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 2 May 2016 to 16 October 2016

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

CONTENTS

APPENDIX 4D

Half-year Financial Report
for the Financial Half-year ended 16 October 2016

Reporting period: 24 weeks to 16 October 2016

Previous corresponding period: 24 weeks to 18 October 2015

Results for announcement to the market

Revenue and net profit

	Percentage Change %	Period ended 16 October 2016	Period ended 18 October 2015
		$000	$000
Revenue from ordinary activities	Up 4.7%	282,493	269,703
Profit from ordinary activities after tax attributable to members	Up 7.8%	15,442	14,326
Net profit for the period attributable to members	Up 7.8%	15,442	14,326

Dividends

	Amount per Security	Franked amount per security
Interim dividend for reporting period: • payable 15 December 2016	8.0 cents	8.0 cents
The record date for determining entitlements to the interim dividend: • 8 December 2016		
Interim dividend for previous corresponding period	6.0 cents	6.0 cents

Net tangible assets per security

	Current Reporting Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$(0.67)	$(0.73)

Entities in which control was gained or lost

During the current reporting period the Company did not lose control of any entities but gained control over Snag Holdings Pty Ltd and its subsidiaries.

Details of associates

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

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

Brief explanation of the figures reported above

Please refer to the review of operations on page 2.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collins Foods Limited (the Company) and the entities it controlled at the end of, or during the twenty four week period ended 16 October 2016, which the Directors consider to be the first half (half-year) of the Group's financial year to 30 April 2017.

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

The Group reported a statutory net profit attributable to members of $15.4 million for the half-year. The net result was an increase of $1.1 million up 7.8%, compared to the net profit $14.3 million reported in the previous corresponding period. This represents basic earnings per share of 16.35 cents compared to the previous corresponding period basic earnings per share of 15.40 cents.

Revenue and Expenses

Revenues (excluding finance revenues) for the first half of the financial year were $282.5 million, up 4.7% compared to the previous corresponding period. Revenues in the KFC restaurants segment were $249.6 million, up 6.4% compared to the previous corresponding period. In the Sizzler restaurants segment, statutory revenues were $31.2 million, down 11.1% compared to the previous corresponding period.

Increased sales revenues reported by the KFC restaurants segment were driven by an increase in restaurant numbers.

This growth in total revenues combined with disciplined business controls resulted in an adjusted EBITDA for the half-year of $38.6 million, up 9.4% compared to the previous corresponding period.

Cash Flow and Balance Sheet

The net cash flow from operations reflected in the statutory statement of cash flows of $26.3 million is higher than the prior comparable period driven by the growth in cash generated by the KFC restaurant segment.

Cash flow from investing activities was a net outflow of $30.7 million reflecting expansion of the KFC portfolio through acquisitions and market growth, and further investment in existing facilities. The cash flow from financing activities was a net outflow of $7.6 million, consisting of the Company's dividend payment and a loan to a related party.

Overall a net decrease in cash and cash equivalents of $12.0 million resulted during the current reporting period. This decrease was driven by the cash consideration component of $15.3 million associated with the acquisition of 13 KFC restaurants in the New South Wales/Victoria border area.

Total indebtedness (net of capitalised borrowing costs) at 16 October 2016 was $164.3 million, with undrawn facilities of $35 million within the Revolving Bank Loan and $14.1million under the Working Capital Facility Agreement. Debt (net of cash and cash equivalents) at 16 October 2016 was $123.9 million.

Subsequent events

On 31 October 2016, the Group entered into a binding agreement to acquire 11 KFC restaurants located in Stuttgart and Düsseldorf, Germany. These restaurants are being purchased directly from Kentucky Fried Chicken (Great Britain) Ltd, German Branch (KFC Germany). Collins Foods will pay Euro €12.7 million for the acquisition of the assets relating to the 11 restaurants plus transaction costs, funded from the Company's existing debt facility. The acquisition on a trailing basis is currently delivering sales of approximately Euro €22.5 million per annum. The price will be adjusted up for inventory and available cash at each restaurant, and adjusted down for employee liabilities accrued prior to completion, which are assumed as part of the acquisition.

