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 15 October 2023

Authorised for release by the Board

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APPENDIX 4D

Half Year Financial Report
for the Financial Half Year ended 15 October 2023

Reporting period: 24 weeks to 15 October 2023

Previous corresponding period: 24 weeks to 16 October 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and net profit

	Percentage Change	Period ended 15 Oct 2023	(1) Period ended 16 Oct 2022
	%	$000	$000
Revenue from ordinary activities	Up 14.1%	695,151	609,439
Profit from ordinary activities after tax attributable to members	Up 180.7%	29,367	10,463
Profit from discontinued operations after tax	Up 3,671.7%	21,084	559
Net profit for the period attributable to members	Up 357.7%	50,451	11,022

(1) Comparative figures have been restated to reclassify Sizzler Asia out of ordinary activities and into discontinued operations, Further details on this can be found in Note E of the Interim Financial Statements.

Brief explanation of the figures reported above

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 15 October 2023 which accompanies this Appendix 4D.

For a brief explanation of the figures above please refer to the Results Announcement for the period ended 15 October 2023 and the Director's Report, which forms part of the Interim Financial Report.

Dividends

	Amount per Security	Franked amount per security
Interim dividend for reporting period: • Payable 28 December 2023 The record date for determining entitlements to the interim dividend: • 5 December 2023	12.5 cents	12.5 cents
Interim dividend for previous corresponding period (16 October 2022) • Paid 29 December 2022	12.0 cents	12.0 cents
Final dividend at year end (30 April 2023) • Paid 1 August 2023	15.0 cents	15.0 cents

The interim fully franked dividend of 12.5 cents per share was declared by the board of directors on 28 November 2023. In accordance with accounting standards, as the dividend was not declared prior to the reporting period end, no provision has been taken up for this dividend in the financial statements for the reporting period ended 15 October 2023.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) remains active and is applicable to the Interim ordinary dividend. Participation in the DRP is optional and offers eligible shareholders the opportunity to acquire fully paid ordinary shares in the Company rather than receiving dividends in cash. The allocation price will be the average of the daily volume-weighted average price of Collins Foods Limited ordinary shares traded on the ASX during the 10 consecutive trading days during the period 7 December 2023 to 22 December 2023 (inclusive). Election notices for participation in the DRP for the interim dividend to be paid on 28 December 2023 must be received by 6 December 2023 to be eligible.

Net tangible assets per security

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$0.03	$(0.26)

Authorised for release by the Board.

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collins Foods Limited (the Company) and the entities it controlled at the end of, or during the twenty-four-week period ended 15 October 2023, which the directors consider to be the first half (half year) of the Group's financial year to 28 April 2024.

Directors

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

Name	Date of appointment
Robert Kaye SC	7 October 2014
Drew O'Malley	29 June 2021
Nicki Anderson	13 January 2023
Nigel Clark	1 September 2023
Mark Hawthorne	23 December 2021
Christine Holman	12 December 2019
Kevin Perkins	15 July 2011
Russell Tate (1)	10 June 2011

(1) Russell Tate retired from the Board of Directors on 1 September 2023.

Operating and financial review

GROUP OVERVIEW

The Group's business is the management and operation of restaurants, currently comprising two restaurant brands: KFC and Taco Bell. These 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 275 franchised KFC and 27 franchised Taco Bell restaurants in Australia, 16 franchised KFC restaurants in Germany, and 56 franchised restaurants in the Netherlands, all of which compete in the quick service restaurant market.

REVENUE AND EXPENSES

Revenues from continuing operations for the half year were $695.2 million, up 14.1% on the previous corresponding period. Compared to the previous corresponding period, revenues in the domestic KFC restaurants segment were $522.9 million, up 9.0%. Revenues in the Europe KFC restaurants segment were $147.2 million, up 35.3% and Taco Bell revenues were $25.1 million, up 18.9%.

The growth in total revenues is mainly due to same store sales growth and new restaurant openings, offset by inflationary pressures, resulted in an underlying Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA), post AASB 16, for the half year of $109.9 million, up 16.7% compared to the previous corresponding period.

NET PROFIT

Statutory net profit from continuing operations was $29.4 million for the half year. This was an increase of $18.9 million on the previous corresponding period, which included the impairment of Taco Bell restaurant assets. Revenue growth of $85.7 million was partially offset by inflationary pressures in energy, labour and food costs. Basic earnings per share from continuing operations is 25.01 cents compared to the previous corresponding period of 8.94 cents.

CASH FLOW AND BALANCE SHEET

Net cash flow from operations reflected in the statutory Consolidated Statement of Cash Flows of $82.2 million was $25.1 million higher than the prior comparable period.

Cash flow from investing activities was a net outflow of $6.6 million reflecting investment in the restaurant network, building new restaurants, offset by receipts from the sale of the Sizzler Asia subsidiaries.

Statutory cash flow from financing activities was a net outflow of $57.2 million representing repayments of borrowings, leases and the Group's dividend payment.

Cash and cash equivalents as at 15 October 2023 were $98.1 million, representing a $17.9 million increase when compared to 30 April 2023.

Total indebtedness (net of capitalised borrowing costs) at 15 October 2023 was $270.4 million, down $21.5 million from 30 April 2023, with undrawn facilities of $136.8 million within the Bank Loan Facility and $13.3 million under the Working Capital Facility. Net debt (excluding bank guarantee and net of cash and cash equivalents) was $173.0 million.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 19 October 2023, Collins Foods Netherlands Operations B.V. (CFNO), a wholly owned subsidiary of Collins Foods Limited, extended a loan agreement to Jappa II B.V., a wholly owned subsidiary of Mobion Group for an amount of €2.8 million ($4.7 million) to facilitate the acquisition of the property, upon which a KFC restaurant (Den Bosch) will be developed.

