



COLLINS FOODS LIMITED

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1 December 2020

ASX Market Announcements Office
10 Bridge Street
SYDNEY NSW 2000

Via ASX Online

Dear Sir/ Madam

ANNOUNCEMENT FOR RELEASE VIA MARKET ANNOUNCEMENTS PLATFORM

Please find **attached** an announcement entitled, "*Collins Foods Limited Appendix 4D and Interim Financial Report*" (**Announcement**) for release via the ASX Market Announcements Platform.

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By Order of the Board

Frances Finucan
Company Secretary

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COLLINS FOODS LIMITED
ACN 151 420 781

INTERIM FINANCIAL REPORT

For the reporting period ended 18 October 2020

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(CONTINUED)

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APPENDIX 4D

Half-year Financial Report for the Financial Half-year ended 18 October 2020

Reporting period: 24 weeks to 18 October 2020

Previous corresponding period: 24 weeks to 13 October 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE AND NET PROFIT

	Percentage Change %	Period ended 18 October 2020 \$'000	Period Ended 13 October 2019 \$'000
Revenue from ordinary activities	Up 11%	499,648	448,778
Profit from ordinary activities after tax attributable to members	Down 19%	16,477	20,376
Net profit for the period attributable to members	Down 19%	16,477	20,376

BRIEF EXPLANATION OF FIGURES REPORTED ABOVE TO ENABLE THE FIGURES TO BE UNDERSTOOD

This report is based on the consolidated interim financial statements which have been reviewed by the auditor. The review report, which was unqualified, is included within the Company's Interim Financial Report for the 24 weeks ending 18 October 2020 which accompanies this Appendix 4D.

For a brief explanation of the figures above please refer to the Results Announcement for the period ended 18 October 2020 and the Director's Report, which forms part of the Interim Financial Report.

DIVIDENDS

	Amount per security (cents)	Franked amount per security (cents)
Interim dividend for reporting period: • payable 18 December 2020	10.5	10.5
The record date for determining entitlements to the interim dividend: • 8 December 2020		
Interim dividend for previous corresponding period (13 October 2019)	9.5	9.5
Final dividend at year end (3 May 2020)	10.5	10.5

NET TANGIBLE ASSETS PER SECURITY

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	(\$0.79)	(\$0.80)

APPENDIX 4D

(CONTINUED)

DETAILS OF ASSOCIATES

Joint venture entities and the percentage holding thereof are as follows:

Entity	Percentage Holding
Sizzler China Pte Ltd	50%

CONTENTS

Directors' report	1
Auditor's Independence Declaration	4
Financial report	
Consolidated Income Statement	5
Consolidated Statement of Comprehensive Income	6
Consolidated Balance Sheet	7
Consolidated Statement of Cash Flows	8
Consolidated Statement of Changes in Equity	9
Notes to the Consolidated Financial Statements	10
A/ Financial Overview	10
A1/ Segment information	10
A2/ Revenue	12
B/ Cash Management	13
B1/ Borrowings	13
B2/ Dividends	13
C/ Recognised fair value measurements	14
D/ Contributed equity	16
E/ Other information	17
E1/ Property, plant and equipment	18
E2/ Income tax expense	19
F/ Basis of preparation of half-year report	20
F1/ Basis of preparation of half-year report	20
F2/ Other Accounting Policies within the half-year Financial Statements	20
G/ Events occurring after the reporting period	21
G1/ Events occurring after the reporting period	21
G2/ Acquisition of restaurants in the Netherlands	21
Directors' Declaration	22
Independent Auditor's Review Report to the Members	23

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 twenty-four week period ended 18 October 2020, which the Directors consider to be the first half (half-year) of the Group's financial year to 2 May 2021.

Directors

The following persons were Directors of Collins Foods Limited during the whole of the half-year and up to the date of this report:

Name	Date of Appointment
Robert Kaye SC	7 October 2014
Graham Maxwell ⁽¹⁾	25 March 2015
Christine Holman	12 December 2019
Newman Manion	10 June 2011
Bronwyn Morris AM	10 June 2011
Kevin Perkins	15 July 2011
Russell Tate	10 June 2011

(1) Managing Director and Chief Executive Officer from September 2014 to 1 July 2020.

