



**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

**COLLINS FOODS LIMITED**  
**ACN 151 420 781**

**INTERIM FINANCIAL REPORT**

**For the reporting period ended 13 October 2019**

**[www.collinsfoods.com](http://www.collinsfoods.com)**



---

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

---

## CONTENTS

Appendix 4D .....	1
Directors' Report .....	2
Auditor's independence declaration .....	4
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 .....	11
B/ Cash management .....	12
B1/ Borrowings .....	12
B2/ Dividends .....	12
C/ Recognised fair value measurements .....	13
D/ Contributed equity .....	14
E/ Other information .....	15
E1/ Property, plant and equipment .....	15
F/ Basis of preparation of half-year report .....	16
F1/ Basis of preparation of half-year report .....	16
F2/ Changes in accounting policies .....	16
G/ Events occurring after the Reporting Period .....	19
G1/ Contingent liability – Taco Bell restaurants in Victoria .....	19
G2/ Drawdown of financing .....	19
Directors' Declaration .....	20
Independent Auditor's Review Report .....	21

## APPENDIX 4D

### Half-year Financial Report for the Financial Half-year ended 13 October 2019

Reporting period: 24 weeks to 13 October 2019

Previous corresponding period: 24 weeks to 14 October 2018

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

##### REVENUE AND NET PROFIT

	Percentage Change %	Period ended 13 October 2019	Period ended 14 October 2018
		\$000	\$000
Revenue from ordinary activities	Up 9%	448,778	410,992
Profit from ordinary activities after tax attributable to members	Down 5%	20,376	21,531
Net profit for the period attributable to members	Down 5%	20,376	21,531

##### DIVIDENDS

	Amount per Security	Franked amount per security
Interim dividend for reporting period:	9.5 cents	9.5 cents
• payable 17 December 2019		
The record date for determining entitlements to the interim dividend:		
• 6 December 2019		
Interim dividend for previous corresponding period	9.0 cents	9.0 cents

##### NET TANGIBLE ASSETS PER SECURITY

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$(0.80)	\$(0.88)

##### DETAILS OF ASSOCIATES

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

Entity	Percentage Holding
Sizzler Steak Seafood Salad(s) Pte Ltd	50%
Sizzler China Pte Ltd	50%

##### BRIEF EXPLANATION OF THE FIGURES REPORTED ABOVE

Please refer to the review of operations on page 2.

---

## 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 13 October 2019, which the Directors consider to be the first half (half-year) of the Group's financial year to 3 May 2020.

### Directors

The following persons were Directors of the Company during the half-year or up to the date of this report:

- Robert George Kaye SC;
- Graham Joseph Maxwell;
- Kevin William Joseph Perkins;
- Newman Gerard Manion;
- Bronwyn Kay Morris AM; and
- Russell Keith Tate.

### Operating and financial review

#### NET PROFIT

The Group's underlying net profit, excluding AASB 16, was \$23.9 million representing an increase of \$2.0 million (9.1%) compared to the underlying net profit of \$21.9 million reported in the previous corresponding period.

The statutory net profit attributable to members was \$20.4 million for the half-year. The net result was a decrease of \$1.1 million, predominantly applicable to the introduction of AASB 16, as described in further detail below. This represents basic earnings per share of 17.48 cents compared to the previous corresponding period basic earnings per share of 18.48 cents.

In the current half-year, the new accounting standard, AASB 16 Leases, was introduced. The Group adopted a modified transition approach, which resulted in no restatement of prior year comparatives. Statutory net profit attributable to members, excluding the impact of AASB 16, was \$24.1 million. This resulted in an increase of \$2.6 million or 12.1% on the previous corresponding period. Basic earnings per share, excluding AASB 16, of 20.69 cents, is 2.21 cents per share up on the previous corresponding period.

#### REVENUE AND EXPENSES

Revenues for the half-year were \$448.8 million, up 9.2% compared to the previous corresponding period. Revenues in the domestic KFC restaurants segment were \$359.5 million, up 8.9% compared to the previous corresponding period. Revenues in the Europe KFC restaurants segment were \$63.7 million, up 11.8% compared to the previous corresponding period. In the Sizzler restaurants segment, statutory revenues were \$20.2 million, down 8.9% compared to the previous corresponding period.