The term of the loan is six months with an interest rate comparable to CFNO's external debt reference rate, with CFNO securing a first mortgage over the property.

Dividends

The Directors have declared a fully franked interim dividend of 12.5 cents per share payable on 28 December 2023.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

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 publish a half year report which differs from that prescribed by the Act.

The first half of the year ending 28 April 2024 is the twenty-four-week period ended 15 October 2023. The comparative half year period commenced on 2 May 2022 and ended on 16 October 2022.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the directors' report 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.

Robert Kaye SC
Chair

Brisbane
28 November 2023

Auditor's Independence Declaration

As lead auditor for the review of Collins Foods Limited for the half-year ended 15 October 2023, 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.

Michael Crowe
Partner
PricewaterhouseCoopers

Brisbane
28 November 2023

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

CONSOLIDATED INCOME STATEMENT

For the reporting period ended 15 October 2023

	Note	Period ended 15 Oct 2023	(1) Period ended 16 Oct 2022
		$000	$000
Revenue	A2	695,151	609,439
Cost of sales		(342,381)	(294,545)
Gross profit		**352,770**	**314,894**
Selling, marketing and royalty expenses		(153,903)	(139,756)
Occupancy expenses		(38,181)	(51,255)
Restaurant related expenses		(53,953)	(49,806)
Administrative expenses		(41,154)	(35,462)
Other expenses		(7,150)	(8,170)
Other income		1,907	800
Other gains/(losses) – net		(362)	(89)
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		**59,974**	**31,156**
Finance income		1,004	207
Finance costs		(18,017)	(15,117)
Profit from continuing operations before income tax		**42,961**	**16,246**
Income tax expense		(13,594)	(5,783)
Profit from continuing operations		**29,367**	**10,463**
Profit from discontinued operations (attributable to equity holders of the Company)	E2	21,084	559
Net profit attributable to members of Collins Foods Limited		**50,451**	**11,022**

	Cents per share	(1) Cents per share
Basic earnings per share from continuing operations (cents)	25.01	8.94
Basic earnings per share from discontinued operations (cents)	17.96	0.48
Diluted earnings per share from continuing operations (cents)	24.72	8.89
Diluted earnings per share from discontinued operations (cents)	17.75	0.48

	-	Shares	Shares
Weighted average basic ordinary shares outstanding		117,423,650	117,063,435
Weighted average diluted ordinary shares outstanding		118,793,680	117,604,922

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations of Sizzler Asia (as outlined in Note E1) and a change in accounting policy relating to Corporate Franchise Agreement revenue and the associated expense (refer to Note G2).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 15 October 2023

	Note	Period ended 15 Oct 2023	Period ended 16 Oct 2022
		$000	$000
Net profit attributable to members of Collins Foods Limited		50,451	11,022
Items that may be reclassified to profit or loss			
Other comprehensive income/(expense):			
Exchange difference upon translation of foreign operations		(64)	2,788
Exchange differences on translation of discontinued operations	E2	(5,778)	-
Cash flow hedges		116	2,124
Income tax relating to components of other comprehensive income		(35)	(637)
Other comprehensive income/(expense) for the reporting period, net of tax		(5,761)	4,275
Total comprehensive income for the reporting period		**44,690**	**15,297**
Total comprehensive income for the reporting period is attributable to:			
Owners of the parent		**44,690**	**15,297**

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

CONSOLIDATED BALANCE SHEET

As at 15 October 2023

	Note	15 Oct 2023 $000	30 April 2023 $000
Current assets			
Cash and cash equivalents		98,144	80,236
Receivables		2,570	20,099
Inventories		8,254	8,320
Derivative financial instruments		4,267	3,367
Current tax assets		3,990	3,562
Other assets		6,236	2,479
Assets classified as held for sale	E4	-	12,242
Total current assets		**123,461**	**130,305**
Non-current assets			
Property, plant and equipment	F1	235,119	224,520
Intangible assets	F2	504,465	492,292
Right-of-use assets		469,263	465,818
Deferred tax assets		57,024	55,658
Derivative financial instruments		904	1,779
Other assets		153	-
Total non-current assets		**1,266,928**	**1,240,067**
Total assets		**1,390,389**	**1,370,372**
Current liabilities			
Trade and other payables		121,942	116,515
Lease liabilities		47,076	44,639
Current tax liabilities		2,114	2,013
Provisions		10,170	13,959
Liabilities directly associated with assets classified as held for sale	E4	-	2,032
Total current liabilities		**181,302**	**179,158**
Non-current liabilities			
Trade and other payables	A3	2,467	-
Borrowings	C	270,391	291,857
Lease liabilities		516,402	506,872
Deferred tax liabilities		124	123
Provisions		5,841	7,864
Total non-current liabilities		**795,225**	**806,716**
Total liabilities		**976,527**	**985,874**
Net assets		**413,862**	**384,498**
Equity			
Contributed equity	D	298,989	297,372
Reserves		13,642	18,741
Retained earnings		101,231	68,385
Total equity		**413,862**	**384,498**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 15 October 2023

