role from Graham. Drew has performed exceptionally well in his COO role, and has the experience and skillset required to continue driving the Company forward. The Board looks forward to working with both Graham and Drew to ensure a smooth transition over the next 12 months.

Additionally, we have also commenced a process of Board succession planning to ensure that Collins Foods is best placed for its next phase of growth.

Work has commenced around documenting our supply chain arrangements in the form of a modern slavery statement and is scheduled for release in calendar year 2020.

As a result of the substantial growth of Collins Foods, as revenues and earnings have increased in recent years, we were pleased to have entered the S&P All Australian 200 Index in June 2019. This is a great achievement for the Company and demonstrates the significant contribution of all Group employees.

In closing, I would like to thank my fellow directors for their strategic contributions during the year. I would also like to thank all our shareholders for their support of Collins Foods over FY19, and their ongoing support as we look to continue to deliver on the exciting growth opportunities we see ahead for our business, staff, customers and shareholders.

A handwritten signature in black ink, appearing to read 'Robert Kaye', written over a light blue horizontal line.

Robert Kaye SC
Independent Non-executive Chairman

Managing Director & CEO's Report



The 2019 financial year (FY19) has been another successful year for Collins Foods. Building on the momentum of previous years, the Group has continued to deliver strong earnings growth, great customer satisfaction, and positive employee engagement.

We have continued our track record of expanding our offering beyond our core KFC Australia network to drive growth. In FY19, the Company successfully expanded its Taco Bell offering with four restaurants now operating in Queensland. In Europe we continued to enact value initiatives to drive transaction growth, while also focusing on elevating the customer experience.

KFC business

Over the course of FY19, we consolidated our position as the largest KFC operator in Australia, with five net new restaurants built and opened during the financial year. In addition, we have executed on a range of initiatives around digital and expanded our delivery capabilities, with delivery now available in 64 restaurants through aggregators Deliveroo and Menulog. Together, these initiatives underpin our commitment to enhancing the customer experience and are expected to drive further growth.

In Europe, we have continued to refine our KFC offering with a renewed focus on value to drive transactions. While sales in Europe have been impacted by key value campaigns being less successful than the prior year, we have several sales initiatives underway to reduce the decline in sales and drive transaction growth.

Financial performance

In FY19, strong earnings growth was delivered by the Group. A focus on operational initiatives across our brands underpinned another record result with revenue up 16.9% to \$901.2 million.

Statutory EBITDA was up 25.2% to \$112.2 million, and underlying EBITDA was up 20.3% to \$113.7 million.

Statutory NPAT increased 20.3% to \$39.1 million; with Underlying NPAT increasing 15.7% to \$45.0 million, reflecting solid sales volumes and cost controls across the business, that saw margins grow.

We have continued to generate strong cashflows, which are supporting growth initiatives across the Company while also allowing us to reduce gearing. In FY19, Net Operating cash flows increased by 30.9% to \$97.5 million. Some of these strong cash flows were used to reduce Net Debt by \$14.7 million to \$212.5 million, lowering our net leverage ratio to 1.87 from 2.14.

Operational performance

KFC AUSTRALIA

The KFC Australia business performed strongly in FY19. Strong Same Store Sales (SSS) growth of 3.7% was underpinned by delivery, digital and operational initiatives across the network.

Revenue from KFC Australia increased 15.8% to \$722.6 million, with all States showing positive SSS growth. Underlying EBITDA was up 20.9% to \$120.0 million, with EBITDA margin increasing 70 bps to 16.6% driven mainly by positive leverage from SSS growth and improved network systemisation providing cost efficiencies.

Delivery is providing incremental sales across the network and the delivery channel is exhibiting strong growth, particularly in metro and densely populated areas. We are pleased to have 64 restaurants supporting delivery at year's end, with 40 of these restaurants covered by both of our aggregators.

Investments into digital channels continue to improve the customer experience. We have launched an e-commerce website and are rolling out and testing digital menu boards for drive-thrus across the network and instore point of sales terminals.

As in prior years, we have continued to focus on excellence in operational systems. Pleasingly, this has yielded gains on core KPIs including speed of service during peak times which has increased over 20%, and guest satisfaction scores which have increased by over 15% and are now above the national average.

KFC EUROPE

At the end of FY19, we were operating 37 restaurants in Germany and the Netherlands, with four new restaurants built during the financial year. This resulted in revenue increasing 35.2% to \$123.8 million.

The European network posted a SSS decline of 3.7%, driven by lower than expected sales from underperforming new product promotional campaigns and fewer value offers than prior years. EBITDA was also impacted by weaker trading conditions and due to the cost of new restaurant openings and remodelling, specifically in Damrak (Netherlands).

To counter the underperformance across this region, we are refining our KFC offering with a renewed focus on value to drive transactions and an ongoing focus on delivering consistently high operational standards and customer experience.

To drive a positive turnaround in Germany, a national brand refresh has been launched. This is being complemented by a value layer which is to be a permanent feature going forward, and the introduction of "KFC Goodies", as a permanent snacking layer. A focus on tight margin controls has been maintained and there has been a refocus on new restaurant builds to include more drive-thrus and less in-line format.

In the Netherlands, an insight-driven approach to new product promotional activity has been enhanced by a franchisor appointed Chief Marketing Officer. Additionally, a range of everyday and disruptive value offers at key price points has been introduced as a permanent layer. The restaurant experience has also been elevated in this region through the introduction of multiple digital channels supported with table service.

Managing Director & CEO's Report

SIZZLER

We continue to transition the Sizzler business. At the end of FY19, two restaurants closed in Australia bringing the restaurant count down to 12, leading to overall revenue being down 8.0% at \$46.7 million.

Sizzler Asia continues to grow in both existing restaurant sales and new builds, with royalty revenue up 12.2% compared with the prior full year. During FY19 there were five restaurant builds, with three restaurants opened in Thailand and two in Japan (with one closure in China). At year's end, there was a total of 77 restaurants operating in Asia.

Overall, Sizzler slightly grew EBITDA from \$4.6 million to \$4.8 million over FY19 as Asia royalties grew and the Australian business saw SSS growth.

TACO BELL

Taco Bell continues to trade in-line with expectations, offering great value products and contemporary designs that resonate well with customers. There are four Taco Bell restaurants now operating, with a strong pipeline of sites in place, and 10 restaurants expected to open before FY20 year-end, including initial restaurants in Victoria. We continue to roll out innovative new products that enhance the Taco Bell brand and contribute to strong customer engagement.

HEALTH & SAFETY

Our Food Safety and Quality Management System is supported by a robust food safety culture where the key focus is maintain the trust of our customers when it comes to food safety.

We remain committed to the zero-harm journey securing safe, healthy and productive workplaces for all employees, contractors, customers and visitors. Since the 2018 report, our Lost Time Injury Frequency Rate for 2019 fell by 11.5% finishing at 18.41.

Charitable support

Collins Foods is committed to, and proud of, supporting charitable and community organisations. Over the last year, through our Workplace Giving program we were able to donate \$477,000 to the five charities we support. Of this figure, employee donations totalled \$322,000 with the remainder comprising customer donations of \$5,330 and \$150,000 donated by Collins Foods.

At the beginning of the financial year, Collins Foods joined Yum! with the launch of the KFC Youth Foundation. In this time, we have collected and paid \$184,043 to the KFC Youth Foundation raised through in restaurant customer donations and staff fundraising initiatives.

The collective amount raised through these initiatives was some \$661,043. This is a significant amount of funding going towards making a difference in the lives of others that our employees and customers alike, should be proud.

Well placed for continued growth

In FY19 we consolidated our position as the largest KFC operator in Australia, refined our offering in Europe with a renewed focus on value, and commenced the rollout of Taco Bell in Australia.

Consistent with prior years, we have maintained our focus on operational excellence across the Company and driving customer satisfaction.

We remain focused on driving growth in the core KFC Australia business. The rollout of delivery is tracking ahead of schedule and we look forward to its ongoing contribution to the strong performance of KFC Australia. A key priority in FY20 is the further expansion of the delivery network across Australia, while also continuing to strengthen operational systems and testing new digital initiatives. Taken together, our focus on delivery, digital and operations will ensure that we are able to deliver our customers the very best experience and highest levels of satisfaction.

In Europe, we will continue to deliver on our initiatives to expand value offerings to generate restaurant sales. The establishment of a new financial system is already driving back-office efficiencies in this region.

With Taco Bell continuing to have positive engagement from customers we are excited by the growth opportunity offered by the brand, particularly as the rollout gathers place in FY20. As new restaurants are opened, a constant focus on operational performance will be retained to ensure that business model returns are delivered.

Subsequent to the end of the financial period, I announced my intention to retire on 1 July 2020, with Drew O'Malley to succeed me as Chief Executive Officer. Drew has performed strongly as our Chief Operating Officer and he is a very capable leader who has the experience and passion to lead Collins Foods towards its goal of being a world class restaurant company. Over the next 12 months, I intend to work closely with Drew to ensure a seamless handover.

I would especially like to thank all Collins Foods employees for their outstanding contribution this year. The Company now employees over 13,500 people in Australia, Germany and the Netherlands, and we are committed to providing a great work environment to allow people to develop and grow.



Graham Maxwell
Managing Director & CEO

Financial Report

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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 28 April 2019.

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	15 July 2011
Newman Manion ⁽¹⁾	10 June 2011
Bronwyn Morris AM	10 June 2011
Russell Tate ⁽²⁾	10 June 2011

(1) Effective from 13 February 2019, Newman Manion commenced, at the request of the Board, additional duties overseeing the Group's investment in KFC restaurants in Europe. Due to these additional duties, Mr Manion resigned from the role of Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee and continued as a Non-executive Director only. As at 14 June 2019, Mr Manion transitioned to the role of Executive Director.

(2) Appointed as Chair of the Remuneration and Nomination Committee, effective 13 February 2019.

Principal activities during the period

During the period, the principal activity of the Group was the operation, management and administration of restaurants in Australia, Europe and Asia. There were no significant changes in the nature of the Group's activities this financial year.

Operating and financial review

GROUP OVERVIEW

The Group's business is the operation, management and administration of restaurants, currently comprising three restaurant brands: KFC, Taco Bell and Sizzler.

At the end of the period, the Group operated 231 franchised KFC restaurants in Australia, 17 franchised KFC restaurants in Germany, 20 franchised KFC restaurants in the Netherlands and four franchised Taco Bell restaurant in Australia, which all compete in the quick service restaurant market. The Group owns and operates 12 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 77 franchised restaurants 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.

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	2019	2018	Change
Total revenue (\$m)	901.2	770.9	130.3
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) (\$m)	112.2	89.6	22.6
Earnings before interest and tax (EBIT) (\$m)	69.8	58.7	11.1
Profit before related income tax expense (\$m)	59.3	48.5	10.8
Income tax (expense) (\$m)	(20.2)	(16.0)	(4.2)
Net profit attributable to members (NPAT) (\$m)	39.1	32.5	6.6
Earnings per share (EPS) basic (cents per share)	33.57	28.28	5.29
Total dividends paid/payable in relation to financial period (cents per share) ⁽¹⁾	19.5	17.0	2.5
Net assets (\$m)	350.6	333.0	17.6
Net operating cash flow (\$m)	97.5	74.5	23.0

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

The Group's total revenue increased by 16.9% to \$901.2 million mainly due to like-for-like sales growth and new restaurant openings.

This increase in total revenue combined with strong business controls flowed through to increased EBITDA for the reporting period of \$112.2 million, up 25.2% on the prior reporting period and significantly improved net operating cash flow of \$97.5 million, up 30.9%.

EBITDA, EBIT, NPAT and EPS were impacted by significant items excluding impairment totalling \$1.5 million pre-tax, including restaurant closure costs for KFC Australia and KFC Europe of \$1.3 million.

In addition, EBIT, NPAT and EPS were impacted by \$5.2 million pre-tax, including non-cash impairment charges of \$4.9 million.

The consolidated NPAT effect of these significant items was \$5.9 million.

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

Underlying financial metrics	2019	2018	Change
Total revenue (\$m)	901.2	770.9	130.3
Earnings before interest, tax, depreciation, amortisation and impairment (Underlying EBITDA) (\$m)	113.7	94.5	19.2
Net profit attributable to members (Underlying NPAT) (\$m)	45.0	38.9	6.1
Earnings per share (Underlying EPS) basic (cents)	38.60	33.84	4.76

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.

Directors' Report

Review of underlying operations

KFC AUSTRALIA

The overall performance across the KFC business in Australia has been positive, with the Company now operating with a National footprint.

Revenue in KFC Australia was up 15.8% on the prior corresponding period to \$722.6 million, driven by increased restaurant numbers, as well as Same Store Sales growth. KFC Australia underlying EBITDA grew by 20.9%, up from \$99.3 million to \$120.0 million, with an overall underlying EBITDA margin of 16.6%.

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 Zinger Stacker and Hot and Spicy Boneless Wings provide customers with a great reason to visit our restaurants with brand perception maintained.

The Group expanded its delivery service using Deliveroo and Menulog as aggregators. The number of delivery restaurants continues to grow and has had a positive impact on the brand, sales and profitability.

In order to support growth, \$23.0 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 \$123.8 million and \$6.8 million in underlying EBITDA. By the end of the period, 37 restaurants were in operation, with 20 restaurants in the Netherlands and 17 in Germany. EBITDA was impacted by sales deleverage from weaker trading, the cost of new restaurant openings and higher than anticipated business support costs.

In order to support growth, \$13.6 million was spent on new restaurants, remodels and maintenance during the year.

TACO BELL

At the end of the period, four Taco Bell restaurants were in operation located at Annerley, Robina, North Lakes and Cleveland.

Positive customer engagement remains strong and the restaurants have traded in-line with expectations.

SIZZLER

Revenue in Sizzler was down 8.0% on the prior corresponding period to \$46.7 million, driven by the closure of two restaurants in Australia. Same Store Sales in Australia of 4.4% compared with (0.5%) growth in the previous corresponding period.

Sizzler's underlying EBITDA was \$4.9 million, slightly higher than the previous corresponding period.

No growth capital was allocated to the Sizzler Australia business in this reporting period. There were 12 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 12.2% in revenue over the prior corresponding period. During the current reporting period there were three restaurant openings in Thailand and two in Japan. There was one restaurant closure in China, bringing the total restaurant count in Asia to 77 at the end of the period.

Strategy and future performance

GROUP

The near-term strategy involves 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 organic growth.

KFC AUSTRALIA

The plan for the core KFC Australia business is to further strengthen operational systems, continue expanding the delivery network, expand the digital platform and initiatives, and deliver the targeted number of new builds.

KFC EUROPE

In Europe, the focus will be on driving sales growth with renewed focus on value, transforming the KFC Brand in Stuttgart (Germany), building new restaurants and creating back office efficiencies through a new financial system.

TACO BELL

Taco Bell will continue to introduce new, exciting and craveable products, focus on operational performance, and build and open further restaurants in Queensland as well as initial restaurants in Victoria.