Completion is subject to a number of usual conditions precedent regarding the entry into applicable franchise agreements, leases or subleases, service and supply agreements and employee retention arrangements relating to the 11 restaurants, and is expected to be achieved in December 2016.

Dividends

The Directors have declared a fully franked interim dividend of 8.0 cents per share payable on 15 December 2016.

Auditors' Independence Declaration

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

Australian Securities and Investments Commission Order

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

The first half-year period for the year ending 30 April 2017 is the twenty four week period ended 16 October 2016. The comparative first half-year period, is the period which commenced on 4 May 2015 and ended on 18 October 2015.

Rounding of amounts

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

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

Robert Kaye SC
Chairman

Brisbane
30 November 2016

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the review of Collins Foods Limited for the half-year ended 16 October 2016, 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.

K Challenor

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
30 November 2016

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 16 October 2016

	Note	Period ended 16 October 2016	Period ended 18 October 2015
		$000	$000
Revenue	A3	282,493	269,703
Cost of sales		(133,207)	(126,799)
Gross profit		149,286	142,904
Selling, marketing and royalty expenses		(57,497)	(55,016)
Occupancy expenses		(21,933)	(20,483)
Restaurant related expenses		(25,361)	(24,217)
Administration expenses (1)		(16,939)	(17,124)
Other expenses		(1,916)	(1,621)
Other income (2)	A3	1,001	280
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		26,641	24,723
Finance income	A4	227	301
Finance costs	A4	(3,964)	(3,957)
Share of net profit / (loss) of joint ventures accounted for using the equity method		47	(147)
Profit from continuing operations before income tax		22,951	20,920
Income tax expense	E5	(7,509)	(6,594)
Profit from continuing operations		15,442	14,326
Net profit attributable to members of Collins Foods Limited		**15,442**	**14,326**
Basic earnings per share		16.35 cps	15.40 cps
Diluted earnings per share		16.26 cps	15.29 cps
Weighted average basic ordinary shares outstanding		94,427,635	93,000,003
Weighted average diluted ordinary shares outstanding		94,975,026	93,684,334

(1) Administration expenses in the current reporting period include $1.8 million of costs relating to business acquisitions.
(2) Other income in the current reporting period includes a $0.6 million gain on disposal of property, plant and equipment.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the reporting period ended 16 October 2016

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Net profit attributable to members of Collins Foods Limited	15,442	14,326
Items that may be reclassified to profit or loss		
Other comprehensive income / (expense):		
Exchange difference upon translation of foreign operations	81	1,245
Cash flow hedges	(306)	125
Income tax relating to components of other comprehensive income	92	(37)
Other comprehensive income / (expense) for the reporting period, net of tax	(133)	1,333
Total comprehensive income for the reporting period	**15,309**	**15,659**
Total comprehensive income for the reporting period is attributable to:		
Owners of the parent	**15,309**	**15,659**

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

CONSOLIDATED BALANCE SHEET

For the reporting period ended 16 October 2016

	Note	16 October 2016	1 May 2016
		$000	$000
Current assets			
Cash and cash equivalents		40,430	52,464
Receivables		4,522	9,008
Inventories		4,552	4,398
Total current assets		49,504	65,870
Non-current assets			
Property, plant and equipment	E2	93,140	88,000
Intangible assets, net	E3	271,081	247,952
Deferred tax assets, net		26,721	25,234
Receivables	E1	27	11
Investments accounted for using the equity method		1,401	1,243
Total non-current assets		392,370	362,440
Total assets		**441,874**	**428,310**
Current liabilities			
Trade and other payables		52,735	58,035
Current tax liabilities		4,298	4,131
Derivative financial instruments		1,775	1,726
Provisions		4,851	4,541
Total current liabilities		63,659	68,433
Non-current liabilities			
Borrowings	C	164,336	164,240
Derivative financial instruments		2,915	2,705
Provisions		3,228	3,235
Total non-current liabilities		170,479	170,180
Total liabilities		234,138	238,613
Net assets		**207,736**	**189,697**
Equity			
Contributed equity	D	192,875	182,098
Reserves	E4	1,624	2,364
Retained earnings		13,237	5,235
Total equity		**207,736**	**189,697**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 16 October 2016