	Note	Period ended 15 Oct 2023	Period ended 16 Oct 2022
		$000	$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST and VAT)		766,598	676,771
Payments to suppliers and employees (inclusive of GST and VAT)		(620,271)	(561,366)
Goods and services taxes (GST) and Value added taxes (VAT) paid		(33,245)	(30,013)
Interest received		1,004	207
Interest and other borrowing costs paid		(5,267)	(2,532)
Interest paid on leases		(11,761)	(12,017)
Income tax paid		(14,898)	(13,952)
Net operating cash flows		**82,160**	**57,098**
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		-	(4,601)
Proceeds from sale of subsidiary, net of cash disposed	E2	22,758	-
Proceeds received from wind-up of Joint Venture		2,742	-
Proceeds from acquisition, working capital adjustment received		3,390	-
Payment for property, plant and equipment		(32,815)	(30,872)
Payment for intangible assets		(2,709)	(1,186)
Net investing cash flows		**(6,634)**	**(36,659)**
Cash flow from financing activities			
Proceeds from borrowings – bank loan facilities		-	5,436
Repayment of borrowings and other obligations		(22,012)	-
Refinance fees paid		(124)	-
Payments for lease principal		(18,715)	(14,357)
Dividends paid	B2	(16,375)	(16,270)
Net financing cash flows		**(57,226)**	**(25,191)**
Net increase / (decrease) in cash and cash equivalents		18,300	(4,752)
Cash and cash equivalents at the beginning of the reporting period		80,236	97,217
Effects of exchange rate changes on cash and cash equivalents		(392)	981
Cash and cash equivalents at the end of the reporting period		**98,144**	**93,446**

The 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 15 October 2023

	Note	Contributed equity	Reserves	Retained earnings	Total equity
15 October 2023		$000	$000	$000	$000
Balance as at 30 April 2023		**297,372**	**18,741**	**68,385**	**384,498**
Profit for the reporting period		-	-	50,451	50,451
Other comprehensive expense		-	(5,761)	-	(5,761)
Total comprehensive income/(expense) for the reporting period		**-**	**(5,761)**	**50,451**	**44,690**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	D	1,230	-	-	1,230
Share-based payments		-	1,049	-	1,049
Performance rights vested	D	387	(387)	-	-
Dividends provided for or paid	B2	-	-	(17,605)	(17,605)
Balance as at 15 October 2023		**298,989**	**13,642**	**101,231**	**413,862**
16 October 2022		$000	$000	$000	$000
Balance as at 1 May 2022		**291,394**	**14,871**	**87,262**	**393,527**
Profit for the reporting period		–	–	11,022	11,022
Other comprehensive income		–	4,275	–	4,275
Total comprehensive income for the reporting period		**–**	**4,275**	**11,022**	**15,297**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	D	1,290	–	–	1,290
Share-based payments		–	151	–	151
Issue of shares as consideration for acquisition, net of transaction costs and tax		3,000	–	–	3,000
Performance rights vested	D	851	(851)	–	–
Dividends provided for or paid	B2	–	–	(17,560)	(17,560)
Balance as at 16 October 2022		**296,535**	**18,446**	**80,724**	**395,705**

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

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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

A3: Business combinations

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 & Chief Executive Officer (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, KFC Restaurants Europe, and Taco Bell Restaurants, all competing in the quick service restaurant market.

Other represents Shared Services, which performs administrative and management functions for the Group's restaurants. This segment is not separately reportable due to its relative size in both the current and prior reporting periods. Until the sale, Sizzler Asia Restaurants operating segment was also included in Other, however, has been removed to present the current operations in the segment disclosure.

SEGMENT INFORMATION PROVIDED TO THE MANAGING DIRECTOR & CEO

The following is an analysis of the revenue and results by reportable operating segment for the periods under review:

	KFC Australia	KFC Europe	Taco Bell Australia	Other (3)	Total
	$000	$000	$000	$000	$000
Period ended 15 Oct 2023					
Total segment revenue	522,928	147,154	25,069	-	695,151
Underlying EBITDA (1)	105,457	20,152	(126)	(15,590)	109,893
Number of restaurants (2)	275	72	27	-	374
Period ended 16 Oct 2022					
Total segment revenue (4)(5)	479,577	108,774	21,088	-	609,439
Underlying EBITDA (1)(4)	94,952	13,230	(759)	(13,256)	94,167
Number of restaurants (2)	264	62	24	–	350

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

(2) Number of restaurants relates to Group owned restaurants.

(3) Other represents Shared Services.

(4) Comparative figures have been restated to present the impacts of the current period discontinued operations of Sizzler Asia (previously disclosed in Other) (as outlined in Note E2)

(5) Comparative revenue figures have been restated to present the impacts of a change in accounting policy relating to Corporate Franchise Agreement revenue (refer to Note G2).

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 and related services in KFC and Taco Bell restaurants, both in Australia and Europe, as well as revenue from the Corporate Franchise Agreement (CFA) in the Netherlands.

A1: Segment information continued

Underlying EBITDA from continuing operations

The Board assesses the performance of the operating segments based on a measure of Underlying EBITDA. This measurement basis excludes the effects of costs associated with acquisitions. It also excludes 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:

	Period ended 15 Oct 2023	[1] Period ended 16 Oct 2022
	$000	$000
Underlying EBITDA	109,893	94,167
Finance costs – net	(17,013)	(14,911)
Depreciation	(46,463)	(42,713)
Amortisation	(1,898)	(1,457)
Impairment [2]	(2,036)	(16,940)
Acquisition and operational integration costs	(1,172)	(1,900)
Reversal of onerous contracts provision	2,013	–
Fair value loss on debt modification	(363)	–
Profit from continuing operations before income tax	**42,961**	**16,246**

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations of Sizzler Asia (as outlined in Note E2).

(2) Impairment includes Property, plant and equipment, intangible assets, right-of-use assets and smallwares.

