

# **Collins Foods Limited**

**ACN: 151 420 781**

## **Interim Financial Report**

**For the period 4 May 2015 to 18 October 2015**

# **Collins Foods Limited**

ACN 151 420 781

## **Half-year Financial Report for the Financial Half-year ended 18 October 2015**

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## Appendix 4D

### Collins Foods Limited

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### Half-year Financial Report for the Financial Half-year ended 18 October 2015

Reporting period: 24 weeks to 18 October 2015

Previous corresponding period: 24 weeks to 12 October 2014

### Results for announcement to the market

#### Revenue and net profit

	Percentage Change %	Period Ended 18 October 2015 \$'000	Period Ended 12 October 2014 \$'000
Revenue from ordinary activities	Up 5.1%	269,703	256,650
Profit / (loss) from ordinary activities after tax attributable to members	Up 162.4%	14,326	(22,950)
Net profit / (loss) for the period attributable to members	Up 162.4%	14,326	(22,950)

#### Dividends

	Amount per security	Franked amount per security
Interim dividend for reporting period	6.0 cents	6.0 cents
• Payable 23 December 2015		
The record date for determining entitlements to the interim dividend		
• 10 December 2015		
Interim dividend for previous corresponding period	5.0 cents	5.0 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	\$(0.73)	\$(0.91)

#### 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.

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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 18 October 2015, which the Directors consider to be the first half (half-year) of the Group's financial year to 1 May 2016.

## Directors

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

Robert George Kaye SC  
Graham Joseph Maxwell  
Kevin William Joseph Perkins  
Bronwyn Kay Morris  
Newman Gerard Manion  
Russell Keith Tate

## Review of operations

### Net Profit / (Loss)

The Group reported a statutory net profit attributable to members of \$14.3 million for the half-year. The net result was an increase of \$37.3 million, compared to the net loss of \$22.9 million reported in the previous corresponding period, which included a pre-tax non-cash impairment charge of \$36.5 million. This represents basic earnings per share of 15.40 cents compared to the previous corresponding period basic loss per share of 24.68 cents.

The net profit of \$14.3 million represents an increase of \$3.6 million up 33.6% compared to the underlying net profit (excluding the impact of impairment) reported in the previous corresponding period.

### Revenue and Expenses

Revenues (excluding finance revenues) for the first half of the financial year were \$269.7 million, up 5.1% compared to the previous corresponding period. Revenues in the KFC restaurants segment were \$234.6 million, up 8.7% compared to the previous corresponding period. In the Sizzler restaurants segment, statutory revenues of \$35.1 million were achieved, down 13.9% compared to the previous corresponding period.

Increased sales revenues reported by the KFC restaurants segment were driven by an increase in average restaurant numbers (+3), as well as positive same store sales growth of 5.2%.

This growth in total revenues combined with disciplined business controls flowed through to significantly increased adjusted EBITDA for the half-year of \$35.3 million, up 19.8% compared to the previous corresponding period.

### Cash flow and balance sheet

The net cash flow from operations reflected in the statutory statement of cash flows of \$23.8 million is higher than the prior comparable driven by the growth in cash generated by the KFC restaurant segment.

Cash flow from investing activities was a net outflow of \$11.7 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 \$7.0 million, consisting of the Company's dividend payment and a loan to a related party.

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Overall a net increase in cash and cash equivalents of \$5.4 million arose during the current reporting period.

Total indebtedness (net of capitalised borrowing costs) at 18 October 2015 was \$164.6 million, with undrawn debt facilities of \$9.1 million. Debt (net of cash and cash equivalents) at 18 October 2015 was \$117.0 million.

## Dividends

The Directors have declared a fully franked interim dividend of 6.0 cents per share payable on 23 December 2015, representing a payout ratio of 45.7% of the 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 23.

## Australian Securities and Investments Commission Order

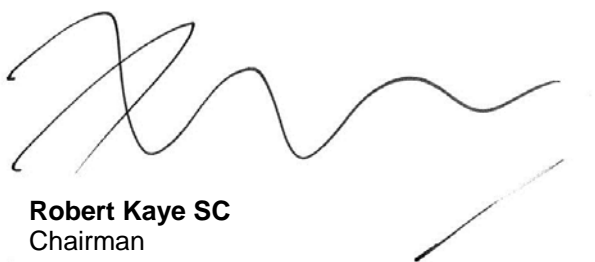
The Australian Securities and Investments Commission Order 11-0958 has granted the Company relief under section 340 of the Act which permits the Company to have a half-year that differs from that prescribed by the Act.

