Collins Foods Limited

ACN: 151 420 781

Interim Financial Report

For the period 28 April 2014 to 12 October 2014

Collins Foods Limited

ACN 151 420 781

Half-year Financial Report for the Financial Half-year ended 12 October 2014

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Appendix 4D

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Half-year Financial Report
for the Financial Half-year ended 12 October 2014

Reporting period: 24 weeks to 12 October 2014
Previous corresponding period: 24 weeks to 13 October 2013

Results for announcement to the market

Revenue and net profit

	Percentage Change %	Period Ended 12 October 2014 $'000	Period Ended 13 October 2013 $'000
Revenue from ordinary activities	Up 29.6%	256,650	198,032
Profit / (loss) from ordinary activities after tax attributable to members	Down 472.5%	(22,950)	6,161
Net profit / (loss) for the period attributable to members	Down 472.5%	(22,950)	6,161

Dividends

	Amount per Security	Franked amount per security
Interim dividend for reporting period	5.0 cents	5.0 cents

- Payable 22 December 2014

The record date for determining entitlements to the interim dividend:

- 8 December 2014

Interim dividend for previous corresponding period	4.5 cents	4.5 cents

Appendix 4D

Collins Foods Limited
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Net tangible assets per security

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$(0.91)	$(0.50)

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%
Snag Holdings Pty Ltd	50%

Brief explanation of the figures reported above

Please refer to the review of operations on page 3.

Collins Foods Limited

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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 12 October 2014, which the Directors consider to be the first half (half-year) of the Group's financial year to 3 May 2015.

Directors

The following persons were Directors of the Company during the half-year or up to the date of this report (except as indicated):

Russell Keith Tate
Kevin William Joseph Perkins
Newman Gerard Manion
Bronwyn Kay Morris
Stephen Copulos (resigned 1 October, 2014)
Robert George Kaye SC (appointed 7 October, 2014)

Review of operations

Net Profit / (Loss)

The Group reported a statutory net loss attributable to members of $22.9 million for the half year, which included a pre-tax non-cash impairment charge of $36.5 million. The net result was a decrease of $29.1 million, compared with the $6.2 million profit reported in the previous corresponding period. This represents basic loss per share of 24.68 cents compared to the previous corresponding period basic earnings per share of 6.62 cents.

Underlying net profit (excluding the impact of impairment) was $10.7 million representing an increase of $3.2 million (43%) compared with the $7.5 million underlying net profit reported in the previous corresponding period.

Revenue and Expenses

Statutory revenues (excluding finance revenues) for the first half of the financial year were $256.7 million, up 29.6% compared to the previous corresponding period. Statutory revenues in the KFC restaurants segment were $215.9 million (including $52.6 million from KFC in Western Australia / Northern Territory), up 41.3% compared to the previous corresponding period. In the Sizzler restaurants segment, statutory revenues of $40.8 million were achieved, down 9.8% compared to the previous corresponding period.

Increased sales revenues reported by the KFC restaurants segment were driven by the acquisition of 42 restaurants in Western Australia and Northern Territory, an increase in average Queensland restaurant numbers (+4) as well as positive same store sales growth in Queensland of 3.0%. While Sizzler segment sales revenues declined, we remain focused on returning this business back to positive sales growth. The review of the Sizzler business discussed in the 2014 Annual Report has continued during the reporting period with a series of initiatives fully implemented across all Sizzler Australia restaurants.

Asset impairment of $1.8 million is included in occupancy expenses, and a further $1.2 million included in restaurant related and marketing expenses. Impairment of intangibles amounting to $33.5 million is included in administration and other expenses.

Cash flow and balance sheet

The net cash flow from operations reflected in the statutory statement of cash flows of $16.6 million is lower than prior comparable driven by the timing of tax payments made in the previous corresponding period.

Cash flow from investing activities was a net outflow of $14.6 million reflecting payments for property plant and equipment and the purchase of franchise rights. The cash flow from financing activities was a net outflow of $5.8 million, consisting of the Company's dividend payment and a loan to a related party.