	Note	Period ended 16 October 2016	Period ended 18 October 2015
		$000	$000
Cash flows from operating activities			
Receipts from customers		309,916	296,085
Payments to suppliers and employees		(255,736)	(244,196)
GST paid		(15,870)	(17,238)
Interest received		215	280
Interest and other borrowing costs paid		(4,151)	(4,218)
Income tax paid		(8,105)	(6,931)
Net operating cash flows		26,269	23,782
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		(15,342)	–
Net of cash acquired upon acquisition of subsidiary		282	–
Purchase of franchise rights		(127)	(192)
Payments for plant and equipment		(15,483)	(11,551)
Net investing cash flows		(30,670)	(11,743)
Cash flow from financing activities			
Loans advanced – related parties		(200)	(940)
Dividends paid	B2	(7,440)	(6,045)
Net financing cash flows		(7,640)	(6,985)
Net increase in cash and cash equivalents		(12,041)	5,054
Cash and cash equivalents at the beginning of the reporting period		52,464	42,234
Effects of exchange rate changes on cash and cash equivalents		7	297
Cash and cash equivalents at the end of the reporting period		**40,430**	**47,585**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period ended 16 October 2016

	Note	Contributed Equity	Reserves	(Accumulated losses) / retained earnings	Total Equity
		$000	$000	$000	$000
Balance as at 3 May 2015		182,098	1,446	(12,255)	171,289
Profit for the reporting period		–	–	14,326	14,326
Other comprehensive income		–	1,333	–	1,333
Total comprehensive income for the reporting period		–	1,333	14,326	15,659
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	B2	–	–	(6,045)	(6,045)
Share-based payments		–	279	–	279
Balance as at 18 October 2015		**182,098**	**3,058**	**(3,974)**	**181,182**
Balance as at 1 May 2016		**$000**	**$000**	**$000**	**$000**
Beginning of the reporting period		182,098	2,364	5,235	189,697
Profit for the reporting period		–	–	15,442	15,442
Other comprehensive income		–	(133)	–	(133)
Total comprehensive income / (expense) for the reporting period		–	(133)	15,442	15,309
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	B2	–	–	(7,440)	(7,440)
Share-based payments		–	191	–	191
Issue of ordinary shares as consideration for a business combination, net of transaction costs	D	9,979	–	–	9,979
Conversion of Performance Rights to ordinary shares	D	798	(798)	–	–
Balance as at 16 October 2016		**192,875**	**1,624**	**13,237**	**207,736**

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

A/ FINANCIAL OVERVIEW

This section provides information that is most relevant to explaining the Group's performance during the year, and where relevant, the accounting policies that have been applied and significant estimates and judgments made.

A1/ Segment information

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 Restaurants.

Segment information provided to the Managing Director & CEO

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

	KFC Restaurants	Sizzler Restaurants	Shared Services	All other segments	Total
Period ended 16 October 2016	**$000**	**$000**	**$000**	**$000**	**$000**
Total segment revenue	249,596	31,212	–	1685	282,493
Adjusted EBITDA(1)	42,276	2,698	(6,378)	(18)	38,578
Depreciation, amortisation and impairment	9,263	666	529	93	10,551
Finance costs – net	(2)	(1)	3,740	–	3,737
Income tax expense					7,509
Period ended 18 October 2015	**$000**	**$000**	**$000**	**$000**	**$000**
Total segment revenue	234,583	35,120	–	–	269,703
Adjusted EBITDA(1)	39,893	2,119	(6,973)	225	35,264
Depreciation, amortisation and impairment	8,355	905	693	5	9,958
Finance costs – net	1	(1)	3,656	–	3,656
Income tax expense					6,594