The change in revenues reported by the operating segments was primarily driven by the differential in restaurant numbers.

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 \$57.7 million, up 7.4% compared to the previous corresponding period.

#### CASH FLOW AND BALANCE SHEET

The net cash flow from operations reflected in the statutory statement of cash flows of \$56.9 million is \$21.1 million higher than the prior comparable period. This change is predominantly applicable to the introduction of AASB 16. Cash outflows of \$23.2 million, related to leases, have been reallocated to financing activities in the current reporting period. Net cash inflows from operations, excluding AASB 16, of \$33.7 million, a \$2.1 million decrease on the previous corresponding period.

Cash flow from investing activities was a net outflow of \$23.7 million reflecting further investment in the existing network. Statutory cash flow from financing activities was a net outflow of \$36.5 million representing outflows related to leases, refinance costs and the Group's dividend payment.

Overall cash and cash equivalents as at 13 October 2019 was slightly lower than the prior reporting period.

Total indebtedness (net of capitalised borrowing costs) at 13 October 2019 was \$293.5 million, with undrawn facilities of \$69.9 million within the Revolving Bank Loan and \$29.9 million under the Working Capital Facility Agreement. Debt (excluding borrowing costs and net of cash and cash equivalents) was \$217.3 million.

## Dividends

The Directors have declared a fully franked interim dividend of 9.5 cents per share payable on 17 December 2019.

## Auditors' Independence Declaration

A copy of the auditors' 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 3 May 2020 is the twenty-four week period ended 13 October 2019. The comparative half-year period is the period which commenced on 30 April 2018 and ended on 14 October 2018.

## 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 the directors.



**Bronwyn Morris AM**

Independent Non-executive Director

Brisbane  
27 November 2019



### *Auditor's Independence Declaration*

As lead auditor for the review of Collins Foods Limited for the half-year from 29 April 2019 to 13 October 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 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, appearing to read 'K Challenor'.

Kim Challenor  
Partner  
PricewaterhouseCoopers

Brisbane  
27 November 2019

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## CONSOLIDATED INCOME STATEMENT

For the reporting period ended 13 October 2019

	Note	Period ended 13 October 2019*	Period ended 14 October 2018
		\$000	\$000
Revenue	A2	448,778	410,992
Cost of sales		(210,327)	(192,792)
Gross profit		238,451	218,200
Selling, marketing and royalty expenses <sup>(1)</sup>		(94,190)	(84,634)
Occupancy expenses		(32,046)	(32,269)
Restaurant related expenses <sup>(2)</sup>		(39,394)	(38,792)
Administration expenses		(26,142)	(22,642)
Other expenses <sup>(3)</sup>		(4,190)	(3,925)
Other income <sup>(4)</sup>		1,933	511
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		44,422	36,449
Finance income		178	207
Finance costs <sup>(5)</sup>		(14,858)	(5,246)
Share of net profit of joint ventures accounted for using the equity method		97	129
<b>Profit from continuing operations before income tax</b>		<b>29,839</b>	<b>31,539</b>
Income tax expense		(9,463)	(10,008)
<b>Profit from continuing operations</b>		<b>20,376</b>	<b>21,531</b>
<b>Net profit attributable to members of Collins Foods Limited</b>		<b>20,376</b>	<b>21,531</b>
Basic earnings per share		17.48 cps	18.48 cps
Diluted earnings per share		17.37 cps	18.40 cps
Weighted average basic ordinary shares outstanding		116,581,244	116,494,985
Weighted average diluted ordinary shares outstanding		117,289,665	117,025,879

\* The reporting period ended 13 October 2019 includes the impact of AASB 16.

(1) Selling, marketing and royalty expenses includes \$866,000 (HY19: \$nil) of marketing expenditure that was redirected to digital technology.

(2) In the prior reporting period, restaurant related expenses include \$429,000 of additional depreciation due to a change in the useful life on specific equipment that is associated with the exit of a product.