Overall there was a net decrease in cash and cash equivalents of $3.8 million arising during the current reporting period.

Total indebtedness (net of capitalised borrowing costs) at 12 October, 2014 was $164.5 million, with undrawn debt facilities of $9.6 million. Debt (net of cash and cash equivalents) at 12 October, 2014 was $131.2 million.

Dividends

The Directors have declared a fully franked final dividend of 5.0 cents per share payable on 22 December, 2014, representing a payout ratio of 49.7% of the underlying net profit, excluding KFC Western Australia / Northern Territory.

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 24.

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-year period for the year ending 3 May, 2015 is the twenty four week period ended 12 October, 2014. The comparative first half year-period is the period which commenced on 29 April, 2013 and ended on 13 October, 2013.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, 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.

Russell Tate
Chairman
Brisbane
26 November 2014

Collins Foods Limited

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Consolidated Balance Sheet
as at 12 October, 2014

	Note	12 October 2014 $000	27 April 2014 $000
Current assets			
Cash and cash equivalents		33,297	36,983
Receivables		4,716	2,812
Inventories		4,864	4,914
Total current assets		42,877	44,709
Non-current assets			
Property, plant and equipment	6	74,883	72,518
Intangible assets, net	7	247,365	280,692
Deferred tax assets, net		23,961	19,858
Receivables	8	685	438
Investment accounted for using the equity method		2,209	2,481
Total non-current assets		349,103	375,987
Total assets		391,980	420,696
Current liabilities			
Trade and other payables		50,187	51,015
Current tax liabilities		3,307	5,045
Derivative financial instruments		1,028	1,070
Provisions		4,627	4,012
Total current liabilities		59,149	61,142
Non-current liabilities			
Borrowings	9	164,459	164,381
Derivative financial instruments		1,599	401
Provisions		3,945	3,400
Total non-current liabilities		170,003	168,182
Total liabilities		229,152	229,324
Net assets		**162,828**	**191,372**
Equity			
Contributed equity	10	182,098	182,098
Reserves	11	925	939
(Accumulated losses) / retained earnings		(20,195)	8,335
Total equity		**162,828**	**191,372**

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

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Consolidated Income Statement
for the period ended 12 October, 2014

	Note	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Revenue	3	256,650	198,032
Cost of sales		(123,383)	(93,517)
Gross profit		133,267	104,515
Selling, marketing and royalty expenses (i)		(52,675)	(43,815)
Occupancy expenses (i)		(22,447)	(16,747)
Restaurant related expenses (i)		(25,548)	(19,442)
Administration expenses (i)		(21,086)	(12,455)
Other expenses (i)		(28,688)	(1,037)
Other income	3	173	136
Profit / (loss) from continuing operations before finance income, finance costs and income tax (EBIT)		(17,004)	11,155
Finance income		265	213
Finance costs		(4,085)	(2,822)
Share of net profit / (loss) of associate accounted for using the equity method		(273)	59
Profit / (loss) from continuing operations before income tax		(21,097)	8,605
Income tax expense	5	(1,853)	(2,444)
Profit / (loss) from continuing operations		(22,950)	6,161
Net profit / (loss) attributable to members of Collins Foods Limited		**(22,950)**	**6,161**
Basic earnings per share		(24.68) cps	6.62 cps
Diluted earnings per share		(24.68) cps	6.62 cps
Weighted average basic ordinary shares outstanding		93,000,003	93,000,003
Weighted average diluted ordinary shares outstanding (ii)		93,000,003	93,000,003

(i) Impairment charges included in expenses are as follows: selling marketing expenses $83,000, occupancy expenses $1,782,000, restaurant related expenses $1,176,000, administration expenses $6,279,000 and other expenses $27,146,000.

(ii) Shares attached to performance rights granted to employees are not considered to be potential ordinary shares, as including such securities in the calculation would result in a decreased loss per share therefore being anti-dilutive. Hence the diluted earnings per share is equal to the basic earnings per share.