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 affect the financial prospects of the Group, as disclosed above, and how the Group manages these risks, include:

- **food safety** – there is a risk that the health and safety of the public is compromised from food products. We address this risk through robust internal food safety and sanitation practices, audit programs, customer complaint processes, supplier partner selection protocols and communication policy and protocols;

- **workplace health and safety** – there is a risk that the Group does not provide a safe working environment for its people, contractors and the community. We address this risk through robust internal work health and safety practices, the implementation of initiatives and education programs with a focus on preventative measures with enhanced dedicated support in high risk areas to ensure the wellbeing of our key stakeholders;
- **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.

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 28 April 2018	9.0	10,482	Franked	26 July 2018
Interim ordinary dividend for the financial period ended 14 October 2018	9.0	10,486	Franked	21 December 2018
Total	18.0	20,968		

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 10.5 cents per ordinary share (\$12.2 million) to be paid on 25 July 2019 (refer to Note B4 of the Financial Report).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no matters subsequent to the end of the financial period for reporting.

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 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), HT&E Limited (HTI) and Blue Sky Alternative Investments Limited (BLA).</p> <p>Other listed entity directorships – current or held within last three years: Magontec Limited (2013 – current) Blue Sky Alternative Investments Limited (2018 – 2019) HT&E Limited (2018) Spicers Limited (2012 – 2017) UGL Limited (2015 – 2017)</p>	<p>Independent Non-executive Chair Audit and Risk Committee member 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: None other than Collins Foods Limited</p>	<p>Managing Director and CEO</p>
Newman Manion	<p>Newman has significant experience in the food franchise industry, obtained over a period of more than 30 years gained over 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: None other than Collins Foods Limited</p>	<p>Non-executive Director</p>

Director	Experience, qualifications and directorships	Special responsibilities
Bronwyn Morris AM B. Com, FCA, FAICD	<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 21 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 the Royal Automobile Club of Queensland Limited (since 2008, Chair since 2017), RACQ Insurance Limited (since 2014), RACQ Bank (since 2017) and Queensland Urban Utilities (since 2017).</p> <p>Other listed entity directorships – current or held within last three years: Watpac Limited (2015 to 2018)</p>	<p>Independent Non-executive Director</p> <p>Audit and Risk Committee Chair</p> <p>Remuneration and Nomination Committee Member</p>
Kevin Perkins	<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 34 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: None other than Collins Foods Limited</p>	<p>Non-executive Director</p> <p>Audit and Risk Committee member</p> <p>Remuneration and Nomination Committee member</p>
Russell Tate B. Com (Econ.)	<p>Russell has more than 33 years' experience in senior executive and consulting roles in marketing and media. He was CEO of ASX-listed STW Group Limited, Australia's largest marketing communications group from 1997 to 2006, Executive Chair from 2006 to 2008, and Deputy Chair (Non-executive) from 2008 to 2011.</p> <p>He was Chair (Non-executive) of Collins Foods Limited from its listing in 2011 until March 2015 and 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: 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>Remuneration and Nomination Committee Chair</p> <p>Audit and Risk Committee member</p>

Directors' Report

Information on Directors (continued)

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	31,605	–
Graham Maxwell	416,269	364,490
Newman Manion	21,820	–
Bronwyn Morris	13,456	–
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' experience in legal, commercial and corporate governance has been gained whilst working in legal, regulatory and company secretarial roles in Australia for more than 15 years.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 28 April 2019, 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	9	9	5	5	4	4
Graham Maxwell	9	9	*	*	*	*
Kevin Perkins	9	9	5	5	4	4
Newman Manion ⁽²⁾	9	9	4	4	3	3
Bronwyn Morris AM	9	9	5	5	4	4
Russell Tate	9	9	5	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.

(2) Resigned role as Chair of Remuneration and Nomination Committee and member of Audit and Risk Committee on 13 February 2019.

* Not a member of the relevant Committee.

Letter from the Chair of the Remuneration and Nomination Committee



COLLINS FOODS LIMITED

ACN 151 420 781 | ABN 13 151 420 781

PO Box 286 Lutwyche QLD 4030
Level 3, KSD1, 485 Kingsford Smith Drive
Hamilton QLD 4007 Australia
T +61 7 3352 0800 | F +61 7 3352 0894

Dear shareholders,

It has been my privilege to take over the role of Chair of the Remuneration and Nomination Committee (RNC) from Newman Manion, following his deployment into the business in an executive capacity. While Newman served the Board well in his capacity as Chair of the RNC, it was identified that he could create more value for shareholders by providing support for the development of our brands in Europe. Newman and I spent significant time together prior to his departure to ensure a smooth transition in the leadership of the committee, and I am grateful for the ongoing support of the other members of the committee.

During the reporting period the RNC has focussed on:

- Reviewing, in consultation with independent advisers, outcomes of FY16 long term incentive vesting that occurred in FY19 following the completion of the three year Measurement Period (FY16 – FY18) and noting that adjustments would be required to basic EPS calculations to achieve appropriate vesting levels. Full details of adjustments are contained in the Remuneration Report.
- Reviewing the short term incentive framework, documentation and drivers (ongoing): the independent external remuneration consultant to the Board indicated that some improvements could be made to the short term incentive arrangements applicable to senior executives, and the Board is currently reviewing such arrangements including:
 - ensuring that financial objectives continue to make up no less than 50% of the incentive opportunity at Target;
 - introducing a broader range of KPIs to capture performance at the group, business unit and individual level;
 - ensuring that business unit roles are appropriately incentivised to improve their business units, as a separate consideration from group performance;
 - ensuring that group executives have a sufficient focus on group performance while incentivising business unit improvement; and
 - improving documentation associated with the short term incentive to ensure appropriate clarity for Participants and the Board, equivalent to the documentation applicable to long term arrangements.
- Reviewing the long term incentive framework, documentation and ongoing drivers. The independent external remuneration consultant to the Board indicated that some improvements could be made to the long term incentive arrangements applicable to senior executives, and the Board is currently reviewing such arrangements including:
 - whether it may be appropriate to introduce additional vesting conditions given the challenges that the EPS Growth condition has presented in recent times; and
 - whether the plan documentation could benefit from modernisation including alignment of the terms of the plan with current market expectations and best practices such as in the case of a change of control, other corporate actions, accounting for unforeseen risk and damaging actions, termination of employment and management of the termination benefit limit.

We trust that shareholders will understand the need for ongoing reviews of KMP remuneration arrangements and outcomes by the Board to ensure appropriateness to the evolving circumstances of the Company, and we look forward to announcing improvements as part of the next Remuneration Report.

Yours sincerely,

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

www.collinsfoods.com



Remuneration Report

Persons covered by this Remuneration Report

This Remuneration Report covers the remuneration of Non-executive Directors, the Managing Director and CEO and employees (KMP Executives) who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity (collectively, KMP). Further biographical information regarding KMP, is set out in either the "Director Information" section of the Director's Report or www.collinsfoods.com. The roles and individuals addressed in this report are set out below.

Name	Title and role
Robert Kaye SC	Independent, Non-executive Chair, Audit and Risk Committee member, Remuneration and Nomination Committee member
Graham Maxwell Newman Manion ⁽¹⁾	Managing Director and CEO Non-executive director (refer Director's Report for biographical information)
Bronwyn Morris AM	Independent, Non-executive Director, Audit and Risk Committee Chair, Remuneration and Nomination Committee member
Kevin Perkins	Non-executive Director, Audit and Risk Committee member, Remuneration and Nomination Committee member
Russell Tate ⁽²⁾	Independent, Non-executive Director, Remuneration and Nomination Committee Chair, Audit and Risk Committee member
Nigel Williams	Group Chief Financial Officer (Group CFO)
Drew O'Malley	Chief Operations Officer, Australia (COO Australia)
Dawn Linaker	Chief People Officer (CPO)
Mark van 't Loo	CEO – Collins Foods Europe Ltd (CEO – CF Europe)

(1) Effective 13 February 2019, Newman Manion commenced, at the request of the Board, additional duties overseeing the Group's investment in KFC restaurants in Europe. Due to these additional duties, Mr Manion resigned from the role of Chair of the Remuneration and Nomination Committee and as a member of the Audit and Risk Committee and continued as a Non-executive Director only. As at 14 June 2019, Mr Manion transitioned to the role of Executive Director.

(2) Appointed as Chair of the Remuneration and Nomination Committee, effective 13 February 2019.

Overview of Remuneration Governance Framework and Strategy

The performance of the Group is contingent upon the calibre of its Directors and Executives. The Remuneration and Nomination Committee is responsible for making recommendations to the Board on the Group's remuneration framework.

The 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;
- reflective of short term and long term performance objectives appropriate to the Company's circumstances and goals;
- transparency;
- demonstrating a clear relationship between performance and remuneration;
- motivating the Managing Director and CEO and Executives to pursue long term growth and success of the Group, aligned with shareholder's interests;
- having regard to prevailing market conditions; and
- fairness and acceptability to stakeholders.

In carrying out its responsibilities, the Remuneration and Nomination Committee is authorised to obtain external professional advice as it determines necessary. As at the end of the reporting period, the Remuneration and Nomination Committee was comprised of Non-executive Directors only, with a majority being independent. The role and responsibilities of the Committee are outlined in the Remuneration and Nomination Committee Charter, available on the Company's website together with other remuneration governance policies.

The Board has ultimate responsibility for signing off on remuneration policies, practices and outcomes.

The Remuneration and Nomination Committee operated in accordance with the aims and aspirations of the Corporate Governance Principles and Recommendations (Principles and Recommendations) and seeks input regarding remuneration governance from a wide range of sources. These include shareholders, Remuneration and Nomination Committee members, stakeholder groups including proxy advisors, external remuneration consultants, other experts and professionals such as tax advisors and lawyers, and Company management to understand roles and issues facing the Company.

EXECUTIVE REMUNERATION

The following outlines the policy that applies to KMP Executives whose remuneration is structured taking into consideration the following factors:

- the Group's key principles of remuneration;
- the level and structure of remuneration paid to executives of other publicly listed Australian companies of similar market capitalisation;
- the position and responsibilities of each KMP Executive;
- appropriate benchmarks and targets to reward KMP Executives for Group and individual performance;

- internal relativities and external market factors that should be considered;
- that base package policy mid-points should be set with reference to relevant market practices;
- that remuneration should be reviewed annually and comprised of:
 - base package (inclusive of superannuation, allowances, benefits and any applicable fringe benefits tax (FBT) as well as any salary sacrifice arrangements) (Fixed Remuneration);
 - short term incentive (STI) which provides a reward for performance against annual objectives;
 - long term incentive (LTI) which provides an equity-based reward for performance against indicators of shareholder benefit or value creation, over a performance period of three years. Annual grants of LTI are not linked to STI, in total, the sum of the above elements will constitute a total remuneration package (TRP);
- 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;
- termination benefits will generally be limited to the default amount that may be provided for without shareholder approval, as allowed for under the Corporations Act, and will be specified in employment contracts.

REMUNERATION POLICY AND LINK TO PERFORMANCE

The executive remuneration framework components and their links to performance outcomes are outlined below:

Remuneration component	Purpose	Performance metric	Potential value	Considerations for FY19
Fixed Remuneration	To provide competitive market salary including superannuation and non-monetary benefits	Nil	Positioned at or near median market rate	Reviewed in line with market positioning (comparison undertaken by third party)
STI	Rewards for intra year performance	EBITDA with performance set against pre-determined award scale, improvement to Guest Experience Survey (GES) results	Managing Director and CEO: 50% of Fixed Remuneration for target performance, with a maximum performance up to 75% of Fixed Remuneration Other KMP Executives: 40-50% of Fixed Remuneration for target performance, with a stretch opportunity up to 150% of the target	Introduction of non-financial metric with GES
LTI	Reward for contribution to creation of shareholder value over the longer term	Three year earnings per share growth performance	Managing Director and CEO: maximum of 100% of Fixed Remuneration Other KMP Executives: maximum of 50% of Fixed Remuneration	Nil

FIXED REMUNERATION

Fixed remuneration consists of base salary, superannuation contributions and other benefits. Other benefits include non-cash benefits such as employee health insurance costs, car and other allowances paid by the Group. The Group pays fringe benefits tax on these benefits where required.

The Group aims to position KMP Executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

Fixed remuneration for KMP Executives is reviewed annually or on promotion and is benchmarked against market data for comparable roles in the market with entities of a similar size. There is no guaranteed increase to base pay included in any KMP Executive's contract.

In FY19, fixed remuneration was increased for all KMP Executives with an average increase of 12%. This was done to align the remuneration with increased levels of responsibilities with the expansion of business operations, the median level for comparative roles and with entities with similar market capitalisation.

Remuneration Report

Overview of Remuneration Governance Framework and Strategy (continued)

VARIABLE REMUNERATION

SHORT TERM INCENTIVE PLAN (STIP)

Incentives under the Group's STIP are at risk components of remuneration provided in the form of cash.

The STIP entitles KMP Executives to earn an annual cash reward payment if predefined targets are achieved. The level of the incentive is set with reference to the accountabilities of their role and their ability to impact Group performance.

The Managing Director and CEO were offered a target based STI opportunity equivalent to 50% of total fixed remuneration for target performance, with a maximum opportunity of up to 75% of total fixed remuneration. Other KMP Executives were offered a target based STI equivalent to between 40% and 50% of their total fixed remuneration for target performance with a stretch opportunity of up to 150% of the target.

SHORT TERM INCENTIVE PERFORMANCE METRICS

For the reported period, a second performance metric was added to the STIP as it relates to KMP Executives. The second performance metric was introduced to the STIP because of the need to address a medium term strategic imperative to improve (not just maintain) customer service. As previously indicated, once the desired customer service outcomes are achieved, the use of this measure would be reviewed. For the FY20 period, GES will remain as a performance metric for KMP Executives short term incentive. In consideration of improvements achieved in the reported period, the weighting between the metrics will be adjusted so that EBITDA will account for 80% and GES will account for 20%. All other features of the STIP that applied for the reported period remain unchanged for FY20.

The structure of the STIP is described below.

Feature	Description																																				
Performance metrics	FY19 The weighting between the metrics is EBITDA (75%) and GES (25%). A minimum hurdle criteria of > 95% of EBITDA must be achieved before any amounts are payable for GES results.																																				
Maximum opportunity: EBITDA result	The award scale based upon the actual EBITDA result achieved is set out below:																																				
	<table border="1"> <thead> <tr> <th colspan="2">STANDARD % PAYOUT TABLE</th> </tr> <tr> <th>% EBITDA target achieved</th> <th>% target bonus earned</th> </tr> </thead> <tbody> <tr><td>95</td><td>0</td></tr> <tr><td>96</td><td>20</td></tr> <tr><td>97</td><td>40</td></tr> <tr><td>98</td><td>60</td></tr> <tr><td>99</td><td>80</td></tr> <tr><td>100</td><td>100</td></tr> <tr><td>101</td><td>105</td></tr> <tr><td>102</td><td>110</td></tr> <tr><td>103</td><td>115</td></tr> <tr><td>104</td><td>120</td></tr> <tr><td>105</td><td>125</td></tr> <tr><td>106</td><td>130</td></tr> <tr><td>107</td><td>135</td></tr> <tr><td>108</td><td>140</td></tr> <tr><td>109</td><td>145</td></tr> <tr><td>110</td><td>150</td></tr> </tbody> </table>	STANDARD % PAYOUT TABLE		% EBITDA target achieved	% target bonus earned	95	0	96	20	97	40	98	60	99	80	100	100	101	105	102	110	103	115	104	120	105	125	106	130	107	135	108	140	109	145	110	150
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Delivery method for STI	Calculations are performed and payments made following the end of the measurement period and the external audit of the Group's annual audited financial report. Payments are made with PAYG deducted.																										
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate award outcomes.																										
Forfeiture	STI is forfeited in the event of: <ul style="list-style-type: none"> • cessation of employment due to dismissal for cause; • cessation of employment for reasons other than for cause and where minimum term of employment of three months has not been satisfied; • fraud, defalcation or gross misconduct by the participant. 																										