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

Other segment information

Segment revenue

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

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

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 costs associated with the acquisition of Collins Restaurants South Pty Ltd, the further investment in the Snag Stand Group and costs incurred for the planned acquisition of international KFC Restaurants. Impairment of property, plant, equipment, franchise rights, brand assets and goodwill are also excluded to the extent they are isolated non-recurring events. Net finance costs (including the impact of derivative financial instruments) are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A1/ Segment information continued

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

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Adjusted EBITDA	38,578	35,264
Finance costs – net	(3,737)	(3,656)
Long term incentive provision	–	(304)
Performance rights	(191)	(279)
Depreciation	(9,874)	(9,303)
Amortisation	(677)	(655)
Costs of acquisitions expensed	(1,800)	–
Gain on disposal of property, plant and equipment relating to insurance recovery	605	–
Share of net profit / (loss) of joint ventures accounted for using the equity method	47	(147)
Profit from continuing operations before income tax	**22,951**	**20,920**

A2/ Business combinations

Snag Stand - summary of acquisition

On 15 June 2016, Collins Foods Group Pty Ltd, a subsidiary of the Company, acquired the remaining 50% share of Snag Holdings Pty Ltd for a nominal sum to take full ownership. The primary reason for acquiring the remaining 50% of Snag Stand was to bring the brand under the guidance of Collins Foods management, with the view to refining the brand and economic model to position it for further growth in the future.

	$000
Details of the purchase consideration, the net assets acquired and goodwill are as follows:	
Cash paid	–
Effective settlement of pre-existing loan receivable from Snag Holdings Pty Ltd	3,377
Total purchase consideration	**3,377**

	Fair value
	$000
The provisional fair values of the assets and liabilities of the business acquired as at the date of acquisition are as follows:	
Cash	282
Receivables	38
Inventories	72
Property, plant and equipment	1,230
Intangible assets	28
Deferred tax asset, net	308
Trade and other payables	(314)
Provisions	(271)
Net identifiable assets acquired	1,373
Goodwill	2,004
Net assets acquired	**3,377**

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

A2/ Business combinations continued

Acquisition - related costs

Acquisition related costs of $40,000 have been recognised in the statement of profit or loss and other comprehensive income (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

	As at acquisition date
	$000
Purchase consideration – cash flow	
Balances acquired	282
Less cash consideration	–
Inflow of cash - investing activities	282

13 KFC restaurants - summary of acquisition

On 26 July 2016, Collins Foods Group Pty Ltd, a subsidiary of the Company, acquired 13 KFC restaurants for $25.3 million from a franchisee of KFC restaurants around the New South Wales and Victoria border. The primary reason for the acquisition was to expand operations in the quick service restaurant market, and consolidate the Company's position as the largest KFC franchisee in Australia.

	$000
Details of the purchase consideration, the net assets acquired and goodwill are as follows:	
Cash paid	15,346
Share consideration	10,000
Total purchase consideration	**25,346**

	Fair value
	$000
The provisional fair values of the assets and liabilities of the business acquired as at the date of acquisition are as follows:	
Cash	25
Inventories	169
Property, plant and equipment	3,788
Intangible assets	431
Deferred tax asset, net	341
Trade and other payables	(251)
Provisions	(301)
Net identifiable assets acquired	4,202
Goodwill	21,144
Net assets acquired	**25,346**

The goodwill, once finalised, will represent the value of markets with an established business name that has a strong reputation and market presence.

A2/ Business combinations continued

Acquisition - related costs

Acquisition related costs of $1.2 million have been recognised in the statement of profit or loss and other comprehensive income (other expenses) and in operating cash flows in the statement of cash flows (payments to suppliers and employees).

