COLLINS FOODS LIMITED

ANNUAL REPORT **2015**

COLLINS FOODS LIMITED
ABN 13 151 420 781

COLLINS FOODS LIMITED

2015 has delivered a strong financial result, and we are well-placed to continue to maximise growth opportunities.

Contents

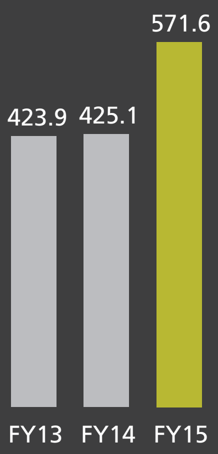
Key dates for 2015-2016

Thursday, 25 June 2015	Full year results released
Thursday, 9 July 2015	Final dividend record date
Thursday, 23 July 2015	Final dividend payment date
Tuesday, 1 September 2015	2015 Annual General Meeting
Sunday, 18 October 2015	FY16 half-year end
Wednesday, 2 December 2015	Half-year results released
Thursday, 10 December 2015	Interim dividend record date
Tuesday, 15 December 2015	Interim dividend payment date
Sunday, 1 May 2016	End of FY16

Our financial performance

Over the past 12 months Collins Foods Limited has been firmly focused on growing its core business.

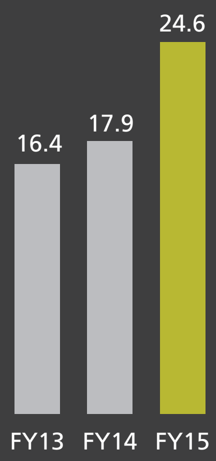
Revenue
(A$ million)



↑ 34.4%

Revenue was up 34.4% on an underlying basis compared to the previous corresponding period.[a]

Underlying NPAT
(A$ million)



↑ 37.4%

Underlying NPAT was up 37.4% to $24.6m (FY14: $17.9m).[a]

↑ 4.8%

KFC Same Store Sales

Same store sales up, to 4.8% (FY14: 0.8%).

↓ to $(10.4)m

Statutory NPAT

Statutory NPAT loss of $10.4m was heavily impacted by a $37.5m non-cash, pre-tax impairment charge on Sizzler Australia.

↑ 37.5%

EBITDA

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation up, to $67.4m (FY14: $49.0m).[a]

↑ 9.5%

Dividends

Total FY15 fully franked dividends paid up, to 11.5 cps (FY14: 10.5 cps).

↑ 9.4%

Net operating cashflow

Net operating cashflow up, to $49.1m (FY14: $44.9m).

↑ 2.5 points

ROCE

Return on Capital Employed up 2.5 points to 12.9% (FY14: 10.4%).

[a] Adjusted to exclude impact of WA/NT acquisition, non-cash impairments and other significant items in FY14. FY15 includes an additional trading week (53 week year).

We are proud to have opened **six new KFC restaurants** during the year, bringing the total number of all our restaurants in Australia to 197.

Our year in review

Our strengthened focus on driving sales with innovative products and maximising operations performance has been key to meeting the challenges of an evolving market.

KFC achieved solid growth as a result of good sales growth underpinned by innovative products, disciplined cost management and the strong performance of recent new restaurant acquisitions.

- We invested in new restaurant developments and major remodels to provide customers a contemporary restaurant design for an enhanced dining experience
  - Built six new restaurants
  - Nine major remodels in Queensland and seven in Western Australia
  - Eight minor remodels across the network
- Customers responded to a very successful summer cricket marketing campaign
- Product innovation was key in driving sales growth across the KFC business

Based on performance, Sizzler has been determined as non-core to Collins Foods strategic growth.

- Sizzler Australia continues to generate positive EBITDA
- We are proceeding with our plans to extend our footprint in Asia in the coming year

We are excited about this innovative business concept which is demonstrating great growth potential.

- Two new Snag Stands opened in 2015 – Macquarie Centre and Sunshine Plaza
- Customers are responding to the Stands' new format
- One new Snag Stand to open in Pacific Fair in late 2015

Chairman's message

Collins Foods Limited has delivered a very encouraging financial performance in 2015. This is a result of our disciplined approach to core business growth and our unwavering focus on driving efficiencies across the business.

Overall, we achieved a 29.7% increase in revenue across the business, driven by solid same store sales and new restaurant openings within the KFC business, and better-than-expected performance of the recently acquired Western Australia and Northern Territory KFC restaurants. Good cost controls enabled us to translate this revenue growth into strong EBITDA growth of 33.5%.

Further, a $5.2m reduction in net debt to $122.8m in 2015 reaffirms our approach to steady business growth while maintaining a strong balance sheet and reducing debt.

Our focus on innovation benefited the KFC business in particular, and has been key to meeting the challenges of a continually evolving market in which there is increased competition, subdued retail demand and rising costs.

We achieved stronger sales by enhancing our existing network of KFC restaurants, implementing attractive and innovative product offerings, and running a successful summer marketing campaign. Operational consistency, particularly in the areas of labour and waste cost control and efficiency gains, further supported this performance and we will continue to review the potential for this model to be applied across all Collins Foods brands.

We will pursue all opportunities to build the KFC business in the coming year by opening new restaurants and enhancing our existing network with progressive major remodels to ensure customers continue to receive an enhanced dining experience.

The momentum and performance of our KFC business offset disappointing results from Sizzler Australia which, despite initially responding to the 'Get Refreshed' campaign and front-of-house remodelling across some restaurants, reported a disappointing 8.5% decline in same store sales across the year. Sizzler Asia continued to contribute steady earnings growth.

After the key summer trading period we undertook a strategic review of the Sizzler Australia business and, as a result, the brand will no longer be considered core to the strategic growth of Collins Foods. Moving forward, we will focus on strategic investments to support further growth in the performing KFC and Snag Stand brands and, when the time is right, will pursue new growth opportunities.

While a limited number of Sizzler Australia restaurants will close, we recognise consumers' attachment to the Sizzler brand and will monitor the remaining businesses on an ongoing basis.

Snag Stand continues to deliver healthy sales growth and receive positive consumer feedback. Patronage is growing and the business is building a strong platform to support future, sustainable growth. We will continue to pursue our solid pipeline of eastern seaboard expansion opportunities under a refined operational and economic model.

Collins Foods' strong 2015 performance was delivered during a year in which there were also a number of significant changes to the Board and management team.

In March 2015, Russell Tate stepped down from the role of Chairman after leading the Board since the Company's listing in 2011. I thank Russell for his excellent stewardship up to this time. I am pleased that Russell remains on the Board as an Independent Non-executive Director, a member of the Board's Audit and Risk Committee and the Remuneration and Nomination Committee, ensuring his extensive Company experience is retained.

The Company's management will continue under the leadership of Graham Maxwell as Managing Director & CEO. We welcomed Graham as CEO following the resignation of Kevin Perkins in September 2014. Graham was also appointed Managing Director in March 2015.

Kevin Perkins has a 35 year history with Collins Foods – 29 years as Managing Director & CEO – and he remains actively involved in the Company as an Executive Director. During his leadership, Kevin played an integral role in strengthening the Company for sustained growth. I would like to take this opportunity to sincerely thank Kevin on behalf of the Board, for his outstanding commitment over three decades, and his ongoing dedication to seeing Collins Foods reach its full potential. I also thank and commend Graham Maxwell for the expertise and commitment he brings to Collins Foods and for his work to ensure a seamless leadership change during the period.

Thanks must also go to all of our staff for their commitment to strengthening our business for the future and I look forward to working with Graham and his team as he continues to inspire a growing staff of more than 8,700 Australia wide, to deliver on the Company's growth strategy, underpinning strengthened earnings growth and shareholder value.

In closing, thank you also to directors Newman Manion and Bronwyn Morris for their professionalism and dedication to the highest levels of governance of Collins Foods. The Board looks forward to an exciting year ahead as we focus on building upon the momentum achieved in 2015, and supporting the management team as they pursue strategic growth opportunities.

Robert Kaye SC
Independent Non-executive Chairman

CEO's report

The 2015 financial year was a pleasing one for Collins Foods. Overall we achieved strong sales growth, increased margins, a strengthened balance sheet and an improved return on capital employed.

Our achievements in 2015 are testament to the Company's steadfast commitment to maximising operational performance, developing a solid growth platform, and building further strength and resilience within the business.

KFC's strong performance over the year demonstrated the value of this approach, which was further supported by the better-than-expected performance of the recently acquired Western Australia and Northern Territory KFC restaurants.

Financial performance

Our strong financial performance in 2015 was delivered within an increasingly competitive market, and is a direct result of a focus on growth, diligent cost controls and maximising efficiency gains.

Collins Foods reported revenue of $571.6m for the financial period, up 29.7% on the prior year (FY14: $440.6m). The strong growth in revenue was driven by the solid performance of KFC, including same store sales growth of 4.8%, new restaurant builds, and the inclusion (since March 2014) of the KFC Western Australia and Northern Territory business.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year was $67.4m up 33.5% on the prior year (FY14: $50.5m). This improved earnings growth reflects strong flow through of the additional revenue in conjunction with a disciplined focus on cost management.

Underlying Earnings Before Interest and Tax (EBIT) was $45.1m, up 46.4% from the prior year (FY14: $30.8m).

Underlying Net Profit After Tax (NPAT) for the year was $24.6m, up from $17.9m when compared to 2014. A $37.5m non-cash, pre-tax impairment charge on Sizzler Australia, due to declining sales, and a $0.8m non cash impairment against certain KFC restaurants, resulted in the company recording a statutory NPAT loss of $10.4m. This has no impact on Collins Foods funding covenants and does not impact Sizzler Asia.

Overall the Group generated net operating cash flows of $49.1m. Net debt for the year finished down $5.2m at $122.8m with the Net Leverage Ratio reducing to 1.83, down from 2.22 in 2014. The full year dividend was 11.5cps fully franked, and represents an increase of 9.5% on the prior year.

Return on capital employed increased 2.5 percentage points to 12.9% reflecting the strong overall performance of the business.

Operational performance

KFC

KFC achieved strong growth in underlying revenue of 46.7% to $483.1m (FY14: $329.3m). Same store sales increased by 4.8% in the financial period and a further six new restaurants were built.

Attractive product offerings, a continued focus on innovation, and a successful summer cricket campaign boosted KFC sales growth throughout the year. In addition, our disciplined focus on cost control and extraction of further efficiency gains resulted in continued margin improvement across the KFC network.

We will continue to expand and upgrade our restaurant portfolio to enhance our customers' dining experience by offering a contemporary restaurant design, convenience and best-in-class customer service. Product innovation supported with strategic value offerings will remain a focus and social media will continue to play a key role in engaging with our customers.

The successful integration of the KFC Western Australia and Northern Territory businesses in 2014 contributed to the brand's outstanding performance in 2015 and we are committed to exploring further strategic growth within KFC in the coming period.

Sizzler

Sizzler Australia's overall performance continued to decline year-on-year. After careful consideration, following a strategic review, Sizzler Australia will no longer be considered core to Collins Foods strategic growth.

We believe this is a necessary course of action in order to allow us to pursue more attractive growth opportunities for the Collins Foods business.

Sizzler Australia is forecast to generate positive EBITDA in 2016 however no further growth capital will be invested in the business. A limited number of restaurants will close in 2016 and the performance of remaining Australian restaurants will be monitored closely.

This decision will not impact Sizzler Asia which continues to contribute steady earnings. We will continue with our plans to add to the portfolio by franchising more restaurants across Asia.

Snag Stand

Snag Stand is continuing to establish itself as an innovative business concept with great growth potential.

The new Macquarie Centre and Sunshine Plaza restaurants, built around the new 'dine-in' format, were opened in 2015 and, in line with planned network expansion, the Pacific Fair outlet remains on track to launch towards the end of the l2015 calendar year.

Snag Stand is maintaining healthy sales and positive customer feedback. We will adopt a considered approach as we continue to refine and evolve the operational and economic model for Snag Stand.

Corporate Social Responsibility

Collins Foods is committed to giving back to the communities who support us, by making a difference through workplace giving and corporate support of specific charities and causes.

In 2015 we were able to facilitate a donation through our workplace giving program of $527,067 to support five charities including Animal Welfare League, Breast Cancer Network Australia, Children's Hospitals Foundation Australia, Good Beginnings Australia, and YoungCare. Of this figure, employee donations totalled more than $300,000, with the remainder comprising customer donations and $100,000 contributed by Collins Foods Limited.

Since 2008, Collins Foods has donated a total of more than $2.9m to charitable causes through our workplace giving program – an outstanding achievement and one of which I am extremely proud and humbled.

In 2015, Collins Foods also contributed more than $52,000 to World Hunger, raised through in-store customer donations and staff fundraising initiatives. As a group, we also provided $10,000 to support relief efforts in Nepal following the devastating earthquake in April 2015.