LONG TERM INCENTIVE PLAN (LTIP)

Currently, the LTIP of the Company is that an annually offered component of remuneration of KMP Executives should be at risk and based on equity in the Company to ensure that KMP Executives hold a stake in the Company, align their interests and share risk with shareholders. In addition to this, the:

- LTIP 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.

Remuneration Report

Overview of Remuneration Governance Framework and Strategy (continued)

LONG TERM INCENTIVE PERFORMANCE METRICS

Feature	Description																					
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. The performance rights 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). 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.</p> <p>FY19 AND FY20 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"> <thead> <tr> <th colspan="3">Indicative for FY19 and FY20</th> </tr> </thead> <tbody> <tr> <td>Base</td> <td></td> <td>\$824,000</td> </tr> <tr> <td>LTI Target</td> <td>50%</td> <td></td> </tr> <tr> <td>LTI Max</td> <td>100%</td> <td>\$824,000</td> </tr> <tr> <td>Share Price (VWAP)</td> <td>\$5.18</td> <td></td> </tr> <tr> <td>Number of Rights</td> <td></td> <td>159,073</td> </tr> </tbody> </table>	Indicative for FY19 and FY20			Base		\$824,000	LTI Target	50%		LTI Max	100%	\$824,000	Share Price (VWAP)	\$5.18		Number of Rights		159,073			
Indicative for FY19 and FY20																						
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LTI Max	100%	\$824,000																				
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Measurement period	<p>The measurement period will include three reporting periods unless otherwise determined by the Board.</p> <p>FY19 OFFERS</p> <p>Commences 30 April 2018 and ends 1 May 2021.</p> <p>FY20 OFFERS</p> <p>Commences 29 April 2019 and ends 1 May 2022.</p> <p>Comments</p> <p>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>FY19 AND FY20</p> <p>The following vesting scale applies to three year performance rights offered in FY19 and FY20:</p> <table border="1"> <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>	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%
Performance level	Annualised EPS growth (CAGR)	% of max/stretch/grant vesting																				
Stretch/Maximum	22%	100%																				
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Below Threshold	<5.5%	0%																				

	<p>Comments</p> <p>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 Group's annual audited financial reports.</p> <p>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). Refer to discussion regarding the application of such discretions, presented under the heading "Impact of Board discretion upon FY19 Long Term Incentive Outcomes".</p>
Retesting	The plan rules do not contemplate retesting and therefore retesting is not a feature of the Company's current LTI offers.
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.</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.	<p>The Company may impose a mandatory holding lock on the shares or a participant may request they be subject to a voluntary holding lock.</p> <p>Performance rights are not entitled to receive a dividend. Any shares issued or transferred to a participant upon vesting of performance rights are only entitled to dividends if they were issued on or before the relevant dividend record date.</p> <p>Shares issued or transferred under the LTIP rank equally in all respects with other shares on issue.</p> <p>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.</p> <p>Any bonus issue of securities by way of capitalisation of profits, reserves or share capital account will confer on each performance right, the right:</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>Performance rights will not be quoted on ASX. The Company will apply for quotation of any shares issued under the LTIP.</p>
Cessation of employment	In the event of cessation of employment within 12 months of the date of grant, unvested performance rights are forfeited. In the event of cessation of employment after 12 months but before the conclusion of the vesting period, unvested performance rights are considered forfeited, unless otherwise determined by the Board, in which case any service condition will be deemed to have been fulfilled as at the testing date and the performance rights remain subject to performance testing along with other participants. It is noted that the Board has discretion to allow "Good Leavers" to retain their participation in the LTIP beyond the date of cessation of employment when deemed appropriate to the circumstances.
Change of control of the Company	If in the opinion of the Board a change of control event has occurred, or is likely to occur, the Board may declare a performance right to be free of any vesting conditions and, if so, the Company must issue or transfer shares in accordance with the LTIP rules. In exercising its discretion, the Board will consider whether measurement of the vesting conditions (on a pro-rata basis) up to the date of the change of control event is appropriate in the circumstances.

Remuneration Report

Overview of Remuneration Governance Framework and Strategy (continued)

MIX OF REMUNERATION

The following diagram shows the anticipated range of remuneration mix that was offered for current KMP Executives during FY19, for target performance.

The Board considers that the remuneration mix is correctly weighted.

MANAGING DIRECTOR AND CEO

40% Fixed	20% STI	20% LTI
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OTHER KMP EXECUTIVES

50-53% Fixed	21-25% STI	25-26% LTI
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The Board considers that with the introduction of the second performance metric to the STI plan, 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.

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	%
FY19	\$901.22	\$39.11	\$7.59	\$2.24	\$0.180	\$2.420	45%	\$4.08	101%
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%

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

Statutory Remuneration disclosures for FY19

KMP EXECUTIVE REMUNERATION

The following table outlines the remuneration received by KMP Executives of the Company during FY18 and FY19 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 and CEO	2019	\$831,427	\$20,457	⁽⁷⁾ \$243,707	\$13,101	\$1,108,692	73%	\$366,713	24%	\$52,723	3%	\$1,528,128	–
	Managing Director and CEO	2018	\$780,018	\$19,982	\$13,699	\$63,250	\$876,950	79%	–	–	⁽³⁾ \$234,426	21%	\$1,111,376	–
Kevin Perkins ⁽³⁾	Non-executive Director	2019	–	–	–	–	–	–	–	–	–	–	–	–
	Executive Director	2018	\$149,721	\$13,042	\$11,443	(\$10,620)	\$163,586	100%	–	–	–	–	\$163,586	\$11,193
Mark van't Loo ⁽⁴⁾	CEO – CF Europe	2019	\$453,250	\$32,301	–	\$2,992	\$488,543	96%	–	–	\$21,046	4%	\$509,589	–
	CEO – CF Europe	2018	\$412,408	\$29,734	–	\$12,211	\$454,353	97%	–	–	\$16,256	3%	\$470,609	–
Nigel Williams	Group CFO	2019	\$481,714	\$20,457	⁽⁷⁾ \$183,914	\$3,522	\$689,607	75%	\$214,923	23%	⁽⁶⁾ \$20,268	2%	\$924,798	–
	Group CFO	2018	\$384,891	\$19,982	\$18,838	(\$3,447)	\$420,264	99%	–	–	\$2,141	1%	\$422,405	–
Drew O'Malley	COO Australia	2019	\$463,735	\$20,457	\$16,366	\$5,840	\$506,398	60%	\$322,808	38%	\$18,685	2%	\$847,891	–
	–	2018	\$244,229	\$12,338	\$7,980	\$3,760	\$268,307	85%	\$30,792	10%	\$16,326	5%	\$315,426	–
Dawn Linaker	CPO	2019	\$389,427	\$20,457	\$19,063	\$12,587	\$441,534	75%	\$136,004	23%	\$12,403	2%	\$589,941	–
	CPO	2018	\$294,634	\$19,982	\$16,325	\$1,692	\$332,632	93%	–	–	\$25,233	7%	\$357,865	–

- (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) FY19 salary converted at exchange rate of AUD \$1: EURO €0.6323 (FY18: EURO €0.6246).
- (5) 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.
- (6) Includes the financial impact of additional 360 performance rights as detailed on the equity table.
- (7) Includes one-off discretionary cash payment approved by the Board, relating to the performance period ended 29 April 2018, payable during FY20.

Both target and awarded values of STI and LTI remuneration are outlined in the relevant sections of the Remuneration Report to assist shareholders to obtain a more complete understanding of remuneration as it relates to KMP Executives.

Remuneration Report

Statutory Remuneration disclosures for FY19 (continued)

PLANNED KMP EXECUTIVE REMUNERATION FOR FY19 (NON-STATUTORY DISCLOSURE)

The following table is provided to shareholders as an alternative illustration of the remuneration that was offered to KMP Executives for target performance during FY19. 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.

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 and CEO	\$824,000	40%	50%	\$412,000	20%	100%	\$824,000	40%	\$2,060,000
Mark van 't Loo	CEO – CF Europe	€287,409	50%	50%	€143,705	25%	50%	€143,705	25%	€574,819
Nigel Williams	Group CFO	\$482,929	50%	50%	\$241,465	25%	50%	\$241,465	25%	\$965,859
Drew O'Malley ⁽¹⁾	COO Australia	\$479,000	50%	50%	\$239,500	25%	50%	\$239,500	25%	\$958,000
Dawn Linaker	CPO	\$382,000	53%	40%	\$152,800	21%	50%	\$191,000	26%	\$725,800

(1) Drew O'Malley's increase effective 17 September 2018.

The LTI presented in the table above represents the fair value of LTI granted during the FY19 period.

Performance outcomes for FY18 including STI and LTI assessment

Name	Position held at reporting period end	KPI Summary	Weighting	FY18 Company level KPI summary			Award outcomes FY18 paid FY19
				EBITDA Target	Achievement	Awarded	Total STI award
Graham Maxwell	Managing Director and CEO	EBITDA	100%	\$100,811,681	–	–	–
Mark van 't Loo	CEO – CF Europe	EBITDA	100%	\$9,676,102	–	–	–
Nigel Williams	Group CFO	EBITDA	100%	\$100,811,681	–	–	–
Drew O'Malley	COO Australia	EBITDA	100%	\$91,135,579	96%	\$30,792	\$30,792
Dawn Linaker	CPO	EBITDA	100%	\$100,811,681	–	–	–

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 FY19 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 1 October 2015 and 22 December 2015, vested in relation to FY18 being completed, i.e. vesting during FY19 are noted below:

Incumbent	Role	Tranche	Weighting	Number eligible to vest in FY19 for FY18 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 and CEO	EPSP	100%	33,316	6.8%	35.9%	11,963	\$5.592442	\$66,902
Mark van 't Loo	CEO – CF Europe	EPSP	100%	–	–	–	–	–	–
Nigel Williams	Group CFO	EPSP	100%	40,019	6.8%	35.9%	14,370	\$5.592442	\$80,363
Drew O'Malley	COO Australia	EPSP	100%	–	–	–	–	–	–
Dawn Linaker	CPO	EPSP	100%	–	–	–	–	–	–

On 3 July 2018 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 \$5.592442.

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 7 September 2016 and 29 September 2016 (i.e. will be eligible for vesting during FY20 in relation to the completion of FY19). However, as at the date of drafting this report, vesting was yet to be determined. Therefore, the following table presents the vesting of LTI that may occur during the next reporting period i.e. in relation to the completion of FY19.

Incumbent	Role	Tranche	Weighting	Number eligible to vest in FY20 for FY19 completion	% of max/stretch/grant vested	Number eligible to vest	Grant date VWAP	\$ Value of LTI that may vest (as per grant date VWAP)
Graham Maxwell	Managing Director and CEO	EPSP	100%	80,517	100%	80,517	4.65739	\$375,000
Mark van 't Loo	CEO – CF Europe	EPSP	100%	–	–	–	–	–
Nigel Williams	Group CFO	EPSP	100%	13,956	100%	13,956	4.65739	\$65,000
Drew O'Malley	COO Australia	EPSP	100%	–	–	–	–	–
Dawn Linaker	CPO	EPSP	100%	8,588	100%	8,588	4.65739	\$40,000

Remuneration Report

Performance outcomes for FY18 including STI and LTI assessment (continued)

IMPACT OF BOARD DISCRETION UPON LONG TERM INCENTIVE OUTCOMES

FY18 (FY16 LTI)

In reviewing outcomes of FY16 long term incentives (vesting in FY19) following completion of the three year Measurement Period (FY16 – FY18) the Board noted that the EPS metric could not be directly calculated due to a negative EPS value at the start of the Measurement Period.

After seeking external independent advice the Board concluded that 35.91% of performance rights would vest, with the remainder lapsing in accordance with Plan rules.

Subsequently, it became apparent to the Board that an adjustment was warranted to the weighted average volume (WAV) of shares on issue used in calculating the EPS. The WAV used was as presented in the financial statements but the Board agreed that an adjustment was warranted for the purposes of determining the vesting position. The adjustment would take into account the considerable delay between the issue of new shares during FY18 and the time when associated acquisitions were completed and earnings commenced.

The adjustments resulted in the Board determining that the vesting level should increase to 84.31% from 35.91%. As the performance rights were no longer available (having lapsed) the Board has decided to make a one-off cash payment equivalent to the market value of additional performance rights that should have vested i.e. 48.4%. This payment will be made in the FY20 reporting period and is accrued into the FY19 statutory disclosures. The total value of these one-off cash payments is \$428,599 of which \$391,044 is to KMP.

OTHER PERFORMANCE RIGHTS INFORMATION

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

Reporting period ended	Expiry date	Exercise price
28 April 2019	20 July 2021	Nil
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 28 April 2019. 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
9	2 October 2018	\$5.65	\$6.19	3	3.00%	2.06%
10	3 October 2018	\$5.58	\$6.11	3	3.00%	2.06%

FY19

It is the view of the Board that it is important for the Board to have the ability to make adjustments, where appropriate, to ensure the alignment between Company performance and KMP reward, and that this is in the interests of all stakeholders including shareholders.

For the performance rights with a performance period commencing on 2 May 2016 and ended on 28 April 2019 (Vesting Rights), the Non-executive Directors have given detailed consideration to the method by which vesting will be calculated.

Pursuant to the LTIP 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, subject to Board discretion to modify the vesting percentage if appropriate.

The adjustments proposed by management for the FY19 year accepted by the Board were principally associated with a number of impairments and a closure provision in the KFC Europe business together with some start-up costs in the Taco Bell division. Allowing for these adjustments, an EPS CAGR of 7.12% was achieved, resulting in 42.3% of the maximum long term incentives eligible to vest following the reporting period being completed, becoming vested. The table above shows the number of eligible shares at 100%.

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

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 FY20:

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 29 April 2018. 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
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%

Employment terms for KMP Executives

SERVICE AGREEMENTS

A summary of contract terms in relation to KMP Executives for the reported period 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 and 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 Linaker	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.