The first half-year period for the year ending 1 May 2016 is the twenty four week period ended 18 October 2015. The comparative first half-year period, is the period which commenced on 28 April 2014 and ended on 12 October 2014.

## 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.

A handwritten signature in dark ink, appearing to read 'Robert Kaye', with a long, sweeping horizontal stroke extending to the right.

**Robert Kaye SC**  
Chairman

Brisbane  
2 December 2015

# Collins Foods Limited

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## Consolidated Balance Sheet as at 18 October 2015

	Note	18 October 2015 \$000	3 May 2015 \$000
<b>Current assets</b>			
Cash and cash equivalents		47,585	42,234
Receivables		3,832	6,232
Inventories		4,868	4,657
Total current assets		56,285	53,123
<b>Non-current assets</b>			
Property, plant and equipment	6	83,446	79,477
Intangible assets, net	7	249,061	248,400
Deferred tax assets, net		26,181	24,840
Receivables	8	2,431	1,493
Investment accounted for using the equity method		1,466	1,613
Total non-current assets		362,585	355,823
<b>Total assets</b>		418,870	408,946
<b>Current liabilities</b>			
Trade and other payables		55,000	56,466
Current tax liabilities		4,852	3,638
Derivative financial instruments		1,773	1,873
Provisions		4,351	4,613
Total current liabilities		65,976	66,590
<b>Non-current liabilities</b>			
Borrowings	9	164,629	164,551
Derivative financial instruments		2,679	2,762
Provisions		4,404	3,754
Total non-current liabilities		171,712	171,067
<b>Total liabilities</b>		237,688	237,657
<b>Net assets</b>		<b>181,182</b>	<b>171,289</b>
<b>Equity</b>			
Contributed equity	10	182,098	182,098
Reserves	11	3,058	1,446
Accumulated losses		(3,974)	(12,255)
<b>Total equity</b>		<b>181,182</b>	<b>171,289</b>

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 18 October 2015

	Note	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
Revenue	3	269,703	256,650
Cost of sales		(126,799)	(123,383)
Gross profit		142,904	133,267
Selling, marketing and royalty expenses (1)		(55,016)	(52,675)
Occupancy expenses (1)		(20,483)	(22,447)
Restaurant related expenses (1)		(24,217)	(25,548)
Administration expenses (1)		(17,124)	(21,086)
Other expenses (1)		(1,621)	(28,688)
Other income	3	280	173
Profit / (loss) from continuing operations before finance income, finance costs and income tax (EBIT)		24,723	(17,004)
Finance income		301	265
Finance costs		(3,957)	(4,085)
Share of net loss of joint ventures accounted for using the equity method		(147)	(273)
<b>Profit / (loss) from continuing operations before income tax</b>		20,920	(21,097)
Income tax expense	5	(6,594)	(1,853)
<b>Profit / (loss) from continuing operations</b>		14,326	(22,950)
<b>Net profit / (loss) attributable to members of Collins Foods Limited</b>		<b>14,326</b>	<b>(22,950)</b>
Basic earnings per share		15.40 cps	(24.68) cps
Diluted earnings per share (2)		15.29 cps	(24.68) cps
Weighted average basic ordinary shares outstanding		93,000,003	93,000,003
Weighted average diluted ordinary shares outstanding (2)		93,684,334	93,000,003

(1) The comparative reporting period includes impairment charges 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.

(2) For the comparative reporting period, shares attached to performance rights granted to employees were 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 equates 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 18 October 2015

	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
<b>Net profit / (loss) attributable to members of Collins Foods Limited</b>	14,326	(22,950)
Items that may be reclassified to profit or loss:		
<b>Other comprehensive income / (expense):</b>		
Exchange difference upon translation of foreign operations	1,245	770
Cash flow hedges	125	(1,226)
Income tax relating to components of other comprehensive income	(37)	368
<b>Other comprehensive income / (expense) income for the half-year, net of tax</b>	1,333	(88)
<b>Total comprehensive income / (expense) for the half-year</b>	15,659	(23,038)
Total comprehensive income / (expense) for the half-year is attributable to:		
Owners of the parent	15,659	(23,038)