Board and management changes

I would like to take this opportunity to thank outgoing Chairman, Russell Tate, and outgoing Managing Director & CEO, Kevin Perkins, for their support and guidance over the past few years. I look forward to continuing to work with them and the rest of the Board under the leadership of our new Chairman, Robert Kaye SC, as we progress the Company's strategic and operational objectives in 2015 and beyond.

In May 2015 we also welcomed Nigel Williams who joined the executive team as Group Chief Financial Officer. Nigel has more than 10 years' experience in senior finance roles, including five years as Financial Director of Starbucks UK, and brings with him a wealth of experience and knowledge to the business. I am confident that he will make a positive contribution to Collins Foods.

Looking forward

Collins Foods will continue to focus on building its strong platform to deliver further growth, both organically and strategically over the next financial year. This will be underpinned by our ongoing focus on operational improvement and strategic management.

We will maintain a disciplined focus on the KFC business with plans for eight new restaurant builds. In addition, we will continue to focus on improving the performance of our Western Australian and Northern Territory restaurant network through the rollout of further operational improvements, remodelling and upgrades to our existing restaurants.

In closing, a big thank you to all our employees across our restaurants and the support centre for their dedication and commitment to making Collins Foods a better company. I look forward to an exciting year ahead as we continue to focus on our key business priorities.

Graham Maxwell
Managing Director & CEO

Corporate Governance Statement

Collins Foods Limited (the Company) and its Board of Directors strongly support high standards of corporate governance, recognising that the adoption of good corporate governance protects and enhances shareholder interests.

The following statement provides an overview of the Company's governance practices and reports against the ASX Corporate Governance Principles and Recommendations (ASX Principles). The Company's corporate governance practices were in place for the entire year and comply with the ASX Principles unless otherwise stated.

The Company's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company and taking account of best practice.

1. Lay solid foundations for management and oversight

The role of the Board
The Board's primary role is the protection and enhancement of shareholder value in both the short and long term. Central to this role is the establishment of a clear framework delineating the responsibilities of the Board and management, to ensure the Company is properly managed.

The Board has identified the key functions which it has reserved for itself, which are set out in the Board Charter, a copy of which is available on the Company's website.

The responsibilities of the Board include:

- providing input to, and approval of, the Company's strategic direction and budgets as developed by management;
- directing, monitoring and assessing the Company's performance against strategic and business plans, to determine if appropriate resources are available;
- approving and monitoring capital management and major capital expenditure, acquisitions and divestments;
- overseeing the establishment and implementation of risk management and internal control systems and reviewing the effectiveness of their implementation;
- approving and monitoring internal and external financial and non-financial reporting, including reporting to shareholders, the ASX and other stakeholders;
- appointment, performance assessment and, if appropriate, removal of the Chief Executive Officer (CEO);
- approving the appointment and/or removal of the Chief Financial Officer (CFO) and Company Secretary and other members of the senior executive management team where appropriate;
- overseeing and contributing to the performance assessment of members of the senior management executive team; and
- ensuring ethical behaviour and compliance with the Company's own governing documents, including the Company's Code of Conduct.

The Board has established Committees to assist in carrying out its responsibilities and to review certain issues and functions in detail. The Board Committees are discussed at '2' below.

Non-executive Directors are issued with formal letters of appointment governing their roles and responsibilities.

Delegations to Management
The Board has delegated responsibility for implementing the Company's strategy as approved by the Board and for the day-to-day management and administration of the Company to the Managing Director & CEO supported by the senior management executive team.

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Management reports to the Board at regular Board meetings, providing updates on initiatives and issues.

Senior management executives are issued with formal letters of appointment governing their roles and undergo a formal induction process.

Executive performance assessment
The Board approves criteria for assessing performance of the Managing Director & CEO and other senior management executives, and monitoring and evaluating their performance.

The Remuneration and Nomination Committee is responsible to the Board for ensuring the performance of the Managing Director & CEO and other senior management executives is reviewed at least annually. The Committee reviews the performance of the Managing Director & CEO, while the Managing Director & CEO is responsible for performance reviews of senior management executives.

Performance evaluations for the Managing Director & CEO and other senior management executives were undertaken during the year in accordance with the above process.

2. Structure the Board to add value

Board composition
Consistent with its Charter, the Company's Board is comprised of Directors with diverse yet complementary skills and experience, enabling it to appropriately and effectively oversee all aspects of the Company's operations and enhance performance.

Corporate Governance Statement

2. Structure the Board to add value (continued)

The Board is comprised of six Directors (the Company's Constitution provides for a minimum of three and a maximum of 10 Directors), which the Board believes to be an appropriate size to discharge its duties as well as be conducive to effective discussion and efficient decision making.

Four of the Company's six Directors are Non-executive Directors, including the Chairman, with two Executive Directors. This structure enables an appropriate balance to be struck between Directors with experience and knowledge of the business operations and Directors with an external perspective and a level of independence.

The Board is structured to maintain a majority of independent Directors, to ensure independent judgement is brought to bear on all decisions. All four of the Company's Non-executive Directors, including the Chairman, are independent Directors.

The Chairman is elected by the Board and is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives, including the Managing Director & CEO (a role which is exercised by a separate individual).

The Managing Director & CEO is responsible for implementing Company strategies and policies.

Details for each Director of the Company, including details of skills, experience and expertise, are set out in the Directors' Report.

Director independence and conflicts of interest
A Director will be considered independent from the Company if he or she has no business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board requires each Director to disclose any new information, matter or relationship which could, or could reasonably be perceived to, impair the Director's independence, as soon as these come to light. All material personal interests are verified at each Board meeting under a standing agenda item. Materiality is assessed on a case by case basis from the perspective of both the Company and the Director concerned.

The Board periodically assesses the independence of each Director, utilising independence criteria aligned with the ASX Principles. All of the Non-executive Directors of the Company throughout the financial year and as at the date of this report have been determined to be independent.

In accordance with the Corporations Act 2001 (Cth) and the Constitution of the Company, Directors are restricted in their involvement when the Board considers and votes on any matter in which a Director has a material personal interest.

The Board also has procedures in place to ensure it operates independently of management. Non-executive Directors meet together periodically in the absence of Executive Directors and other executives of the Company to discuss the operation of the Board and a range of other matters.

Board access to information and advice
Directors and Board Committees have the right to seek independent professional advice at the Company's expense to assist them to discharge their duties. Whilst the Chairman's prior approval is required, it may not be unreasonably withheld.

All Directors have access to the Company Secretary, who supports the effectiveness of the Board and is accountable to the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for approval by the Board.

Selection, appointment and re-election of Directors
When it is assessed that a new Director should be appointed to the Board, as an outcome from size and composition review or succession planning, the Remuneration and Nomination Committee prepares a position brief identifying the skills required. These skills identified ensure a complementary mix of financial, legal, industry and listed entity knowledge and experience is maintained on the Board, having regard to the Company's Diversity Policy. From this, a short list of candidates is prepared, from already identified individuals and/or independent search consultants.

The Board appoints the most suitable candidate who must stand for election or re-election at the next annual general meeting.

The Remuneration and Nomination Committee is also responsible for making recommendations whether or not Directors, whose term of office is expiring, should be proposed for re-election at the Company's next annual general meeting.

All Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of the Company's shareholders.

In accordance with the Constitution of the Company, no Director, except the Managing Director, shall hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election.

Selected Directors are then offered for re-election at the next annual general meeting, with sufficient details to allow shareholders to make an informed decision on their election.

Commitment
The commitments of non-executive Directors are considered prior to a Director's appointment to the Board and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Commitment is required in relation to preparation and attendance at scheduled Board meetings, strategy workshops and non-scheduled meetings called to address specific matters needing urgent attention.

Induction and education
Each new Director appointed undergoes a formal induction which provides them with information to enable them to actively participate in Board decision making as soon as possible, including information on the Company's operations and Board and management roles, responsibilities and interactions. Directors are provided access to continuing education to update and enhance their skills and knowledge.

Review of Board performance
In accordance with the Board Charter, the Board undertakes an annual Board evaluation.

The review involves consideration of the Board's performance against the Board Charter, and sets forth goals and objectives for the Board for the upcoming year.

The Remuneration and Nomination Committee oversees the evaluation of the performance of the Board and each Director, including an assessment of whether each Director has devoted sufficient time to his or her duties.

Performance evaluations for the Board and each Director were undertaken during the year in accordance with the above process by an independent third party.

Board Committees
To assist in undertaking its duties, the Board has established the following Committees:

→ the Audit and Risk Committee; and

→ the Remuneration and Nomination Committee.

Charters specify the responsibilities, composition, membership requirements, reporting processes and the manner in which the Committees are to operate. These Charters are reviewed on an annual basis. All matters determined by Committees are submitted to the Board as recommendations for Board decisions.

Details of Directors' membership of each Committee and their attendance at meetings are set out in the Directors' Report.

3. Promote ethical and responsible decision making

Code of Conduct
The Company's commitment to maintaining ethical standards in its business activities is demonstrated in its values, and its Code of Conduct which embraces these values. The Code of Conduct, which applies to all Directors and employees of the Company, contains policy statements and describes the standards of behaviour expected by the Company.

In summary, the Code of Conduct requires that all Directors and employees perform their duties professionally, in compliance with laws and regulations, and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Employees are actively encouraged to report any breaches of the Code of Conduct or other policies and procedures in place, and the Company has a Whistleblower Policy in place in support of this.

A copy of the Code of Conduct is available on the Company's website.

A copy of the Whistleblower Policy is also available on the Company's website.

Diversity Policy
The Company values and is proud of its strong and diverse workforce, and is committed to supporting and further developing this diversity. Accordingly, the Company has developed a Diversity Policy which outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives and the Company's progress in achieving them.

The Board has established the overarching objective of females representing at least 51% of the organisation's workforce. The Board also endorses other objectives of the organisation's businesses including measures in relation to female regional general manager levels, flexible working arrangements, and maternity and return to work arrangements.

Information on the actual number and proportion of women employed by the organisation is set out below.

	2015 Actual		2014 Actual	
	Number	%	Number	%
Number of women employees in the whole organisation	4374	51	4,370	51
Number of women in senior executive[1] positions	8	38	6	30
Number of women on the Board	1	17	1	20

1 Senior executives includes managers who hold roles designated as senior executive roles, as well as Key Management Personnel and other managers who report directly to the Managing Director & CEO.

A copy of the Diversity Policy is available on the Company's website.

Corporate Governance Statement

4. Safeguard integrity in financial reporting

Audit and Risk Committee
The Audit and Risk Committee has been established to assist the Board to focus on issues relevant to the integrity of the Company's financial reporting.

The Committee operates in accordance with a Charter which is available on the Company's website.

Its main responsibilities include:

- reviewing, assessing and recommending the Board approve the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- overseeing the implementation and effective operation of the Company's Risk Management system by management;
- monitoring the adequacy and effectiveness of the Company's internal control framework including administrative, operating, accounting and financial controls to produce reliable financial reporting information and compliance with legal and regulatory obligations;
- making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditors, their terms of engagement and scope of audits;
- monitoring the effectiveness and independence of the external auditors;
- determining whether or not a formal internal audit function should be in place and recommending the approval of the appointment (and if appropriate, the removal) of the internal auditor; and
- monitoring and reviewing management's performance in establishing systems to provide for safe operations and for safety management in all the Company's workplaces.

In carrying out its responsibilities, the Committee is authorised to:

- have access to, and meet with, auditors (external and internal), employees of the Company and any external advisors without executives or management of the Company being present; and
- seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties.

Consistent with its Charter, the Audit and Risk Committee is currently comprised of four Non-executive Directors, is chaired by an Independent Chairperson who is not Chair of the Board and all members are Independent Directors. All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates; one member, Bronwyn Morris, has extensive experience and expertise in accountancy, as a former partner of a major accounting firm. The Committee meets at least four times a year. During the financial year, the Committee met four times.

The background details of the Audit and Risk Committee members and attendance at Committee meetings are set out in the Directors' Report.

External auditors
The Audit and Risk Committee reviews the effectiveness of the external auditors and makes assessments in relation to their continued independence at least annually.

PwC was appointed external auditor in 2005. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including fees for non-audit services, is provided in the Directors' Report and Notes to the Financial Statements. It is the policy of PwC to provide an annual declaration of its independence to the Audit and Risk Committee.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Declaration by management
The Managing Director & CEO and Group CFO provide formal assurance to the Board that the Company's financial statements present a true and fair view of the Company's financial condition and operational results.

5. Make timely and balanced disclosure

Continuous disclosure and shareholder communication

The Company has policies and procedures in place in relation to continuous disclosure and shareholder communication. These outline the Company's commitment to providing all shareholders and investors with equal access to the Company's information and disclosing all information that a reasonable person would expect to have a material effect on the share price to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. Copies of these policies are available on the Company's website.

The Company Secretary has primary responsibility for all communications with the ASX, overseeing and co-ordinating all information disclosure to the ASX, shareholders and other relevant parties. All information released to the ASX is posted on the Company's website.