(3) Other expenses in the current reporting period include \$426,000 of makegood expenses associated with equipment from a product exit. In the prior reporting period, other expenses include \$115,000 of costs relating to the provision for an onerous lease.

(4) Other income includes insurance recoveries of \$948,000 (HY19: \$nil).

(5) Finance costs include \$8,931,000 interest expenses relating to the application of AASB 16 (HY19: \$nil) (refer note F2) and \$855,000 (HY19: \$nil) of unamortised borrowing costs, expensed as a result of refinancing (refer note B1).

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 13 October 2019

	Period ended 13 October 2019*	Period ended 14 October 2018
	\$000	\$000
Net profit attributable to members of Collins Foods Limited	20,376	21,531
<b>Items that may be reclassified to profit or loss</b>		
Other comprehensive income/(expense):		
Exchange difference upon translation of foreign operations	1,553	22
Cash flow hedges	(817)	(69)
Income tax relating to components of other comprehensive income	245	23
Other comprehensive income for the reporting period, net of tax	981	(24)
<b>Total comprehensive income for the reporting period</b>	<b>21,357</b>	<b>21,507</b>
Total comprehensive income for the reporting period is attributable to:		
<b>Owners of the parent</b>	<b>21,357</b>	<b>21,507</b>

\* The reporting period ended 13 October 2019 includes the impact of AASB 16.

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

## CONSOLIDATED BALANCE SHEET

For the reporting period ended 13 October 2019

	Note	13 October 2019*	28 April 2019
		\$000	\$000
<b>Current assets</b>			
Cash and cash equivalents		77,199	79,791
Receivables <sup>(1)</sup>		2,841	3,183
Inventories		6,365	6,322
Other assets <sup>(1)</sup>		3,986	2,354
<b>Total current assets</b>		<b>90,391</b>	<b>91,650</b>
<b>Non-current assets</b>			
Property, plant and equipment	E1	187,099	176,704
Intangible assets		452,153	449,515
Right-of-use assets	F2	362,353	–
Deferred tax assets		34,300	31,984
Investments accounted for using the equity method		2,249	2,153
Other assets <sup>(1)</sup>		355	414
<b>Total non-current assets</b>		<b>1,038,509</b>	<b>660,770</b>
<b>Total assets</b>		<b>1,128,900</b>	<b>752,420</b>
<b>Current liabilities</b>			
Trade and other payables		80,336	88,943
Lease liabilities		27,005	–
Current tax liabilities		5,677	4,401
Derivative financial instruments		2,751	1,534
Provisions		6,348	7,362
<b>Total current liabilities</b>		<b>122,117</b>	<b>102,240</b>
<b>Non-current liabilities</b>			
Borrowings	C	293,521	291,257
Lease liabilities		343,040	–
Deferred tax liabilities		4,459	3,384
Derivative financial instruments		979	1,379
Provisions		5,677	3,529
<b>Total non-current liabilities</b>		<b>647,676</b>	<b>299,549</b>
<b>Total liabilities</b>		<b>769,792</b>	<b>401,789</b>
<b>Net assets</b>		<b>359,108</b>	<b>350,631</b>
<b>Equity</b>			
Contributed equity	D	290,788	290,495
Reserves		11,459	10,771
Retained earnings		56,861	49,365
<b>Total equity</b>		<b>359,108</b>	<b>350,631</b>

\* The reporting period ended 13 October 2019 includes the impact of AASB 16.