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 Australia	KFC Europe	Taco Bell Australia	Total
Revenue type		$000	$000	$000	$000
Period ended 15 Oct 2023					
Sale of goods		522,928	145,597	25,069	693,594
CFA revenue		-	1,557	-	1,557
Total revenue	A1	**522,928**	**147,154**	**25,069**	**695,151**
Period ended 16 Oct 2022 [1]					
Sale of goods		479,577	107,364	21,088	608,029
CFA revenue [2]		–	1,410	–	1,410
Total revenue	A1	**479,577**	**108,774**	**21,088**	**609,439**

A2: Revenue continued

Timing of revenue recognition	Note	KFC Australia $000	KFC Europe $000	Taco Bell Australia $000	Total $000
Period ended 15 Oct 2023					
At a point in time		522,928	145,612	25,069	693,609
Over time		-	1,542	-	1,542
Total revenue	A1	**522,928**	**147,154**	**25,069**	**695,151**
Period ended 16 Oct 2022 (1)					
At a point in time (2)		479,577	107,364	21,088	608,029
Over time (2)		–	1,410	–	1,410
Total revenue	A1	**479,577**	**108,774**	**21,088**	**609,439**

(1) Comparative figures have been restated to present the impacts of the current period discontinued operations of Sizzler Asia (previously disclosed in Other) (as outlined in Note E2)

(2) Comparative revenue figures have been restated to present the impacts of a change in accounting policy relating to Corporate Franchise Agreement revenue (refer to Note G2)

A3: Business combinations

CURRENT PERIOD

Summary of acquisition (Sambo)

On 2 May 2023, Collins Foods Netherlands Operations B.V., a wholly owned subsidiary of Collins Foods Limited, completed the acquisition of eight KFC Restaurants from R. Sambo Holding B.V. via a Share Purchase Agreement for consideration of €9.29 million ($15.46 million).

The primary reason for the acquisition was to deliver additional scale in the Netherlands in alignment with the Group's growth strategy.

Details of the purchase consideration is as follows:

	$000
Cash paid	12,993
Contingent consideration	2,467
Total purchase consideration	**15,460**

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

	Fair Value $000
Cash and cash equivalents	1,462
Receivables	4,707
Inventories	150
Property, plant and equipment	5,627
Intangible assets	719
Right-of-use assets	7,519
Other assets	444
Trade and other payables	(8,386)
Lease liability	(9,190)
Net identifiable assets acquired	**3,052**
Goodwill	12,408
Net assets acquired	**15,460**

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

A3: Business combinations continued

Acquisition related costs

The acquisition related costs have been recognised in the Group's Consolidated Income Statement (Other expenses) and in operating cash flows in the Consolidated Statement of Cash Flows (Payments to suppliers and employees). Refer to note A1 for further details on acquisition related costs.

Purchase consideration – cash flow

	As at acquisition date $000
Cash consideration	12,993
Less: balances acquired	(1,462)
Outflow of cash - investing activities	**11,531**

Contingent consideration

The contingent consideration arrangement requires the Group to pay R Sambo Holding B.V. the excess of 5.5 times the adjusted EBITDA for 2023 of the eight restaurants acquired (1 January to 31 December 2023) (the *first contingent consideration payment*) and 5.5 times the adjusted EBITDA for 2024 of the eight restaurants acquired (1 January to 31 December 2024) (the *second contingent consideration payment),* providing that the second contingent consideration payment shall not be less than €1.6 million ($2.7 million) (The Minimum Payment). The maximum contingent consideration across both payments shall not exceed €4.6 million ($7.7 million).

The fair value of the contingent consideration arrangement of €1.5 million ($2.5 million) was estimated by calculating the present value of the future expected cash flows of the eight restaurants acquired over the life of the contingent consideration periods. The estimates are based on a discount rate of 3.7% for the first contingent consideration payment and 4.67% for the second contingent consideration payment. As the required EBITDA targets are not expected to be met during the contingent consideration periods, the estimate is based on the minimum payment due of €1.6 million ($2.7 million) with no contingent amounts above the minimum payment expected to be paid.

As at 15 October 2023, there was no adjustments in the estimated range of the EBITDA targets, therefore no changes to the contingent consideration liability calculated on acquisition date. The liability is presented within Non-current Trade and other payables in the Group's Consolidated Balance Sheet.

The fair value of assets acquired, and liabilities assumed may be amended during the measurement period, however, management do not expect material differences from the amounts recognised in the half year to 15 October 2023.

The acquired business contributed revenues of $13.5 million and Underlying EBITDA of $1.7 million for the period it was owned, up to 15 October 2023.

As the acquisition occurred on 1 May 2023, the consolidated revenue and consolidated Underlying EBITDA for the reporting period ending 15 October 2023 was $695.2 million and $109.9 million respectively.

PRIOR PERIOD

On 3 May 2022, Collins Restaurants South Pty Ltd., a wholly owned subsidiary of Collins Foods Limited, acquired the KFC Griffith Restaurant. Details of this business combination was disclosed in note A2 of the Group's annual financial statements for the year ended 30 April 2023. No changes to the provisional acquisition accounting disclosed have occurred since that time.

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. The Syndicated Facility Agreement includes bank loan facilities (Syndicated Facility) and a Working Capital Facility Agreement (Working Capital Facility). On 12 October 2023, the Group entered into a new Syndicated Facility Agreement for a total of $180 million and €145 million, which includes both the bank loan facilities and working capital facilities. The term of the facility is a blend of maturities with $110 million and €90 million maturing on 31 October 2026 and the remaining $70 million and €55 million expiring on 31 October 2028.

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. There have been no changes to the covenants as a result of entering into the new Syndicated Facility Agreement. During the reporting period ended 15 October 2023, the Group maintained compliance with the financial covenants and restrictions of these facilities. The Company and its Australian subsidiaries (other than subsidiaries outside of the Closed Group) and the European subsidiaries were registered guarantors of all the obligations in respect of these loan facilities.