All employees have a responsibility to report any potentially price or value-sensitive information to the Company Secretary, who is then responsible for ensuring this information is advised to the Disclosure Committee, which then makes recommendations to the Board.

The Company also has assigned Authorised Spokespersons for the Company, to ensure all public communication is within the bounds of information that is already in the public domain, and/or is not material.

6. Respect the rights of shareholders

The Company is committed to effective communication with its stakeholders and seeks to ensure that all stakeholders, market participants and the wider community are informed of its activities and performance. This commitment and supporting policies are set out in the Company's Communication Policy which is available on the Company's website.

Information is communicated to shareholders through the Company's website, Annual Report, ASX announcements and media releases, dividend mailouts, email broadcasts and other means where appropriate.

The Company encourages attendance at, and participation in, general meetings.

The Company also periodically conducts investor briefings to its institutional investors, brokers and analysts.

7. Recognise and manage risk

Risk management is viewed by the Company as integral to its objective of creating and maintaining shareholder value and is the responsibility of all Directors and employees.

The Board is responsible for satisfying itself annually, or more frequently as required, that Management has developed and implemented a sound system of risk management and internal control. The Board has delegated to the Audit and Risk Committee responsibility for the detailed work involved in this oversight role.

The Company undertakes its risk management activities utilising a Business Risk Management Framework, the methodology for which is consistent with the International Risk Management Standard ISO31000.

Key risk registers and business risk registers, utilising web enabled software, are maintained and regularly reviewed by management.

Those with assigned accountability for risks are required to sign off regularly that those risks have been managed effectively. Key risk registers are reviewed periodically, but at least twice annually by the Audit and Risk Committee. The overall results of this assessment are presented to the Board at its next meeting. The Board also considers risk management at every Board meeting and requests additional information as required.

Compliance programs operate to ensure the Company meets its regulatory obligations.

Management reports to the Board as to the effectiveness of the Company's management of its material business risks on an annual basis.

The Board receives a written assurance from the Managing Director & CEO and the CFO that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks.

Corporate Governance Statement

Risk profile
The material risks faced by the Group that have the potential to have an effect on the financial prospects of the Group and how the Group manages these risks, include:

- **Reduction in consumer demand** – given the Group's reliance upon consumer discretionary spending, adverse changes to the general economic landscape in Australia or consumer sentiment for the Company's products could impact its financial results. This risk is addressed through keeping abreast of economic and consumer data/research, innovative product development, broadening of the menu offering (i.e. to include grilled product offerings) and brand building;
- **Supply chain disruption** – disruption to the supply chain could impact upon the Group's ability to operate restaurants. This risk is addressed through use of multiple suppliers where possible with a diverse geographic base with multiple distribution routes;
- **Negative change to relationship with Yum!** – given the Company's obligations to Yum! through its Master Franchise Agreement and Facilities Action Deed, a negative change in the relationship could impact significantly the Company's ability to open planned new stores, manage the cost of new store builds and refurbishments and implement other growth and operational changes. This risk is addressed through maintaining a close working relationship with Yum!, having the Company's team members sit on relevant KFC advisory groups and committees and monitoring compliance with obligations;
- **Safety** – given the number of people employed to run and operate restaurants providing food products to the public, a health or safety incident in the Group's operations or health incident of a supplier involving the Group's input products, could impact the Group's financial results. This risk is addressed through robust internal food safety and sanitation practices and occupational health and safety practices, audit programs, customer complaint processes, supplier partner selection protocols, and communication policy and protocols;
- **Failure of growth drivers** – given that a number of growth drivers continue to be at development stage, failure of these drivers to produce expected results could impact upon the Group's financial results. This risk is addressed through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews; and
- **Margin risk** – given the highly competitive environment of the industry and high reliance on labour, produce, food and energy inputs, increases in the costs of these inputs could impact upon the Group's financial results. This risk is addressed through brand building initiatives, keeping abreast of legislative changes, maintaining long term supplier relationships, group supply arrangements with Yum!, productivity and service flow initiatives, flexibility of operations and open communication with labour unions.

8. Remunerate fairly and responsibly

Remuneration and Nomination Committee
The Remuneration and Nomination Committee has been established to assist the Board and operates in accordance with a Charter which is available on the Company's website.

Its main responsibilities, with respect to remuneration, include:

- reviewing and making recommendations to the Board with respect to the Company's remuneration principles, framework and policy for senior executives and Directors;
- providing advice in relation to remuneration packages of senior management executives, non-executive Directors and executive Directors;
- reviewing and making recommendations to the Board with respect to Company incentive schemes, including the implementation and operation of equity-based incentive plans, bonus plans and other employee benefit programs; and
- reviewing the Company's recruitment, retention and termination policies.

In carrying out its responsibilities, the Remuneration and Nomination Committee is authorised to obtain outside professional advice as it determines necessary and it has received briefings during the year from external remuneration experts on various matters.

Consistent with its Charter, the Remuneration and Nomination Committee is chaired by an independent Chairperson and all members are independent Directors. The Committee meets at least three times a year. During the financial year, the Committee met four times.

The background details of the Remuneration and Nomination Committee members and attendance at Committee meetings are set out in the Directors' Report.

Information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading 'Remuneration Report'.

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 period ended 3 May 2015.

Directors

The names of the Directors of the Company during or since the end of the financial period are as follows:

Name	Date of appointment
Robert Kaye SC	7 October 2014
Graham Maxwell	25 March 2015
Kevin William Joseph Perkins	15 July 2011
Bronwyn Kay Morris	10 June 2011
Newman Gerard Manion	10 June 2011
Russell Keith Tate	10 June 2011
Stephen Copulos	12 April 2013*

* Resigned 1 October 2014

Principal activities

During the period, the principal activity of the Group was the operation, management and administration of restaurants. The Group operates in Australia and Asia (predominantly in Thailand, Japan and China). There were no significant changes in the nature of the Group's activities during the period.

Operating and financial review

Group overview

The Group's business is the operation, management and administration of restaurants, currently comprising three restaurant brands, KFC Restaurants, Sizzler Restaurants and Snag Stand joint venture outlets.

At the end of the period, the Group operated 171 franchised KFC restaurants in Queensland, northern New South Wales, Western Australia and Northern Territory which compete in the Quick Service Restaurant market. The Group owns and operates 26 Sizzler restaurants in Australia, which operate in the casual dining restaurant market. It is also a franchisor of the Sizzler brand in South East Asia, with 60 franchised stores predominantly in Thailand, but also in China and Japan. Snag Stand operates six corporate owned outlets and one franchised outlet.

The KFC brand is owned globally by Yum! and is one of the world's largest restaurant chains. The Group is the largest franchisee of KFC restaurants in Australia.

In the casual dining market in which it operates, Sizzler, competes with other casual dining concepts as well as taverns and clubs, fast food and home cooking. Sizzler is a small to modest sized market participant.

Snag Stand is a small early stage company competing in the fast casual dining market. Other operators in the fast casual dining market include Grill'd Burgers and Guzman Y Gomez.

Directors' Report

Group financial performance

Key statutory financial metrics in respect of the current financial period and the prior financial period are summarised in the following table:

Statutory financial metrics	2015	2014	Change
Total revenue ($m)	571.6	440.6	29.7%
Earnings before interest, tax, depreciation, amortisation and impairment (adjusted EBITDA) ($m)	67.4	50.5	33.5%
Earnings before interest and tax (EBIT) ($m)	6.8	26.9	(74.7%)
Profit/(loss) before related income tax expense ($m)	(2.5)	20.9	(112.0%)
Income tax (expense)/benefit ($m)	(7.9)	(6.9)	14.5%
Net profit/(loss) attributable to members (NPAT) ($m)	(10.4)	14.0	(173.9%)
Earnings per share (EPS) basic (cents per share)	(11.1)	15.1	(173.5%)
Total dividends paid/payable in relation to financial period (cents per share) (1)	11.5	10.5	9.5%
Net assets ($m)	171.3	191.4	(10.5%)
Net operating cash flow ($m)	49.1	44.9	9.4%

(1) Dividends paid/payable is inclusive of dividends declared since the end of the relevant reporting period.

The Group's total revenues increased by 29.7% to $571.6m mainly due to the acquisition of the Western Australian KFC business and strong like-for-like sales growth across the KFC business.

This jump in total revenues combined with good business controls flowed through to significantly increased EBITDA for the year of $67.4m, up 33.5% on prior year and improved net operating cash flow of $49.1m, up 9.4%.

Statutory EBIT, NPAT, EPS and Net Assets were down due to a significant item of $38.3m. This item was a (non-cash) pre-tax impairment charge, of which $37.5m related to the Sizzler Australia business.

Underlying financial metrics excluding significant items which occurred in the current period are summarised as follows:

Underlying financial metrics	2015	2014	Change
Total revenue ($m)	571.6	425.1	34.4%
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) ($m)	67.4	49.0	37.5%
Net profit attributable to members (NPAT) ($m)	24.6	17.9	37.4%
Earnings per share (EPS) basic (cents)	26.4	19.2	37.4%

The notable increase in the underlying financial metrics shown above is a reflection of the strong sales growth and good cost controls referred to above. These are discussed further in the review of underlying operations below.

The impact of significant items on the statutory results are summarised below:

Impact of significant items	2015 statutory	Significant items (1)	2015 underlying
Net profit attributable to members (NPAT) ($m)	(10.4)	34.9	24.6

(1) The statutory results of the current period include the impact of impairment of Sizzler goodwill, Sizzler brand and property, plant and equipment totalling $34.9m after tax, of which $34.4m related to the Sizzler Australia business and $0.5m related to KFC Queensland.

Review of underlying operations

KFC Restaurants

There has been a strong overall performance across the KFC business.

Revenues in KFC were up 46.7% on the prior corresponding period to $483.1m, driven by the acquisition of the Western Australian and Northern Territory restaurants, increased restaurant numbers as well as positive mid single digit same store sales growth.

Strong product promotions including a successful summer cricket campaign, targeted value offers, new product offerings and continuing to drive social media and community engagement have proven successful in delivering an increase in sales across all restaurant formats.

KFC EBITDA was up $24.2m (+48.3%) on the previous corresponding period. Higher profit margins (+20bps) were achieved despite the continuing competitive trading environment and the increases in key input costs, particularly labour rates.

Margin improvements were primarily the result of continued improvements to labour productivity and other efficiency initiatives. These are discussed further in the strategy and performance section below.

In meeting its restaurant refurbishment obligations with Yum! and investing in new restaurant capital, KFC invested $29.4m in new restaurant, refurbishment and systems capital. Returns on capital spend have shown improvement on the previous corresponding period.

Sizzler Restaurants

Revenues in Sizzler were down 7.6% on the prior corresponding period to $88.5m, with same store sales in Australia declining 8.5%.

The retail conditions in the casual dining market have remained challenging and increasingly competitive. During the period, Sizzler Australia completed the roll out of the "Get Refreshed" initiatives, designed to return Sizzler Australia to positive growth. In addition to "Get Refreshed", the front of house of three restaurants (Cleveland, Caboolture and Mermaid Beach) were remodelled. A "light" remodel was also carried out to the front of house of one restaurant (Ipswich).

Whilst showing some signs of improvement, which we believe in part can be attributed to the roll out of "Get Refreshed", the performance of Sizzler Australia has been below expectations for the period. Consequently, the board has agreed that this brand is no longer considered core to the strategic growth of the Group. Sizzler EBITDA was down $3.3m (–42.6%) on the previous corresponding period, due largely to lower gross profit margins on lower sales together with increased costs of operations. Gross profit margins reflect menu pricing and promotional discounting to drive sales countered by strong cost of sales and labour productivity controls in the face of reduced sales.

Sizzler franchise operations in Asia contributed an increase of $0.4m to this result over the prior corresponding period driven by increased royalty revenue. There were no net new restaurant builds in the period (one relocation in China).

Snag Stand

The focus of the joint venture management team has been upon continuing the development and refinement of the Snag Stand concept. During the period, two new Snag Stands were opened, one at Macquarie Centre, Sydney and the other at Sunshine Plaza, Maroochydore. Both have delivered healthy sales and positive consumer feedback since opening.

Strategy and future performance

Group

The medium term strategy is to consolidate the KFC Western Australia and Northern Territory acquisition, continue to further build economies of scale and grow the Group's returns to enhance shareholder value. This could be through further KFC expansion opportunities in other states and territories or the acquisition or development of other operations in the retail food and restaurant industry sector.

KFC Restaurants

Whilst KFC expects the retail environment to remain competitive with upward pressure on input costs continuing, more recent strong growth patterns, particularly in Queensland, have been encouraging. Future focus will be top line growth through strong product offerings and enhanced in-store customer experience, and opening of new stores in conjunction with disciplined cost control driving improved returns.

Sizzler Restaurants

Sizzler Australia instigated a review of all areas of the business following completion of the rollout of "Get Refreshed" and the summer marketing campaign. The "Get Refreshed" strategy was designed to contemporise the Sizzler brand and re-engage with our guests.