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. 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.

At the end of the period, the Group operated 242 franchised KFC restaurants in Australia, 17 franchised KFC restaurants in Germany, 24 franchised restaurants in the Netherlands and 12 franchised Taco Bell restaurants in Australia, which all compete in the quick service restaurant market. The Group owned and operated Sizzler restaurants in Australia, which competed in the casual dining restaurant market, until their closure on 15 November 2020. The Group is also a franchisor of the Sizzler brand in South East Asia, with 64 franchised restaurants in Thailand and Japan.

Coronavirus (COVID-19), was declared a world-wide pandemic by the World Health Organisation in March 2020. The Group's priority continues to be the health and wellbeing of our team members and customers throughout the pandemic. The Group has worked closely with the Government, Health Bodies and our franchisor, Yum! Brands to ensure we implemented all measures to safeguard our employees and customers at each and every stage. The group received support in relation to COVID-19 during the half-year amounting to \$4.6 million. Of the \$4.6 million, \$4.2 million was received in Australia by Sizzler Australia, with the total amount being passed on to employees. \$2.4 million has a direct pass through (top up to the minimum fortnightly wage of \$1,500), with the balance of \$1.8 million covering wages for hours worked by employees.

During the half-year period to 18 October 2020, COVID-19 continued to have an impact on the operations and financial performance of our business, in particular Sizzler Australia, in-line Taco Bell restaurants in Victoria and KFC Europe. Sizzler Australia was severely impacted by COVID-19 and as a result the Group decided to close the remaining restaurants on 15 November 2020. KFC Australia which makes up the majority of the Group revenues has been able to utilise drive thru and delivery channels to maintain strong sales growth.

Operating and financial review (continued)

REVENUE AND EXPENSES

Revenues for the half-year were \$499.6 million, up 11.3% compared to the previous corresponding period. Compared to the previous corresponding period, revenues in the domestic KFC restaurants segment were \$415.5 million, up 15.6%, revenues in the Europe KFC restaurants segment were \$64.3 million, up 1.1% and Sizzler revenues were \$8.7 million, down 57.1%.

The growth in total revenues combined with disciplined business controls resulted in an underlying EBITDA, excluding the impact of AASB 16, for the half-year of \$63.7 million, up 10.5% compared to the previous corresponding period.

NET PROFIT

The statutory net profit attributable to members was \$16.5 million for the half-year. This was a decrease of \$3.9 million, predominantly applicable to costs associated with the Sizzler closure. This represents basic earnings per share of 14.13 cents compared to the previous corresponding period basic earnings per share of 17.48 cents.

CASH FLOW AND BALANCE SHEET

The net cash flow from operations reflected in the statutory Consolidated Statement of Cash Flows (including AASB 16) of \$78.2 million is \$21.4 million higher than the prior comparable period. Net cash inflows from operations, excluding AASB 16, was \$57.3 million, a \$23.6 million increase on the previous corresponding period.

Cash flow from investing activities was a net outflow of \$14.3 million reflecting investment in the existing network and the building of new restaurants. Statutory cash flow from financing activities was a net outflow of \$33.1 million representing outflows related to leases and the Group's dividend payment.

Overall cash and cash equivalents as at 18 October 2020 was \$145.8 million, representing a \$29.5 million increase on the prior reporting period due to strong operating results in KFC Australia and tighter controls on costs to preserve cash.

Total indebtedness (net of capitalised borrowing costs) at 18 October 2020 was \$314.5 million, with undrawn facilities of \$54.0 million within the Bank Loan Facility and \$25.7 million under the Working Capital Facility Agreement. Net debt (excluding borrowing costs, bank guarantee and net of cash and cash equivalents) was \$170.7 million.

Dividends

The Directors have declared a fully franked interim dividend of 10.5 cents per share payable on 18 December 2020.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) (the Act) is set out on page 4.