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

Collins Foods Limited

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Consolidated Statement of Comprehensive Income
for the period ended 12 October, 2014

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Net profit / (loss) attributable to members of Collins Foods Limited	(22,950)	6,161
Other comprehensive income / (expense):		
Items that may be reclassified to the Income Statement:		
Exchange difference upon translation of foreign operations	770	1,030
Cash flow hedges	(1,226)	823
Income tax relating to components of other comprehensive income	368	(247)
Other comprehensive income / (expense) income for the half year, net of tax	(88)	1,606
Total comprehensive income / (expense) for the half year	(23,038)	7,767
Total comprehensive income / (expense) for the half year is attributable to:		
Owners of the parent	**(23,038)**	**7,767**

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

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Consolidated Statement of Changes in Equity
for the period ended 12 October, 2014

	Contributed Equity	Reserves	(Accumulated Losses) / Retained Earnings	Total Equity
	$000	$000	$000	$000
Balance as at 29 April 2013	182,098	(213)	3,610	185,495
Profit for half year	0	0	6,161	6,161
Other comprehensive income	0	1,606	0	1,606
Total comprehensive income for the half year	0	1,606	6,161	7,767
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	0	0	(5,115)	(5,115)
Employee performance rights scheme	0	77	0	77
Balance as at 13 October 2013	**182,098**	**1,470**	**4,656**	**188,224**
Balance as at 27 April 2014	182,098	939	8,335	191,372
Loss for half year	0	0	(22,950)	(22,950)
Other comprehensive expense	0	(88)	0	(88)
Total comprehensive expense for the half year	0	(88)	(22,950)	(23,038)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	0	0	(5,580)	(5,580)
Employee performance rights scheme	0	74	0	74
Balance as at 12 October 2014	**182,098**	**925**	**(20,195)**	**162,828**

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

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Consolidated Statement of Cash Flows
for the period ended 12 October, 2014

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Cash flows from operating activities:		
Receipts from customers	281,538	217,400
Payments to suppliers and employees	(238,420)	(181,339)
GST paid	(14,895)	(11,836)
Interest received - external parties	273	199
Interest and other borrowing costs paid	(4,429)	(2,996)
Income tax paid	(7,450)	(2,457)
Net operating cash flows	16,617	18,971
Cash flows from investing activities:		
Purchase of franchise rights	(216)	(137)
Payments for plant and equipment	(14,358)	(10,439)
Net investing cash flows	(14,574)	(10,576)
Cash flow from financing activities:		
Loans advanced - related parties	(250)	0
Refinance fees paid	0	(300)
Dividends paid	(5,580)	(5,115)
Net financing cash flows	(5,830)	(5,415)
Net increase / (decrease) in cash and cash equivalents	(3,787)	2,980
Cash and cash equivalents at the beginning of the reporting period	36,983	23,556
Effects of exchange rate changes on cash and cash equivalents	101	80
Cash and cash equivalents at the end of the reporting period	33,297	26,616

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1 - Basis of preparation of half-year report

This condensed consolidated interim financial report comprises the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 28 April 2014 to 12 October 2014. This report has been prepared in accordance with Accounting Standard AASB134 Interim Financial Reporting.

The financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards. The accounting policies adopted in this interim financial report are the same as those applied in the previous financial year and the corresponding interim reporting period. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period. This adoption has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported in the current and prior periods.

The directors have determined that the accounting policies adopted and the format in which this financial information is presented are appropriate to meet their information needs.

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 year ended 27 April 2014 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.

<u>Impact of standards issued but not yet applied by the entity</u>

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year reporting period ended 12 October 2014. The Group will continue to assess the impact of these standards, however, there are currently no new standards which management consider will have a significant impact on the amounts recognised in the financial statements.

<u>Going Concern</u>

Whilst the Group is in a net current liability position, the accounts continue to be prepared on a going concern basis on the grounds that future cash flow projections will be sufficient to meet operational needs and longer term growth. In addition, the Group has access to sufficient unused credit facilities with its banking syndicate.