While some improvement in sales trends has been experienced, there has not been a return to positive same store sales growth. In addition, while the sales performance of remodelled restaurants has improved, returns on this investment are below internal benchmarks. Accordingly, it has been determined that the Sizzler Australia business is no longer core to strategic growth in Australia. Furthermore, there will be no further growth capital invested in this business. The business will be consolidated over the upcoming year with a small reduction in the number of restaurants. The ongoing performance of the business will be closely monitored and appropriate action taken as and when necessary.

In relation to its Asian operations, Sizzler's strategy is to continue to expand the number of franchised site locations with up to four new restaurants anticipated to be opened during the next financial year.

Snag Stand

Our joint venture investment in the start-up company Snag Stand is a small investment in an innovative concept and provides an opportunity to invest in the fast casual dining sector. The Snag Stand Group has been focused on improving operational performance in existing outlets as well as developing a pipeline for growth. The business operating model is being further refined with a focus on brand development, new store growth and operations efficiency.

Directors' Report

Material risks
The material risks faced by the Group that have the potential to have an effect on the financial prospects of the Group, disclosed above, and how the Group manages these risks, include:

- **Reduction in consumer demand** – given our reliance on consumer discretionary spending, adverse changes to the general economic landscape in Australia or consumer sentiment for our products could impact our financial results. We address this risk through keeping abreast of economic and consumer data/research, innovative product development, broadening of the menu offering (i.e. to include grilled product offerings) and brand building;
- **Supply chain disruption** – disruption to the supply chain could impact on our ability to operate restaurants. We address this risk through use of multiple suppliers where possible with a diverse geographic base with multiple distribution routes;
- **Negative change to relationship with Yum!** – given our obligations to Yum! through our Master Franchise Agreement and Facilities Action Deed, a negative change in the relationship could impact significantly our ability to open planned new stores, manage the cost of new store builds and refurbishments, and implement other growth and operational changes. We address this risk through maintaining a close working relationship with Yum!, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance with obligations;
- **Safety** – given we employ people to run and operate restaurants providing food products to the public, a health or safety incident in our operations or health incident of a supplier or involving the input products we use, could impact our financial results. We address this risk through robust internal food safety and sanitation practices and occupational health and safety practices, audit programs, customer complaint processes, supplier partner selection protocols and communication policy and protocols;
- **Failure of growth drivers** – given that a number of growth drivers continue to be at development stage, failure of these drivers to produce expected results could impact our financial results. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews; and
- **Margin risk** – given the highly competitive environment of the industry and high reliance on labour, produce, food and energy inputs, increases in the costs of these inputs could impact our financial results. We address this risk through brand building initiatives, keeping abreast of legislative changes, maintaining long term supplier relationships, group supply arrangements with Yum!, productivity and service flow initiatives, flexibility of operations and open communication with labour unions.

Dividends
Dividends paid to members during the financial period were as follows:

	Cents per share	Total amount $000	Franked/ Unfranked	Date of payment
Final ordinary dividend for the financial period ended 27 April 2014	6.0	5,580	Franked	18 July 2014
Interim ordinary dividend for the financial period ended 12 October 2014	5.0	4,650	Franked	22 December 2014
Total	**11.0**	**10,230**		

In addition to the above dividends, since the end of the financial period, the Directors of the Company have declared the payment of a fully franked final dividend of 6.5 cents per ordinary share ($6.0m) to be paid on 23 July 2015 (refer to Note 22 of the Financial Report).

Significant changes in the state of affairs
In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial period under review.

Matters subsequent to the end of the financial period
There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Likely developments and expected results of operations
The Group will continue to pursue the increase of profitability of its major business segments during the next financial period. Additional comments on expected results of operations of the Group are included in the review of operations section of this Report.

Environmental regulations
The Group is subject to environmental regulation in respect of the operation of its restaurant sites. To the best of the Directors' knowledge, the Group complies with its obligations under environmental regulations and holds all licences required to undertake its business activities.

Information on Directors

Director	Experience, qualifications and directorships	Special responsibilities
Robert Kaye SC	Robert is the Independent, Non-executive Chairman. He is also Chairman of ASX listed PaperlinX Limited and a Non-executive Director of ASX listed Magontec Limited. In 1978, Robert was admitted to legal practice and prior to this, was employed as a solicitor at Allen Allen & Hemsley Solicitors. Thereafter, he pursued his legal career at the NSW Bar and was appointed Senior Counsel in 2003, practising in commercial law. He has been involved extensively in an array of commercial matters both advisory and litigious in nature and served on a number of NSW Bar Association committees including the Professional Conduct Committee. **Other listed entity directorships – current or held within last three years** PaperlinX Limited (2012 – current) Magontec Limited (2013 – current)	Independent Non-executive Chair Audit and Risk Committee Member Remuneration and Nomination Committee Member
Graham Maxwell	Graham is an experienced senior executive of corporate and franchise businesses, predominantly in fast moving consumer goods and fast foods, both in Australia and internationally. He is a commercially astute management professional with proven success in leveraging and growing businesses through their brands. Graham was a Director – International, Ingredients and Private Label at SPC Ardmona (a division of Coca-Cola Amatil), and prior to this Graham spent over six years working for Yum! Brands in a number of capacities. His last position with Yum! Brands was as Managing Director for KFC Southern Africa. **Other listed entity directorships – current or held within last three years** None other than Collins Foods Limited.	Managing Director & CEO
Kevin Perkins	Kevin is a highly experienced executive in the Quick Service Restaurant (QSR) and casual dining segments of the Australian restaurant industry. He has had more than 30 years' experience with the Collins Foods Group, having overseen its growth both domestically and overseas over that time. Kevin is the Non-executive Chairman of Sizzler USA Acquisition, Inc. He holds approximately 55% of the common stock in Sizzler USA Acquisition, Inc. Sizzler USA Acquisition, Inc operates or franchises Sizzler restaurants across the United States and Puerto Rico. The operations of Collins Foods and Sizzler USA Acquisition, Inc are separate. **Other listed entity directorships – current or held within last three years** None other than Collins Foods Limited.	Executive Director

Directors' Report

Director	Experience, qualifications and directorships	Special responsibilities
Newman Manion	Newman has over 30 years' experience in the food franchise industry, including various roles with Yum! (Franchisor of KFC) since 1982. Previously, Newman served as a Board member for KFC Japan (from 2005 to 2008), General Manager of KFC operations in Australia and New Zealand (from 1995 to 2004), Development Director of PepsiCo restaurants (including KFC) in Australia (from 1990 to 1995) and General Manager of KFC New Zealand (from 1988 to 1990). Most recently Newman was Vice-President, Operations for Yum!'s Asian franchise business (from 2004 until 2010). Newman has also been appointed as a Director of each of the Snag Stand group entities. **Other listed entity directorships – current or held within last three years** None other than Collins Foods Limited.	Independent Non-executive Director Remuneration and Nomination Committee Chair Audit and Risk Committee Member
Bronwyn Morris B. Com, FCA, FAICD	Bronwyn is a Chartered Accountant with over 20 years' experience in accounting, audit and corporate services. A former partner of KPMG, Bronwyn worked with that firm and its predecessor firms in Brisbane, London and the Gold Coast. For nearly 20 years, Bronwyn has been a full-time Non-executive Director and has served on the Boards of a broad range of companies, including Queensland Rail Limited, Stanwell Corporation Limited, Spotless Group Limited, QIC Limited, Gold Coast 2018 Commonwealth Games Bid Limited and Colorado Group Limited and is a former Councillor of Bond University. She currently serves as Chairman of, or a member of, the Audit and Risk Committees with respect to a number of her Board roles. Bronwyn is a Director of Royal Automobile Club of Queensland Limited (since 2008), RACQ Insurance Limited (since 2014), Queensland Local Government Superannuation Board (LG Super) (since 2013, Chairman since 2014), Fyfe Group Holdings Pty Ltd (since 2013) and Care Australia (since 2007). **Other listed entity directorships – current or held within last three years** Spotless Group Limited (2007 to 2012)	Independent Non-executive Director Audit and Risk Committee Chair Remuneration and Nomination Committee Member
Russell Tate B. Com (Econ.)	Russell has over 30 years' experience in senior executive and consulting roles in marketing and media. He was CEO of ASX listed STW Group Limited, Australia's largest marketing communications group, from 1997 to 2006, Executive Chairman from 2006 to 2008 and Deputy Chairman (non-executive) from 2008 to 2011. He is currently Executive Chairman of the merged Macquarie Radio Network and Fairfax Radio Network, the owner of leading Sydney stations 2GB and 2CH and a Director of One Big Switch Pty Ltd (since 2012). **Other listed entity directorships – current or held within last three years** Macquarie Radio Network Limited (Chairman, since 2009)	Independent Non-executive Director Audit and Risk Committee Member Remuneration and Nomination Committee Member

The relevant interest of each Director in the share capital issued by the Company, at the date of this report is as follows:

Name	Ordinary shares	Performance Rights
Robert Kaye SC	–	–
Graham Maxwell	–	448,389
Kevin Perkins	7,340,833	103,859
Newman Manion	20,001	–
Bronwyn Morris	5,001	–
Russell Tate	20,001	–

Company Secretary

Frances Finucan LLB (Hons), BA (Modern Asian Studies), Grad Dip ACG, AGIA, MQLS

The Company Secretary is Frances Finucan who was appointed to the role on 17 July 2013. Frances has over 13 years' experience in legal, commercial and corporate governance working in legal, regulatory and company secretarial roles in Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the period ended 3 May 2015, and the number of meetings attended by each Director, were:

	Full meetings of Directors		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number of meetings (1)	Meetings attended	Number of meetings (1)	Meetings attended	Number of meetings (1)	Meetings attended
Robert Kaye SC	9	9	2	2	2	2
Graham Maxwell	1	1	*	*	*	*
Kevin Perkins	19	19	*	*	3	3
Bronwyn Morris	19	19	4	4	4	4
Newman Manion	19	19	4	4	4	4
Russell Tate	19	19	4	3	4	3
Stephen Copulos	9	8	*	*	*	*

(1) Number of meetings represents the number of meetings held during the time the Director held office or membership of a Committee during the period.

* Not a member of the relevant Committee.

Directors' Report

Remuneration Report

This Remuneration Report sets out remuneration information for the Group's Non-executive Directors, Executive Directors and other Key Management Personnel (KMP) in accordance with the requirements of the Corporations Act 2001 and its regulations. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

At its 2013 Annual General Meeting, shareholders approved the introduction of the Collins Foods Limited Executive and Employee Incentive Plan (LTIP).

This report contains the following sections:

A. Key Management Personnel disclosed in this report.
B. Remuneration governance.
C. Most recent AGM – remuneration report comments and voting.
D. Non-executive Director remuneration.
E. Executive remuneration principles and strategy.
F. Remuneration structure and performance/shareholder wealth creation.
G. Details of Key Management Personnel remuneration.
H. Key Management Personnel service agreements.
I. Details of share based compensation.
J. Equity instruments held by Key Management Personnel.
K. Loans to Key Management Personnel.
L. Other transactions with Key Management Personnel.

A. Key Management Personnel disclosed in this report

KMP are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Group.

KMP of the Group for the financial period are as follows:

Name	Position
Robert Kaye SC	Independent Non-executive Chairman (appointed as Director on 7 October 2014)
Graham Maxwell	Managing Director & CEO (appointed as a Director on 25 March 2015)
Kevin Perkins	Executive Director
Bronwyn Morris	Independent Non-executive Director
Newman Manion	Independent Non-executive Director
Russell Tate	Independent Non-executive Director
Stephen Copulos	Non-executive Director (resigned on 1 October 2014)
Martin Clarke	CEO – KFC
John Hands	Chief Supply and Information Officer

Details and disclosures relating to KMPs who held office in the prior financial period have been included in this report as required.

B. Remuneration governance

The Board has charged its Remuneration and Nomination Committee with responsibility for reviewing and monitoring key remuneration policies and practices of the Group and making recommendations to the Board.

More specifically, the Committee is responsible for making recommendations to the Board on:

- → the Group's remunerations principles, framework and policy for senior executives and Directors;
- → remuneration levels of senior management executives and Executive Directors;
- → the operation of incentives plans and other employee benefit programs which apply to senior executives; and
- → remuneration for Non-executive Directors.

The Remuneration and Nomination Committee operates in accordance with its Charter, a copy of which is available on the Company's website.

In carrying out its responsibilities, the Committee is authorised to obtain external professional advice as it determines necessary.

C. Most recent AGM – remuneration report comments and voting

At the most recent Annual General Meeting in 2014, no comments were made on the Remuneration Report with 84.16% of votes cast at the meeting in favour of the adoption of the Remuneration Report.

D. Non-executive Director remuneration

The remuneration for Non-executive Directors is set, taking into consideration factors including:

- → the level of fees paid to Board members of other publicly listed Australian companies of similar size;
- → operational and regulatory complexity; and
- → the responsibilities and workload requirements of each Board member.