Australian Securities and Investments Commission Order

The Australian Securities and Investments Commission Order 11-0958 has granted the Company relief under section 340 of the Act which permits the Company to have a half-year that differs from that prescribed by the Act.

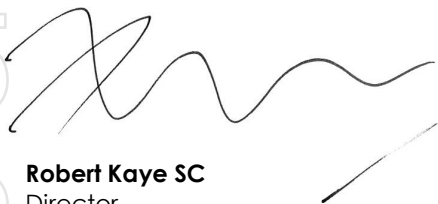
The first half of the year ending 2 May 2021 is the twenty-four week period ended 18 October 2020. The comparative half-year period is the twenty-four week period which commenced on 29 April 2019 and ended on 13 October 2019.

DIRECTORS' REPORT (CONTINUED)

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of Directors.



Robert Kaye SC
Director

Brisbane
1 December 2020

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Collins Foods Limited for the half-year from 4 May 2020 to 18 October 2020, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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 'Michael Crowe'.

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
1 December 2020

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CONSOLIDATED INCOME STATEMENT

For the reporting period ended 18 October 2020

	Notes	Period ended 18 October 2020 \$'000	Period ended 13 October 2019 \$'000
Revenue	A1	499,648	448,778
Cost of sales		(233,960)	(210,327)
Gross profit		265,688	238,451
Selling, marketing and royalty expenses ⁽¹⁾		(107,061)	(94,190)
Occupancy expenses		(35,448)	(32,046)
Restaurant related expenses		(41,927)	(39,394)
Administrative expenses		(31,324)	(26,142)
Other expenses ⁽²⁾		(7,771)	(4,190)
Other income ⁽³⁾		223	1,933
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		42,380	44,422
Finance income		-	178
Finance costs		(13,986)	(14,858)
Share of net profit of joint ventures accounted for using the equity method		64	97
Profit from continuing operations before income tax		28,458	29,839
Income tax expense ⁽⁴⁾	E2	(11,981)	(9,463)
Profit from continuing operations		16,477	20,376
Net profit attributable to members of Collins Foods Limited		16,477	20,376
		Cents per share	Cents per share
Basic earnings		14.13	17.48
Diluted earnings		14.08	17.37
		Shares	Shares
Weighted average basic ordinary shares outstanding		116,581,244	116,581,244
Weighted average diluted ordinary shares outstanding		117,043,663	117,289,665

(1) Selling, marketing and royalty expenses includes \$753,400 (HY20: \$866,000) of marketing expenditure that was redirected to digital technology.

(2) Other expenses include \$3,072,000 of the \$3,326,000 of costs relating to Sizzler closure (the remaining balance is within occupancy expenses). In the prior reporting period other expenses included \$429,000 of makegood expenses associated with a product exit.

(3) In the prior reporting period other income includes \$948,000 of insurance recoveries

(4) Income tax expense includes \$942,000 relating to the derecognition of deferred tax assets associated with Sizzler building asset and \$1,113,000 relating to the derecognition of deferred tax assets associated with tax losses.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 18 October 2020

	Period ended 18 October 2020 \$'000	Period ended 13 October 2019 \$'000
Net profit attributable to members of Collins Foods Limited	16,477	20,376
Items that may be reclassified to profit or loss		
Other comprehensive income/(expense):		
Exchange differences on translation of foreign operations	(2,617)	1,553
Cash flow hedges	1,049	(817)
Income tax relating to components of other comprehensive income	(315)	245
Other comprehensive income/(expense) for the reporting period, net of tax	(1,883)	981
Total comprehensive income for the reporting period	14,594	21,357
Total comprehensive income for the half-year is attributable to:		
Owners of the parent	14,594	21,357