Remuneration Report

Non-executive Director fee rates and fee limit

NON-EXECUTIVE DIRECTOR REMUNERATION

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

- the level of fees paid to Board members of other publicly listed Australian companies of similar size;
- operational and regulatory complexity; and
- the 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. The Company's constitution allows for additional payments to be made to Directors where extra or special services are provided.

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

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

Function	Role	Fee including super
Main Board	Chair (inclusive of committee memberships)	\$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 following fee policy rates are expected to apply for FY20, following an independent market review and increased workload of the Non-executive Directors since 2016.

Function	Role	Fee including super
Main Board	Chair (inclusive of committee memberships)	\$220,500
	Member	\$105,000
Audit and Risk Committee; Remuneration and Nomination Committee	Chair	\$20,000
	Member	\$10,000

Remuneration received by Non-executive Directors in FY18 and FY19 is disclosed below:

Name	Role(s)	Year	Board and Committee fees	Superannuation	Other benefits	Termination benefits	Total
Robert Kaye SC	Independent, Non-executive Chairman	2019	\$192,481	\$17,518	–	–	\$209,999
	Independent, Non-executive Chairman	2018	\$191,781	\$18,219	–	–	\$209,999
Newman Manion	Non-executive Director ⁽¹⁾	2019	\$216,788 ⁽²⁾	\$10,192	–	–	\$226,980
	Independent Non-executive Director	2018	\$111,872	\$10,628	–	–	\$122,500
Bronwyn Morris AM	Independent Non-executive Director	2019	\$116,438	\$11,061	–	–	\$127,499
	Independent Non-executive Director	2018	\$116,438	\$11,061	–	–	\$127,499
Kevin Perkins	Non-executive Director	2019	\$105,023	\$9,977	–	–	\$115,000
	Executive Director	2018	\$38,334	\$3,642	–	–	\$41,976
Russell Tate	Independent Non-executive Director ⁽³⁾	2019	\$116,545	–	–	–	\$116,545
	Independent Non-executive Director	2018	\$115,000	–	–	–	\$115,000

(1) Effective 13 February 2019, Newman Manion commenced, at the request of the Board, additional duties overseeing the Group's investment in KFC restaurants in Europe. Due to these additional duties, Mr Manion resigned from the role of Chair of the Remuneration and Nomination Committee and as a member of the Audit and Risk Committee and continues as a non-executive director only.

(2) Includes consulting fees of \$109,500 for reasons referenced in (1) immediately above.

(3) Appointed as Chair of the Remuneration and Nomination Committee, effective 13 February 2019.

Remuneration Report

Changes in KMP held equity

The following table outlines the changes in the amount of equity held by KMP Executives over the reporting period:

Name	Security	Number held at open 2019	Granted as compensation	Shares issued on vesting of rights	Other	Number held at close 2019
Graham Maxwell	Shares	480,761	–	11,963	(76,455)	416,269
	Performance rights	251,764	146,042	(33,316)	–	364,490
Mark van 't Loo	Shares	–	–	–	–	–
	Performance rights	36,052	39,655	–	–	75,707
Nigel Williams	Shares	–	–	14,370	–	14,370
	Performance rights	88,926	42,796	(40,019)	360 ⁽¹⁾	92,063
Drew O'Malley	Shares	–	–	–	–	–
	Performance rights	36,206	37,219	–	–	73,425
Dawn Linaker	Shares	5,000	–	–	3,194	8,194
	Performance rights	35,710	29,065	–	–	64,775
Total		934,419	294,777	(47,002)	(72,901)	1,109,293

(1) Adjustment to previously granted performance rights.

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 2019	Number held at close 2019
Robert Kaye, SC	Shares	29,913	31,605
Newman Manion	Shares	21,820	21,820
Bronwyn Morris AM	Shares	8,456	13,456
Kevin Perkins	Shares	7,621,484	7,621,484
Russell Tate	Shares	21,820	21,820
Total		7,703,493	7,710,185

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:

2019 equity grants		FY in which rights may vest	Maximum value yet to vest
Name	Role		(\$)
Graham Maxwell	Managing Director and CEO	2020	–
		2021	–
		2022	278,350
Mark van 't Loo	CEO – CF Europe	2020	–
		2021	–
		2022	74,604
Nigel Williams	Group CFO	2020	–
		2021	–
		2022	80,514
Drew O'Malley	COO Australia	2020	–
		2021	–
		2022	70,022
Dawn Linaker	CPO	2020	–
		2021	–
		2022	54,680

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.

Remuneration Report

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 2018, 97.69% 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	\$66,500

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 FY20 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:

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

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

Indemnification and insurance of officers

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

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

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

	Whole Dollars	
	2019 \$	2018 \$
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>	517,861	392,202
Audit and review of financial reports and other audit work for foreign subsidiary	38,760	45,169
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	343,394	352,142
	900,015	789,513
Other assurance services:		
PricewaterhouseCoopers Australian firm		
Store sales certificates	11,730	11,258
Agreed upon procedures for covenant calculations	22,440	22,096
	34,170	33,354
Total remuneration for assurance services	934,185	822,867
TAXATION SERVICES		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of tax returns	70,466	88,774
International tax consulting	97,351	–
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	5,587	11,316
International tax consulting and tax advice on acquisitions	–	11,822
Total remuneration for taxation services	173,404	111,912
OTHER SERVICES		
PricewaterhouseCoopers Australian firm		
Probity review of IT project	48,612	–
Total remuneration for other services	48,612	–
TOTAL REMUNERATION FOR SERVICES	1,156,201	934,779

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice, due diligence reporting on acquisitions and capital raisings, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major consulting projects.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

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
25 June 2019



Auditor's Independence Declaration

As lead auditor for the audit of Collins Foods Limited for the reporting period ended 28 April 2019, 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
25 June 2019

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Income Statement

For the reporting period ended 28 April 2019

	Note	2019 \$000	2018 \$000
Revenue	A3	901,215	770,936
Cost of sales		(426,444)	(364,927)
Gross profit		474,771	406,009
Selling, marketing and royalty expenses ⁽¹⁾		(186,366)	(159,907)
Occupancy expenses ⁽¹⁾		(75,608)	(62,445)
Restaurant related expenses ⁽¹⁾		(86,756)	(72,878)
Administration expenses ⁽¹⁾⁽²⁾		(48,568)	(46,948)
Other expenses ⁽³⁾		(10,045)	(6,129)
Other income ⁽⁴⁾		2,364	1,004
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		69,792	58,706
Finance income	A4	479	347
Finance costs	A4	(11,216)	(10,856)
Share of net profit/(loss) of joint ventures accounted for using the equity method		278	301
Profit from continuing operations before income tax		59,333	48,498
Income tax expense ⁽⁵⁾	F9(a)	(20,222)	(16,009)
Profit from continuing operations		39,111	32,489
Net profit attributable to members of Collins Foods Limited		39,111	32,489
Basic earnings per share	F2	33.57 cps	28.28 cps
Diluted earnings per share	F2	33.37 cps	28.17 cps
Weighted average basic ordinary shares outstanding	F2	116,504,037	114,864,101
Weighted average diluted ordinary shares outstanding	F2	117,190,780	115,350,131

- (1) Selling, marketing and royalty, occupancy, restaurant related and administration expenses include charges of \$4,944,000 (2018: \$1,200,000) relating to impairment charges and Snag Stand restructuring costs.
- (2) Administration expenses include costs of acquisitions and European set up and integration costs of \$59,000 (2018: \$3,934,000).
- (3) Other expenses includes provisions for onerous leases and makegood commitments of \$1,310,000 (2018: \$nil) and damage and expenses due to an insurance event of \$371,000 (2018: \$nil).
- (4) Other income includes insurance recoveries of \$925,000 (2018: \$657,000).
- (5) Income tax expense includes net recognition/(derecognition) of deferred tax assets associated with prior reporting periods \$193,000 (2018: (\$1,105,000)).

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

Consolidated Statement of Comprehensive Income

For the reporting period ended 28 April 2019

	Note	2019 \$000	2018 \$000
Net profit attributable to members of Collins Foods Limited		39,111	32,489
Items that may be reclassified to profit or loss			
Other comprehensive income/(expense):			
Exchange difference upon translation of foreign operations	F8	1,039	5,608
Cash flow hedges	F8	(1,797)	2,281
Income tax relating to components of other comprehensive income	F9	539	(685)
Other comprehensive income for the reporting period, net of tax		(219)	7,204
Total comprehensive income for the reporting period		38,892	39,693
Total comprehensive income for the reporting period is attributable to:			
Owners of the parent		38,892	39,693

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

Consolidated Balance Sheet

As at 28 April 2019

	Note	2019 \$000	Restated* 2018 \$000
Current assets			
Cash and cash equivalents	B1	79,791	60,450
Receivables	F3	5,630	6,455
Inventories		6,322	5,975
Total current assets		91,743	72,880
Non-current assets			
Property, plant and equipment	F4	176,704	164,929*
Intangible assets	F5	449,515	440,460*
Deferred tax assets	F9(b)	31,984	30,154*
Receivables	F3	321	523
Investments accounted for using the equity method		2,153	1,874
Derivative financial instruments	C3	–	63
Total non-current assets		660,677	638,003
Total assets		752,420	710,883
Current liabilities			
Trade and other payables	F6	88,943	77,132
Current tax liabilities		4,401	1,033
Derivative financial instruments	C3	1,534	1,216
Provisions	F7	7,362	6,146
Total current liabilities		102,240	85,527
Non-current liabilities			
Borrowings	C2	291,257	286,258
Derivative financial instruments	C3	1,379	–
Deferred tax liabilities	F9(b)	3,384	2,631
Provisions	F7	3,529	3,499
Total non-current liabilities		299,549	292,388
Total liabilities		401,789	377,915
Net assets		350,631	332,968
Equity			
Contributed equity	D3	290,495	290,328
Reserves	F8	10,771	10,951
Retained earnings		49,365	31,689
Total equity		350,631	332,968

* Restatement relates to adjustments to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)) and KFC Netherlands (refer Note A2(C)).

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

Consolidated Statement of Cash Flows

For the reporting period ended 28 April 2019

	Note	2019 \$000	Restated* 2018 \$000
Cash flows from operating activities:			
Receipts from customers (inclusive of GST)		991,238	843,260
Payments to suppliers and employees (inclusive of GST)		(819,891)	(702,787)
GST paid		(46,388)	(39,113)
Interest received		437	347
Interest and other borrowing costs paid		(10,613)	(8,528)
Income tax paid		(17,298)	(18,656)
Net operating cash flows	B1	97,485	74,523
Cash flows from investing activities:			
Payment for acquisition of subsidiary, net of cash acquired (Australia KFC acquisition)	A2	(7,534)	(99,744)
Payment for acquisition of subsidiary, net of cash acquired (Netherlands KFC acquisition)	A2	–	(94,121)
Payment for acquisition of assets		–	(4,150)
Proceeds from sale of property, plant and equipment		15	53
Payment for intangible assets		(4,811)	(1,526)
Payments for plant and equipment		(50,660)	(43,823)
Net investing cash flows		(62,990)	(243,311)
Cash flow from financing activities:			
Proceeds from borrowings – bank loan facilities	B2	5,534	113,518
Repayment of borrowings and other obligations	B2	–	(16,000)
Refinance fees paid		–	(1,841)
Proceeds from share placement		–	46,065
Share issuance and placement costs		–	(1,827)
Dividends paid	B4	(20,972)	(18,913)
Net financing cash flows		(15,438)	121,002
Net increase in cash and cash equivalents		19,057	(47,786)
Cash and cash equivalents at the beginning of the reporting period		60,450	104,751
Effects of exchange rate changes on cash and cash equivalents		284	3,485
Cash and cash equivalents at the end of the reporting period	B1	79,791	60,450

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 28 April 2019

	Note	Contributed equity	Reserves	(Accumulated losses)/retained earnings	Total equity
2018		\$000	\$000	\$000	\$000
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		44,785	–	–	44,785
End of the reporting period		290,328	10,952	31,689	332,969
2019		\$000	\$000	\$000	\$000
Balance as at 29 April 2018 as originally presented		290,328	10,952	31,689	332,969
Change in accounting policy	H2	–	–	(463)	(463)
Restated total equity at 30 April 2018		290,328	10,952	31,226	332,506
Profit for the reporting period		–	–	39,111	39,111
Other comprehensive income		–	(219)	–	(219)
Total comprehensive income for the reporting period		–	(219)	39,111	38,892
Transactions with owners in their capacity as owners:					
Share based payments		–	206	–	206
Dividends provided for or paid	B4	–	–	(20,972)	(20,972)
Performance rights vested		167	(167)	–	–
Shares issued		–	–	–	–
End of the reporting period		290,495	10,771	49,365	350,631

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

Notes to the Consolidated Financial Statements

A/ FINANCIAL OVERVIEW

This section provides information that is most relevant to explaining the Group's performance during the reporting period, and where relevant, the accounting policies that have been applied and significant estimates and judgements made.

A1/ Segment information

A2/ Business combinations

A3/ Revenue

A4/ 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 trading activities. Prior period also includes Snag Stand trading activities. In the last annual report, Shared Services was grouped with Other as it is not considered a reportable operating segment as it does not generate its own revenues and acts as a support function of the Group. This treatment has been applied consistently to the below disclosure.

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
2019	\$000	\$000	\$000	\$000	\$000
Total segment revenue	722,572	46,693	123,801	8,149	901,215
Underlying EBITDA ⁽¹⁾	119,984	4,889	6,801	(17,954)	113,720
Depreciation, amortisation and impairment	27,767	1,833	11,554	1,225	42,379
Finance costs – net	–	–	86	10,651	10,737
Income tax expense					20,222
2018	\$000	\$000	\$000	\$000	\$000
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

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

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

Notes to the Consolidated Financial Statements

A1/ Segment information (continued)

LOCATION OF NON-CURRENT ASSETS

	Australia	Europe	Asia	Total
2019	\$000	\$000	\$000	\$000
Revenue	772,863	123,801	4,551	901,215
Non-current assets (property, plant and equipment, and intangibles)	480,667	133,076	12,476	626,219
2018	\$000	\$000	\$000	\$000
Revenue	675,260	91,561	4,114	770,936
Non-current assets (property, plant and equipment, and intangibles)	461,676*	131,597	12,116	605,389*

* These figures are restated. The restatement relates to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)).

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/(loss) from continuing operations before income tax is provided as follows:

	2019 \$000	2018 \$000
Underlying EBITDA	113,720	94,548
Finance costs – net	(10,737)	(10,509)
Performance rights	(206)	(611)
Costs of acquisitions expensed	(59)	(3,933)
Depreciation	(35,148)	(28,307)
Amortisation	(2,287)	(1,746)
Impairment of property, plant and equipment	(4,576)	(191)
Impairment of KFC franchise rights	(368)	(44)
Onerous lease	(1,176)	–
Net income from insurance claim – material damage	53	–
Other one-off costs	(161)	(1,010)
Share of net profit/(loss) of joint ventures accounted for using the equity method	278	301
Profit from continuing operations before income tax	59,333	48,498

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 29 KFC restaurants from Yum! Brands Inc. subsidiaries located in Western Australia, South Australia and Tasmania.