Note 2. Segment information

(a) Description of segments

Management has determined, following the integration of the KFC Western Australia / Northern Territory restaurants, the operating segments based on the reports reviewed by the Managing Director / Chief Executive Officer that are used to make strategic decisions. Hence three reportable segments have been identified: KFC Restaurants (competing in the quick service restaurant market), Sizzler Restaurants (competing in the full service restaurant market) and Shared Services which performs a number of administrative and management functions for the Group's KFC and Sizzler Restaurants.

(b) Segment information provided to the Managing Director / Chief Executive Officer

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

Period ended 12 October 2014	KFC Restaurants (i) $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Total segment revenue	215,876	40,774	0	0	256,650
Adjusted EBITDA	32,468	1,655	(4,909)	232	29,446
Depreciation, amortisation and impairment	8,158	37,567	719	6	46,450
Finance costs - net (ii)	(6)	0	3,827	(1)	3,820
Income tax expense					1,853

(i) The KFC Western Australia / Northern Territory restaurants contribution to the KFC Restuarants Segment is as follows: revenue of $52,647,000; adjusted EBITDA of $5,279,000 (before allocated support centre costs of $484,000); depreciation and amortisation of $1,350,000.

Period ended 13 October 2013	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Total segment revenue	152,805	45,227	0	0	198,032
Adjusted EBITDA	21,656	4,052	(4,554)	237	21,391
Depreciation, amortisation and impairment	5,586	3,884	760	6	10,236
Finance costs - net (ii)	0	(1)	2,614	(4)	2,609
Income tax expense					2,444

(ii) Refer note 4 for a detailed breakdown

Note 2. Segment information (continued)

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

The amounts provided to the Board with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The values are allocated based on the operations of the segment.

As at 12 October 2014	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Assets	473,472	38,619	47,601	4,847	564,539
Inter-segment eliminations	(157,643)	(14,762)	0	(154)	(172,559)
	315,829	23,857	47,601	4,693	391,980
Liabilities	12,031	1,998	387,667	15	401,711
Inter-segment eliminations	(2,721)	0	(169,838)	0	(172,559)
	9,310	1,998	217,829	15	229,152

As at 27 April 2014	KFC Restaurants $000	Sizzler Restaurants $000	Shared Services $000	All Other Segments $000	Total $000
Assets	457,421	73,263	45,686	4,608	580,978
Inter-segment eliminations	(145,368)	(14,681)	0	(233)	(160,282)
	312,053	58,582	45,686	4,375	420,696
Liabilities	12,863	1,322	375,417	4	389,606
Inter-segment eliminations	(3,713)	0	(156,569)	0	(160,282)
	9,150	1,322	218,848	4	229,324

(c) Other segment information

(i) 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 and Sizzler restaurant outlets.

Note 2. Segment information (continued)

(c) Other segment information (continued)

(ii) Adjusted EBITDA

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of impairment of property, plant and equipment or intangibles. Interest income and expenditure 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 adjusted EBITDA to profit / (loss) from continuing operations before income tax is provided as follows:

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Adjusted EBITDA	29,446	21,391
Finance costs - net	(3,820)	(2,609)
Depreciation	(9,144)	(7,574)
Amortisation	(840)	(757)
Impairment of property, plant and equipment	(2,969)	(1,905)
Impairment of Sizzler brand - Australia	(6,279)	0
Impairment of Sizzler goodwill	(27,146)	0
Impairment of KFC franchise rights	(72)	0
Share of net profit / (loss) of associate accounted for using the equity method	(273)	59
Profit / (loss) from continuing operations before income tax	(21,097)	8,605

Note 3. Revenue & Other income

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Revenue from continuing operations		
Sales revenue		
Sale of goods	255,341	196,834
	255,341	196,834
Other Revenue		
Franchise revenue from external parties	1,309	1,198
	1,309	1,198
Total revenue	256,650	198,032
Other income		
Management Services	82	0
Traineeship Income	91	136
Total other income	173	136