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

CONSOLIDATED BALANCE SHEET

For the reporting period ended 18 October 2020

	Notes	18 October 2020 \$'000	3 May 2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		145,833	116,297
Receivables		2,390	3,071
Inventories		6,968	6,846
Other assets		2,532	2,986
Total current assets		157,723	129,200
Non-current assets			
Property, plant and equipment	E1	183,305	187,469
Intangible assets		452,648	457,389
Right-of-use assets		356,393	369,404
Deferred tax assets		43,783	36,535
Investments accounted for using the equity method		2,416	2,353
Other assets		375	378
Total non-current assets		1,038,920	1,053,528
Total assets		1,196,643	1,182,728
LIABILITIES			
Current liabilities			
Trade and other payables		104,374	88,099
Lease liabilities		28,596	28,890
Current tax liabilities		10,559	6,994
Derivative financial instruments		1,634	2,641
Provisions		7,291	6,449
Total current liabilities		152,454	133,073
Non-current liabilities			
Borrowings	C	314,539	317,252
Lease liabilities		354,152	360,970
Deferred tax liabilities		6,250	5,626
Derivative financial instruments		1,626	1,803
Provisions		6,546	6,200
Total non-current liabilities		683,113	691,851
Total liabilities		835,567	824,924
Net assets		361,076	357,804
EQUITY			
Contributed equity	D	290,788	290,788
Reserves		13,124	14,088
Retained earnings		57,164	52,928
Total equity		361,076	357,804

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 18 October 2020

	Notes	Period ended 18 October 2020 \$'000	Period ended 13 October 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		546,533	492,735
Payments to suppliers and employees (inclusive of GST)		(420,959)	(397,511)
Goods and services taxes (GST) paid		(28,117)	(22,961)
Interest received		-	211
Interest and other borrowing costs paid		(4,770)	(5,534)
Income tax paid		(14,441)	(10,061)
Net operating cash flows		78,246	56,879
Cash flows from investing activities			
Payments for property, plant and equipment		(12,377)	(23,291)
Proceeds from sale of property, plant and equipment		-	406
Payments for intangible assets		(1,935)	(858)
Net investing cash flows		(14,312)	(23,743)
Cash flows from financing activities			
Refinance fees paid		-	(1,014)
Payments for lease principal		(11,798)	(14,327)
Interest paid on leases		(9,097)	(8,900)
Dividends paid	B2	(12,241)	(12,241)
Net financing cash flows		(33,136)	(36,482)
Net increase/(decrease) in cash and cash equivalents		30,798	(3,346)
Cash and cash equivalents at the beginning of the reporting period		116,297	79,791
Effects of exchange rate changes on cash and cash equivalents		(1,262)	754
Cash and cash equivalents at end of the reporting period		145,833	77,199

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 18 October 2020

18 October 2020	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 03 May 2020		290,788	14,088	52,928	357,804
Profit for the reporting period		-	-	16,477	16,477
Other comprehensive income		-	(1,883)	-	(1,883)
Total comprehensive income for the reporting period		-	(1,883)	16,477	14,594

Transactions with owners in their capacity as owners:

Share based payments		-	919	-	919
Dividends provided for or paid	B2	-	-	(12,241)	(12,241)
Balance at 18 October 2020		290,788	13,124	57,164	361,076

13 October 2019	Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 28 April 2019 as originally presented		290,495	10,771	49,365	350,631
Change in accounting policy (AASB 16)		-	-	(639)	(639)
Restated total equity as at 29 April 2019		290,495	10,771	48,726	349,992
Profit for the reporting period		-	-	20,376	20,376
Other comprehensive income		-	981	-	981
Total comprehensive income for the reporting period		-	981	20,376	21,357

Transactions with owners in their capacity as owners:

Dividends provided for or paid	B2	-	-	(12,241)	(12,241)
Performance rights vested		293	(293)	-	-
Balance at 13 October 2019		290,788	11,459	56,861	359,108

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/ Revenue

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 two reportable segments have been identified: KFC Restaurants Australia and KFC Restaurants Europe.

Other includes Shared Services, which performs a number of administrative and management functions for the Group's restaurants, as well as the operating segments of Taco Bell and Sizzler Restaurants. These segments are not separately reportable due to their relative size.