*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 18 October 2015

	Contributed Equity	Reserves	(Accumulated Losses) / Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
<b>Balance as at 27 April 2014</b>	<b>182,098</b>	<b>939</b>	<b>8,335</b>	<b>191,372</b>
Loss for the 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)
Share-based payments	0	74	0	74
<b>Balance as at 12 October 2014</b>	<b>182,098</b>	<b>925</b>	<b>(20,195)</b>	<b>162,828</b>
<b>Balance as at 3 May 2015</b>	<b>182,098</b>	<b>1,446</b>	<b>(12,255)</b>	<b>171,289</b>
Profit for the half-year	0	0	14,326	14,326
Other comprehensive income	0	1,333	0	1,333
Total comprehensive income for the half-year	0	1,333	14,326	15,659
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	0	0	(6,045)	(6,045)
Share-based payments	0	279	0	279
<b>Balance as at 18 October 2015</b>	<b>182,098</b>	<b>3,058</b>	<b>(3,974)</b>	<b>181,182</b>

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 18 October 2015

	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
<b>Cash flows from operating activities:</b>		
Receipts from customers	296,085	281,538
Payments to suppliers and employees	(244,196)	(238,420)
GST paid	(17,238)	(14,895)
Interest received - external parties	280	273
Interest and other borrowing costs paid	(4,218)	(4,429)
Income tax paid	(6,931)	(7,450)
Net operating cash flows	23,782	16,617
<b>Cash flows from investing activities:</b>		
Purchase of franchise rights	(192)	(216)
Payments for plant and equipment	(11,551)	(14,358)
Net investing cash flows	(11,743)	(14,574)
<b>Cash flow from financing activities:</b>		
Loans advanced - related parties	(940)	(250)
Dividends paid	(6,045)	(5,580)
Net financing cash flows	(6,985)	(5,830)
<b>Net increase / (decrease) in cash and cash equivalents</b>	5,054	(3,787)
Cash and cash equivalents at the beginning of the half-year	42,234	36,983
Effects of exchange rate changes on cash and cash equivalents	297	101
<b>Cash and cash equivalents at the end of the half-year</b>	47,585	33,297

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

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## 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 4 May 2015 to 18 October 2015. 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 3 May 2015 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.

#### Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the half-year reporting period ended 18 October 2015. 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.

#### Going Concern

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.

**Notes to Consolidated Financial Statements**
**Note 2. Segment information**

## (a) 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 (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 &amp; CEO

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

<b>Period ended 18 October 2015</b>	<b>KFC Restaurants \$000</b>	<b>Sizzler Restaurants \$000</b>	<b>Shared Services \$000</b>	<b>All Other Segments \$000</b>	<b>Total \$000</b>
Total segment revenue	234,583	35,120	0	0	269,703
Adjusted EBITDA (1)	39,893	2,119	(6,973)	225	35,264
Depreciation and amortisation	8,355	905	693	5	9,958
Finance costs - net (2)	1	(1)	3,656	0	3,656
Income tax expense					6,594

<b>Period ended 12 October 2014</b>	<b>KFC Restaurants \$000</b>	<b>Sizzler Restaurants \$000</b>	<b>Shared Services \$000</b>	<b>All Other Segments \$000</b>	<b>Total \$000</b>
Total segment revenue	215,876	40,774	0	0	256,650
Adjusted EBITDA (1)	32,468	1,655	(4,909)	232	29,446
Depreciation, amortisation and impairment	8,158	37,567	719	6	46,450
Finance costs - net (2)	(6)	0	3,827	(1)	3,820
Income tax expense					1,853

(1) Refer below for description and reconciliation of Adjusted EBITDA

(2) Refer note 4 for a detailed breakdown

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## Notes to Consolidated Financial Statements

### 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 18 October 2015	KFC Restaurants \$000	Sizzler Restaurants \$000	Shared Services \$000	All Other Segments \$000	Total \$000
Assets	500,201	43,796	54,984	5,131	604,112
Inter-segment eliminations	(170,233)	(14,118)	0	(891)	(185,242)
	329,968	29,678	54,984	4,240	418,870
Liabilities	22,700	2,158	398,057	15	422,930
Inter-segment eliminations	(10,327)	(77)	(174,838)	0	(185,242)
	12,373	2,081	223,219	15	237,688

As at 3 May 2015	KFC Restaurants \$000	Sizzler Restaurants \$000	Shared Services \$000	All Other Segments \$000	Total \$000
Assets	480,322	40,931	55,022	6,305	582,580
Inter-segment eliminations	(159,349)	(13,596)	0	(689)	(173,634)
	320,973	27,335	55,022	5,616	408,946
Liabilities	16,603	2,232	392,420	36	411,291
Inter-segment eliminations	(4,641)	0	(168,993)	0	(173,634)
	11,962	2,232	223,427	36	237,657

(c) Other segment information

#### Segment revenue

There are no sales between segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the Consolidated Income Statement.