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.

The restaurants were acquired across multiple accounting periods, as outlined below:

(A) CURRENT PERIOD

- acquisition of two restaurants in South Australia on 7 May 2018; and
- acquisition of one restaurant in South Australia on 6 August 2018.

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

	\$000
Purchase consideration – cash paid	7,542

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	8
Inventories	40
Property, plant and equipment	1,508
Intangible assets	200
Deferred tax asset, net	276
Trade and other payables	(163)
Net identifiable assets acquired	1,869
Goodwill	5,673
Net assets acquired	7,542

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

ACQUISITION – RELATED COSTS

The acquisition related costs have been recognised in the Group's 2018 Annual Report, 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 Note A2 and I1 in the Group's 2018 Annual Report for further details of the acquisition related costs.

	As at acquisition date \$000
Purchase consideration – cash flow	7,542
Cash consideration	8
Less balances acquired	7,534
Outflow of cash – investing activities	7,534

The acquired business contributed revenues of \$8.6 million and Underlying EBITDA of \$1.3 million to the Group for the period the restaurants were owned, up to 28 April 2019.

If the acquisition had occurred on 30 April 2018, consolidated revenue and consolidated Underlying EBITDA for the reporting period ended 28 April 2019 would have been \$902.4 million and \$113.9 million respectively.

Notes to the Consolidated Financial Statements

A2/ Business combinations (continued)

(B) PRIOR PERIOD

In the 2018 financial year, 24 restaurants were acquired through business combination. Details of this business combination were disclosed in Note A2 of the Group's 2018 Annual Report.

The final two restaurants were acquired as an asset purchase and are included in Note F4 of the Group's 2018 Annual Report.

At 29 April 2018, the fair value of some assets and liabilities assumed were recognised on a provisional basis. In the current reporting period, the fair value of assets acquired and liabilities assumed have been finalised. The amounts which have been altered and the effect on the financial statements has been summarised below:

	Provisional fair value at 29 April 2018	Purchase price adjustment	Fair value at 29 April 2018
	\$000	\$000	\$000
Goodwill arising on acquisition:			
Purchase consideration	99,826	–	99,826
Less: fair value net identifiable assets	(30,595)	1,768	(28,827)
Goodwill on acquisition	69,231	1,768	70,999
	\$000	\$000	\$000
Identifiable assets acquired and liabilities assumed:			
Assets:			
Cash	82	–	82
Prepaid expenses	115	–	115
Inventories	322	–	322
Property, plant and equipment	26,698	–	26,698
Intangible assets	1,518	–	1,518
Deferred tax asset, net	3,616	(1,768)	1,848
Total assets	32,351	(1,768)	30,583
Liabilities:			
Trade and other payables	(17)	–	(17)
Provisions	(1,739)	–	(1,739)
Total liabilities	(1,756)	–	(1,756)
Total identifiable net assets acquired recognised at fair value	30,595	(1,768)	28,827

The movement in deferred tax assets is due to additional background information gained and further taxation assessment performed since acquisition date.

KFC RESTAURANTS (NETHERLANDS) – SUMMARY OF ACQUISITION

(C) PRIOR PERIOD

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.

At 29 April 2018, the fair values of the assets and liabilities of the business acquired were provisionally stated due to the valuation of property, plant and equipment not being finalised. The valuation has now been finalised. The valuation has resulted in an increase in goodwill of \$331,000 and a decrease in property, plant and equipment of \$331,000. All other amounts disclosed at 29 April 2018 are representative of the fair values of the assets and liabilities of the business acquired.

ACCOUNTING POLICY

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued, or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless other valuation methods provide a more reliable measure of fair value. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Transaction costs arising from business combinations are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

A3/ Revenue

Revenue is recognised when performance obligations under relevant customer contracts are completed. Performance obligations may be completed at a point in time or over time.

In the following table revenue is disaggregated by type and by timing of revenue recognition.

No single customer amounts to 10% or more of the consolidated entity's total external revenue.

Note	KFC Restaurants Australia \$000	Sizzler Restaurants \$000	KFC Restaurants Europe \$000	Other \$000	Total \$000
Period ended 28 April 2019 ⁽¹⁾					
Revenue type:					
Sale of goods	722,572	42,142	123,801	8,149	896,664
Franchise revenue	–	4,551	–	–	4,551
	722,572	46,693	123,801	8,149	901,215
Timing of revenue recognition:					
At a point in time	722,572	46,640	123,801	8,149	901,162
Over time	–	53	–	–	53
	722,572	46,693	123,801	8,149	901,215

(1) The comparative period has not been included in this disclosure due to the change in accounting policy applied in the current period, without the restatement of comparatives (refer Note H2).

	2019 \$000	2018 \$000
Revenue from continuing operations		
Sales revenue:		
Sale of goods	896,664	766,822
Other revenue:		
Franchise revenue from external parties	4,551	4,114
Total revenue	901,215	770,936

Notes to the Consolidated Financial Statements

A3/ Revenue (continued)

ACCOUNTING POLICY

ACCOUNTING POLICY APPLIED FROM 30 APRIL 2018

SALE OF GOODS

The Group operates a number of quick service and casual dining restaurants. The revenue from the sale of food and beverages from these restaurants is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the food and beverages.

SALE OF GOODS – CUSTOMER LOYALTY PROGRAM

The Taco Bell brand within the Group operates a loyalty program where retail customers accumulate points for purchases made, which entitle them to discounts on future purchases. Revenue from the award points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

A contract liability is recognised until the points are redeemed or expire.

CRITICAL JUDGEMENTS IN ALLOCATING THE TRANSACTION PRICE

The points provide a material right to customers that they would not receive without entering into a contract therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the likelihood of redemption, which is based on industry knowledge given there is insufficient historical experience to draw upon at this stage of the brand in Australia.

FRANCHISE REVENUE

The Sizzler segment of the Group is the franchisor of the Sizzler brand in Asia. Franchise agreements are entered into where the Group allocates the right to external parties to use the Sizzler name and associated intellectual property. These contracts run for a 20-year period, with a right to renewal for an additional 20 years.

Franchise agreements entitle the Group to two streams of revenue:

- **franchise fees:** revenue relating to franchise fees is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the commencement of the contract and is released on a straight-line basis over the period of the contract; and
- **sales-based royalties:** revenue relating to sales-based royalties is recognised as the subsequent sale occurs.

ACCOUNTING FOR COSTS TO FULFIL A CONTRACT

Costs that relate directly to a contract with customers, generate resources used in satisfying the contract and are expected to be recovered are capitalised as costs to fulfil a contract. The asset is amortised at a pattern consistent with the recognition of the associated revenue.

OTHER INCOME

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 has been established.

FINANCING COMPONENTS

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

ACCOUNTING POLICY APPLIED UNTIL 29 APRIL 2018

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

	2019 \$000	2018 \$000
Profit/(loss) from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment		
Depreciation	35,148	28,307
Amortisation	2,287	1,746
Impairment	4,944	235
Total depreciation, amortisation and impairment	42,379	30,288
Finance income and costs		
Finance income	(479)	(347)
Finance costs	11,216	10,856
Net finance costs	10,737	10,509
Employee benefits expense		
Wages and salaries	219,178	186,072
Defined contribution superannuation expense	18,879	15,735
Employee entitlements	15,642	13,811
Total employee benefits expense	253,699	215,618
Operating lease rentals	49,624	43,793
Inventories recognised as an expense	287,561	250,879
Costs of acquisitions expensed	59	3,933
Performance rights	206	611
Provision for onerous lease	1,176	–
Bank transaction fees	3,802	3,251
Loss on disposal of property, plant and equipment	801	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

	2019 \$000	2018 \$000
Cash at bank and on hand ⁽¹⁾	79,791	60,450

(1) Included in cash at bank is an amount of \$1.7 million (2018: \$1.4 million) that is held under lien by the bank as security for Europe lease agreements and are therefore not available to use by the Group.

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

	2019 \$000	2018 \$000
Profit from continuing operations	39,111	32,489
Adjustments for non-cash income and expense items:		
Depreciation, amortisation and impairment	42,011	30,288
KFC franchise rights written off	368	–
(Gain)/loss on disposal of property, plant and equipment	901	225
Amortisation of borrowing costs	388	1,407
Non-cash employee benefits expense share based payments expense	206	611
Transfer to/(from) provisions:		
Provision for inventory write offs	27	(52)
Provision for employee entitlements	(705)	19
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(507)	(250)
Inventory	(334)	(91)
Prepayments and other assets	1,648	(2,346)
Share of profits of joint ventures	(278)	(301)
Increase in liabilities:		
Trade payables and accruals	10,649	15,032
Movement in:		
Income tax payable	3,369	(3,506)
Deferred tax balances – costs associated with acquisitions	(409)	844
Fringe benefits tax payable	(20)	(54)
Goods and services tax payable	1,060	208
Net operating cash flows	97,485	74,523

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

	2019		2018	
	Working Capital Facility \$000	Revolving Bank Loans \$000	Working Capital Facility \$000	Revolving Bank Loans \$000
Used	6,197 ⁽¹⁾	286,704	640 ⁽¹⁾	287,650
Unused	29,618	42,372	35,370	42,402
Total	35,815	329,076	36,010	330,052

(1) \$640,000 of the working capital facility has been used for bank guarantees rather than drawn down cash funding.

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). The Group holds a Syndicated Facility Agreement of \$270 million and €60 million, including working capital facilities. The term of the facility is a blend of maturities with \$175 million expiring on 31 October 2020 and the remaining \$95 million together with the €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 28 April 2019, 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.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019 Borrowings \$000	2018 Borrowings \$000
Beginning of the reporting period	287,650	183,981
Cash flows	5,534	97,518
Foreign exchange impact	(923)	6,151
End of the reporting period	292,261	287,650

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.

Notes to the Consolidated Financial Statements

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 38% (2018: 41%).

NET DEBT

	Note	2019 \$000	2018 \$000
General cash at bank and on hand	B1	79,791	60,450
Borrowings	B2	292,261	287,650
Net debt		212,470	227,200

NET LEVERAGE

	2019 \$000	2018 \$000
Net debt	212,470	227,200
EBITDA per Syndicated Facility Agreement	113,531	106,114
Net leverage	1.87	2.14

B4/ Dividends

DIVIDENDS

	2019 \$000	2018 \$000
Dividends paid of \$0.18 (2018: \$0.17) per fully paid share	20,972	18,913

FRANKING CREDITS

	2019 \$000	2018 \$000
Franking credits available for the subsequent reporting period based on a tax rate of 30%	92,309	80,414

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 10.5 cents per ordinary share (\$12.2 million) to be paid on 25 July 2019. 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 \$12,233,724.

ACCOUNTING POLICY

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

C/ FINANCIAL RISK MANAGEMENT

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

C1/ Financial risk management

C2/ Recognised fair value measurements

C3/ Derivative financial instruments

C1/ Financial Risk Management

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

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

MARKET RISK

FOREIGN CURRENCY RISK

During 2019 and 2018, 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. In respect of its European operations the Group aims to reduce balance sheet translation exposure by borrowing in the currency of its assets (Euro €) as far as practical (disclosed in Note B2). Management has decided not to hedge the foreign currency risk exposure for Asia. The Group's exposure to foreign currency risk is disclosed in the tables below.

HEDGE OF NET INVESTMENT IN FOREIGN 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 Euro equity invested in Collins Foods Europe Limited (and subsidiaries). As at inception this hedge was considered to be completely effective.

CASH FLOW AND INTEREST RATE RISK

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

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

Information about the Group's variable rate borrowings, outstanding Swap Contracts and an analysis of maturities at the reporting date is disclosed in Notes C1 and C3.

PRICE RISK

The Group manages commodity price risk by forward contracting prices on key commodities and by being actively involved in relevant supply co-operatives.

Notes to the Consolidated Financial Statements

C1/ Financial risk management (continued)

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.

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 (2018: 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 to Notes C1 and C3.

MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For Swap Contracts the cash flows have been estimated using forward interest rates applicable at the end of each reporting period.

Contractual maturities of financial liabilities	Note	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying amount (assets)/liabilities
2019		\$000	\$000	\$000	\$000	\$000
Non-derivatives						
Trade and other payables	F6	88,943	–	–	88,943	88,943
Borrowings	C2	10,273	181,693	116,131	308,097	291,257
Total non-derivatives		99,216	181,693	116,131	397,040	380,200
Derivatives						
Net settled (Swap Contracts)	C3	1,569	1,126	296	2,991	2,913
2018		\$000	\$000	\$000	\$000	\$000
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

INTEREST RATE RISK AND FOREIGN CURRENCY RISK

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

	Carrying amount \$000	INTEREST RATE RISK				FOREIGN CURRENCY RISK			
		Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000	Profit \$000	Equity \$000
2019									
Financial assets	82,974	(559)	–	559	–	246	–	(246)	–
Financial liabilities	388,518	831	(2,209)	(831)	2,209	(112)	767	112	(767)
Total increase/(decrease)		272	(2,209)	(272)	2,209	134	767	(134)	(767)
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)	–

INTEREST RATE RISK EXPOSURES – NON-CURRENT LIABILITIES

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

	Notes	Floating interest rate	Fixed interest maturing in: 5 years or less	Non-interest bearing	Total	Weighted average effective rate
2019		\$000	\$000	\$000	\$000	
Trade and other payables	F6	–	–	88,943	88,943	
Borrowings – unhedged	B2	118,704	–	–	118,704	2.3%
Borrowings – hedged ⁽¹⁾	B2	–	168,000	–	168,000	4.3%
		118,704	168,000	88,943	375,647	
2018		\$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	

(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	Non-interest bearing	Total
2019		\$000	\$000
Trade and other receivables	F3	3,278	3,278
2018		\$000	\$000
Trade and other receivables	F3	3,199	3,199

CREDIT RISK

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

Notes to the Consolidated Financial Statements

C2/ Recognised fair value measurements

FAIR VALUE HIERARCHY

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified such assets and liabilities into the three levels prescribed under the accounting standards.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been identified as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 28 April 2019, 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 29 April 2018, the Group had derivative financial instruments which were classified as Level 3 financial instruments. There were no Level 1 or Level 2 financial instruments.

LEVEL 3 FINANCIAL INSTRUMENTS

The fair values of derivative instruments are determined as the estimated amount that the Group and the Company would receive or pay to terminate the interest rate swap at the end of the reporting period, taking into account the current interest rate.

VALUATION PROCESSES

The finance department of the Group engages a third party expert valuation firm to value the derivative financial instruments that are required to be measured, recognised and disclosed in the financial statements, at fair value. This includes Level 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 derived and evaluated as follows:

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

Changes in Level 2 and Level 3 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.

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:

	2019			2018		
	Carrying amount \$000	Fair value \$000	Discount rate %	Carrying amount \$000	Fair value \$000	Discount rate %
Bank Loan (net of borrowing costs)	291,257	257,687	6.9	286,258	261,904	5.6

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.