As at 15 October 2023, the Group's available financing facilities were as follows:

	15 Oct 2023		30 April 2023	
	Working Capital Facility	Revolving Bank Loans	Working Capital Facility	Revolving Bank Loans
	$000	$000	$000	$000
Used [1]	13,368	258,608	13,328	279,947
Unused	13,330	136,806	23,317	83,142
Total	**26,698**	**395,414**	**36,645**	**363,089**

(1) $845,000 (FY23: $845,000) of the Working Capital Facility has been used for bank guarantees rather than drawn down cash funding. In addition, an amount of $1,294,000 (FY23: $573,000) relating to capitalised fees is not included in the above figures, but included in the total Borrowings amount on the Consolidated Balance Sheet.

B2: Dividends

	Period ended 15 Oct 2023	Period ended 16 Oct 2022
	$000	$000
Ordinary shares		
Dividends provided for or paid during the half year	[1] 17,605	[1] 17,560
Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half year the directors have recommended the payment of an interim dividend of 12.5 cents per fully paid ordinary share (prior half year: 12.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 28 December 2023 out of retained earnings at 15 October 2023, but not recognised as a liability at the end of the half year, is $14,686,284.	14,686	14,063

(1) Includes $1,229,514 (2023: $1,290,446) relating to the Dividend Reinvestment Plan.

During FY23, the Group introduced a Dividend Reinvestment Plan (DRP), allowing shareholders with a registered address in Australia and New Zealand to reinvest all or part of their dividends into fully paid Collins Foods Limited shares.

During the half year to 15 October 2023, 121,652 shares were issued to eligible shareholders (2023: 127,738) with a value of $1,229,514 (2023: $1,290,446).

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 of 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 half year to 15 October 2023. There were also no changes made to any of the valuation techniques applied as of 30 April 2023.

VALUATION PROCESSES

The Group engages a third-party expert valuation firm to value derivative financial instruments which are required to be measured, recognised and disclosed in the financial statements, at fair value. This includes Level 2 fair values. Outcomes of valuations are reported to the Group Chief Financial Officer (CFO) and the Audit and Risk Committee (ARC). Discussions about valuation processes and results are held between the CFO, ARC and the finance function at least every six months, in line with the Group's reporting 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 and discussed at the end of each reporting period, including reasons for movements in fair value.

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 current receivables, their carrying amount is assumed to be the same as their fair value. For most 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:

	15 Oct 2023			30 April 2023		
	Carrying amount	Fair value	Discount rate	Carrying amount	Fair value	Discount rate
	$000	$000	%	$000	$000	%
Bank Loan (net of borrowing costs)	270,391	246,459	5.1%	291,857	285,608	4.5%

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 2 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.

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

	15 Oct 2023		16 Oct 2022	
	Shares (thousands)	Share capital $000	Shares (thousands)	Share capital $000
Issues of ordinary shares during the half year:				
Balance at beginning of the period	117,323	297,372	116,696	291,394
Acquisition – Share component	-	-	284	3,000
Dividend reinvestment plan	122	1,230	128	1,290
Senior executive performance rights plan	-	-	86	851
Employee ownership share plan	45	387	-	-
Balance at the end of the period	**117,490**	**298,989**	**117,194**	**296,535**

E: DISCONTINUED OPERATIONS

E1: Description

E2: Financial performance and cash flow information

E3: Details of the sale of the subsidiary

E4: Assets and liabilities of disposal group classified as held for sale

E1: Description

On 30 April 2023, the Group signed a Letter of Intent to sell the 100% owned subsidiary SingCo Trading Pte. Ltd Group (SingCo) for SGD20.2 million. The associated SingCo assets and liabilities were consequently presented as held for sale in the 2023 financial statements.

The subsidiary was sold on 11 July 2023 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

E2: Financial performance and cash flow information

The financial performance and cash flow information presented are for the periods ended 11 July 2023 (date of disposal) and 16 October 2022.

	11 July 2023 $000	16 Oct 2022 $000
Revenue	821	1,811
Cost of Sales	-	-
Gross profit	**821**	**1,811**
Other Expenses	-	(54)
Administration expenses	(150)	(978)
Other income	290	-
Profit/(loss) from discontinued operations before income tax (EBIT)	**961**	**779**
Income tax expense	(135)	(220)
Gain on sale of the subsidiary after income tax	20,258	-
Profit from discontinued operations	**21,084**	**559**
Exchange differences on translation of discontinued operations	5,778	1,676
Other comprehensive income from discontinued operations	**5,778**	**1,676**

	11 July 2023 $000	16 Oct 2022 $000
Net cash inflow/(outflow) from operating activities	(445)	780
Net cash inflow from investing activities (2023 includes an inflow of $22,757,632 from the sale of the subsidiary, net of cash disposed)	25,499	-
Net cash inflow/(outflow) from financing activities	(4,415)	98
Net increase in cash generated by the discontinued operations	**20,639**	**878**

E3: Details of the sale of the subsidiary

The details of the consideration received from the sale of the subsidiary are set out below.

	11 July 2023	16 Oct 2022
	$000	$000
Consideration received		
Cash	23,506	-
Total disposal consideration received		**-**
Carrying amount of net assets sold	(8,791)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	**14,715**	**-**
Reclassification of foreign currency translation reserve	5,543	-
Income tax expense on gain	**-**	**-**
Gain on sale after income tax	**20,258**	**-**

The carrying amounts of the assets and liabilities as at the date of sale (11 July 2023) were:

	11 July 2023
	$000
Cash and cash equivalents	748
Trade and other receivables	515
Other assets	112
Intangible assets (1)	9,402
Investments accounted for using the equity method	-
Total assets	**10,777**
Trade and other payables	626
Deferred tax liabilities	1,360
Total liabilities	**1,986**
Net Assets	**8,791**

(1) Includes recognised Goodwill of $1,405,000.