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:

Period ended 18 October 2020	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other \$'000	Total \$'000
Total segment revenue	415,478	64,343	19,827	499,648
Underlying EBITDA ⁽¹⁾	77,220	1,549	(15,060)	63,709

Period ended 13 October 2019	\$'000	\$'000	\$'000	\$'000
Total segment revenue	359,469	63,665	25,644	448,778
Underlying EBITDA ⁽¹⁾	63,060	2,745	(8,142)	57,663

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A1/ Segment information (continued)

UNDERLYING EBITDA

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. This measurement basis excludes the impact of AASB 16 Leases, impairment of property, plant, equipment, franchise rights, brand assets, goodwill, and leases to the extent they are isolated non-recurring events plus any other non-recurring items. Net finance costs (including the impact of derivative financial instruments) are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of Underlying EBITDA to profit from continuing operations before income tax is provided as follows:

	Notes	Period ended 18 October 2020 \$'000	Period ended 13 October 2019 \$'000
Underlying EBITDA ⁽¹⁾		63,709	57,663
Finance costs - net (excluding impact of AASB 16)		(4,724)	(5,750)
Depreciation (excluding impact of AASB 16)	E1	(17,413)	(16,388)
Amortisation		(1,549)	(1,187)
Impact of AASB 16		(8,595)	(5,741)
Sizzler Australia closure provision		(3,326)	-
Other non-trading income		292	441
Net income from insurance claim - material damage		-	704
Share of net profit / (loss) of joint ventures accounted for using the equity method		64	97
Profit before income tax from continuing operations		28,458	29,839

(1) Included within underlying EBITDA is \$1.8 million net benefit associated with Government grants related to COVID-19 received by Sizzler Australia. Inclusive of this benefit, Sizzler Australia recorded an underlying EBITDA loss for the half-year 2021 of (\$1.5 million) compared with the prior corresponding period profit of \$0.9 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A2/ Revenue

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

In the following table revenue is disaggregated by type and by timing of revenue recognition. No single customer amounts to 10% or more of the consolidated entity's total external revenue.

REVENUE TYPE

	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other \$'000	Total \$'000
Period ended 18 October 2020				
Sale of goods	415,478	64,343	18,526	498,347
Franchise revenue	-	-	1,301	1,301
	415,478	64,343	19,827	499,648
	\$'000	\$'000	\$'000	\$'000
Period ended 13 October 2019				
Sale of goods	359,469	63,665	23,200	446,334
Franchise revenue	-	-	2,444	2,444
	359,469	63,665	25,644	448,778

TIMING OF REVENUE RECOGNITION

	KFC Restaurants Australia \$'000	KFC Restaurants Europe \$'000	Other \$'000	Total \$'000
Period ended 18 October 2020				
At a point in time	415,478	64,343	19,754	499,575
Over time	-	-	73	73
	415,478	64,343	19,827	499,648
	\$'000	\$'000	\$'000	\$'000
Period ended 13 October 2019				
At a point in time	359,469	63,665	25,607	448,741
Over time	-	-	37	37
	359,469	63,665	25,644	448,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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/ Borrowings

B2/ Dividends

B1/ Borrowings

The Group has a Syndicated Facility Agreement for \$265 million and €80 million, including working capital facilities. The term of the facility is a blend of maturities with \$180 million and €50 million expiring on 31 October 2022 and the remaining \$85 million and €30 million expiring on 31 October 2024.

During the reporting period ended 18 October 2020, 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.

As at 18 October 2020, the Group's available financing facilities were as follows:

	At 18 October 2020		At 3 May 2020	
	Working Capital Facility \$'000	Bank Loan Facility \$'000	Working Capital Facility \$'000	Bank Loan Facility \$'000
Used ⁽¹⁾	10,752	306,598	10,859	309,304
Unused	25,760	53,989	26,116	54,521
Total	36,512	360,587	36,975	363,825

(1) \$845,000 of the working capital facility has been used for bank guarantees rather than drawn down cash funding (3 May 2020: \$674,000)

B2/ Dividends

	Period ended 18 October 2020 \$'000	Period ended 13 October 2019 \$'000
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Ordinary shares

Dividends provided for or paid during the half-year	12,241	12,241
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Dividends not recognised at the end of the half-year

In addition to the above dividends, since the end of half-year the directors have recommended the payment of an interim dividend of 10.5 cents per fully paid ordinary share (prior half-year: 9.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 18 December 2020 out of retained earnings at 18 October 2020, but not recognised as a liability at the end of the half-year, is \$12,241,031.