ACCOUNTING POLICY

ACCOUNTING POLICY APPLIED FROM 30 APRIL 2018

FINANCIAL ASSETS

CLASSIFICATION AND MEASUREMENT

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income or through the income statement) and those to be held at amortised cost. Further detail on each classification is outlined below.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. The Group's policy with regard to financial risk management is set out in Note C1. Generally, the Group does not acquire financial assets for the purpose of selling in the short term. The Group's business model is primarily that of 'hold to collect' (where assets are held in order to collect contractual cash flows). When the Group enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

• FINANCIAL ASSETS HELD AT AMORTISED COST

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the 'solely payments of principal and interest' (SPPI) criteria.

At initial recognition, trade receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

• FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

This classification applies to the following financial assets:

- Debt instruments that are held under a business model where they are held for the collection of contractual cash flows and also for sale ('Collect and sell') and which have cash flows that meet the SPPI criteria.

All movements in the fair value of these financial assets are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue (including transaction costs by applying the effective interest method), gains or losses arising on derecognition and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative fair value gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

- Equity investments where the Group has irrevocably elected to present fair value gains and losses on revaluation in other comprehensive income. The election can be made for each individual investment however it is not applicable to equity investments held for trading.

Fair value gains or losses on revaluation of such equity investments, including any foreign exchange component, are recognised in other comprehensive income. When the equity investment is derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income to the income statement. Dividends are recognised in the income statement when the right to receive payment is established.

Notes to the Consolidated Financial Statements

C2/ Recognised fair value measurements (continued)

- FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

This classification applies to the following financial assets, and in all cases, transactions costs are immediately expensed to the income statement:

- Debt instruments that do not meet the criteria of amortised cost or fair value through other comprehensive income.

Subsequent fair value gains or losses are taken to the income statement.

- Equity Investments which are held for trading or where the FVOCI election has not been applied.

All fair value gains or losses and related dividend income are recognised in the income statement.

- Derivatives which are not designated as a hedging instrument.

All subsequent fair value gains or losses are recognised in the income statement.

IMPAIRMENT OF FINANCIAL ASSETS

A forward looking expected credit loss (ECL) review is required for; debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

ACCOUNTING POLICY APPLIED UNTIL 29 APRIL 2018

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 intends 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

	2019 \$000	2018 \$000
Non-current assets		
Interest rate swap contracts – cash flow hedges	–	63
Current liabilities		
Interest rate swap contracts – cash flow hedges	1,534	1,216
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	1,379	–

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 28 April 2019 the Group entered into the following Swap Contracts to hedge a designated portion of the interest rate exposure of the facility:

- \$75.0 million commenced on 31 October 2018, 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% (2018: 80%) of the Australian dollar denominated loan principal outstanding and are timed to expire as each loan repayment falls due. The variable rates are BBSY which at balance date was 1.81% (2018: 1.90%). The notional principal amounts, periods of expiry and fixed interest rates applicable to the Swap Contracts are as follows:

	2019 \$000	2019 Weighted average fixed interest rate	2018 \$000	2018 Weighted average fixed interest rate
Less than 1 year	–		140,000	2.9%
1–2 years	140,000	2.4%	–	–
2–3 years	–		140,000	2.4%
3–4 years	28,000	2.2%	–	–
4–5 years	–		28,000	2.2%
	168,000		308,000	

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 28 April 2019, the Swap Contracts gave rise to payables for unrealised losses on derivative instruments of \$2.9 million (2018: \$1.2 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

ACCOUNTING POLICY APPLIED FROM 30 APRIL 2018

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

HEDGE ACCOUNTING

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the hedge effectiveness requirements prescribed in AASB 9.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Notes to the Consolidated Financial Statements

C3/ Derivative financial instruments (continued)

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

ACCOUNTING POLICY APPLIED UNTIL 29 APRIL 2018

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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	
	2019 \$	2018 \$
Short term employee benefits	4,892,951	3,094,277
Long term employee benefits	15,419	49,792
Post employment benefits	162,878	166,254
Long term incentives	125,125	297,785
Total KMP compensation	5,196,373	3,608,108

Detailed remuneration disclosures are provided in the Remuneration Report included in the Directors' Report.

D2/ Share based payments

LONG TERM INCENTIVE PLAN – PERFORMANCE RIGHTS

The Company has a Long Term Incentive Plan (LTIP) designed to provide long term incentives for certain employees, including executive directors. Under the plan, participants are granted performance rights over shares. The number of performance rights is calculated by dividing the dollar value of the participant's long term incentive by the ASX volume weighted average price of the shares for the five trading days prior 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 rights are forfeited. In the event of cessation of employment after 12 months but before the conclusion of the vesting period, unvested rights are considered forfeited, unless otherwise determined by the Board, in which case any service condition will be deemed to have been fulfilled as at the testing date and subject to performance testing along with other participants. It is noted that the Board has discretion to allow "Good Leavers" to retain their Participation in the LTI plan beyond the date of cessation of employment when deemed appropriate to the circumstances. The EPS growth targets must be achieved over a three year performance period. Performance rights will automatically vest on the business day after the Board determines the vesting conditions have all been satisfied (Vesting Determination Date).

The performance rights will automatically exercise on the Vesting Determination Date unless that date occurs outside a trading window permitted under the Company's Securities Trading Policy, in which case the performance rights will exercise upon the first day of the next trading window. Upon exercise of the performance rights, the Company must issue or procure the transfer of one share for each performance right, or alternatively may in its discretion elect to pay the cash equivalent value to the participant.

Performance rights will lapse on the first to occur of:

- the expiry date;
- the vesting conditions not being satisfied by the Vesting Determination Date;
- unless the Board otherwise determines, by the cessation of the employment of the employee to whom the offer of performance rights was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness).

Performance rights when issued under the LTIP are not entitled to receive a dividend and carry no voting rights.

Notes to the Consolidated Financial Statements

D2/ Share based payments (continued)

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

	2019	2018
Balance at the beginning of the reporting period	625,720	446,105
Vested and exercised	(44,018)	(149,527)
Issued during the reporting period	354,995	329,412
Lapsed during the reporting period	(107,127)	(270)
Adjustments during the reporting period ⁽¹⁾	720	–
Balance at the end of the reporting period	830,290	625,720

(1) Adjustment to previously granted performance rights.

On 3 July 2018 following the satisfaction of the vesting conditions, 44,018 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 \$5.592442.

All performance rights issued during the reporting period ended 28 April 2019 have an expiry date of 20 July 2021 and were issued with an exercise price of nil. All performance rights issued during the reporting period ended 30 April 2018 have an expiry date of 26 July 2020 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 28 April 2019:

- the assessed fair value of performance rights issued on 2 October 2018 was an average of \$5.65. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$6.19, the term of the right, the expected dividend yield of 3.00% and the risk free interest rate for the term of the rights of 2.06%.
- the assessed fair value of performance rights issued on 3 October 2018 was an average of \$5.58. The fair value at issuance date was determined using a discounted cash flow model incorporating the share price at issuance date of \$6.11, the term of the right, the expected dividend yield of 3.00% and the risk free interest rate for the term of the rights of 2.06%.

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 right, the expected dividend yield of 3.27% and the risk free interest rate for the term of the 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 right, the expected dividend yield of 3.05% and the risk free interest rate for the term of the rights of 2.16%.

ACCOUNTING POLICY

Equity settled share based payments are measured at the fair value of the equity instrument at the date of grant. The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The determination of fair value includes consideration of any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

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

D3/ Contributed equity

EQUITY OF PARENT COMPANY

			PARENT ENTITY	
	Date	Number of ordinary shares – fully paid	Share capital \$000	Total equity \$000
Balance	29 April 2018	116,467,637	290,328	290,328
Senior Executive Performance Rights Plan	2 July 2018	44,018	167	167
Balance	28 April 2019	116,511,655	290,495	290,495

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	
			2019	2018
Sizzler China Pte Ltd	Singapore	SCP	50	50

SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES

	2019 \$000	2018 \$000
Aggregate carrying amount of individually immaterial joint ventures	2,302	2,064
Aggregate amounts of the Group's share of:		
Profit from continuing operations	278	301
Total comprehensive income	278	301

ACCOUNTING POLICY

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has two joint ventures. 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.

F/ OTHER ITEMS

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

F1/ Commitments for expenditure

CAPITAL COMMITMENTS

	2019 \$000	2018 \$000
Property, plant and equipment:		
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities, payable	5,648	2,330

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 2039. 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.

	2019 \$000	2018 \$000
Operating lease commitments:		
Aggregate lease expenditure contracted for at balance date but not recognised as liabilities, payable:		
Not later than 1 year	56,198	52,436
Later than 1 year but not later than 5 years	153,635	153,749
Later than 5 years	91,013	93,143
	300,846	299,328
Less recoverable Goods and Services Tax	(19,930)	(19,723)
Minimum lease payments	280,916	279,605

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.

Notes to the Consolidated Financial Statements

F2/ Earnings per share

	2019	2018
Basic earnings per share (cents)	33.57	28.28
Diluted earnings per share (cents)	33.37	28.17
Earnings used in the calculation of basic and diluted earnings per share from continuing operations (\$000)	39,111	32,489
Weighted average number of ordinary shares for the purpose of basic earnings per share (number)	116,504,037	114,864,101
Weighted average number of ordinary shares for the purpose of diluted earnings per share (number)	117,190,780	115,350,131

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2019	2018
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share (number)	116,504,037	114,864,101
Adjustments for calculation of diluted earnings per share:		
Performance rights (number)	686,743	486,030
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (number)	117,190,780	115,350,131

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

	2019 \$000	2018 \$000
Trade receivables	3,141	2,676
Other receivables	137	–
Prepayments	2,352	3,779
	5,630	6,455

NON-CURRENT ASSETS – RECEIVABLES

	2019 \$000	2018 \$000
Other receivables	28	–
Security deposits	293	523
	321	523

ACCOUNTING POLICY

ACCOUNTING POLICY APPLIED FROM 30 APRIL 2018

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

IMPAIRMENT OF TRADE RECEIVABLES

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of receivables over a period of 36 months before 28 April 2019 or 1 May 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

ACCOUNTING POLICY APPLIED UNTIL 29 APRIL 2018

Trade and related party 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 related party 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 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
Acquisition through controlled entity purchased	–	33,113*	12,460*	–	45,573*
Adjustment to purchase accounting relating to prior period ⁽¹⁾	–	(71)	(153)	–	(224)
Transfers	2,882	16,400	9,230	(28,512)	–
Depreciation expense	(28)	(15,801)	(12,478)	–	(28,307)
Impairment charge	–	(75)	(116)	–	(191)
Disposals	–	(47)	(210)	(21)	(278)
Exchange differences	–	1,080	599	141	1,820
Net book amount at 29 April 2018	6,611	99,480*	49,058*	9,779	164,929*
At 29 April 2018					
Cost	6,735	199,096*	119,486*	9,638	334,955*
Accumulated depreciation (including impairment)	(124)	(99,616)	(70,427)	141	(170,026)
Net book amount at 29 April 2018	6,611	99,480*	49,058*	9,779	164,929*
Additions	1,329	8,571	7,086	34,934	51,920
Acquisition through controlled entity purchased	–	1,214	294	–	1,508
Transfers	5,996	20,035	10,557	(37,552)	(964)
Depreciation expense	(171)	(19,640)	(15,337)	–	(35,148)
Impairment charge ⁽²⁾	–	(3,221)	(1,355)	–	(4,576)
Disposals	–	(221)	(575)	(120)	(916)
Exchange differences	–	(254)	19	187	(49)
Net book amount at 28 April 2019	13,765	105,964	49,747	7,228	176,704
At 28 April 2019					
Cost	14,024	226,644	130,336	7,228	378,232
Accumulated depreciation (including impairment)	(259)	(120,680)	(80,589)	–	(201,528)
Net book amount at 28 April 2019	13,765	105,964	49,747	7,228	176,704

* These figures are restated. The restatement relates to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)) and KFC Netherlands (refer Note A2(C)).

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

(2) Included in Note F5 is the breakdown of impairments.

ACCOUNTING POLICY

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

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

	Method	Average life
Buildings	Straight line	20 years
Leasehold improvements:		
Buildings	Straight line	20 years or term of the lease ⁽¹⁾
Other leasehold improvements	Straight line	Primary term of lease ⁽²⁾
Plant and equipment	Straight line	8 years
Motor vehicles	Straight line	4 years

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

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

RECLASSIFICATION OF SOFTWARE

The Group's software assets were previously presented as property, plant and equipment in the balance sheet. However, management considered it to be more appropriately classified and disclosed within intangible assets. The net book value of software assets, at the start of the current report period, were reclassified by transferring \$964,000 out of "Plant and equipment" and into "Other intangible assets". Any software asset additions or disposals during the year were recognised directly in intangible assets. Prior year comparatives have not been restated. Refer to Note F5 for further information.

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.

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	Brands names ⁽²⁾	Other	Total
	\$000	\$000	\$000	\$000	\$000
At 1 May 2017					
Cost	291,994	9,607	28,348	28	329,977
Accumulated amortisation (including impairment)	(28,070)	(3,240)	(16,193)	(4)	(47,507)
Net book amount at 1 May 2017	263,924	6,367	12,155	24	282,470
Additions	–	1,526	–	–	1,526
Acquisition through controlled entity purchased	148,489*	2,655	–	–	151,144*
Adjustment to purchase accounting – Germany relating to prior year ⁽¹⁾	334	–	–	–	334
Amortisation	–	(891)	(831)	(24)	(1,746)
Impairment charge	–	(44)	–	–	(44)
Exchange differences	6,686	177	(87)	–	6,776
Net book amount at 29 April 2018	419,433*	9,790	11,237	–	440,460*
At 29 April 2018					
Cost	447,503*	14,035	28,253	28	489,819*
Accumulated amortisation (including impairment)	(28,070)	(4,245)	(17,016)	(28)	(49,359)
Net book amount at 29 April 2018	419,433*	9,790	11,237	–	440,460*
Additions	–	2,212	–	2,599	4,811
Acquisition through controlled entity purchased	5,673	200	–	–	5,873
Transfers	–	–	–	964	964
Amortisation	–	(1,025)	(889)	(373)	(2,287)
Impairment charge ⁽³⁾	–	(368)	–	–	(368)
Exchange differences	(721)	(22)	805	–	62
Net book amount at 28 April 2019	424,385	10,787	11,153	3,190	449,515
At 28 April 2019					
Cost	452,455	16,425	29,058	6,047	503,985
Accumulated amortisation (including impairment)	(28,070)	(5,638)	(17,905)	(2,857)	(54,470)
Net book amount at 28 April 2019	424,385	10,787	11,153	3,190	449,515

* These figures are restated. The restatement relates to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)) and KFC Netherlands (refer Note A2(C)).

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

(2) The presentation of Sizzler brand Australia and Sizzler brand Asia have been reclassified to one Intangible assets class – Brand names.

(3) Included in Note F5 is the breakdown of impairments.