(1) In the current period, certain items previously classified as receivables, such as prepayments, have been classified to Other assets. The comparative values have been reclassified to reflect this change.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 13 October 2019

	Note	Period ended 13 October 2019*	Period ended 14 October 2018
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		492,735	450,037
Payments to suppliers and employees (inclusive of GST)		(397,511)	(378,762)
Goods and services taxes (GST) paid		(22,961)	(21,355)
Interest received		211	191
Interest and other borrowing costs paid		(5,534)	(5,579)
Income tax paid		(10,061)	(8,752)
Net operating cash flows		56,879	35,780
<b>Cash flows from investing activities</b>			
Payment for acquisition of subsidiary, net of cash acquired (KFC Australia Acquisition)		–	(7,531)
Proceeds from disposal of property, plant and equipment		406	–
Payment of intangible assets		(858)	(20)
Payment for property, plant and equipment		(23,291)	(16,322)
Net investing cash flows		(23,743)	(23,873)
<b>Cash flow from financing activities</b>			
Refinance fees paid		(1,014)	–
Payments for lease principal		(14,327)	–
Interest paid on leases		(8,900)	–
Dividends paid	B2	(12,241)	(10,486)
Net financing cash flows		(36,482)	(10,486)
<b>Net increase / (decrease) in cash and cash equivalents</b>		(3,346)	1,421
Cash and cash equivalents at the beginning of the reporting period		79,791	60,450
Effects of exchange rate changes on cash and cash equivalents		754	822
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>77,199</b>	<b>62,693</b>

\* The reporting period ended 13 October 2019 includes the impact of AASB 16.

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 13 October 2019

	Note	Contributed Equity	Reserves	Retained earnings	Total Equity
		\$000	\$000	\$000	\$000
<b>Balance as at 29 April 2018 as originally presented</b>		290,328	10,951	31,689	332,968
Change in accounting policy (AASB 15)		–	–	(463)	(463)
<b>Restated total equity at 30 April 2018</b>		290,328	10,951	31,226	332,505
Profit for the reporting period		–	–	21,531	21,531
Other comprehensive income		–	(24)	–	(24)
Total comprehensive income for the reporting period		–	(24)	21,531	21,507
Transactions with owners in their capacity as owners:					
Share-based payments		–	293	–	293
Dividends provided for or paid	B2	–	–	(10,486)	(10,486)
Performance rights vested	D	170	(170)	–	–
<b>Balance as at 14 October 2018</b>		<b>290,498</b>	<b>11,050</b>	<b>42,271</b>	<b>343,819</b>
		\$000	\$000	\$000	\$000
<b>Balance as at 28 April 2019 as originally presented</b>		290,495	10,771	49,365	350,631
Change in accounting policy (AASB 16)	F2	–	–	(639)	(639)
<b>Restated total equity at 29 April 2019</b>		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	D	293	(293)	–	–
<b>Balance as at 13 October 2019*</b>		<b>290,788</b>	<b>11,459</b>	<b>56,861</b>	<b>359,108</b>

\* The reporting period ended 13 October 2019 includes the impact of AASB 16.

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 judgments 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 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, Sizzler and Taco Bell Restaurants, as well as Taco Bell trading activities.

#### 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
Period ended 13 October 2019	\$000	\$000	\$000	\$000	\$000
Total segment revenue	359,469	20,225	63,665	5,419	448,778
Underlying EBITDA <sup>(1)</sup>	63,060	2,757	2,745	(10,899)	57,663
Period ended 14 October 2018	\$000	\$000	\$000	\$000	\$000
Total segment revenue	330,017	22,209	56,927	1,839	410,992
Underlying EBITDA <sup>(1)</sup>	56,138	2,132	4,147	(8,752)	53,665

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

(2) Other includes: Shared Services and Taco Bell (HY19: Shared Services, Taco Bell and Snag Stand).

#### 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.

##### UNDERLYING EBITDA

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. With the introduction of AASB 16 Leases (refer to note F2) in the current reporting period, the Board have continued to assess the operating segments at Underlying EBITDA excluding the impact of the new accounting standard. This measurement basis also excludes the effects of costs associated with acquisitions and impairment of property, plant, equipment, franchise rights, brand assets, goodwill, and leases 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.