Non-executive Directors' remuneration comprises the following components:

- → Board and Committee Fees; and
- → superannuation (compulsory contributions).

Board fees are structured by having regard to the responsibilities of each position within the Board. Board Committee fees are structured to recognise the differing responsibilities and workload associated with each Committee and the additional responsibilities of each Committee Chairman.

The Company's Constitution allows for additional payments to be made to Directors where extra or special services are provided. An additional payment of $30,000 was made to Newman Manion in recognition of additional responsibilities performed in relation to his oversight of the Group's investment in the Snag Stand group entities. This additional payment made to Newman Manion is not in relation to his role as a Director of the Company and as such, are not additional Director's fees.

Non-executive Directors do not receive any performance or incentive-based pay. However, to promote further alignment with shareholders, the Non-executive Directors are encouraged to hold shares in the Company.

Directors' share holdings in the Company are outlined in section J of this report.

Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Directors' fees are determined within an aggregate limit (including superannuation contributions). In accordance with the Company's Constitution, an initial limit was set by the Board on 15 July 2011 in the amount of $700,000. There were no changes made during the reporting period in relation to Non-executive Directors' fees.

The following annual fees (excluding superannuation) have applied.

Position	2015 $
Base fees	
Chair (including all Committee memberships)	180,000
Other Non-executive Directors	85,000
Additional fees	
Audit and Risk Committee, Chair	15,000
Audit and Risk Committee, Member	5,000
Remuneration and Nomination Committee, Chair	10,000
Remuneration and Nomination Committee, Member	5,000

Remuneration Report (continued)

E. Executive remuneration principles and strategy

The performance of the Group is contingent upon the calibre of its Directors and executives. The Group's remuneration framework is based upon the following key principles:

- → a policy that enables the Company to attract and retain valued Directors and executives who create value for shareholders;
- → motivating executives and Executive Directors to pursue long term growth and success of the Group, aligned with shareholder's interests;
- → demonstrating a clear relationship between performance and remuneration;
- → regard to prevailing market conditions;
- → reflective of short term and long term performance objectives appropriate to the Company's circumstances and goals;
- → transparency; and
- → fairness and acceptability to shareholders.

The remuneration for executives is structured, taking into consideration the following factors:

- → the Group's remuneration principles;
- → the level and structure of remuneration paid to executives of other publicly listed Australian companies of similar size;
- → the position and responsibilities of each executive; and
- → appropriate benchmarks and targets to reward executives for Group and individual performance.

The executive remuneration framework components and their links to performance outcomes are outlined below:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	Base pay and benefits including superannuation	To provide competitive fixed remuneration set with reference to position and responsibilities in the context of the market	Group and individual performance assessments are considered in an annual remuneration review
Short Term Incentive Plan (STIP)	Cash bonus payment	Rewards executives for their contribution to the achievement of Group and/or divisional outcomes	EBITDA targets must be met in order for bonus to be paid
Long Term Incentive Plan (LTIP) (approved by shareholders at the 2013 Annual General Meeting)	Awards in the form of performance rights	Rewards executives for their contribution to the creation of shareholder value over the longer term	Earnings per share (EPS) targets over three year period must be met in order for rights to vest

The Group's aim is to reward executives with an appropriate level and mix of remuneration to attract, retain and motivate them to build long term value for the Group and its shareholders.

The introduction of the LTIP has changed the remuneration mix for KMP, resulting in a proportion of an executive's target pay being at risk.

The following diagrams show the anticipated range of remuneration mix for the current KMP by year three of the LTIP (assuming annual grants under the LTIP). The effect of the introduction of the LTIP is that a percentage of the executive's remuneration is 'at risk' and directly linked to Group performance in both the short and longer term.

CEO

Other KMP executives

Fixed remuneration
Fixed remuneration consists of base salary, superannuation contributions and other benefits. Other benefits include non-cash benefits such as employee health insurance costs paid by the Group and car and other allowances. The Group pays fringe benefits tax on these benefits where required.

Fixed remuneration for executives is reviewed annually and on promotion, and is benchmarked against market data for comparable roles in the market. There is no guaranteed increase to base pay included in any executive's contract.

Variable remuneration
Short term incentives
Incentives under the Group's STIP are at risk components of remuneration for executives provided in the form of cash.

The STIP entitles executives to earn an annual cash reward payment if predefined targets are achieved. The level of the incentive is set with reference to the accountabilities of the executive's role and their ability to impact Group performance.

For the Managing Director & CEO the target Short Term Incentive (STI) opportunity percentage is 50% of base salary. For other executive KMP, the average target STI opportunity percentage is approximately 50% of base salary.

For the period covered by this report, the primary key performance indicator common to all participants was EBITDA. The benchmark EBITDA level at which the target STI opportunity would become payable was 101% of the annual Group budgeted EBITDA (prior to allowing for any payments under the STIP). A proportion of target incentives would become payable on a sliding scale for achievement above a minimum EBITDA level up to a maximum EBITDA level. At the minimum EBITDA level of 101% of the annual Group Budgeted EBITDA, 15% of target STI opportunity would be payable. At the maximum EBITDA level of 110% of the annual Group Budgeted EBITDA, 150% of target STI opportunity would be payable.

The EBITDA benchmarks were set with reference to the annual Group Budgeted EBITDA for the year ended 3 May 2015.

The Group's financial performance for the financial period ended 3 May 2015 resulted in all Executive Directors and KMP being eligible for a STI payment, refer details of KMP remuneration below.

Incentive levels and performance targets are reviewed and determined annually by the Board on the advice of the Remuneration and Nomination Committee.

Long term incentives
At the Company's 2013 Annual General Meeting, shareholders approved the introduction of the LTIP. A summary of the LTIP approved by shareholders appears below.

LTIP summary

Why was the LTIP introduced?	To ensure the Group's remuneration framework is aligned with both the Group's business strategy and the long term interests of shareholders.
Who participates in the LTIP?	The initial participants in the plan are KMP and other select senior executives.
What form are the LTIP awards?	Awards will be granted in the form of performance rights, which comprise rights to acquire ordinary shares in the Company for nil consideration, subject to achievement of predetermined Vesting Conditions.
What quantum of awards will participants receive under the LTIP?	A guiding principle for the initial grant is for awards to generally equate to 30% to 40% of a participant's target STI opportunity.
When are the grants made?	Performance rights are granted annually at the sole discretion of the Board, with grants of awards made as soon as practicable following the Company's Annual General Meeting.
When do the performance rights vest?	LTIP performance rights vest three years following the date of grant, subject to achievement of EPS targets. For the FY15 grant, performance will be tested following determination of the basic EPS for the financial period ending 29 April 2018, compared to the basic EPS for the financial period ended 3 May 2015.
How is EPS measured?	EPS will be measured on an absolute basis, calculating the compound growth in the Company's basic EPS attributable to ordinary equity holders of the Company over the performance period, with reference to the disclosed EPS in the Company's annual audited financial reports. The Board retains a discretion to adjust the EPS performance condition to ensure that participants are not penalised nor provided with a windfall benefit arising from matters outside of management's control that affect EPS (for example, excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).
What EPS targets are required for vesting of performance rights?	Performance rights will vest on a proportionate basis ranging from 20% to 100% of rights granted for achievement of a minimum EPS target up to a maximum EPS target. For the grant of awards, the minimum EPS target is 6% compound annual growth rate (CAGR) and the maximum EPS target is 10% CAGR.
What happens if the performance rights do not vest?	To the extent that performance hurdles are not met at the end of the three year performance period, performance will not be re-tested and the rights will lapse.

Directors' Report

Remuneration Report (continued)

The Remuneration and Nomination Committee considered alternative performance measures, including market-based measures, but after consideration of a variety of factors including the Group's business objectives, the fact the Group is not a capital intensive business and the lack of a meaningful comparator group, determined that EPS was an appropriate measure. EPS aligns with the Group's business objectives and shareholder interests, is straightforward, simple to communicate and a commonly used measure by other ASX listed companies.

In relation to the setting of performance target levels, the Remuneration and Nomination Committee took into account the current structure and operation of the STIP under which target performance levels are set at stretch levels.

F. Remuneration structure and performance/shareholder wealth creation

The Group's annual financial performance and indicators of shareholder wealth for the current financial period are listed below.

	2015	2014
EBITDA ($m) (1)	67.4	49.0
NPAT ($m) (1)	24.6	17.9
Dividends paid/payable in relation to financial period (cents per share) (2)	11.5	10.5
EPS basic (cents) (1)	26.4	19.2
EPS basic (cents) (1) – compound growth on 2013 base	22.5%	9.3%
EPS basic (cents) (1) – growth on 2014 base	37.4%	–
Change in share price ($)	0.40	0.13
Short term incentive payments as % of target payments	150%	8%

(1) Represents underlying measures after adjustment for other significant items disclosed in the Group financial performance above.

(2) Dividends paid/payable is inclusive of dividends declared since the end of the relevant reporting period.

Both the STIP and LTIP are subject to achievement of pre-determined performance measures linked to the above financial metrics.

G. Details of Key Management Personnel remuneration

Details of remuneration received or receivable by the Directors and other KMP of the Group for the current financial period are set out in the following table.

2015*			Short term employee benefits		Post-employment benefits	Long term benefits		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Other (1) $	Super-annuation $	Long service leave $	Performance Rights $	Total $
Non-executive Directors								
Robert Kaye SC (2)	63,692	–	–	–	5,722	–	–	69,414
Russell Tate (2) (3)	166,154	–	–	–	–	–	–	166,154
Newman Manion (3)	100,000	–	–	30,000	–	–	–	130,000
Bronwyn Morris	107,019	–	–	–	9,935	–	–	116,954
Stephen Copulos (3) (6)	38,571	–	–	–	–	–	–	38,571
	475,436	–	–	30,000	15,657	–	–	521,093
Executive Directors								
Graham Maxwell (4)	592,032	483,904	12,510	–	36,111	–	195,436	1,319,993
Kevin Perkins (5)	427,339	362,414	13,200	–	72,276	12,685	46,818	934,732
	1,019,371	846,318	25,710	–	108,387	12,685	242,254	2,254,725
Other executive KMP								
Martin Clarke	292,674	274,592	12,951	–	33,191	32,777	26,527	672,712
John Hands	303,601	156,303	9,690	–	24,732	5,975	16,637	516,938
	596,275	430,895	22,641	–	57,923	38,752	43,164	1,189,650
Total Group	**2,091,082**	**1,277,213**	**48,351**	**30,000**	**181,967**	**51,437**	**285,418**	**3,965,468**

* The reporting period of 28 April 2014 to 3 May 2015 is a period representing 53 weeks, compared to the comparative reporting period 29 April 2013 to 27 April 2014 representing 52 weeks.

(1) Other short term employee benefits relate to consulting fees paid in relation to oversight of the Group's investment in the Snag Stand group entities.

(2) Russell Tate retired as Chairman and Robert Kaye SC assumed the role of Independent Non-executive Chairman with effect from 25 March 2015. Mr Tate continues as an Independent Non-executive Director and member of the Audit and Risk Committee, and Remuneration and Nomination Committee.

(3) Remuneration is/was paid to a corporate entity under a Consulting Agreement with the Company for the provision of his services as a Non-executive Director.

(4) Remuneration paid to Graham Maxwell reflects his role as Group CFO and Chief Operating Officer for the period 28 April 2014 to 28 September 2014 and his role as Managing Director & CEO for the period 29 September 2014 to 3 May 2015.

(5) Remuneration paid to Kevin Perkins reflects his role as Managing Director & CEO for the period 28 April 2014 to 28 September 2014 and his role as Executive Director for the period 29 September 2014 to 3 May 2015.

(6) Remuneration was paid to Stephen Copulos until the date of his resignation as a Director of the Company, on 1 October 2014.

Directors' Report

Remuneration Report (continued)

Details of remuneration received or receivable by the Directors and other KMP of the Group for the previous financial period are set out in the following table.

2014		Short term employee benefits			Post-employment benefits	Long term benefits		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Other [2] $	Super-annuation $	Long service leave $	Performance Rights $	Total $
Non-executive Directors								
Russell Tate [3]	180,000	–	–	–	–	–	–	180,000
Newman Manion [3]	100,000	–	–	14,671	–	–	–	114,671
Bronwyn Morris	105,000	–	–	–	9,672	–	–	114,672
Stephen Copulos [3]	90,000	–	–	–	–	–	–	90,000
	475,000	–	–	14,671	9,672	–	–	499,343
Executive Director								
Kevin Perkins	728,523	–	33,572	–	68,787	12,446	31,212	874,540
Other executive KMP								
Graham Maxwell	434,030	–	16,868	–	36,835	–	107,012	594,745
Martin Clarke	235,902	82,598	21,297	–	27,178	7,955	10,701	385,631
John Hands	251,408	–	11,568	–	23,682	6,505	7,134	300,297
Phillip Coleman [1]	175,570	–	8,771	–	14,405	3,624	–	202,370
	1,096,910	82,598	58,504	–	102,100	18,084	124,847	1,483,043
Total Group	**2,300,433**	**82,598**	**92,076**	**14,671**	**180,559**	**30,530**	**156,059**	**2,856,926**

(1) Resigned with effect from 16 February 2014.