	As at acquisition date
	$000
Purchase consideration – cash flow	
Cash consideration	15,346
Less balances acquired	25
Outflow of cash - investing activities	15,321

The acquisition of Snag Stand and 13 KFC Restaurants contributed revenues of $9.5 million to the Group for the period from date of acquisitions to 16 October 2016. If the acquisitions had occurred on 2 May 2016, consolidated revenue for the half-year ended 16 October 2016 would have been $290.9 million.

A3/ Revenue and other income

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Revenue from continuing operations		
Sales revenue:		
Sale of goods	280,691	268,133
Other revenue:		
Franchise revenue from external parties	1,802	1,570
Total revenue	282,493	269,703
Other income		
Net gain on disposal of property, plant and equipment	545	–
Traineeship income	74	158
Other	382	122
Total other income	1,001	280

A4/ Expenses

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Profit / (loss) from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment		
Depreciation	9,874	9,303
Amortisation	677	655
Total depreciation, amortisation and impairment	10,551	9,958
Finance income and costs		
Finance income	(227)	(301)
Finance costs	3,964	3,957
Net finance costs	3,737	3,656
Employee benefits expense		
Wages and salaries	66,599	65,029
Defined contribution superannuation expense	4,953	5,010
Employee entitlements	4,947	4,775
Total employee benefits expense	76,499	74,814
Operating lease rentals	15,165	14,346
Inventories recognised as an expense	93,455	88,713
Long term incentive provision	–	304
Performance rights	191	279
Net loss on disposal of property, plant and equipment	–	14
Bank transaction fees	1,103	1,020

B/ CASH MANAGEMENT

B1/ Borrowings

Available financing facilities

	16 October 2016		1 May 2016	
	Working Capital Facility	Revolving Bank Loans	Working Capital Facility	Revolving Bank Loans
	$000	$000	$000	$000
Used	853	165,000	910	165,000
Unused	14,147	35,000	14,090	35,000
Total	15,000	200,000	15,000	200,000

B2/ Dividends

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Ordinary shares		
Dividends provided for or paid during the half-year	7,440	6,045
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 8.0 cents per fully paid ordinary share (prior half-year: 6.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 December 2016 out of retained earnings at 16 October 2016, but not recognised as a liability at the end of the half-year, is $7,669,847.	7,670	5,580

C/ 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.

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.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate to their fair values.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been identified as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

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.

C/ Recognised fair value measurements continued

Trade and other payables

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

Borrowings

The fair value of borrowings is as follows:

	16 October 2016			1 May 2016		
	Carrying amount $000	Fair value $000	Discount rate %	Carrying amount $000	Fair value $000	Discount rate %
Bank Loan (net of borrowing costs)	164,336	153,112	5.8%	164,240	156,409	5.8%

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

Valuation processes

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

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

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

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

D/ CONTRIBUTED EQUITY

Overview

The movements in contributed equity during the period related to shares issued as part of the consideration for the purchase of the 13 domestic KFC Restaurants and shares issued under the Performance Rights Scheme. The Performance Rights Scheme is considered important as a mechanism for driving business improvement and overall results.

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

		PARENT ENTITY		
	Date	Ordinary shares – fully paid	Share capital $000	Total equity $000
Balance	1 May 2016	93,000,003	182,098	182,098
Senior Executive Performance Rights Plan	18 July 2016	531,163	798	798
Shares issued during the period	26 July 2016	2,341,921	10,000	10,000
Less capital raising costs	26 July 2016	–	(21)	(21)
Balance	16 October 2016	95,873,087	192,875	192,875