Revenue from external customers is derived from the sale of food in KFC and Sizzler Restaurant outlets.

**Notes to Consolidated Financial Statements**

**Note 2. Segment information (continued)**

(c) Other segment information (continued)

**Adjusted EBITDA**

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

A reconciliation of Adjusted EBITDA to profit / (loss) from continuing operations before income tax is provided as follows:

	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
Adjusted EBITDA	35,264	29,446
Finance costs - net	(3,656)	(3,820)
Long term incentive provision	(304)	0
Performance Rights	(279)	0
Depreciation	(9,303)	(9,144)
Amortisation	(655)	(840)
Impairment of property, plant and equipment	0	(2,969)
Impairment of Sizzler brand - Australia	0	(6,279)
Impairment of Sizzler goodwill	0	(27,146)
Impairment of KFC franchise rights	0	(72)
Share of net loss of joint ventures accounted for using the equity method	(147)	(273)
Profit / (loss) from continuing operations before income tax	20,920	(21,097)

**Note 3. Revenue & other income**

**Revenue from continuing operations**

Sales revenue:

Sale of goods

	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
	268,133	255,341
	268,133	255,341
Other revenue:		
Franchise revenue from external parties	1,570	1,309
	1,570	1,309
Total revenue	269,703	256,650

**Other income**

Management services

Traineeship income

Total other income

	122	82
	158	91
	280	173

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## Notes to Consolidated Financial Statements

### Note 4. Expenses

Profit / (loss) from continuing operations before income tax includes the following specific expenses:

#### Depreciation, amortisation and impairment:

##### Depreciation:

	Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
Buildings	9	43
Leasehold improvements	4,969	4,977
Plant and equipment	4,325	4,124
	<u>9,303</u>	<u>9,144</u>

##### Amortisation of:

Franchise rights	252	256
Sizzler brand - Australia	0	262
Sizzler brand - Asia	403	322
	<u>655</u>	<u>840</u>

##### Impairment of:

Buildings	0	830
Leasehold improvements	0	952
Plant and equipment	0	1,187
KFC franchise rights	0	72
Sizzler brand - Australia	0	6,279
Sizzler goodwill	0	27,146
	<u>0</u>	<u>36,466</u>

Total depreciation, amortisation and impairment

9,958 46,450

#### Finance income and costs:

##### Interest income:

Interest from external parties	(237)	(265)
Interest from related parties	(64)	0

Finance income

(301) (265)

##### Interest expense:

Bank loan interest	3,103	3,473
Interest on cash flow hedges	816	582
Transfer from cash flow hedge reserve	(41)	(49)

##### Amortisation of borrowing costs

79 79

Finance costs

3,957 4,085

Net finance costs

3,656 3,820

#### Employee benefits expense:

Wages and salaries	65,029	61,482
Defined contribution superannuation expense	5,010	4,790
Employee entitlements	4,775	4,981
Total employee benefits expense	<u>74,814</u>	<u>71,253</u>

#### Operating lease rentals:

Minimum lease payments	13,715	13,178
Contingent rentals	631	672
Total rent expense relating to operating leases	<u>14,346</u>	<u>13,850</u>

Net loss on disposal of property, plant and equipment

14 19

Long term incentive provision

304 0

Performance Rights

279 0

Inventory write-downs

47 32

Bank transaction fees

1,020 852



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## Notes to Consolidated Financial Statements

Period ended 18 October 2015	Period ended 12 October 2014
\$000	\$000

### Note 5. Income tax

#### Income tax expense

Current tax	8,144	5,588
Deferred tax	(1,551)	(3,736)
Under provided in prior reporting periods	1	1
	<u>6,594</u>	<u>1,853</u>

Income tax expense is attributable to:

Profit from continuing operations	<u>6,594</u>	<u>1,853</u>
Aggregate income tax expense	<u>6,594</u>	<u>1,853</u>