IMPAIRMENT TEST FOR GOODWILL

ALLOCATION OF GOODWILL

Cash generating unit	KFC Restaurants Australia		KFC Restaurants Europe		Sizzler Asia	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Carrying value	327,005	321,331*	96,061	96,874*	1,319	1,228

* These figures are restated. The restatement relates to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)) and KFC Netherlands (refer Note A2(C)).

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.

During the reporting period ended 28 April 2019 the above cash generating units were tested for impairment in accordance with AASB 136. During the reporting period ended 28 April 2019 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.

	2019 \$000	2018 \$000
Impairment of assets recognised during the reporting period		
KFC franchise rights – Australia	67	44
KFC franchise rights – Europe	301	–
Restaurants:		
KFC Australia		
Leasehold improvements	28	34
Plant and equipment	43	67
KFC Europe		
Leasehold improvements	3,004	–
Plant and equipment	1,256	–
Sizzler Australia		
Leasehold improvements	189	41
Plant and equipment	56	49
	4,944	235

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 2020 through to the end of the 2024 reporting period which average 2.5% (2018: 2.5%). The year one projections have been aligned to the division's specific cash flows reflected in the 2020 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2019 and prior reporting periods. A pre-tax discount rate of 14.7% (2018: 14.7%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2024, using that year's cash flow as a base. The growth rate of 2.5% (2018: 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.

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 2020 through to the end of the 2024 reporting period which average 2.5% (2018: 4.0%). The year one projections have been aligned to the division's specific cash flows reflected in the 2020 budget, with certain restaurants having additional growth expectations due to a number of transaction driving initiatives that have been launched across these restaurants.

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 7.1% (2018: 8.4%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2024, using that year's cash flow as a base. The growth rate of 1.5% (2018: 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 2020 to the end of the 2024 reporting period have been estimated at an average decline of 5.0% (2018: 5.0%) reflecting the recent trends experienced in this operating segment together with initiatives intended to improve operating margins. The projection for 2020 has been aligned to the division's specific cash flows reflected in the 2020 budget.

A pre-tax discount rate of 22.2% (2018: 22.2%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2024, 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 2020 through to the end of the 2024 reporting period which average 3.0% (2018: 3.0%). The year one projections have been aligned to the cash flows reflected in the 2020 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this cash generating unit during the 2019 and prior reporting periods. A pre-tax discount rate of 14.0% (2018: 14.0%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2024, using that year's cash flow as a base.

The growth rate of 3.0% (2018: 3.0%) has been used in determining the terminal rate which does not exceed the long term average growth rate for the casual dining industry segment.

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 will be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Sizzler brand intangibles are carried at amortised cost less impairment losses.

F6/ Trade and other payables

	2019 \$000	2018 \$000
Trade payables and accruals – unsecured	71,840	62,015
Other payables	17,103	15,117
Total payables	88,943	77,132

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

	2019 \$000	2018 \$000
Employee entitlements	5,731	5,549
Make good provision	570	597
Onerous contract provision	1,061	–
Total current liabilities – provisions	7,362	6,146

NON-CURRENT LIABILITIES

	2019 \$000	2018 \$000
Employee entitlements	3,367	3,247
Make good provision	162	252
Total non-current liabilities – provisions	3,529	3,499

ACCOUNTING POLICY

EMPLOYEE ENTITLEMENTS

Provision has been made in the accounts 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 12 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 restaurants to their original condition upon exit. However, as leases are traditionally renewed, the Group only recognises a provision for those restaurants where make good costs will result in a probable outflow of funds. An annual review of leased sites is conducted to determine the present value of the estimated expenditure required to remove any leasehold improvements and decommission the restaurant.

Notes to the Consolidated Financial Statements

F7/ Provisions (continued)

ONEROUS CONTRACTS

Each reporting period, the Group assesses whether any of their contracts are considered to be onerous. The present obligations arising under any onerous contracts identified are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

F8/ Reserves

	2019 \$000	2018 \$000
Hedging – cash flow hedges	(1,994)	(736)
Share based payments	1,009	970
Foreign currency translation	11,756	10,717
	10,771	10,951
Movements in hedging reserve – cash flow hedges:		
Opening balance	(736)	(2,332)
Revaluation – gross	(1,760)	2,304
Deferred tax (Note F9)	528	(691)
Transfer to net profit – gross	(37)	(23)
Deferred tax (Note F9)	11	6
Closing balance	(1,994)	(736)
Movements in share based payments reserve:		
Opening balance	971	643
Valuation of performance rights	206	611
Performance rights vested	(167)	(284)
Closing balance	1,009	971
Movements in foreign currency translation reserve:		
Opening balance	10,717	5,109
Exchange fluctuations arising on net assets of foreign operations	98	11,727
Exchange fluctuations arising on net investment in hedge	941	(6,119)
Closing balance	11,756	10,717

NATURE AND PURPOSE OF RESERVES

HEDGING RESERVE – CASH FLOW HEDGES

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

SHARE BASED PAYMENTS RESERVE – PERFORMANCE RIGHTS

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

FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation and of a hedge of the net investment in foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. Refer to Note C3 for details on the Group's accounting policy for hedge accounting.

F9/ Tax

A) INCOME TAX EXPENSE

	2019 \$000	2018 \$000
Income tax expense		
Current tax	19,668	15,280
Deferred tax	807	889
(Over)/under provided in prior reporting periods	(253)	(160)
	20,222	16,009
Income tax expense is attributable to:		
Profit from continuing operations	20,222	16,009
Aggregate income tax expense	20,222	16,009
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Increase in deferred tax assets	3,410	(1,210)
Decrease in deferred tax liabilities	(2,603)	2,099
	807	889
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit from continuing operations before income tax expense	59,333	48,498
Tax at the Australian tax rate of 30%	17,799	14,549
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	706	2,114
Difference in foreign taxation rates	(607)	(139)
Provision transfers	–	634
Non-assessable income received	–	(869)
Carried forward losses brought to account	(992)	(120)
Derecognition of previously recognised carried forward tax losses	718	–
Current year tax losses for which no deferred income tax was recognised	2,851	–
	20,475	16,169
Amounts (over)/under provided in prior reporting periods	(253)	(160)
Income tax expense	20,222	16,009
Tax expense relating to items of other comprehensive income		
Cash flow hedges (Note F8)	(539)	685
Tax losses		
Unused revenue tax losses for which no deferred tax asset has been recognised	15,122	3,283
Unused capital tax losses for which no deferred tax asset has been recognised	65,961	65,090
Potential tax benefit @ 30%	24,325	20,512

Notes to the Consolidated Financial Statements

F9/ Tax (continued)

B) DEFERRED TAX BALANCES

	2019 \$000	2018 \$000
Deferred tax assets (DTA)		
The balance comprises temporary differences attributable to:		
Depreciation	25,175	23,764*
Employee benefits	5,675	5,447
Provisions	2,424	2,354
Carried forward revenue losses	3,087	1,478
Capitalised costs	966	1,252
Cash flow hedges	854	313
Other	158	56
Total deferred tax assets	38,339	34,664*
Set-off of deferred tax liabilities pursuant to set-off provisions	(6,355)	(4,510)
Net deferred tax assets	31,984	30,154*
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	787	752
Intangibles	8,952	6,387
Prepayments	–	2
Total deferred tax liabilities	9,739	7,141
Set-off of deferred tax liabilities pursuant to set-off provisions	(6,355)	(4,510)
Net deferred tax liabilities	3,384	2,631
All movements in DTL were recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income		

* These figures are restated. The restatement relates to provisional values of assets acquired and liabilities assumed for the acquisitions of KFC Australia (refer Note A2(B)).

ACCOUNTING POLICY

INCOME TAX

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

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

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

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

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

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

TAX CONSOLIDATION

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

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

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

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

Notes to the Consolidated 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	
	2019 \$	2018 \$
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>	517,861	392,202
Audit and review of financial reports and other audit work for foreign subsidiary	38,760	45,169
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	343,394	352,142
	900,015	789,513
Other assurance services:		
PricewaterhouseCoopers Australian firm		
Store sales certificates	11,730	11,258
Agreed upon procedures for covenant calculations	22,440	22,096
	34,170	33,354
Total remuneration for assurance services	934,185	822,867
TAXATION SERVICES		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of tax returns	70,466	88,774
International tax consulting	97,351	–
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	5,587	11,316
International tax consulting and tax advice on acquisitions	–	11,822
Total remuneration for taxation services	173,404	111,912
OTHER SERVICES		
PricewaterhouseCoopers Australian firm		
Probity review of IT project	48,612	–
Total remuneration for other services	48,612	–
TOTAL REMUNERATION FOR SERVICES	1,156,201	934,779

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 28 April 2019 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	
				2019	2018
CFG Finance Pty Limited	(b)	Australia	CFGF	100	100
Collins Foods Holding Pty. Limited	(b)	Australia	CFH	100	100
Collins Foods Finance Pty. Limited	(b)	Australia	CFF	100	100
Collins Foods Group Pty. Ltd.	(b)	Australia	CFG	100	100
Collins Restaurants Queensland Pty. Ltd.	(b)	Australia	CRQ	100	100
Collins Restaurants NSW Pty. Ltd.	(b)	Australia	CRN	100	100
Collins Restaurants West Pty. Ltd.	(b)	Australia	CRW	100	100
Fiscal Nominees Company Pty. Ltd.	(b)	Australia	FNC	100	100
Sizzler Restaurants Group Pty. Ltd.	(b)	Australia	SRG	100	100
Collins Restaurants Management Pty. Ltd.	(b)	Australia	CRM	100	100
Collins Restaurants South Pty. Ltd.	(b)	Australia	CRS	100	100
Collins Foods Subsidiary Pty Ltd	(b)	Australia	CFS	100	100
Snag Stand Leasing Pty Ltd	(b)	Australia	SSL	100	100
Snag Stand Corporate Pty Limited	(b)	Australia	SSC	100	100
Snag Stand Franchising Pty Ltd	(b)	Australia	SSF	100	100
Snag Stand International Pty Ltd	(b)	Australia	SSI	100	100
Snag Holdings Pty Ltd	(b)	Australia	SNG	100	100
Collins Property Development Pty. Ltd	(b)	Australia	CPD	100	100
Club Sizzler Pty. Ltd.	(b)	Australia	CSP	100	100
Collins Foods Australia Pty. Ltd.	(b)	Australia	CFA	100	100
Collins Finance and Management Pty. Ltd.	(b)	Australia	CFM	100	100
SingCo Trading Pte Ltd	(c)	Singapore	SingCo	100	100
Sizzler International Marks LLC	(c)	Delaware, USA	SIM	100	100
Sizzler Asia Holdings LLC	(c)	Delaware, USA	SAH	100	100
Sizzler South East Asia LLC	(c) (d)	Delaware, USA	SSEA	100	100
Sizzler New Zealand LLC	(c) (d)	Delaware, USA	SNZ	100	100
Sizzler Restaurant Services LLC	(c) (d)	Delaware, USA	SRS	100	100
Collins Foods Europe Limited	(c)	United Kingdom	CFEL	100	100
Collins Foods Europe Services Limited	(c)	United Kingdom	CFESL	100	100
Collins Foods Europe Finco Limited	(c)	United Kingdom	CFEFL	100	100
Collins Foods Germany Limited	(c)	United Kingdom	CFGL	100	100
Collins Foods Netherlands Limited	(c)	United Kingdom	CFNL	100	100

Notes to the Consolidated Financial Statements

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

Notes relating to the above table:

- (a) Collins Foods Limited is incorporated and domiciled in Australia. The Registered office is located at Level 3, KSDI, 485 Kingsford Smith Drive, Hamilton Queensland 4007.
- (b) These companies have entered into a Deed of Cross Guarantee (Amended and Restated), dated 27 April 2017, with Collins Foods Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. As a result of the new ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument 2016/785) which has replaced ASIC Class Order CO 98/1418, these companies are relieved from the requirement to prepare financial statements.
- (c) These companies are not Australian registered companies and are not covered by the ASIC Instrument 2016/785.
- (d) Originally incorporated in Nevada, upon conversion to a Limited Liability Company (LLC) became registered in Delaware.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Summary of Movements in Consolidated Retained Earnings of the entities in the ASIC Instrument 2016/785 'Closed Group' are as follows.

As there are no other parties to the Deed of Cross Guarantee (Amended and Restated), that are controlled by Collins Foods Limited, the below also represents the 'Extended Closed Group'.

	Closed Group	
	2019 \$000	2018 \$000
CONSOLIDATED INCOME STATEMENT		
Sales revenue	772,863	675,261
Cost of sales	(365,581)	(323,296)
Gross profit	407,282	351,965
Selling, marketing and royalty expenses	(163,097)	(139,330)
Occupancy expenses	(59,458)	(53,278)
Restaurant related expenses	(68,038)	(60,901)
Administration expenses	(38,376)	(38,660)
Other expenses	(7,387)	(5,240)
Other income	3,616	367
Finance income	479	353
Finance costs	(11,130)	(10,812)
Profit from continuing operations before income tax	63,891	44,464
Income tax expense	(18,109)	(15,196)
Profit from continuing operations	45,782	29,268
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Profit from continuing operations	45,782	29,268
Other comprehensive income:		
Cash flow hedges	(1,796)	2,281
Income tax relating to components of other comprehensive income	538	(685)
Other comprehensive income for the reporting period, net of tax	(1,258)	1,596
Total comprehensive income for the reporting period	44,524	30,864
Total comprehensive income for the reporting period is attributable to:		
Owners of the parent	44,524	30,864
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS		
Retained earnings at the beginning of the reporting period	26,827	16,472
Profit for the reporting period	45,782	29,268
Dividends provided for or paid	(20,972)	(18,913)
Retained earnings at the end of the reporting period	51,637	26,827

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	
	2019 \$000	2018 \$000
Current assets:		
Cash and cash equivalents	56,551	41,173
Receivables	2,323	3,461
Inventories	5,492	5,196
Total current assets	64,366	49,830
Non-current assets:		
Property, plant and equipment	142,348	132,731
Intangible assets	338,319	325,187
Deferred tax assets	31,981	31,589
Receivables	1,104	288
Other financial assets	134,302	134,302
Total non-current assets	648,054	624,097
TOTAL ASSETS	712,420	673,927
Current liabilities:		
Trade and other payables	74,139	64,821
Current tax liabilities	4,387	1,129
Derivative financial instruments	1,534	1,216
Provisions	6,193	6,145
Total current liabilities	86,253	73,311
Non-current liabilities:		
Borrowings	285,700	286,258
Derivative financial instruments	1,379	–
Provisions	3,532	3,499
Total non-current liabilities	290,611	289,757
TOTAL LIABILITIES	376,864	363,068
Net assets	335,556	310,859
Equity		
Contributed equity	290,495	290,328
Reserves	(6,576)	(6,296)
Retained earnings/(accumulated losses)	51,637	26,827
Total equity	335,556	310,859

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:

	2019 \$'000	2018 \$'000
Balance sheet		
Current assets	225	139
Non-current assets	412,853	391,082
Total assets	413,078	391,221
Current liabilities	4,600	1,344
Non-current liabilities	69,874	50,945
Total liabilities	74,474	52,289
Net assets	338,604	338,932
Shareholder's equity:		
Issued capital ⁽¹⁾	336,826	336,659
Reserves	1,009	967
Retained earnings	769	1,306
	338,604	338,932
Profit for the reporting period	20,435	18,716
Total comprehensive income	20,435	18,716

(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 28 April 2019 (2018: nil).