E/ OTHER INFORMATION

E1/ Receivables

Non-current assets

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Security deposits	27	11

E2/ Property, plant and equipment

	Land & buildings	Leasehold improvements	Plant & equipment	Construction in progress	Total
	$000	$000	$000	$000	$000
Opening balance at 4 May 2015					
Cost	6,800	113,337	82,092	5,854	208,083
Accumulated depreciation (including impairment)	(1,714)	(71,891)	(55,001)	–	(128,606)
Net book amount at 4 May 2015	5,086	41,446	27,091	5,854	79,477
Additions	24	1,424	3,450	26,823	31,721
Transfers from construction in progress	–	15,945	6,548	(22,493)	–
Depreciation expense	(34)	(10,933)	(9,337)	–	(20,304)
Impairment charge	–	(537)	(771)	–	(1,308)
Disposals - cost	(1,349)	(3,248)	(4,631)	(28)	(9,256)
Disposals - accumulated depreciation	38	3,197	4,435	–	7,670
Net book amount at 1 May 2016	3,765	47,294	26,785	10,156	88,000
As at 1 May 2016					
Cost	5,475	127,458	87,459	10,156	230,548
Accumulated depreciation (including impairment)	(1,710)	(80,164)	(60,674)	–	(142,548)
Net book amount at 1 May 2016	3,765	47,294	26,785	10,156	88,000
Opening balance at 2 May 2016					
Cost	5,475	127,458	87,459	10,156	230,548
Accumulated depreciation (including impairment)	(1,710)	(80,164)	(60,674)	–	(142,548)
Net book amount at 2 May 2016	3,765	47,294	26,785	10,156	88,000
Acquisition through controlled entities purchased	–	3,262	1,715	41	5,018
Additions	13	381	1,004	8,601	9,999
Transfers from construction in progress	–	10,502	4,472	(14,974)	–
Depreciation expense	(18)	(5,583)	(4,273)	–	(9,874)
Impairment charge	–	–	–	–	–
Disposals - cost	–	–	–	(3)	(3)
Disposals - accumulated depreciation	–	–	–	–	–
Net book amount at 16 October 2016	3,760	55,856	29,703	3,821	93,140
At 16 October 2016					
Cost	5,488	141,603	94,650	3,821	245,562
Accumulated depreciation (including impairment)	(1,728)	(85,747)	(64,947)	–	(152,422)
Net book amount at 16 October 2016	3,760	55,856	29,703	3,821	93,140

E3/ Intangible assets

	Goodwill	Franchise Rights	Sizzler brand Australia	Sizzler brand Asia	Other	Total
	$000	$000	$000	$000	$000	$000
Opening balance at 4 May 2015						
Cost	257,062	7,150	11,261	16,443	–	291,916
Accumulated amortisation (including accumulated impairment losses & foreign currency translation)	(27,146)	(2,007)	(11,261)	(3,102)	–	(43,516)
Net book amount at 4 May 2015	229,916	5,143	–	13,341	–	248,400
Purchase of controlled entities	–	–	–	–	–	–
Additions	–	639	–	–	–	639
Amortisation	–	(558)	–	(876)	–	(1,434)
Impairment charge	–	–	–	–	–	–
Foreign currency translation - cost	25	–	–	352	–	377
Foreign currency translation - accumulated	–	–	–	(30)	–	(30)
Net book amount at 1 May 2016	229,941	5,224	–	12,787	–	247,952
Closing balance at 1 May 2016						
Cost	257,087	7,789	11,261	16,795	–	292,932
Accumulated amortisation (including accumulated impairment losses & foreign currency translation)	(27,146)	(2,565)	(11,261)	(4,008)	–	(44,980)
Net book amount at 1 May 2016	229,941	5,224	–	12,787	–	247,952
Opening balance at 2 May 2016						
Cost	257,087	7,789	11,261	16,795	–	292,932
Accumulated amortisation (including accumulated impairment losses & foreign currency translation)	(27,146)	(2,565)	(11,261)	(4,008)	–	(44,980)
Net book amount at 2 May 2016	229,941	5,224	–	12,787	–	247,952
Purchase of controlled entities	23,148	431	–	–	28	23,607
Additions	–	127	–	–	–	127
Amortisation	–	(278)	–	(397)	(2)	(677)
Impairment charge	–	–	–	–	–	–
Foreign currency translation - cost	6	–	–	77	–	83
Foreign currency translation - accumulated	–	–	–	(11)	–	(11)
Net book amount at 16 October 2016	253,095	5,504	–	12,456	26	271,081
Closing balance at 16 October 2016						
Cost	280,241	8,347	11,261	16,872	28	316,749
Accumulated amortisation (including accumulated impairment losses & foreign currency translation)	(27,146)	(2,843)	(11,261)	(4,416)	(2)	(45,668)
Net book amount at 16 October 2016	253,095	5,504	–	12,456	26	271,081