#### Reconciliation of income tax expense to prima facie tax payable:

Profit / (loss) from continuing operations before income tax expense	<u>20,920</u>	<u>(21,097)</u>
Tax at the Australian tax rate of 30%	6,276	(6,329)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible expenses	361	106
Non deductible accounting loss on impairment of goodwill	0	8,143
Withholding tax credits not brought to account	241	188
Non-assessable income received	<u>(285)</u>	<u>(256)</u>
	<u>6,593</u>	<u>1,852</u>
Amounts under provided in prior reporting periods	<u>1</u>	<u>1</u>
Income tax expense	<u>6,594</u>	<u>1,853</u>

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## Notes to Consolidated Financial Statements

	18 October 2015	3 May 2015
	\$000	\$000
<b>Note 6. Non-current assets - property, plant and equipment</b>		
<b>Freehold Land</b>		
Cost		
Opening balance	4,905	4,905
Additions	0	0
Transfers from construction in progress	0	0
Closing balance	4,905	4,905
<b>Buildings</b>		
Cost		
Opening balance	1,895	1,872
Additions	3	17
Transfers from construction in progress	0	6
Closing balance	1,898	1,895
Accumulated depreciation		
Opening balance	(1,714)	(764)
Depreciation	(9)	(120)
Impairment charge	0	(830)
Closing balance	(1,723)	(1,714)
Net book value	175	181
<b>Leasehold improvements</b>		
Cost		
Opening balance	113,337	94,502
Additions	278	1,361
Transfers from construction in progress	7,446	18,584
Disposals	0	(1,110)
Closing balance	121,061	113,337
Accumulated depreciation and impairment		
Opening balance	(71,891)	(60,353)
Depreciation	(4,969)	(10,958)
Impairment charge	0	(1,642)
Disposals	0	1,062
Closing balance	(76,860)	(71,891)
Net book value	44,201	41,446
<b>Plant and Equipment</b>		
Cost		
Opening balance	82,092	72,216
Additions	1,076	3,869
Transfers from construction in progress	3,267	7,190
Disposals	0	(1,183)
Closing balance	86,435	82,092
Accumulated depreciation and impairment		
Opening balance	(55,001)	(44,451)
Depreciation	(4,325)	(9,272)
Impairment charge	0	(2,248)
Disposals	0	970
Closing balance	(59,326)	(55,001)
Net book value	27,109	27,091

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## Notes to Consolidated Financial Statements

18 October 2015	3 May 2015
\$000	\$000

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

#### Construction in progress

Cost		
Opening balance	5,854	4,591
Additions	11,929	27,193
Transfers to leasehold improvements and plant and equipment	(10,713)	(25,780)
Disposals	(14)	(150)
Closing balance	7,056	5,854
Total property, plant and equipment, net	83,446	79,477

### Note 7. Non-current assets - intangible assets

#### Goodwill

Cost		
Opening balance	257,062	256,876
Foreign currency translation	92	186
Closing Balance	257,154	257,062
Accumulated impairment		
Opening balance	(27,146)	0
Impairment charge	0	(27,146)
Closing balance	(27,146)	(27,146)
Net book value	230,008	229,916

#### Franchise rights

Cost		
Opening balance	7,150	6,661
Additions	192	489
Closing balance	7,342	7,150
Accumulated amortisation and impairment		
Opening balance	(2,007)	(1,328)
Impairment charge	0	(551)
Amortisation	(252)	(128)
Closing balance	(2,259)	(2,007)
Net book value	5,083	5,143

#### Sizzler brand - Australia

Cost		
Opening balance	11,261	11,261
Closing balance	11,261	11,261
Accumulated amortisation and impairment		
Opening balance	(11,261)	(4,720)
Impairment charge	0	(6,279)
Amortisation	0	(262)
Closing balance	(11,261)	(11,261)
Net book value	0	0

# Collins Foods Limited

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## Notes to Consolidated Financial Statements

18 October 2015	3 May 2015
\$000	\$000

### Note 7. Non-current assets - intangible assets (continued)

#### Sizzler brand - Asia

##### Cost

Opening balance	16,443	13,865
Foreign currency translation	1,279	2,578
Closing balance	17,722	16,443

##### Accumulated amortisation

Opening balance	(3,102)	(1,923)
Foreign currency translation	(247)	(429)
Amortisation	(403)	(750)
Closing balance	(3,752)	(3,102)

Net book value	13,970	13,341
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<b>Total intangible assets, net</b>	<b>249,061</b>	<b>248,400</b>
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### Note 8. Non-current assets - receivables

Loans to a related party - joint venture	2,400	1,460
Security deposits	31	33
	2,431	1,493