H/ BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

H1/ Basis of preparation

H2/ Changes to accounting policies

H3/ 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 2019 reporting period comprised the fifty-two weeks which ended on 28 April 2019 (2018 was a fifty-two week reporting period which ended on 29 April 2018).

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 Non-current assets – intangible assets; and
- Note F7 Provisions.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

COMPARATIVES AND RESTATEMENTS OF PRIOR YEAR BALANCES

Comparatives have been reclassified where appropriate to enhance comparability.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 May 2018:

- AASB 9 Financial Instruments;
- AASB 15 Revenue from Contracts with Customers;
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions; and
- Interpretation 22 Foreign Currency Transactions and Advance Considerations.

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of AASB 9 and AASB 15. This is disclosed in Note H2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 28 April 2019 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.

AASB 16 DISCLOSURE

This standard replaces the current standard, AASB 117 Leases. Under AASB 16 Leases (new leasing accounting standard), a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration. Under AASB 117, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). AASB 16 now requires lessees to recognise a lease liability reflecting the present value of future lease payments and a 'right-of-use' (ROU) asset for all lease contracts.

From the date of adoption, the Consolidated Income Statement will be impacted by the removal of operating lease expenses, the recognition of an interest expense applicable to the future lease payment obligations and the recognition of a depreciation expense in respect of the ROU asset. There will also be an impact to both the operating and financing activities within the Consolidated Statement of Cashflows, where cash paid for operating leases will no longer be recognised under operating activities. It instead will be presented in financing activities, split between a principal repayment and interest component.

As at reporting date, the Group had non-cancellable operating lease commitments of \$280.9 million (refer Note F1). By implementing the changes outlined above across the Group's operating lease portfolio, there will be a material change in the Group's accounting for leases and financial statements.

The new standard is effective to the Group on 29 April 2019. On application of the standard, management were required to make various key judgements, including:

- incremental borrowing rate (IBR) used to discount the future lease payment obligations;
- lease terms, including the rights of renewal expected to be exercised; and
- foreign currency translation rates.

The Group has elected to utilise the following practical expedients and recognition exemptions allowed by the new standard on transition, including the following:

- to retain the classification of existing contracts as leases ('grandfathering') instead of reassessing whether existing contracts are or contain a lease at the date of application of the new standard.
- to apply the recognition exemption where short-term leases and leases of low value assets are excluded under the new standard. Costs for these items will continue to be expensed directly to the Consolidated Income Statement.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group will also be aligning a change in the make good provision policy with the implementation of the new standard. All make good provision obligations of the Group will be recognised at transition date as a component of the ROU asset and a separate liability on the Consolidated Balance Sheet.

In order to facilitate the new lease accounting process, the Group has upgraded Australia's property management system and implemented the system across the Group's wider lease portfolio. The system provides calculations showing the financial impact of the new standard as at 29 April 2019 and the first year of adoption.

The new standard allows a choice in transition methods. Management has elected to use the modified retrospective: hybrid method. Using this transition method, the Group retrospectively values the ROU asset, either at the date of transition or the lease commencement date, on a lease-by-lease basis. This results in the cumulative effect recognised at the date of transition as an adjustment to the opening balance of retained earnings with no restatement of comparative information in the financial statements. The impact on the Consolidated Balance Sheet is approximately:

- an increase of \$366.9 million to lease and other related liabilities;
- an increase of \$368.6 million to ROU assets;
- resulting in a \$1.7 million adjustment to retained earnings.

The future lease liability is significantly higher than the lease commitments disclosed in Note F1, primarily due to the judgement applied to rights of renewals expected to be exercised.

The financial impact on the Consolidated Income Statement for the year of adoption is estimated to be an approximate reduction in net profit before tax of \$12.2 million. This is made up of the following estimated differences:

- a \$46.0 million decrease in operating lease rental expenses;
- a \$39.3 million increase in depreciation expenses; and
- a \$18.9 million increase in interest expenses.

There will be a nil net effect to the Consolidated Statement of Cashflows as a result of adopting the new standard, as operating lease payments will continue to be paid as previously, however the cash outflow will be reclassified to financing activities rather than operating activities.

The estimated potential financial adjustments above may be different to actuals due to:

- changes in lease portfolio (CPI, market valuations, new leases and renegotiations);
- incremental borrowing rate used; and
- foreign currency fluctuations.

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.

Notes to the Consolidated Financial Statements

H1/ Basis of preparation (continued)

- 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/ Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Group's financial statements. The adoption of Interpretation 22 Foreign Currency Transactions and Advance Considerations and other minor changes to AASBs applicable for the 2019 reporting period did not have a significant impact on the Group's financial statements.

The impact on total equity attributable to the members of Collins Foods Limited as at 30 April 2018 of the adoption of AASB 9 and AASB 15 is as follows:

	\$000
Total equity as at 29 April 2018	332,969
Adjustment to retained earnings due to adoption of AASB 15	(463)
Restated total equity as at 30 April 2018	332,506

Refer to following notes for details of the new accounting policies that have been applied from 30 April 2018:

- Note C2 Recognised fair-value measurements;
- Note C3 Derivative financial instruments; and
- Note F3 Receivables.

IMPACT OF TRANSITION TO AASB 9 FINANCIAL INSTRUMENTS AS AT 30 APRIL 2018

The Group adopted AASB 9 Financial Instruments on 30 April 2018, which resulted in changes in accounting policies. Amounts recognised in the financial statements as at this date did not require any adjustments on application of the new accounting policies. The standard replaced the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial assets; and hedge accounting. The new accounting policies relating to financial instruments are set out in the section prior to this.

For transition, the Group has elected to apply the limited exemption in AASB 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The Group applies the new forward looking expected credit loss model required by AASB 9, using the simplified approach for its trade receivables portfolio review and the general approach for all other financial assets as required by the standard. There was no impact on transition to AASB 9 on the Group's opening balances as at 30 April 2018.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

On 30 April 2018, the Group assessed the classification of its financial assets on the basis of the contractual terms of their cash flows and the business model by which they are managed. All of the Group's financial assets were previously classified as loans and receivables or held to maturity and were reclassified to held at amortised cost on transition date.

DERIVATIVES AND HEDGING ACTIVITIES

The Group's risk management strategies and associated hedge documentation have been aligned with the requirements of AASB 9 and existing hedging relationships under AASB 139 have been treated as continuing hedges.

IMPAIRMENT OF FINANCIAL ASSETS

The Group implemented the new forward looking expected credit loss model which is required for certain financial instruments. The simplified approach was used for the trade receivables portfolio, being the Group's only financial assets other than cash and cash equivalents on transition. There was an insignificant impact on application of the expected credit loss model.

IMPACT OF TRANSITION TO AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 replaces AASB 118 Revenue. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has adopted the modified transitional approach to implementation and the new standard has therefore been applied only to contracts that remain in force at 30 April 2018. A transition adjustment has been recognised in retained earnings on transition at 30 April 2018 without adjustment of comparatives.

The impact on the Group's retained earnings as at 30 April 2018 is as follows:

	2018 \$000
Retained earnings	31,689
Recognition of contract liability for franchise fee revenue ⁽¹⁾	(546)
Adjustment in recognition of withholding taxes ⁽²⁾	83
Adjustment to retained earnings for adoption of AASB 15	(463)
Opening retained earnings 30 April 2018	31,226

The transition adjustments relate to:

- (1) Franchise revenue whereby franchise fee revenue was recognised fully at the commencement of each franchise agreement under AASB 118. Under AASB 15, franchise fee revenue is recognised on a straight-line basis over the term of the contract. This adjustment is based on all contracts that remained in force as at transition date, 30 April 2018. The change in accounting has no impact on the commercial arrangement or current or future cash flows.
- (2) The recognition of withholding taxes directly related to the transactions at point 1 and 2 above, was adjusted to be recognised at the same pattern of recognition of the associated revenue and expense.

H3/ 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

The Group is not aware of any matters or circumstances that have arisen since the end of the financial year which have significantly or may significantly affect the operations and results of the Group.

Directors' Declaration

In the Directors' opinion:

- the financial statements and notes set out on pages 40 to 90 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 28 April 2019 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
25 June 2019



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 28 April 2019 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 income statement for the reporting period then ended
- the consolidated statement of comprehensive income for the reporting period then ended
- the consolidated balance sheet as at 28 April 2019
- the consolidated statement of cash flows for the reporting period then ended
- the consolidated statement of changes in equity 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 KFC Restaurants in Europe, and Sizzler Restaurants (in Australia and Asia). The Group has a corporate accounting function based in Brisbane.



Materiality

- For the purpose of our audit we used overall Group materiality of \$3 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

- 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, Asian and the European operations, assisted by local component auditors in the Netherlands. Site visits were conducted at KFC, Sizzler and Taco Bell Restaurants in Queensland, South 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 instructions, receiving formal interoffice reporting, as well as attending final audit clearance meetings with management and the Board in 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 Valuation experts and Tax specialists to assist with our audit procedures on the Group's impairment models and tax calculations.

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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of the carrying value of goodwill (Refer to note F5) \$424.4m</p> <p>Collins Foods Limited recorded goodwill of \$424 million as at 28 April 2019, allocated to KFC Restaurants Australia (\$327m), KFC Restaurants Europe (\$96m) and Sizzler Asia (\$1m).</p> <p>As required by Australian Accounting Standards, at 28 April 2019, 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.</p> <p>Given the material significance of the goodwill balance to the Consolidated Balance Sheet and the judgement involved in estimating the assumptions in the impairment model including forecast cash flows, growth rates and discount rate, this was determined to be a key audit matter.</p> <p>No impairment charge was recorded by the Group in the current reporting period.</p>	<p>Our procedures relating to impairment assessment of goodwill included, amongst others:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the Group's determination of cash generating units (CGUs), including the allocation of assets to CGUs. • Testing the mathematical accuracy of the models. • Evaluating the cash flow forecasts within the models including assessing the assumptions they were based on. • Comparing the cash flows forecasts for reporting period ending 26 April 2020 (FY2020) by comparing them to Board approved budgets for this period. • Where appropriate, comparing the actual results for the reporting period ended 28 April 2019 (FY2019) with the prior reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.

Key audit matter

How our audit addressed the key audit matter

- Evaluating the discount rate, growth rate and long term growth rate assumptions in the models with the support of PwC valuation specialists by comparing them to market observable inputs.
- Performing sensitivity analysis to assess the impact of any changes, that were viewed as reasonably possible, in key assumptions used in the models, including the discount rates, growth rates and long term growth rate.
- Evaluated the adequacy of the disclosures made in Note F5 to the financial report, in light of the requirements of Australian Accounting Standards.

Carrying value of other non-current assets (Refer to note F4) \$176.7m

As at 28 April 2019, the Group recorded Property, plant and equipment assets of \$176.7m.

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

Following management's assessment, a fixed asset impairment of \$4.6m was recorded in the financial report relating to KFC Australia, KFC Europe and Sizzler Australia stores.

We considered this a key audit matter given the significant level of judgements and estimates involved in determining the value in use calculation for each of restaurant as well as the materiality of the fixed asset balance on the Group's financial position.

We performed the following audit procedures, on a sample basis, in relation to management's review of each restaurant, amongst others:

- Testing the mathematical accuracy of the underlying calculations in the discounted cash flow valuation models.
- Evaluating the cash flow forecasts in the models for each individual restaurant including assessing the assumptions they were based on.
- Comparing the cash flow forecasts for FY2020 in the calculations to the Board approved budget for FY2020.
- Comparing the FY2019 actual results with prior reporting period forecasts to assess the historical accuracy of the Group's forecasting processes.
- With the assistance of PwC valuation experts, we assessed key assumptions for long-term growth rate, growth rate and discount rate in the forecasts by comparing them to historical results and economic and industry forecasts;
- Performed sensitivity analysis on assumptions within the detailed calculations.

Key audit matter

How our audit addressed the key audit matter

- Evaluated the adequacy of the disclosures made in Note F4 to the financial report, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the reporting period ended 28 April 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report, Shareholder Information and the Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial report

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

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



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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 8 to 21 of the directors' report for the reporting period ended 28 April 2019.

In our opinion, the remuneration report of Collins Foods Limited for the reporting period ended 28 April 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Kim Challenor
Partner

Brisbane
25 June 2019

Shareholder Information

Shareholder information that has not been stated elsewhere in the Annual Report is set out below. The shareholder information set out below was applicable as at the close of trading on 20 June 2019.

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	2,661	–
1,001–5,000	2,723	3
5,001–10,000	619	14
10,001–100,000	437	6
100,001 and over	42	1
Total	6,482	24

There were 190 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 %
1	HSBC Custody Nominees (Australia) Limited	27,999,577 24.03
2	J P Morgan Nominees Australia Pty Limited	23,636,929 20.29
3	Citicorp Nominees Pty Limited	13,226,547 11.35
4	National Nominees Limited	8,306,693 7.13
5	Mr Kevin Perkins	7,250,574 6.22
6	BNP Paribas Noms Pty Ltd <DRP>	2,821,061 2.42
7	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,618,835 1.39
8	Chrikim Pty Ltd <Geoffrey Wright Income A/C>	1,432,580 1.23
9	Aust Executor Trustees Ltd <GFFD>	611,604 0.52
10	Chrikim Pty Ltd <Geoffrey Wright Income A/C>	569,421 0.49
11	Mrs Heather Lynnette Grace	459,801 0.39
12	Maxwell Family Investment Pty Ltd <Maxwell Family A/C>	416,269 0.36
13	Michael Kemp Pty Ltd <Michael Kemp A/C>	370,910 0.32
14	Perkins Family Investment Corporation Pty Ltd	327,273 0.28
15	Adrian Mark Argent	300,000 0.26
16	UBS Nominees Pty Ltd	278,620 0.24
17	Ms Deborah Lee Chow + Mr Edward Chow <Chow Family S/F A/C>	272,703 0.23
18	Michele Taylor Pty Ltd <Super Fund A/C>	261,819 0.22
19	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	224,427 0.19
20	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	206,482 0.18
	TOTAL	90,592,125 77.74

Substantial holders

Substantial holders (including associate holdings) in the Company, based on the most recent substantial holder notices lodged with the Company and ASX, are set out below:

	Ordinary shares	
	Number held	Percentage
Kevin Perkins	7,621,484	6.54
Yarra Funds Management Limited	6,149,995	5.28

Restricted Securities and share buy-backs

A voluntary holding lock will be applied to 97,544 fully paid ordinary shares for a period of 24 months, 27,122 fully paid ordinary shares for a period of 36 months and 22,563 fully paid ordinary shares for a period of 48 months, if they are issued, upon the vesting of 147,229 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 AM
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

Website Address

www.collinsfoods.com