E4: Assets and liabilities classified as held for sale

The following assets were classified as held for sale in relation to the discontinued operation as at 15 October 2023:

	15 October 2023	30 April 2023
	$000	$000
Assets classified as held for sale		
Receivables	-	334
Other assets	-	113
Intangible assets (1)	-	9,402
Investments accounted for using the equity method	-	2,393
Total assets of disposal group	**-**	**12,242**
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	-	672
Deferred tax liabilities	-	1,360
Total liabilities of disposal group held for sale	**-**	**2,032**

(1) Includes recognised Goodwill of $1,405,000.

F: OTHER INFORMATION

F1: Property, plant and equipment

	Land & buildings	Leasehold improvements	Plant & equipment	Construction in progress	Total
	$000	$000	$000	$000	$000
At 1 May 2023					
Cost	26,639	334,424	220,056	10,688	591,807
Accumulated depreciation	(1,708)	(215,802)	(149,777)	–	(367,287)
Net book amount at 1 May 2023	**24,931**	**118,622**	**70,279**	**10,688**	**224,520**
Additions	-	-	-	28,304	28,304
Acquisition through controlled entity purchased	-	3,133	2,494	-	5,627
Transfers	3,609	14,294	14,265	(32,364)	(196)
Depreciation charge	(311)	(11,775)	(10,867)	-	(22,953)
Impairment charge (1)	-	222	(394)	-	(172)
Disposals	-	-	(7)	(142)	(149)
Exchange differences	-	74	(55)	119	138
Net book amount at 15 October 2023	**28,229**	**124,570**	**75,715**	**6,605**	**235,119**
At 15 October 2023					
Cost	30,249	351,792	236,343	6,605	624,989
Accumulated depreciation	(2,020)	(227,222)	(160,628)	-	(389,870)
Net book amount at 15 October 2023	**28,229**	**124,570**	**75,715**	**6,605**	**235,119**
At 2 May 2022					
Cost	22,201	293,736	182,607	15,234	513,778
Accumulated depreciation	(1,238)	(177,018)	(119,423)	–	(297,679)
Net book amount at 2 May 2022	**20,963**	**116,718**	**63,184**	**15,234**	**216,099**
Additions	–	2,621	286	67,299	70,206
Acquisition through controlled entity purchased	–	132	134	–	266
Transfers	4,439	32,396	34,370	(70,895)	310
Depreciation charge	(471)	(23,544)	(21,170)	–	(45,185)
Impairment charge (1)	–	(13,222)	(8,312)	–	(21,534)
Disposals	–	(60)	(32)	(1,149)	(1,241)
Exchange differences	–	3,581	1,819	199	5,599
Net book amount at 30 April 2023	**24,931**	**118,622**	**70,279**	**10,688**	**224,520**
At 30 April 2023					
Cost	26,639	334,424	220,056	10,688	591,807
Accumulated depreciation	(1,708)	(215,802)	(149,777)	–	(367,287)
Net book amount at 30 April 2023	**24,931**	**118,622**	**70,279**	**10,688**	**224,520**

(1) Included in Note F3 is the breakdown of impairment charge.

F2: Intangible assets

	Goodwill	Franchise rights	Brand names	Software	Other	Total
	$000	$000	$000	$000	$000	$000
At 1 May 2023						
Cost	499,132	23,916	11,261	13,937	5,302	553,548
Accumulated amortisation	(28,070)	(11,816)	(11,261)	(10,031)	(78)	(61,256)
Net book amount at 1 May 2023	**471,062**	**12,100**	**–**	**3,906**	**5,224**	**492,292**
Additions	-	333	-	109	-	442
Acquisitions through controlled entity purchased	12,408	719	-	-	-	13,127
Transfers	-	-	-	196	-	196
Amortisation charge	-	(844)	-	(942)	(112)	(1,898)
Impairment charge [(1)]	-	(198)	-	-	-	(198)
Disposals	-	(2)	-	-	-	(2)
Exchange differences	484	5	-	1	16	506
Net book amount at 15 October 2023	**483,954**	**12,113**	**-**	**3,270**	**5,128**	**504,465**
At 15 October 2023						
Cost	512,024	24,664	-	14,245	5,319	556,252
Accumulated amortisation	(28,070)	(12,551)	-	(10,975)	(191)	(51,787)
Net book amount at 15 October 2023	**483,954**	**12,113**	**-**	**3,270**	**5,128**	**504,465**
At 2 May 2022						
Cost	478,093	21,154	31,105	13,142	–	543,494
Accumulated amortisation	(28,070)	(9,389)	(22,793)	(7,950)	–	(68,202)
Net book amount at 2 May 2022	**450,023**	**11,765**	**8,312**	**5,192**	**–**	**475,292**
Additions	–	2,552	–	586	5,302	8,440
Acquisitions through controlled entity purchased	7,317	–	–	9	–	7,326
Transfers	–	–	–	(310)	–	(310)
Amortisation charge	–	(1,386)	(950)	(1,678)	(78)	(4,092)
Impairment charge [(1)]	–	(1,034)	–	(26)	–	(1,060)
Transfers to assets held for sale [(2)]	(1,405)	–	(7,997)	–	–	(9,402)
Exchange differences	15,127	203	635	133	-	16,098
Net book amount at 30 April 2023	**471,062**	**12,100**	**–**	**3,906**	**5,224**	**492,292**
At 30 April 2023						
Cost	499,132	23,916	11,261	13,937	5,302	553,548
Accumulated amortisation	(28,070)	(11,816)	(11,261)	(10,031)	(78)	(61,256)
Net book amount at 30 April 2023	**471,062**	**12,100**	**–**	**3,906**	**5,224**	**492,292**

(1) Included in Note F3 is the breakdown of impairment charge.