## A1/ Segment information continued

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

	Period ended 13 October 2019	Period ended 14 October 2018
	\$000	\$000
Underlying EBITDA	57,663	53,665
Finance costs – net (excluding AASB 16)	(5,750)	(5,039)
Performance rights	–	(293)
Depreciation (excluding AASB 16)	(16,388)	(15,945)
Amortisation	(1,187)	(863)
Net impact of AASB 16	(5,741)	–
Net income – insurance claim: material damage	704	–
Share of net profit of joint ventures accounted for using the equity method	97	129
Other non-trading items	441	(115)
Profit from continuing operations before income tax	<b>29,839</b>	<b>31,539</b>

## 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.

Note	KFC Restaurants Australia	Sizzler Restaurants	KFC Restaurants Europe	Other	Total
Period ended 13 October 2019	\$000	\$000	\$000	\$000	\$000
Revenue type:					
Sale of goods	359,469	17,781	63,665	5,419	446,334
Franchise revenue	–	2,444	–	–	2,444
A1	359,469	20,225	63,665	5,419	448,778
Timing of revenue recognition:					
At a point in time	359,469	20,188	63,665	5,419	448,741
Over time	–	37	–	–	37
A1	359,469	20,225	63,665	5,419	448,778
Period ended 14 October 2018	\$000	\$000	\$000	\$000	\$000
Revenue type:					
Sale of goods	330,017	20,136	56,927	1,839	408,919
Franchise revenue	–	2,073	–	–	2,073
A1	330,017	22,209	56,927	1,839	410,992
Timing of revenue recognition:					
At a point in time	330,017	22,188	56,927	1,839	410,971
Over time	–	21	–	–	21
A1	330,017	22,209	56,927	1,839	410,992

## 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

A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a Syndicated Facility Agreement (Syndicated Facility) and a Working Capital Facility Agreement (Working Capital Facility). On 26 September 2019, the Group entered into a new Syndicated Facility Agreement for \$265 million and €80 million, including working capital facilities. The new 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.

The Syndicated Facility and Working Capital Facility are subject to certain financial covenants and restrictions such as net leverage ratios, interest cover ratios and others which management believe are customary for these types of loans. During the reporting period ended 13 October 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.

As at 13 October 2019, the Group's available financing facilities were as follows:

	At 13 October 2019		At 28 April 2019	
	Working Capital Facility \$000	Revolving Bank Loans \$000	Working Capital Facility \$000	Revolving Bank Loans \$000
Used	6,329 <sup>(1)</sup>	288,823	6,197 <sup>(1)</sup>	286,704
Unused	29,924	69,942	29,618	42,372
Total	36,253	358,765	35,815	329,076

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

### B2/ Dividends

	Period ended 13 October 2019 \$000	Period ended 14 October 2018 \$000
<b>Ordinary shares</b>		
Dividends provided for or paid during the half-year	12,241	10,486
<b>Dividends not recognised at the end of the half-year</b>		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 9.5 cents per fully paid ordinary share (prior half-year: 9.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 December 2019 out of retained earnings at 13 October 2019, but not recognised as a liability at the end of the half-year, is \$11,075,218.	11,075	10,486

## 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 3 financial instruments. There are 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.

There were no transfers between the levels of fair value hierarchy in the six months to 13 October 2019. There were also no changes made to any of the valuation techniques applied as of 28 April 2019.

### 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 3 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 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 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.

#### 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.



**C/ Recognised fair value measurements** continued**BORROWINGS**

The fair value of borrowings is as follows:

	13 October 2019			28 April 2019		
	Carrying amount	Fair value	Discount rate	Carrying amount	Fair value	Discount rate
	\$000	\$000	%	\$000	\$000	%
Bank Loan (net of borrowing costs)	293,521	244,724	6.9%	291,257	257,687	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 unobservable inputs, including the credit risk of the Group.

For further details on Borrowings, refer to Note B1.

**D/ CONTRIBUTED EQUITY****RECONCILIATION OF ORDINARY SHARE CAPITAL**

The following reconciliation summarises the movements in issued capital during the period. Detailed information on each issue of shares is publicly available via the ASX.