Note 4. Expenses

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Profit / (loss) from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment:		
Depreciation:		
Buildings	43	41
Leasehold improvements	4,977	4,025
Plant and equipment	4,124	3,508
	9,144	7,574
Amortisation of:		
Franchise rights	256	179
Sizzler brand - Australia	262	260
Sizzler brand - Asia	322	318
	840	757
Impairment of:		
Buildings	830	0
Leasehold improvements	952	1,175
Plant and equipment	1,187	730
KFC franchise rights	72	0
Sizzler brand - Australia	6,279	0
Sizzler goodwill	27,146	0
	36,466	1,905
Total depreciation, amortisation and impairment	46,450	10,236
Finance income and costs:		
Interest income:		
Interest from external parties	(265)	(213)
Interest expense:		
Bank loan interest	3,473	2,400
Hedge realisation	533	335
Amortisation of borrowing costs	79	87
Net finance costs	3,820	2,609
Employee benefits expense:		
Wages and salaries	61,482	48,842
Defined contribution superannuation expense	4,790	3,782
Employee entitlements	4,981	3,638
Total employee benefits expense	71,253	56,262
Operating lease rentals:		
Minimum lease payments	13,178	9,960
Contingent rentals	672	824
Total rent expense relating to operating leases	13,850	10,784
Net loss on disposal of property, plant and equipment	19	4
Inventory write-downs	32	78

Note 5. Income tax

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Income tax expense		
Current tax	5,588	3,987
Deferred tax	(3,736)	(1,403)
(Over) / under provided in prior years	1	(140)
	1,853	2,444
Income tax expense is attributable to:		
Profit from continuing operations	1,853	2,444
Aggregate income tax expense	1,853	2,444
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit / (loss) from continuing operations before income tax expense	(21,097)	8,605
Tax at the Australian tax rate of 30%	(6,329)	2,581
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	106	4
Non deductible accounting loss on impairment of goodwill	8,143	0
Withholding tax credits not brought to account	188	186
Non-assessable income received	(256)	(187)
	1,852	2,584
Amounts (over) / under provided in prior years	1	(140)
Income tax expense	1,853	2,444

	12 October 2014 $000	27 April 2014 $000

Note 6. Non-current assets - Property, plant and equipment

	12 October 2014 $000	27 April 2014 $000
Freehold Land		
Cost		
Opening balance	4,905	4,905
Additions	0	0
Transfers from construction in progress	0	0
Closing balance	4,905	4,905
Buildings		
Cost		
Opening balance	1,872	1,845
Additions	0	27
Transfers from construction in progress	6	0
Disposals	0	0
Closing balance	1,878	1,872
Accumulated depreciation		
Opening balance	(764)	(676)
Depreciation	(43)	(88)
Impairment charge	(830)	0
Disposals	0	0
Closing balance	(1,637)	(764)
Net book value	241	1,108
Leasehold improvements		
Cost		
Opening balance	94,502	78,123
Acquisition through controlled entity purchased	0	5,414
Additions	576	1,515
Transfers from construction in progress	9,705	10,613
Disposals	0	(1,163)
Closing balance	104,783	94,502
Accumulated depreciation and impairment		
Opening balance	(60,353)	(51,228)
Depreciation	(4,977)	(8,877)
Impairment charge	(952)	(1,373)
Disposals	0	1,125
Closing balance	(66,282)	(60,353)
Net book value	38,501	34,149
Plant and Equipment		
Cost		
Opening balance	72,216	60,596
Acquisition through controlled entity purchased	0	4,935
Additions	1,190	4,427
Transfers from construction in progress	3,800	4,683
Disposals	0	(2,425)
Closing balance	77,206	72,216
Accumulated depreciation and impairment		
Opening balance	(44,451)	(38,115)
Depreciation	(4,124)	(7,959)
Impairment charge	(1,187)	(730)
Disposals	0	2,353
Closing balance	(49,762)	(44,451)
Net book value	27,444	27,765

Note 6. Non-current assets - Property, plant and equipment (continued)