### Note 9. Non-current liabilities - borrowings

Bank loan - unsecured	165,000	165,000
Fees on bank loan - capitalised	(371)	(449)
Total non-current liabilities - borrowings	164,629	164,551

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## Notes to Consolidated Financial Statements

### Note 10. Contributed equity

		Parent Entity	
		Share Capital \$000	Total Equity \$000
Balance	3 May 2015	182,098	182,098
Balance	18 October 2015	182,098	182,098

		Parent Entity	
		18 October 2015 Shares	3 May 2015 Shares
Share capital			
Ordinary shares - fully paid		93,000,003	93,000,003
		93,000,003	93,000,003

		18 October 2015 \$000	3 May 2015 \$000
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### Note 11. Reserves

Hedging - cash flow hedges	(3,075)	(3,163)
Foreign currency translation	5,399	4,153
Share based payments	734	456
	3,058	1,446

### Note 12. Recognised fair value measurements

#### Fair value hierarchy

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified such assets and liabilities into the three levels prescribed under the accounting standards. 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 18 October 2015			At 3 May 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Assets</b>						
Derivative financial instruments	0	0	0	0	0	0
<b>Liabilities</b>						
Derivative financial instruments	0	4,452	0	0	4,635	0

There were no transfers between levels 1 and 2 or levels 2 and 3 during the half-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.

## Notes to Consolidated Financial Statements

### 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.

#### Valuation techniques used to determine fair values

Specific valuation techniques used to value assets and liabilities include:

- the fair value of Swap Contracts is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of the remaining assets and liabilities is determined using discounted cash flow analysis.

#### Disclosed fair values

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

##### **Receivables**

Due to the short term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the majority of non-current receivables, the fair values are not materially different to their carrying amounts, since the interest on those receivables is close to current market rates.

##### **Trade and other payables**

Due to the short term nature of the trade and other payables, their carrying amount is assumed to be the same as their fair value.

##### **Borrowings**

The fair value of non-current borrowings is based on discounted cash flows. They are classified as Level 3 values in the fair value hierarchy due to the use of unobservable inputs, including the credit risk of the Group.

#### Valuation processes

The finance department of the Group engages a third party expert valuation firm that performs the valuation of derivative financial instruments that are required to be measured, recognised and disclosed in the financial statements, at fair value. This includes Level 3 fair values. The finance department reports directly to the Group Chief Financial Officer (CFO) and the Audit and Risk Committee. Discussions of valuation processes and results are held between the CFO, Audit and Risk Committee and the finance department at least once every six months, in line with the Group's half-year reporting periods.

The main Level 3 inputs used by the group are derived and evaluated as follows:

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

Changes in Level 2 and Level 3 fair values are analysed at the end of each reporting period during the half-year valuation discussion between the CFO, Audit and Risk Committee and the finance department. As part of this discussion the finance department presents a report that explains the reason for the fair value movements.

# Collins Foods Limited

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## Notes to Consolidated Financial Statements

Period ended 18 October 2015 \$000	Period ended 12 October 2014 \$000
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### Note 13. Dividends

#### (a) Ordinary shares

Dividends provided for or paid during the half-year

6,045	5,580
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#### (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 6.0 cents per fully paid ordinary share (prior half-year - 5.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 23 December 2015 out of retained earnings at 18 October 2015, but not recognised as a liability at the end of the half-year, is \$5,580,000.

5,580	4,650
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# Collins Foods Limited

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## Directors' Declaration

In the directors' opinion:


- a) the financial statements and notes set out on pages 5 to 21 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 18 October 2015 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.


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

Dated Brisbane: 2 December 2015

Robert Kaye SC



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## Auditor's Independence Declaration

As lead auditor for the review of Collins Foods Limited for the half-year ended 18 October 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Collins Foods Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'K Challenor'.

Kim Challenor  
Partner  
PricewaterhouseCoopers

Brisbane  
2 December 2015

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## **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 18 October 2015, 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 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 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 18 October 2015 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*.

### ***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:

- a) giving a true and fair view of the consolidated entity's financial position as at 18 October 2015 and of its performance for the half-year ended on that date;
- b) 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 18 October 2015 included on Collins Foods Limited's website. The Company's directors are responsible for the integrity of the Collins Foods Limited website. We have not been engaged to report on the integrity of this website. The review report refers only to the statements named above. It does not provide an opinion of 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 website.

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

PricewaterhouseCoopers

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

Kim Challenor  
Partner

Brisbane  
2 December 2015