**EQUITY OF PARENT COMPANY**

Issues of ordinary shares during the half-year	13 October 2019		14 October 2018	
	Shares	Share capital	Shares	Share capital
	(thousands)	\$000	(thousands)	\$000
Balance at beginning of the period	116,512	290,495	116,468	290,328
Senior Executive Performance Rights Plan	70	293	44	167
Balance at the end of the period	116,582	290,788	116,512	290,495

**E/ OTHER INFORMATION**

E1/ Property, plant and equipment

**E1/ Property, plant and equipment**

	Land & buildings	Leasehold improvements	Plant & equipment	Construction in progress	Total
	\$000	\$000	\$000	\$000	\$000
<b>At 29 April 2018</b>					
Cost	6,735	199,096	119,486	9,638	334,955
Accumulated depreciation (including impairment)	(124)	(99,616)	(70,427)	141	(170,026)
<b>Net book amount at 29 April 2018</b>	<b>6,611</b>	<b>99,480</b>	<b>49,059</b>	<b>9,779</b>	<b>164,929</b>
Additions	1,329	8,571	7,086	34,934	51,920
Transfers	5,996	20,035	10,557	(37,552)	(964)
Depreciation expense	(171)	(19,640)	(15,337)	–	(35,148)
Impairment charge	–	(3,221)	(1,355)	–	(4,576)
Disposals	–	(221)	(575)	(120)	(916)
Acquisition through controlled entity purchased	–	1,214	294	–	1,508
Exchange differences	–	(254)	18	187	(49)
<b>Net book amount at 28 April 2019</b>	<b>13,765</b>	<b>105,964</b>	<b>49,747</b>	<b>7,228</b>	<b>176,704</b>
<b>At 28 April 2019</b>					
Cost	14,024	226,644	130,336	7,228	378,232
Accumulated depreciation (including impairment)	(259)	(120,680)	(80,589)	–	(201,528)
<b>Net book amount at 28 April 2019</b>	<b>13,765</b>	<b>105,964</b>	<b>49,747</b>	<b>7,228</b>	<b>176,704</b>
Additions	–	1,686	1,236	23,805	26,727
Transfers	–	4,806	3,374	(8,367)	(187)
Depreciation expense	(169)	(9,297)	(6,922)	–	(16,388)
Disposals	(231)	(183)	(78)	(88)	(580)
Exchange differences	–	575	174	74	823
<b>Net book amount at 13 October 2019</b>	<b>13,365</b>	<b>103,551</b>	<b>47,531</b>	<b>22,652</b>	<b>187,099</b>
<b>At 13 October 2019</b>					
Cost	13,774	230,126	128,654	22,652	395,206
Accumulated amortisation (including impairment)	(409)	(126,575)	(81,123)	–	(208,107)
<b>Net book amount at 13 October 2019</b>	<b>13,365</b>	<b>103,551</b>	<b>47,531</b>	<b>22,652</b>	<b>187,099</b>

## F/ BASIS OF PREPARATION OF HALF-YEAR REPORT

F1/ Basis of preparation of half-year report

F2/ Changes in accounting policies

### F1/ Basis of preparation of half-year report

This condensed consolidated interim financial report is for the half-year reporting period 29 April 2019 to 13 October 2019. 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 28 April 2019 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, except for the adoption of new and amended standards as set out below.

#### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note F2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

#### 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.

### F2/ Changes in accounting policies

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 29 April 2019 below.

The Group has adopted AASB 16 retrospectively from 29 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 29 April 2019.

#### ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 29 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 29 April 2019 was 5.45%.

#### PRACTICAL EXPEDIENTS APPLIED

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 29 April 2019 as short-term leases, and therefore outside of the scope of AASB 16;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

## F2/ Changes in accounting policies continued

### MEASUREMENT OF LEASE LIABILITIES

	29 April 2019
	\$000
Operating lease commitments disclosed as at 28 April 2019	280,916
Discounted using the lessee's incremental borrowing rate at the date of initial application	229,927
(Less): short-term leases recognised on a straight-line basis as expense	(3,593)
(Less): low-value leases recognised on a straight-line basis as expense	(14)
(Less): non-lease components	(2,745)
Add/(Less): adjustments as a result of a different treatment of extension and termination options	141,080
Lease liability recognised as at 29 April 2019 (transition date)	364,654
Of which are:	
Current lease liabilities	26,859
Non-current lease liabilities	337,795
	<b>364,654</b>

### MEASUREMENT OF RIGHT-OF-USE ASSETS

The associated right-of-use assets for property leases were measured on a retrospective basis either:

- as if the new rules had always applied; or
- at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 28 April 2019.