	12 October 2014 $000	27 April 2014 $000
Construction in progress		
Cost		
Opening balance	4,591	3,699
Acquisition through controlled entity purchased	0	4
Additions	12,731	16,204
Transfers to leasehold improvements and plant and equipment	(13,511)	(15,296)
Disposals	(19)	(20)
Closing balance	3,792	4,591
Total property, plant and equipment, net	74,883	72,518

Note 7. Non-current assets - Intangible assets

	12 October 2014 $000	27 April 2014 $000
Goodwill		
Cost		
Opening balance	256,876	211,580
Impairment	(27,146)	0
Purchase of controlled entities	0	45,199
Foreign currency translation	63	97
Closing Balance	229,793	256,876
Net book value	229,793	256,876
Franchise rights		
Cost		
Opening balance	6,661	5,322
Purchase of controlled entities	0	98
Additions	216	1,241
Closing balance	6,877	6,661
Accumulated amortisation		
Opening balance	(1,328)	(909)
Impairment	(72)	0
Amortisation	(256)	(419)
Closing balance	(1,656)	(1,328)
Net book value	5,221	5,333
Sizzler brand - Australia		
Cost		
Opening balance	11,261	11,261
Closing balance	11,261	11,261
Accumulated amortisation		
Opening balance	(4,720)	(4,157)
Impairment	(6,279)	0
Amortisation	(262)	(563)
Closing balance	(11,261)	(4,720)
Net book value	0	6,541

Note 7. Non-current assets - Intangible assets (continued)

	12 October 2014 $000	27 April 2014 $000
Sizzler brand - Asia		
Cost		
Opening balance	13,865	12,519
Foreign currency translation	870	1,346
Closing balance	14,735	13,865
Accumulated amortisation		
Opening balance	(1,923)	(1,110)
Foreign currency translation	(139)	(113)
Amortisation	(322)	(700)
Closing balance	(2,384)	(1,923)
Net book value	12,351	11,942
Total intangible assets, net	247,365	280,692

Note 8. Non-current assets - Receivables

	12 October 2014 $000	27 April 2014 $000
Loans to related parties	650	400
Provision for impairment of loans to related parties	0	0
	650	400
Security deposits	35	38
	685	438

Note 9. Non-current liabilities - Borrowings

	12 October 2014 $000	27 April 2014 $000
Bank loan	165,000	165,000
Fees on bank loan - capitalised	(541)	(619)
Total non-current liabilities - Borrowings	164,459	164,381

Note 10. Contributed equity

		Parent Entity	
		Share Capital $000's	Total Equity $000's
Balance	28 April, 2013 and 27 April, 2014	182,098	182,098
Balance	12 October, 2014	182,098	182,098

	Parent Entity	
	12 October 2014 Shares	27 April 2014 Shares
Share capital		
Ordinary shares - fully paid	93,000,003	93,000,003
	93,000,003	93,000,003

Note 11. Reserves

	12 October 2014 $000	27 April 2014 $000
Hedging - cash flow hedges	(1,827)	(970)
Foreign currency translation	2,519	1,749
Share based payments	233	160
	925	939

Note 12. Recognised fair value measurements

(i) Fair value hierarchy

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

The following table present the Group’s assets and liabilities measured and recognised at fair value.

	At 12 October 2014			At 27 April 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$000	$000	$000	$000	$000	$000
Assets						
Derivative financial instruments	0	0	0	0	0	0
Liabilities						
Derivative financial instruments	0	2,627	0	0	1,471	0

There were no transfers between levels 1 and 2 or levels 2 and 3 during the year. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period

Note 12. Recognised fair value measurements (continued)

Level 1

The fair value of assets and liabilities traded in active markets (such as publically traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price. These assets and liabilities are included in level 1.

Level 2

The fair value of assets and liabilities that are not traded in active markets (for example over the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset or liability are observable, the asset or liability is included in level 2

Level 3

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in level 3

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value assets and liabilities include:

- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of the remaining assets and liabilities is determined using discounted cash flow analysis

(iii) Disclosed fair values

The Group also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

(a) 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.