(2) Relates to the intangible assets of the Sizzler Asia business which was classified as held for sale at 30 April 2023.

F3: Impairment

IMPAIRMENT

All cash-generating units (CGUs), as disclosed in the 2023 Annual Report, were assessed for impairment indicators at the end of the current reporting period. If impairment indicators were present, an impairment assessment was performed. The assessments performed were consistent with the methods and assumptions as disclosed in the 2023 Annual Report, note G7, except for those outlined below.

During the reporting period ended 15 October 2023, the KFC Australia and KFC Europe restaurants, where indicators of impairment were identified, were tested for impairment in accordance with AASB 136 *Impairment of Assets*. In the event that the carrying value of these assets was higher than the recoverable amount (measured as the higher of fair value less costs to sell and value in use) an impairment charge was recognised in the Consolidated Income Statement as set out in the table below.

	KFC Australia		KFC Europe		Taco Bell Australia		Total	
	15 Oct 2023 $000	30 April 2023 $000	15 Oct 2023 $000	30 April 2023 $000	15 Oct 2023 $000	30 April 2023 $000	15 Oct 2023 $000	30 April 2023 $000
Leasehold improvements	-	-	-	948	(222)	12,274	(222)	13,222
Plant and equipment	-	-	-	363	394	7,949	394	8,312
Franchise rights	-	-	-	-	198	1,034	198	1,034
Software	-	-	-	-	-	26	-	26
Right-of-use assets	-	-	-	3,281	1,642	27,771	1,642	31,052
Total	-	-	-	4,592	2,012	49,054	2,012	53,646

KEY ASSUMPTIONS USED FOR VALUE-IN-USE CALCULATIONS

	KFC Australia		KFC Europe		Taco Bell Australia	
	15 Oct 2023	30 April 2023	15 Oct 2023	30 April 2023	15 Oct 2023	30 April 2023
Post-tax discount rate restaurant	Restaurant specific	Restaurant specific	Restaurant specific	Restaurant specific	(1) N/A	Restaurant specific
Growth rates						
Revenue for Yr 1 - Yr 5 (2)	* 4.8%	* 4.6%	* 3.0%	* 3.8%	(1) N/A	* 1.2%
Revenue for Yr 6 - Yr 20	2.5%	2.5%	2.2%	1.5%	(1) N/A	2.5%
Annual growth for terminal value	2.5%	2.5%	** 2.2%	1.5%	(1) N/A	2.5%

(1) Model was prepared for Taco Bell Underwood impairment which was recognised at 30 April 2023 and fully realised during the half year to 15 October 2023.
(2) The Revenue Growth rates applied from Yr 1 – Yr 5 relate specifically to restaurant assets where detailed impairment models were prepared.
* Restaurant specific plans with average annual growth rate.
** In-line with updated long-term GDP growth and inflation forecasts for this segment.

Value in use recoverable amount valuations were performed at the individual restaurant level for the purpose of testing restaurant specific assets. Restaurant assets include Property, Plant & Equipment and Right-of-use assets. Detailed impairment models were prepared for some of the KFC Australia and KFC Europe restaurants where indicators of impairment were identified. These impairment tests did not result in any impairments for the KFC Australia or KFC Europe restaurants.

KFC Australia restaurants

The impairment models have been prepared as follows:

- The annual growth rates applied in the first five years average 4.8% (2023: 4.6%) for the restaurants modelled.
- Annual growth rates of 2.5% (2023: 2.5%) have been applied from year 6 onwards, which does not exceed the long-term average growth for the industry segment in which the restaurants operate.

Management believes that these growth percentages are reasonable considering the growth rates in this operating segment during HY2024 and since period end.

- Cost of sales percentage is estimated to remain reasonably consistent over the cash flow period. Cost of labour percentage is estimated to steadily decrease with the expected increase in sales volume.
- Restaurant specific discount rates have been applied to account for the different post-tax discount rates applied to each individual restaurant after being adjusted by the IBR applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range of 7.3 - 8.5% for the individual restaurants assessed for impairment (2023: range 6.3 - 8.5%).

SIGNIFICANT ESTIMATE: IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management recognises that a change in one of the assumptions applied to the discount rates or growth rates could result in the impairment of some of the Group's KFC Australia restaurant assets.

F3: Impairment continued

However, management has considered the likelihood of these possible changes and believes that the revenue growth achieved in the operating segment historically, during the current financial period and since half year end, supports the growth percentages applied in the cash flows and that the discount rates applied are appropriate having assessed against current market factors.

KFC Europe restaurants

The impairment models have been prepared as follows:

- The annual growth rates applied in the first 5 years average 3.0% (2023: 3.8%). Management believes that these growth percentages are reasonable considering the growth that has been seen in this operating segment since the end of FY2023, together with initiatives intended to improve operating margins.
- Both cost of sales and cost of labour percentages are estimated to remain consistent over the cash flow period.
- Annual growth rates of 2.2% have been applied from year 6 onwards (2023: 1.5%).
- Restaurant specific discount rates have been applied to restaurant assets to account for the different post-tax discount rates applied to each individual restaurant after being adjusted by the IBR applied to each AASB 16 lease. This has resulted in post-tax discount rates in the range of 6.5 - 7.5% for the individual restaurants assessed for impairment (2023: range 5.5 - 7.5%).

SIGNIFICANT ESTIMATE: IMPACT OF POSSIBLE CHANGES IN KEY ASSUMPTIONS

Management recognises that a change in one of the assumptions applied to the discount rates or growth rates could result in the impairment of some of the Group's KFC Europe restaurant assets.