E4/ Reserves

	Period ended 16 October 2016	Period ended 1 May 2016
	$000	$000
Hedging – cash flow hedges	(3,230)	(3,016)
Foreign currency translation	4,419	4,338
Share-based payments	435	1,042
Closing balance	1,624	2,364

E5/ Tax

a) Income tax expense

	Period ended 16 October 2016	Period ended 18 October 2015
	$000	$000
Income tax expense		
Current tax	8,475	8,144
Deferred tax	(750)	(1,551)
Amounts (over) / under provided in prior reporting periods	(216)	1
	7,509	6,594
Income tax expense is attributable to:		
Profit from continuing operations	7,509	6,594
Aggregate income tax expense	7,509	6,594
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	22,951	20,920
Tax at the Australian tax rate of 30%	6,885	6,276
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Other non-deductible expenses	974	361
Withholding tax credits not brought to account	278	241
Non-assessable income received	(412)	(285)
	7,725	6,593
Amounts under provided in prior reporting periods	(216)	1
Income tax expense	7,509	6,594

F/ 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 2 May 2016 to 16 October 2016. 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 1 May 2016 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 16 October 2016. Unless stated otherwise below, the Group is currently in the process of assessing the impact of these standards and amendments and is yet to decide whether to early adopt any of the new and amended standards.

AASB 9 Financial Instruments (effective from 1 January 2018)

The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting AASB 9. This new standard will be effective from 1 January 2018.

AASB 15 Revenue from contracts with customers (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118, which covers contracts for goods and services, and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

AASB 16 Leases (effective from 1 January 2019)

AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.

AASB 2016-2 IASB issues narrow scope amendments to IAS 7 Statement of cash flows (effective from 1 January 2017)

The amendment to AASB 107 introduces additional disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment requires disclosure of changes arising from:

- cash flows, such as drawdowns and repayments of borrowings, and
- non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

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

G/ SUBSEQUENT EVENTS

On 31 October 2016, the Group entered into a binding agreement to acquire 11 KFC restaurants located in Stuttgart and Düsseldorf, Germany. These restaurants are being purchased directly from Kentucky Fried Chicken (Great Britain) Ltd, German Branch (KFC Germany). Collins Foods will pay Euro €12.7 million for the acquisition of the assets relating to the 11 restaurants plus transaction costs, funded from the Company's existing debt facility. The acquisition on a trailing basis is currently delivering sales of approximately Euro €22.5 million per annum. The price will be adjusted up for inventory and available cash at each restaurant, and adjusted down for employee liabilities accrued prior to completion, which are assumed as part of the acquisition.

Completion is subject to a number of usual conditions precedent regarding the entry into applicable franchise agreements, leases or subleases, service and supply agreements and employee retention arrangements relating to the 11 restaurants, and is expected to be achieved in December 2016.

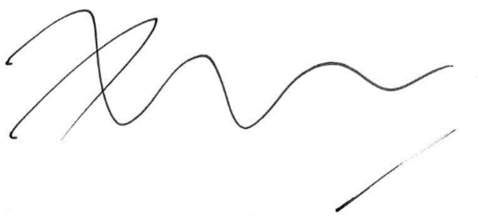
DIRECTORS' DECLARATION

In the Directors' opinion:

- the financial statements and notes set out on pages 5 to 22 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 16 October 2016 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
Chairman

Brisbane
30 November 2016

pwc

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 16 October 2016, 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 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 half-year 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 16 October 2016 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:

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

pwc

1. giving a true and fair view of the consolidated entity's financial position as at 16 October 2016 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 half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 16 October 2016 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 half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

KChallenor

Kim Challenor
Partner

Brisbane
30 November 2016