The fair value was calculated based on cash flows discounted using market rates that approximate the rate applicable to these non-current receivables. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(iv) Valuation processes

The finance department of the group includes a team that performs the valuation of assets and liabilities that are required to be disclosed in the notes to the financial statements, at fair value. This includes level 3 fair values. This group employs the services of independent advisors to value the derivative financial instruments that are measured and recognised in the financial statements at fair value. The team reports directly to the Group Chief Financial Officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team 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, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Note 13. Impairment

Allocation of goodwill

Goodwill is allocated to the Group's cash generating units (CGU) identified according to brands acquired or geographical regions where operations existed at the time goodwill arose. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

	12 October 2014 $000	27 April 2014 $000
Cash Generating Unit		
KFC Restaurants QLD / NSW	183,529	183,529
KFC Restaurants WA / NT	45,199	45,199
Sizzler Restaurants	0	27,146
Sizzler Asia	1,065	1,002
Carrying value	229,793	256,876

Impairment test for assets including intangibles

Assets are tested for impairment at a cash generating unit level. The recoverable amount of a cash generating unit is determined based on the higher of value-in-use (VIU) and fair value less cost to sell.

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Impairment of assets recognised during the reporting period		
Goodwill allocated to Sizzler Australia	27,146	0
KFC Franchise rights	72	0
Sizzler brand - Australia	6,279	0
Restaurants		
Sizzler Australia		
Buildings	830	0
Leasehold improvements	809	1,175
Plant and Equipment	837	730
KFC		
Leasehold improvements	143	0
Plant and Equipment	350	0
	36,466	1,905

Key assumptions used for value in use calculations

The recoverable amounts of the CGUs have been determined using VIU calculations based on a four and a half year business plan projecting forecast profitability and cash flows prepared by management and approved by the Board. A terminal value is used for subsequent years, using terminal growth rates (refer below).

KFC QLD/NSW/WA/NT

The cash flows by restaurant have been estimated after applying growth rates from the beginning of 2016 to the end of the 2019 reporting period which average 2.9%. The projection for the remainder of 2015 has been aligned to the division's specific cash flows reflected in the forecast prepared in November 2014.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2014 and prior reporting periods. A pre-tax discount rate of 12.0% (27 April 2014: 12.0%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2019, using that year's cash flow as a base. The growth rate of 2.75% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry segment in which the restaurants operate.

Note 13. Impairment (continued)

Sizzler Restaurants
The cash flows for the Sizzler Australia restaurants from the beginning of 2016 to the end of the 2019 reporting period have been estimated at a decline of 8.6% reflecting the recent trends experienced in this operating segment. The projection for the remainder of 2015 has been aligned to the division's specific cash flows reflected in the forecast prepared in November 2014.

A pre-tax discount rate of 14.3% (27 April 2014: 12.5%) has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2019, using that year's cash flow as a base. The growth rate of 2.5% has been used in determining the terminal value, which does not exceed the long-term average growth rate for the industry

	Period ended 12 October 2014 $000	Period ended 13 October 2013 $000
Note 14. Dividends		
(a) Ordinary shares		
Dividends provided for or paid during the half-year	5,580	5,115
(b) 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 5.0 cents per fully paid ordinary share (prior half year - 4.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22 December 2014 out of retained earnings at 12 October 2014, but not recognised as a liability at the end of the half year, is $4,650,000.	4,650	4,185

Directors' Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 5 to 22 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 12 October 2014 and of its performance for the half-year ended on that date, and

b) 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.

Dated Brisbane: 26 November, 2014

Russell Tate

Auditor's Independence Declaration

As lead auditor for the review of Collins Foods Limited for the half-year ended 12 October 2014, 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.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
26 November 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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), which comprises the consolidated balance sheet as at 12 October 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Collins Foods Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

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 (including the Australian Accounting Interpretations) 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 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 12 October 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Collins Foods Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 12 October 2014 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 12 October 2014 included on Collins Foods Limited's web site. The Company's directors are responsible for the integrity of the Collins Foods Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
26 November 2014