However, management has considered the likelihood of these possible changes and believes that the revenue growth achieved in the operating segment historically, during the current financial period and since half year end, supports the growth percentages applied in the cash flows and that the discount rates applied are appropriate having assessed against current market factors.

Taco Bell Australia restaurants

As disclosed in the 2023 Annual Report, all of the Taco Bell restaurants were fully impaired at 30 April 2023, with the remaining net book value of restaurant assets, after a $49.1 million impairment charge, being nil. However, as Taco Bell Underwood was due to open in July 2023, an onerous lease provision of $1.9 million was recognised, due to the revised outlook for this restaurant.

As a Right of Use Asset and Lease Liability were recognised on the opening of this restaurant, the onerous lease provision was reversed. On recognition, the Right of Use Asset was fully impaired, along with other incremental construction costs and franchise rights, fully impairing the restaurant assets in-line with the remainder of the Taco Bell network.

F4: Income tax

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 of continuing operations during the current period is 31.6% compared with the corresponding period of 35.6% for continuing operations.

F5: Commitments

CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	15 Oct 2023	30 April 2023
	$000	$000
Right-of-use assets (1)	40,193	24,843
Property, plant and equipment	6,161	3,234
Land and buildings	15,183	5,042
Total commitments	**61,537**	**33,119**

(1) This represents any agreements for leases the Group has signed before the period end date, that have not yet proceeded to an executed lease agreement This is the value repayable over the primary term of the lease. As there is not yet a commencement date, the values have not been discounted to present value.

G: BASIS OF PREPARATION OF HALF YEAR REPORT

G1: Basis of preparation of half year report

G2: Changes in accounting policies

G1: Basis of preparation of half year report

This condensed consolidated interim financial report is for the half year reporting period 1 May 2023 to 15 October 2023. 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 30 April 2023 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

Certain amended standards have become applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

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 liability position of $57.8 million. The predominant reason for this net current liability position is AASB 16 Leases, with lease payments due in the next financial year recognised as current liabilities. The Group does not deem this to be a risk to continuing as a going concern, as without the introduction of AASB 16 the Group would still be in a net current liability position of $10.8 million, however with undrawn bank loan facilities of $136.8 million and undrawn working capital facilities of $13.3 million partially due for repayment by 31 October 2026, with the remainder due for repayment by 31 October 2028. The Group's loan covenants are based on results excluding the impact of AASB 16. The current covenant ratios contain significant headroom and there are sufficient undrawn facilities available, both within the Working Capital Facility and Bank Loan Facility, should the Group require access to additional funds, all repayable beyond 12 months (refer to note B1).

G2: Changes in accounting policies

This note describes the impact of a change in accounting policy relating to revenue recognition on the Group's financial statements.

In the previous half year reporting period to 16 October 2022, the Group assessed certain revenue streams from the CFA as being received by the Group in its capacity as principal under AASB15 *Revenue from Contracts with Customers.* This assessment was revised during the preparation of the Group's annual financial statements for the year ended 30 April 2023, with the Group now receiving the revenue in their capacity as agent.

IMPACT OF CHANGE IN ACCOUNTING POLICY

The change had nil impact of net profit after tax for the Group or the KFC Europe operating segment as the revenue recognised was offset by an equal expense as the cost of receiving the revenue. The change is reflected in Revenue and Administration expenses in the Consolidated income Statement and has been applied retrospectively, with the prior period comparative figures have been restated.

G2: Changes in accounting policies continued

The impact of this change is as follows:

Consolidated income statement	As previously reported $000	Change in accounting policy adjustment $000	[(1)] Discontinued operation adjustments $000	As restated $000
As at 16 October 2022				
Revenue	614,295	(3,045)	(1,811)	609,439
Gross profit	319,750	(3,045)	(1,811)	314,894
Administrative expenses	(39,485)	3,045	978	(35,462)
Other expenses	(8,224)	-	54	(8,170)
Profit from continuing operations before finance income, finance costs and income tax (EBIT)	31,935	-	(779)	31,156
Profit from continuing operations before income tax	17,025	-	(779)	16,246
Income tax expense	(6,003)	-	220	(5,783)
Profit from continuing operations	11,022	-	(559)	10,463
Profit from discontinued operations (attributable to equity holders of the Company)	-	-	559	559

(1) The restatement as relating to the sale of Sizzler Asia (discontinued operation) has been included in this table to provide the full impact of the restated Consolidated income statement. Refer to Note E for further details.

H: SUBSEQUENT EVENTS

H1: Subsequent events

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 19 October 2023, Collins Foods Netherlands Operations B.V. (CFNO), a wholly owned subsidiary of Collins Foods Limited, extended a loan agreement to Jappa II B.V., a wholly owned subsidiary of Mobion Group for an amount of €2.8 million ($4.7 million) to facilitate the acquisition of the property, upon which a KFC restaurant (Den Bosch) will be developed.

The term of the loan is six months with an interest rate comparable to CFNO's external debt reference rate, with CFNO securing a first mortgage over the property.

DIRECTORS' DECLARATION

In the directors' opinion:

- the financial statements and notes set out on pages 4 to 25 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 15 October 2023 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.

Robert Kaye SC
Chair

Brisbane
28 November 2023

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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Collins Foods Limited (the Company) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated balance sheet as at 15 October 2023, 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 1 May 2023 to 15 October 2023, material accounting policy information and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 15 October 2023 and of its performance for the half-year from 1 May 2023 to 15 October 2023,

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

Responsibilities of the directors 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.

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 15 October 2023 and of its performance for the half-year from 1 May 2023 to 15 October 2023, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Michael Crowe

Michael Crowe
Partner

Brisbane
28 November 2023