The measurement basis was determined on a lease-by-lease basis. Motor vehicle right-of-use assets were all measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	13 October 2019	29 April 2019
	\$000	\$000
Property	361,254	360,578
Motor vehicles	1,099	1,347
Total right-of-use assets	<b>362,353</b>	<b>361,925</b>

### ADJUSTMENTS IN THE BALANCE SHEET ON 29 APRIL 2019 (TRANSITION DATE)

The change in accounting policy affected the following items in the balance sheet on 29 April 2019:

- right-of-use assets – increase by \$361.9 million;
- deferred tax liabilities – increase by \$1.2 million;
- prepayments – decrease by \$0.7 million;
- lease liabilities – increase by \$364.7 million;
- accruals – decrease by \$5.9 million; and
- make-good provisions – increase by \$1.8 million.

The net impact on retained earnings on 29 April 2019 was a decrease of \$0.6 million.

### IMPACT ON SEGMENT DISCLOSURES AND EARNINGS PER SHARE

AASB 16 has not had any impact on the segment disclosures this reporting period. As described in note A1, the profit measure used to assess segments excludes the impact of AASB 16.

Earnings per share decreased by 3.21 cents per share for the half-year period ending 13 October 2019 as a result of the adoption of AASB 16.

## F2/ Changes in accounting policies continued

### THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various restaurant sites, offices, and motor vehicles. Rental contracts, particularly for restaurants, are typically made for fixed periods of 5 to 15 years with extension options as described further below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss in the period it was incurred. If the lease included pre-determined rate increases, the payments were charged to the profit or loss on a straight-line basis over the term of the lease.

From 29 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on a known index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are considered to be items that have a market value of less than \$5,000.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- make good obligation costs.

### VARIABLE LEASE PAYMENTS

Some property leases contain variable payment terms that are linked to sales generated from a store. For some individual stores, up to 80 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition triggers those payments occurs.

### EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

## **G/ EVENTS OCCURRING AFTER THE REPORTING PERIOD**

G1/ Contingent liability – Taco Bell restaurants in Victoria

G2/ Drawdown of financing

### **G1/ Contingent liability – Taco Bell restaurants in Victoria**

The Group has been served with Federal Court proceedings by Taco Bill Mexican Restaurants (Australia) Pty Ltd (Applicant). The claim will be vigorously defended by Collins Foods with strong support from the Taco Bell Brand.

The Applicant seeks to prevent Collins Foods from operating Taco Bell restaurants in Victoria and the Albury area of New South Wales on the basis that members of the public will be misled or deceived to believe that the Taco Bell restaurants are operated by the Applicant, connected or affiliated with the Applicant or operating with its sponsorship or approval.

The Applicant has not quantified their claim and the Applicant does not seek any urgent orders to prevent Collins Foods from opening Taco Bell restaurants in Victoria.

### **G2/ Drawdown of financing**

On 18 November 2019, the Group drew down on \$4.1 million (€2.5 million) of its existing Working Capital Facility to finance a portion of Europe's upcoming capital and operational expenditure. The amount is repayable by 31 October 2022.

Further information on the Group's Working Capital Facility can be found in Note B1.

---

## DIRECTORS' DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 5 to 19 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 13 October 2019 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 the Directors.

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



**Bronwyn Morris AM**

Independent Non-executive Director

Brisbane

27 November 2019



## **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 13 October 2019, 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 29 April 2019 to 13 October 2019, 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 13 October 2019 and its performance for the half-year from 29 April 2019 to 13 October 2019; 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*.

### ***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:

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.





1. giving a true and fair view of the Group's financial position as at 13 October 2019 and of its performance for the half-year from 29 April 2019 to 13 October 2019;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "K Challenor".

Kim Challenor  
Partner

Brisbane  
27 November 2019