(2) Other short term employee benefits relate to consulting fees paid in relation to oversight of the Group's investment in the Snag Stand group entities.

(3) Remuneration was paid to a corporate entity under a Consulting Agreement with the Company for the provision of his services as a Non-executive Director.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows.

	Fixed remuneration		At risk – STI		At risk – LTI [1]	
Name	2015	2014	2015	2014	2015	2014
Executive Directors						
Graham Maxwell	49%	82%	36%	–	15%	18%
Kevin Perkins	56%	96%	39%	–	5%	4%
Other executive KMP						
Martin Clarke	55%	76%	41%	21%	4%	3%
John Hands	67%	98%	30%	–	3%	2%

(1) Since LTI are provided exclusively by way of performance rights, the percentages disclosed also reflect the value of remuneration consisting of performance rights, based on the value of performance rights expensed during the reporting period. Where applicable, the expenses include negative amounts for expenses reversed during the reporting period due to failure to satisfy the vesting conditions.

H. Key Management Personnel service agreements

Key details of the service agreements of Graham Maxwell, Managing Director & CEO, and Kevin Perkins, Executive Director are as follows:

- agreement has effect and executive's employment under their respective service agreement will continue until terminated in accordance with the agreement (12 months' notice is required by either party or payment in lieu of notice in the case of the Company for Graham Maxwell, and three months' notice is required by either party or payment in lieu of notice in the case of the Company for Kevin Perkins); and
- includes a restraint of trade period of 12 months, excluding Sizzler, USA in the case of Kevin Perkins.

Key details of service agreements of any other person who was a KMP of the Group during the period are set out below. No agreements provide for any termination payments, other than payment in lieu of notice.

			Minimum notice period (months)	
Name	Position	Contract duration	Termination by Executive	Termination by Group [1]
Martin Clarke	Chief Executive Officer – KFC	Ongoing	1	3
John Hands	Chief Supply and Information Officer	Ongoing	2	12

(1) Provision is also made for the Group to be able to terminate these agreements on three months' notice in certain circumstances of serious ill health or incapacity of the executive.

I. Details of share based compensation

Performance Rights

For each Performance Right included in the tables on pages 27 and 28, the percentage of the available Performance Right that was paid, or that vested, the reporting period, and the percentage that was forfeited because the person did not meet the service and performance criteria, is set out below. The minimum value of the Performance Rights yet to vest is nil, as the Performance Rights will be forfeited if the KMP fail to satisfy the vesting conditions (see page 25). The maximum value of the Performance Rights yet to vest has been determined as the amount of the grant date fair value of the Performance Rights that is yet to be expensed.

Name	Current year LTI entitlement		Performance Rights							
	Awarded	Forfeited	Financial Year granted	No. granted	Value per share $	Vested %	Vested number	Forfeited	Financial years in which rights may vest	Max value yet to vest $
Kevin Perkins	100%	–	2014	103,859	1.50	–	–	–	2017	39,015
Graham Maxwell	100%	–	2014	356,088	1.50	–	–	–	2017	133,765
	100%	–	2015	92,301	1.89	–	–	–	2018	69,835
Martin Clarke	100%	–	2014	35,608	1.50	–	–	–	2017	13,376
	100%	–	2015	27,690	1.89	–	–	–	2018	20,950
John Hands	100%	–	2014	23,739	1.50	–	–	–	2017	8,918
	100%	–	2015	15,691	1.89	–	–	–	2018	11,871

Remuneration Report (continued)

J. Equity instruments held by Key Management Personnel

Shareholdings

The numbers of shares in the Company held during the financial period by the Directors of the Company and the KMP of the Group, including their personally related parties, are set out below. There were no shares, other than Performance Rights, granted during the reporting period as compensation or as a result of exercise of options or rights.

ORDINARY SHARES	Balance at start of period	Changes during the period (1)	Balance at end of period
2015			
Directors			
Russell Tate	20,001	–	20,001
Newman Manion	20,001	–	20,001
Bronwyn Morris	5,001	–	5,001
Kevin Perkins	7,340,833	–	7,340,833
Stephen Copulos	12,000,000	(12,000,000)	–
Robert Kaye SC	–	–	–
Other KMP			
Graham Maxwell	–	–	–
Martin Clarke	126,262	–	126,262
John Hands	210,409	–	210,409
2014			
Directors			
Russell Tate	20,001	–	20,001
Newman Manion	20,001	–	20,001
Bronwyn Morris	5,001	–	5,001
Kevin Perkins	7,340,833	–	7,340,833
Stephen Copulos	12,000,000	–	12,000,000
Other KMP			
Graham Maxwell	–	–	–
Martin Clarke	126,262	–	126,262
John Hands	210,409	–	210,409
Phillip Coleman	11,571	(11,571)	–

(1) Changes include recognition/de-recognition of shares held upon becoming/ceasing to be a Director or other KMP of the Group.

PERFORMANCE RIGHTS	Balance at start of reporting period	Granted as compensation	Vested	Other changes (1)	Balance at end of reporting period	Vested	Unvested
2015							
Kevin Perkins	103,859	–	–	–	103,859	–	103,859
Graham Maxwell	356,088	92,301	–	–	448,389	–	448,389
Martin Clarke	35,608	27,690	–	–	63,298	–	63,298
John Hands	23,739	15,691	–	–	39,430	–	39,430
2014							
Kevin Perkins	–	103,859	–	–	103,859	–	103,859
Graham Maxwell	–	356,088	–	–	356,088	–	356,088
Martin Clarke	–	35,608	–	–	35,608	–	35,608
John Hands	–	23,739	–	–	23,739	–	23,739
Phillip Coleman	–	22,552	–	(22,552)	–	–	–

(1) Changes include recognition/de-recognition of shares held upon becoming/ceasing to be a Director or other KMP of the Group.

There were no performance rights issued as at 28 April 2013. For further information on Performance Rights refer Note 27.

Performance Rights
Performance Rights of Collins Foods Limited issued at the date of this report are as follows:

Date performance rights granted	Expiry date	Exercise price of Performance Rights	Number of Performance Rights granted
13 September 2013 (1)	25 July 2016	Nil	103,859
1 October 2013 (1)	25 July 2016	Nil	427,304
13 November 2014 (1)	26 July 2017	Nil	149,797
			680,960

(1) Included in these Performance Rights were Performance Rights granted as remuneration to the Executive Directors and the five most highly remunerated officers during the reporting period. Details of Performance Rights granted to KMP are disclosed on page 29.

In addition, the following Performance Rights were granted to officers who were among the five highest remunerated officers of the company and the Group, but are not KMP and hence not disclosed in the Remuneration Report:

Name of officer	Date granted	Exercise price of performance rights	Number of performance rights granted
David Nash	13 October 2013	Nil	11,869
	12 November 2014	Nil	13,845

No Performance Rights were granted to the Directors or any of the five highest remunerated officers of the Company since the end of the financial year.

K. Loans to Key Management Personnel
As of the end of the reporting period, there were no loans with Directors, Director-related entities or other KMP. As of the end of the prior reporting period, there were no loans with Directors, Director-related entities or other KMP.

L. Other transactions with Key Management Personnel
Directors and other KMP of the Group, and their personally related entities, may purchase goods from the Company or its controlled entities from time to time. These transactions are made using terms available to other employees of the Group and customers generally.

Indemnification and insurance of officers
The Company's Constitution provides that it must in the case of a person who is or has been a Director or Secretary of the Group, and may in the case of an officer of the Company, indemnify them against liabilities incurred (whilst acting as such officers) and the legal costs of that person to the extent permitted by law. During the period, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors, CFO Australia and Company Secretary.

No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the period.

The Company has paid a premium for insurance for officers of the Group. The cover provided by the insurance contract is customary for this type of insurance policy. Details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance contract are not disclosed as such disclosure is prohibited under the insurance contract.

Proceedings on behalf of the Company
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Directors' Report

Non-audit services

During the period, the Company's Auditor (PricewaterhouseCoopers) performed other services in addition to its audit responsibilities. Whilst their main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company, or not jointly sharing economic risk or rewards.

During the period the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2015 $	2014 $
Other assurance services		
PricewaterhouseCoopers Australian firm		
Store sales certificates	10,506	10,300
Agreed upon procedures for covenant calculations	20,620	20,216
Network firms of PricewaterhouseCoopers Australia		
Agreed upon procedures in respect of franchisee sales	–	–
Total remuneration for assurance services	31,126	30,516
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	31,000	25,000
Tax advice and consulting	24,750	6,000
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	4,793	4,348
Total remuneration for taxation services	60,543	35,348
Transaction services		
PricewaterhouseCoopers Australian firm		
Transaction compliance services	–	–
Total remuneration for transaction services	–	–
Total remuneration for non-audit services	**91,669**	**65,864**

Auditor’s Independence Declaration

A copy of the Auditor’s Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 34.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the Directors’ Report. Amounts in the Directors’ Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Robert Kaye SC
Chairman

Brisbane
25 June 2015

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Collins Food Limited for the year ended 3 May 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Brisbane
25 June 2015

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Consolidated Balance Sheet

As at 3 May 2015

	Note	2015 $000	2014 $000
Current assets			
Cash and cash equivalents	7	42,234	36,983
Receivables	8	6,232	2,812
Inventories	9	4,657	4,914
Total current assets		53,123	44,709
Non-current assets			
Property, plant and equipment	10	79,477	72,518
Intangible assets, net	11	248,400	280,692
Deferred tax assets, net	12	24,840	19,858
Receivables	13	1,493	438
Investments accounted for using the equity method	14	1,613	2,481
Total non-current assets		355,823	375,987
Total assets		408,946	420,696
Current liabilities			
Trade and other payables	15	56,466	51,015
Current tax liabilities		3,638	5,045
Derivative financial instruments	16	1,873	1,070
Provisions	17	4,613	4,012
Total current liabilities		66,590	61,142
Non-current liabilities			
Borrowings	18	164,551	164,381
Derivative financial instruments	16	2,762	401
Provisions	19	3,754	3,400
Total non-current liabilities		171,067	168,182
Total liabilities		237,657	229,324
Net assets		**171,289**	**191,372**
Equity			
Contributed equity	20	182,098	182,098
Reserves	21	1,446	939
Retained earnings/(Accumulated losses)	22	(12,255)	8,335
Total equity		**171,289**	**191,372**

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

Consolidated Income Statement

For the reporting period ended 3 May 2015

	Note	2015 $000	2014 $000
Revenue	4	571,593	440,557
Cost of sales		(272,955)	(209,968)
Gross profit		298,638	230,589
Selling, marketing and royalty expenses (1)		(117,937)	(92,305)
Occupancy expenses (1)		(47,171)	(36,506)
Restaurant related expenses (1)		(56,170)	(43,500)
Administration expenses (1)		(39,701)	(29,680)
Other expenses (1)	5	(31,753)	(2,518)
Other income	4	943	848
Profit from continuing operations before finance income, finance costs and income tax (EBIT)		6,849	26,928
Finance income	5	602	422
Finance costs	5	(9,081)	(6,444)
Share of net profit/(loss) of joint ventures accounted for using the equity method	14	(868)	38
Profit/(loss) from continuing operations before income tax		(2,498)	20,944
Income tax expense	6	(7,862)	(6,919)
Profit/(loss) from continuing operations		(10,360)	14,025
Net profit/(loss) attributable to members of Collins Foods Limited		**(10,360)**	**14,025**
Basic earnings per share	36	(11.14) cps	15.08 cps
Diluted earnings per share	36	(11.14) cps (2)	15.03 cps
Weighted average basic ordinary shares outstanding	36	93,000,003	93,000,003
Weighted average diluted ordinary shares outstanding	36	93,000,003 (2)	93,320,121

(1) Impairment charges included in expenses are as follows: selling marketing expenses $140,000; occupancy expenses $2,472,000; restaurant related expenses $2,236,000; administration expenses $6,279,000 and other expenses $27,146,000 (2014: occupancy expenses $1,373,000 and restaurant related expenses $730,000).

(2) 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.