12,241	11,075
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C/ Recognised fair value measurements

This Note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

FAIR VALUE HIERARCHY

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. An explanation of each level is 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 to their fair values.

As at the end of the current reporting period and the prior reporting period, the Group has derivative financial instruments which are classified as Level 2 financial instruments. There are no Level 1 or Level 3 financial instruments.

LEVEL 2 FINANCIAL INSTRUMENTS

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

There were no transfers between the levels of fair value hierarchy in the six months to 18 October 2020. There were also no changes made to any of the valuation techniques applied as of 3 May 2020.

VALUATION PROCESSES

The finance department of the Group engages a third-party expert valuation firm that performs the valuation of derivative financial instruments that are required to be measured, recognised and disclosed in the financial statements, at fair value. This includes Level 2 fair values. The finance department reports directly to the Group Chief Financial Officer (CFO) and the Audit and Risk Committee (ARC). Discussions of valuation processes and results are held between the CFO, ARC and the finance department at least once every six months, in line with the Group's half-year reportings periods.

The main Level 2 inputs used by the Group are derived and evaluated as follows:

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

Changes in Level 2 fair values are analysed at the end of each reporting period during the half-year valuation discussion between the CFO, ARC and the 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 Consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

C/ Recognised fair value measurements (continued)

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:

	18 October 2020			3 May 2020		
	Carrying amount \$'000	Fair value \$'000	Disc. rate %	Carrying amount \$'000	Fair value \$'000	Disc. rate %
Bank loan (net of borrowing costs)	314,539	285,136	4.4	317,252	276,473	6.9

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 observable inputs, including the credit risk of the Group.

For further details on Borrowings, refer to Note B1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

D/ Contributed equity

RECONCILIATION OF ORDINARY SHARE CAPITAL

The following reconciliation summarises the movements in issued capital during the period.

EQUITY OF PARENT COMPANY

	18 October 2020		13 October 2019	
Issues of ordinary shares during the half-year	Shares (thousands)	Share capital \$'000	Shares (thousands)	Share capital \$'000
Balance at beginning of the period	116,582	290,788	116,512	290,495
Senior Executive Performance Rights Plan	-	-	70	293
Balance at the end of the period	116,582	290,788	116,582	290,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS^(CONTINUED)

E/ Other information

E1/ Property, plant and equipment

E2/ Income tax expense

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

E1/ Property, plant and equipment

	Land & Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
At 4 May 2020					
Cost or fair value	13,774	256,296	143,273	7,078	420,421
Accumulated depreciation	(606)	(142,272)	(90,074)	-	(232,952)
Net book amount at 4 May 2020	13,168	114,024	53,199	7,078	187,469
Additions	-	957	2,926	9,923	13,806
Transfers	-	2,623	1,868	(4,112)	379
Depreciation charge	(168)	(9,940)	(7,305)	-	(17,413)
Impairment charge	-	(25)	(229)	-	(254)
Disposals	-	-	-	-	-
Exchange differences	-	(620)	234	(296)	(682)
Net book amount at 18 October 2020	13,000	107,019	50,693	12,593	183,305
At 18 October 2020					
Cost or fair value	13,774	258,808	147,964	12,593	433,139
Accumulated depreciation and impairment	(774)	(151,789)	(97,271)	-	(249,834)
Net book amount at 18 October 2020	13,000	107,019	50,693	12,593	183,305
	Land & Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
At 29 April 2019					
Cost or fair value	14,024	226,644	130,336	7,228	378,232
Accumulated depreciation	(259)	(120,680)	(80,589)	-	(201,528)
Net book amount at 29 April 2019	13,765	105,964	49,747	7,228	176,704
Additions	-	2,764	3,253	45,707	51,724
Transfers	-	29,247	15,871	(45,328)	(210)
Depreciation charge	(366)	(21,340)	(15,327)	-	(37,033)
Impairment charge	-	(4,143)	(1,061)	-	(5,204)
Disposals	(231)	(181)	(197)	(623)	(1,232)
Exchange differences	-	1,713	913	94	2,720
Net book amount at 3 May 2020	13,168	114,024	53,199	7,078	187,469
At 3 May 2020					
Cost or fair value	13,774	256,296	143,273	7,078	420,421
Accumulated depreciation	(606)	(142,272)	(90,074)	-	(232,952)
Net book amount at 3 May 2020	13,168	114,024	53,199	7,078	187,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS^(CONTINUED)