Consolidated Statement of Comprehensive Income

For the reporting period ended 3 May 2015

	Note	2015 $000	2014 $000
Net profit/(loss) attributable to members of Collins Foods Limited		(10,360)	14,025
Items that may be reclassified to profit or loss			
Other comprehensive income/(expense):			
Exchange difference upon translation of foreign operations	21	2,404	1,288
Cash flow hedges	21	(3,132)	(423)
Income tax relating to components of other comprehensive income	6	939	127
Other comprehensive income for the reporting period, net of tax		211	992
Total comprehensive income/(expense) for the reporting period		(10,149)	15,017
Total comprehensive income/(expense) for the reporting period is attributable to:			
Owners of the parent		**(10,149)**	**15,017**

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

Consolidated Statement of Changes in Equity

For the reporting period ended 3 May 2015

2014	Note	Contributed Equity $000	Reserves $000	(Accumulated losses)/retained earnings $000	Total Equity $000
Beginning of the reporting period		182,098	(213)	3,610	185,495
Profit for the reporting period		–	–	14,025	14,025
Other comprehensive income		–	992	–	992
Total comprehensive income for the reporting period		–	992	14,025	15,017
Transactions with owners in their capacity as owners:					
Share-based payments		–	160	–	160
Dividends provided for or paid	22	–	–	(9,300)	(9,300)
End of the reporting period		182,098	939	8,335	191,372
2015		$000	$000	$000	$000
Beginning of the reporting period		182,098	939	8,335	191,372
Profit/(loss) for the reporting period		–	–	(10,360)	(10,360)
Other comprehensive income		–	211	–	211
Total comprehensive income/(expense) for the reporting period		–	211	(10,360)	(10,149)
Transactions with owners in their capacity as owners:					
Share-based payments		–	296	–	296
Dividends provided for or paid	22	–	–	(10,230)	(10,230)
End of the reporting period		**182,098**	**1,446**	**(12,255)**	**171,289**

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

Consolidated Statement of Cash Flows

For the reporting period ended 3 May 2015

	Note	2015 $000	2014 $000
Cash flows from operating activities:			
Receipts from customers		627,516	483,673
Payments to suppliers and employees		(523,203)	(400,567)
GST paid		(33,279)	(25,636)
Interest received – external parties		629	389
Interest and other borrowing costs paid		(8,834)	(6,081)
Income tax paid		(13,685)	(6,928)
Net operating cash flows	31	49,144	44,850
Cash flows from investing activities:			
Payment for acquisition of subsidiary, net of cash acquired	35	–	(55,453)
Payment for acquisition of share in joint venture		–	(1,850)
Purchase of franchise rights		(489)	(1,241)
Payments for plant and equipment		(32,488)	(20,575)
Payments for acquisition costs		–	(2,187)
Net investing cash flows		(32,977)	(81,306)
Cash flow from financing activities:			
Proceeds from borrowings – bank loan facilities		–	60,000
Loans advanced – related parties		(1,060)	(400)
Refinance fees paid		–	(496)
Dividends paid	22	(10,230)	(9,300)
Net financing cash flows		(11,290)	49,804
Net increase in cash and cash equivalents		4,877	13,348
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		374	79
Cash and cash equivalents at the end of the reporting period	7	**42,234**	**36,983**
Non-cash financing and investing activities	32		

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

Notes to the Consolidated Financial Statements

Note 1: Statement of significant accounting policies

The principal accounting policies adopted by the Company and its subsidiaries (Group) in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation
These financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Collins Foods Limited is a for profit entity for the purpose of preparing the Consolidated Financial Statements and was incorporated on 10 June 2011.

The Group utilises a fifty-two, fifty-three week reporting period ending on the Sunday nearest to 30 April. The 2015 reporting period comprised the fifty-three weeks which ended on 3 May 2015 (2014 was a fifty-two week reporting period which ended on 27 April 2014).

The financial statements have also been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments).

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. 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 unused credit facilities with its banking syndicate.

Compliance with International Financial Reporting Standards
The Consolidated Financial Statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Principles of consolidation
The Consolidated Financial Statements include the financial statements of the parent entity, Collins Foods Limited (the Company) and its subsidiaries (see Note 23 on subsidiaries). All transactions and balances between companies in the Group are eliminated on consolidation. The term 'Group' used throughout these financial statements means the parent entity and its subsidiaries. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Where an entity began to be controlled during the reporting period, the results are included only from the date control commenced. Where a subsidiary ceased to be controlled during the reporting period, the results are included only through to the date control ceased. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Joint ventures
Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has two joint ventures. Investments in joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost in the Consolidated Balance Sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the Group has passed control of the goods to the customer, interest income is recognised on a time proportion basis using the effective interest method, and traineeship income is recognised as revenue when the right to receive payment is established.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Managing Director & CEO.

Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in the respective jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation
The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 23 June 2011. The Company, as the head entity in the tax consolidated group and its wholly-owned Australian controlled entities, continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6.

Foreign currency translation
Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in Australian dollars, which is the functional and presentation currency of the Company.

Transactions in foreign currencies are converted at the exchange rates in effect at the dates of each transaction. Amounts payable to or by the Group in foreign currencies have been translated into Australian currency at the exchange rates ruling on balance date. Gains and losses arising from fluctuations in exchange rates on monetary assets and liabilities are included in the Consolidated Income Statement in the period in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

Note 1: Statement of significant accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Employee entitlements

Provision has been made in the accounts for benefits accruing to employees up to balance date, such as annual leave, long service leave and incentives. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid. Annual leave and incentive provisions that are expected to be settled wholly within twelve months after the end of the reporting period are measured at their nominal amounts using the remuneration rates expected to apply at the time of settlement and are classified in provisions. Long service leave, annual leave and incentive provisions that are not expected to be settled wholly within twelve months after the end of the reporting period are measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity that match estimated future cash outflows.

All on-costs, including superannuation, payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions.

Cost of sales

For the purposes of the Consolidated Income Statement, cost of sales includes the carrying amount of inventories sold during the reporting period and an estimated allocation of labour incurred in relation to preparing those inventories for sale.

Occupancy expenses

Occupancy expenses include: fixed rentals, contingent rentals, land tax, outgoings and depreciation relating to buildings and leasehold improvements.

Restaurant related expenses

Restaurant related expenses include: utilities, maintenance, labour and on-costs (except those allocated to cost of sales), cleaning costs, depreciation of plant and equipment (owned and leased) located in restaurants and amortisation of KFC franchise rights.

Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand, at call deposits with banks or financial institutions, and other short term, highly liquid investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow hedges or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair value or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Income Statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

Borrowings
Bank loans are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not transaction costs relating to the actual draw-down of the facility, are capitalised and amortised on a straight-line basis over the term of the facility.

Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Receivables
Trade and related party receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. Collectability of trade and related party receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the impairment loss is recognised in the Consolidated Income Statement within other expenses. When a receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a first-in first-out basis and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location.

Business combinations
The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Transaction costs arising from business combinations are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). If, in a subsequent Period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Consolidated Income Statement.

Property, plant and equipment
All property, plant and equipment is recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Notes to the Consolidated Financial Statements

Note 1: Statement of significant accounting policies (continued)

Property, plant and equipment, excluding freehold land, is depreciated at rates based upon the expected useful economic life as follows:

	Method	Life
Buildings	Straight line	20 years
Leasehold improvements	Straight line	Primary term of lease
Plant and equipment	Straight line	8 years
Software	Straight line	3 years

Leasehold improvements are depreciated over the unexpired period of the primary lease or the estimated life of the improvement, whichever is the shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the Consolidated Income Statement of the Group in the reporting period of disposal.

Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current and non-current payables. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance leased assets are depreciated on a straight line basis over the shorter of the asset's estimated useful life and the lease term.

Where the risks and rewards of ownership are retained by the lessor, leased assets are classified as operating leases and are not capitalised. Rental payments are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Deferred franchise rights
Costs associated with franchise licences which provide a benefit for more than one reporting period are deferred and amortised over the remaining term of the franchise licence. Capitalised costs associated with renewal options for franchise licences are deferred and amortised over the renewal option period. The unamortised balance is reviewed each balance date and charged to the Consolidated Income Statement to the extent that future benefits are no longer probable.

Other intangibles – Sizzler brand
Sizzler brand intangibles which are owned and registered by the Group are considered to have a useful life of 20 years and are amortised accordingly. These intangibles will be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Sizzler brand intangibles are carried at amortised cost less impairment losses.

Investments and other financial assets
The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

All investments and other financial assets, with the exception of held-to-maturity investments and loans and receivables, are measured at fair value. Held-to-maturity investments and loans and receivables are measured at amortised cost. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Changes in fair value are either taken to the Consolidated Income Statement or an equity reserve.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in current receivables (Note 8) and non-current receivables (Note 13) in the Consolidated Balance Sheet.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have determinable payments and management intends to hold them for the medium to long term.

Accounts payable
These amounts represent liabilities for goods and services provided prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions
Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

As the Group is required to restore the leased premises of certain retail stores to their original condition upon exit, an annual review of leased sites is conducted to revise its estimate of the provision required. However, as leases are traditionally renewed, the Group only recognises a provision for those restaurants where make good costs will result in a probable outflow of funds. The provision recognised is the present value of the estimated expenditure required to remove any leasehold improvements and decommissioning costs. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST payable to the taxation authority is included as part of trade and other payables (see Note 15).

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Share-based payment transactions
Share-based compensation benefits are provided to certain employees via the Collins Foods Limited Executive and Employee Long Term Incentive Plan. Information relating to this plan is set out in Note 27.

The fair value of performance rights granted under the Collins Foods Limited Executive and Employee Long Term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Non-current assets (or disposal groups) held for sale and discontinued operations
Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the Consolidated Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Balance Sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Consolidated Income Statement.

Financial risk management
The Group's activities expose it to a variety of financial risks; market risk (including price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

Notes to the Consolidated Financial Statements

Note 1: Statement of significant accounting policies (continued)

The Board of Directors has delegated specific authorities to the central finance department in relation to financial risk management. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board has provided written policies covering the management of interest rate risk and the use of derivative financial instruments. All significant decisions relating to financial risk management require specific approval by the Board of Directors.

Contributed equity
Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners.

Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at balance date.

Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing:

- → the profit attributable to owners of the Company,
- → by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- → the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- → the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New and amended standards adopted by the group
The Group applied the following standards and amendments for first time for their annual reporting period commencing 28 April 2014:

- → AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements; and
- → AASB 2013-3: Limited amendment of impairment disclosures.

Standards issued but not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 3 May 2015, are as follows:

AASB amendment	Affected standards	Application date of standard	Application date for the Group
Annual improvements project – 2010 – 2012 cycle	AASB 2 Share-based payment, AASB 3 Business combinations, AASB 8 Operating segments, AASB 13 Fair value measurement, AASB 116 + 138 Property plant and equipment + intangible assets and AASB 124 Related party disclosures	1 July 2014	4 May 2015
Annual improvements project – 2011 – 2013 cycle	AASB 1 Presentation of financial statements, AASB 3 Business combinations, AASB 13 Fair value measurement and AASB 140 Investment property	1 July 2014	4 May 2015
AASB 2014-1 Part B	Defined benefit plans – employee contributions (amendments to AASB 119)	1 July 2014	4 May 2015
AASB 2015-1 Annual Improvements 2012-2014	AASB 5 Non-current assets held for sale and discontinued operations, AASB 7 Financial instruments: Disclosures, AASB 119 Employee benefits and AASB 134 Interim financial reporting	1 January 2016	2 May 2016
AASB 2015-2	Disclosure Initiative: Amendments to AASB 101	1 January 2016	2 May 2016
AASB 9	Financial Instruments	1 January 2018	30 April 2018
AASB 15	Revenue from contracts with customers	1 January 2018	30 April 2018

Note 2: Critical accounting estimates and judgements

Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill with indefinite useful lives relate. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill with indefinite useful lives are discussed in Note 11.

Review for impairment triggers of the brand and property, plant and equipment assets

The Group reviews annually whether the triggers indicating a risk of impairment exist. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer Note 11).

Notes to the Consolidated Financial Statements

Note 3: Segment information

Description of segments

Management has determined, following the integration of the KFC Western Australia and Northern Territory restaurants, 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.

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
2015	**$000**	**$000**	**$000**	**$000**	**$000**
Total segment revenue	483,112	88,481	–	–	571,593
Adjusted EBITDA (1)	74,396	4,479	(12,004)	522	67,393
Depreciation, amortisation and impairment	17,948	39,557	2,667	14	60,186
Finance costs – net (2)	(12)	(2)	8,495	(2)	8,479
Income tax expense					7,862
2014	**$000**	**$000**	**$000**	**$000**	**$000**
Total segment revenue	344,751	95,806	–	–	440,557
Adjusted EBITDA (1)	51,689	7,801	(9,473)	507	50,524
Depreciation, amortisation and impairment	13,241	5,845	1,610	13	20,709
Finance costs – net (2)	(1)	(1)	6,031	(7)	6,022
Income tax expense					6,919

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

(2) Refer Note 5 for a detailed breakdown.

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.

	KFC Restaurants	Sizzler Restaurants	Shared Services	All other segments	Total
2015	**$000**	**$000**	**$000**	**$000**	**$000**
Assets	480,322	40,931	55,022	6,305	582,580
Inter-segment eliminations	(159,349)	(13,596)	–	(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)	–	(168,993)	–	(173,634)
	11,962	2,232	223,427	36	237,657
2014	**$000**	**$000**	**$000**	**$000**	**$000**
Assets	457,421	73,263	45,686	4,608	580,978
Inter-segment eliminations	(145,368)	(14,681)	–	(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)	–	(156,569)	–	(160,282)
	9,150	1,322	218,848	4	229,324

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 West Pty Ltd and the investment in the Snag Stand Group. 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.