E2/ Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax expense for the full financial year. The effective tax rate during the current period of 42.1% compared with the corresponding period of 31.7% is higher, mainly due to the derecognition of deferred tax assets associated with tax losses (\$1,113,000), and Sizzler building assets (\$942,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

F/ Basis of preparation of half-year report

F1/ Basis of preparation of half-year report

F2/ Other Accounting Policies within the half-year Financial Statements

F1/ Basis of preparation of half-year report

This condensed consolidated interim financial report is for the half-year reporting period 4 May 2020 to 18 October 2020. This report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The financial information provided does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the period ended 3 May 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in this interim financial report are the same as those applied in the previous financial year and corresponding interim reporting period.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

No new or amended standards became applicable for the current reporting period. The Group changed its accounting policies in the prior year as a result of adopting AASB 16 *Leases*.

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 operate as a going concern having regard to available non-current debt facilities and the Group's internally generated cash resources.

In the current reporting period, the Group has a net current asset position of \$5.3 million.

F2/ Other Accounting Policies within the half-year Financial Statements

Grants from Australian and overseas governments are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The grant is recognised under the profit or loss by deducting the value from the related expense the grant was received for.

Government grants were received by the Group in the half-year for traineeships and support in relation to the impacts of COVID-19, the latter being from both Australian and overseas governments amounting to \$4.6 million. Of the \$4.6 million, \$4.2 million was received in Australia by Sizzler Australia, with the total amount being passed on to employees. \$2.4 million was a direct pass through to employees (top up to the minimum fortnightly wage of \$1,500), with balance of \$1.8 million covering wages for hours worked by employees.

G/ Events occurring after the reporting period

G1/ Events occurring after the reporting period

G2/ Acquisition of restaurants in the Netherlands

G1/ Events occurring after the reporting period

On 2 October 2020, the Group announced its intention to permanently close its remaining nine Sizzler restaurants in Australia by 15 November 2020, subsequent to the half-year end.

As the restaurants were still trading at the half-year end, Sizzler Australia was not considered a discontinued operation per AASB 5 "Non-current assets held for sale and discontinued operations".

During the half-year, Sizzler Australia received support from the Australian Government (up to 27 September 2020) in relation to the impacts of COVID-19. Refer to Note F2.

The closure of Sizzler will be presented as a discontinued operation at the year-end. A closure provision of \$3.3 million was recognised at the half-year end in anticipation of Sizzler Australia's closure.

G2/ Acquisition of restaurants in the Netherlands

On 20 November 2020 the Group signed an agreement to acquire three KFC restaurants located in the Netherlands for EUR2.5 million. Completion is expected within the coming months.

The financial effects of this transaction have not been recognised at 18 October 2020. The Group will complete the accounting for the acquisition within the year-end financial statements.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 5 to 21 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 18 October 2020 and of its performance for the half-year 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.

This declaration is made in accordance with a resolution of Directors.

This report is made in accordance with a resolution of Directors.



Robert Kaye SC
Director

Brisbane
1 December 2020

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS



Independent auditor's review report to the members of Collins Foods Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Collins Foods Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 18 October 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year from 4 May 2020 to 18 October 2020, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 18 October 2020 and its performance for the half-year from 4 May 2020 to 18 October 2020; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Collins Foods Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Collins Foods Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 18 October 2020 and of its performance for the half-year from 4 May 2020 to 18 October 2020;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Michael Crowe'.

Michael Crowe
Partner

Brisbane
1 December 2020