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

	2015 $000	2014 $000
Adjusted EBITDA	67,393	50,524
Finance costs – net	(8,479)	(6,022)
Long term incentive provision	(63)	(474)
Performance Rights	(296)	(160)
Costs of acquisitions expensed	–	(2,253)
Depreciation	(20,350)	(16,924)
Amortisation	(1,563)	(1,682)
Impairment of property, plant and equipment	(4,720)	(2,103)
Impairment of KFC franchise rights	(128)	–
Impairment of Sizzler brand – Australia	(6,279)	–
Impairment of Sizzler goodwill	(27,146)	–
Share of net profit/(loss) of joint ventures accounted for using the equity method	(868)	38
Profit/(loss) from continuing operations before income tax	(2,498)	20,944

Note 4: Revenue and other income

	2015 $000	2014 $000
Revenue from continuing operations		
Sales revenue:		
Sale of goods	568,494	437,808
Other revenue:		
Franchise revenue from external parties	3,099	2,749
Total revenue	571,593	440,557
Other income		
Traineeship income	282	329
Other	661	519
Total other income	943	848

Notes to the Consolidated Financial Statements

Note 5: Expenses

	2015 $000	2014 $000
Profit/(loss) from continuing operations before income tax includes the following specific expenses:		
Depreciation, amortisation and impairment		
Depreciation:		
Buildings	120	88
Leasehold improvements	10,958	8,877
Plant and equipment	9,272	7,959
	20,350	16,924
Amortisation of:		
Franchise rights	551	419
Sizzler brand – Australia	262	563
Sizzler brand – Asia	750	700
	1,563	1,682
Impairment of:		
Buildings	830	–
Leasehold improvements	1,642	1,373
Plant and equipment	2,248	730
KFC franchise rights	128	–
Sizzler brand – Australia	6,279	–
Sizzler goodwill	27,146	–
	38,273	2,103
Total depreciation, amortisation and impairment	60,186	20,709
Finance income and costs		
Interest income:		
Interest from external parties	(527)	(408)
Interest from related parties	(75)	(14)
Finance income	(602)	(422)
Interest expense:		
Bank loan interest	7,734	5,471
Interest on cash flow hedges	1,155	771
Transfer from cash flow hedge reserve	22	36
Amortisation of borrowing costs	170	166
Finance costs	9,081	6,444
Net finance costs	8,479	6,022

	2015 $000	2014 $000
Employee benefits expense		
Wages and salaries	139,973	110,311
Defined contribution superannuation expense	10,852	8,564
Employee entitlements	10,357	7,800
Total employee benefits expense	161,182	126,675
Operating lease rentals		
Minimum lease payments	29,794	23,006
Contingent rentals	1,547	1,429
Total rent expense relating to operating leases	31,341	24,435
Inventory write-downs	182	103
Costs of acquisitions expensed (1)	–	2,253
Long term incentive provision	63	474
Performance Rights	296	160
Net loss on disposal of property, plant and equipment	411	130
Bank transaction fees	1,767	1,198

(1) These items of expenditures were incurred as part of the acquisition of Collins Restaurants West Pty Ltd and the investment in the Snag Stand Group. They include stamp duty, legal costs and other costs directly attributable to those transactions.

Notes to the Consolidated Financial Statements

Note 6: Income tax

	2015 $000	2014 $000
Income tax expense/(benefit)		
Current tax	12,271	7,578
Deferred tax	(4,409)	(687)
Under provided in prior reporting periods	–	28
	7,862	6,919
Income tax expense is attributable to:		
Profit from continuing operations	7,862	6,919
Aggregate income tax expense	7,862	6,919
Deferred income tax expense/(benefit) included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (Note 12)	(2,479)	(977)
Increase/(decrease) in deferred tax liabilities (Note 12)	(1,930)	290
	(4,409)	(687)
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	(2,498)	20,944
Tax at the Australian tax rate of 30%	(749)	6,283
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible entertainment	16	9
Other non-deductible expenses	569	663
Non-deductible accounting loss on impairment of goodwill	8,143	–
Withholding tax credits not brought to account	463	424
Non-assessable income received	(580)	(488)
	7,862	6,891
Amounts under provided in prior reporting periods	–	28
Income tax expense	7,862	6,919
Tax expense/(income) relating to items of other comprehensive income		
Cash flow hedges (Note 12)	(939)	(127)
	(939)	(127)
Tax losses		
Unused capital tax losses for which no deferred tax asset has been recognised	61,276	61,276
Potential tax benefit @ 30%	18,383	18,383
All unused tax losses were incurred by Australian entities.		

Tax consolidation

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 23 June 2011. Additional controlled entities were added to the tax consolidated group on 4 August 2011 upon them becoming wholly-owned Australian controlled entities (Tax Consolidated Group). On 7 March 2014, following the acquisition of Collins Restaurants West Pty Ltd, further controlled entities were added to the Tax Consolidated Group. As a consequence, the Company was required to determine an allocable cost amount under Australian income tax law, and the tax base of certain assets was adjusted appropriately. The accounting policy on implementation of the legislation is set out in Note 1.

On adoption of the tax consolidation legislation, the entities in the Tax Consolidated Group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities within the Tax Consolidated Group in the case of a default by the Company.

The entities in the Tax Consolidated Group have also entered into a Tax Funding Agreement under which the wholly-owned entities of that group fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the Tax Funding Agreement are due upon receipt of the funding advice from the Company, which is issued as soon as practicable after the end of each reporting period. The Company may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Note 7: Current assets – cash and cash equivalents

	2015 $000	2014 $000
Cash at bank and on hand	42,234	36,983
	42,234	36,983

Cash at bank and on hand has an average floating interest of 1.9% (2014: 2.4%).

Note 8: Current assets – receivables

	2015 $000	2014 $000
Trade receivables	1,893	648
Interest receivable	5	32
Prepayments	4,334	2,132
	6,232	2,812

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (Note 13).

Note 9: Current assets – inventories

	2015 $000	2014 $000
Raw materials and stores, at cost	4,772	4,922
Provision for diminution in value	(115)	(8)
	4,657	4,914

Inventories recognised as an expense during the reporting period ended 3 May 2015 amounted to $188,851,000 (2014: $145,108,000).

Notes to the Consolidated Financial Statements

Note 10: Non-current assets – property, plant and equipment

	2015 $000	2014 $000
Freehold land		
Cost		
Opening balance	4,905	4,905
Additions	–	–
Transfers from construction in progress	–	–
Closing balance	4,905	4,905
Buildings		
Cost		
Opening balance	1,872	1,845
Additions	17	27
Transfers from construction in progress	6	–
Closing balance	1,895	1,872
Accumulated depreciation		
Opening balance	(764)	(676)
Depreciation	(120)	(88)
Impairment charge	(830)	–
Disposals	–	–
Closing balance	(1,714)	(764)
Net book value	181	1,108
Leasehold improvements		
Cost		
Opening balance	94,502	78,123
Acquisition through controlled entity purchased	–	5,414
Additions	1,361	1,515
Transfers from construction in progress	18,584	10,613
Disposals	(1,110)	(1,163)
Closing balance	113,337	94,502
Accumulated depreciation and impairment		
Opening balance	(60,353)	(51,228)
Depreciation	(10,958)	(8,877)
Impairment charge	(1,642)	(1,373)
Disposals	1,062	1,125
Closing balance	(71,891)	(60,353)
Net book value	41,446	34,149

	2015 $000	2014 $000
Plant and equipment		
Cost		
Opening balance	72,216	60,596
Acquisition through controlled entity purchased	–	4,935
Additions	3,869	4,427
Transfers from construction in progress	7,190	4,683
Disposals	(1,183)	(2,425)
Closing balance	82,092	72,216
Accumulated depreciation and impairment		
Opening balance	(44,451)	(38,115)
Depreciation	(9,272)	(7,959)
Impairment charge	(2,248)	(730)
Disposals	970	2,353
Closing balance	(55,001)	(44,451)
Net book value	27,091	27,765
Construction in progress		
Cost		
Opening balance	4,591	3,699
Acquisition through controlled entity purchased	–	4
Additions	27,193	16,204
Transfers to leasehold improvements and plant and equipment	(25,780)	(15,296)
Disposals	(150)	(20)
Closing balance	5,854	4,591
Total property, plant and equipment, net	**79,477**	**72,518**

Notes to the Consolidated Financial Statements

Note 11: Non-current assets – intangible assets

	2015 $000	2014 $000
Goodwill		
Cost		
Opening balance	256,876	211,580
Purchase of controlled entities	–	45,199
Foreign currency translation	186	97
Closing balance	257,062	256,876
Accumulated impairment		
Opening balance	–	–
Impairment	(27,146)	–
Closing balance	(27,146)	–
Net book value	229,916	256,876
Franchise rights		
Cost		
Opening balance	6,661	5,322
Purchase of controlled entities	–	98
Additions	489	1,241
Closing balance	7,150	6,661
Accumulated amortisation and impairment		
Opening balance	(1,328)	(909)
Amortisation	(551)	(419)
Impairment charge	(128)	–
Closing balance	(2,007)	(1,328)
Net book value	5,143	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)	–
Amortisation	(262)	(563)
Closing balance	(11,261)	(4,720)
Net book value	–	6,541

	2015 $000	2014 $000
Sizzler brand – Asia		
Cost		
Opening balance	13,865	12,519
Foreign currency translation	2,578	1,346
Closing balance	16,443	13,865
Accumulated amortisation		
Opening balance	(1,923)	(1,110)
Foreign currency translation	(429)	(113)
Amortisation	(750)	(700)
Closing balance	(3,102)	(1,923)
Net book value	13,341	11,942
Total intangible assets, net	**248,400**	**280,692**

Impairment test for goodwill
Allocation of Goodwill

Cash generating unit	KFC Restaurants QLD/NSW		KFC Restaurants WA/NT		Sizzler Australia Restaurants		Sizzler Asia	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Carrying value	183,529	183,529	45,199	45,199	–	27,146	1,188	1,002

Goodwill is tested for impairment at a cash generating unit level. The recoverable amount of a cash generating unit is determined based on the higher of fair market value less cost to sell and value-in-use calculations. Management recognises that there are various reasons that the estimates used in the assumptions may vary. For the KFC cash generating units, there are no reasonable and likely changes in assumptions which would result in an impairment.

During the reporting period ended 3 May 2015, the above cash generating units were tested for impairment in accordance with AASB 136. As at 12 October 2014, due to declining revenues and profitability in Sizzler Australia, the recoverable amount of goodwill and brand assets of Sizzler Australia was assessed to be nil. Accordingly, impairment charges were recognised for these assets relating to this cash generating unit. During the reporting period ended 3 May 2015, individual restaurant assets were also tested for impairment in accordance with AASB 136. In the event that the carrying value of these assets was higher than the recoverable amount (measured as the higher of fair value less costs to sell and value in use) an impairment charge was recognised in the Consolidated Income Statement as set out in the table below.

Impairment of assets recognised during the reporting period	2015 $000	2014 $000
Goodwill allocated to Sizzler Australia	27,146	–
KFC franchise rights	128	–
Sizzler brand – Australia	6,279	–
Sizzler Australia Restaurants		
Buildings	830	–
Leasehold improvements	1,442	1,176
Plant and equipment	1,800	730
KFC Restaurants		
Leasehold improvements	200	197
Plant and equipment	448	–
	38,273	2,103

Note 11: Non-current assets – intangible assets (continued)

Key assumptions used for value-in-use calculations

KFC Restaurants

The cash flows by restaurant have been estimated after applying growth rates from the commencement of the 2016 financial year through to the end of the 2020 reporting period which average 2.8%. The year one projections have been aligned to the division's specific cash flows reflected in the 2016 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this operating segment during the 2015 and prior reporting periods. A pre-tax discount rate of 12.0% has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2020, 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.

Sizzler Australia Restaurants

The cash flows for the Sizzler Australia Restaurants from the beginning of the 2017 financial year to the end of the 2020 reporting period have been estimated at an average decline of 7.7%, reflecting the recent trends experienced in this operating segment together with initiatives intended to improve operating margins. The projection for 2016 has been aligned to the division's specific cash flows reflected in the budget prepared in May 2015.

A pre-tax discount rate of 20.0% (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 2020, using that year's cash flow as a base. No growth has been used in determining the terminal value, which is less than the long term average growth rate for the industry.

Sizzler Asia

The cash flows for the Sizzler Asia cash generating unit have been estimated after applying growth rates from the commencement of the 2016 financial year through to the end of the 2020 reporting period which average 3.5%. The year one projections have been aligned to the cash flows reflected in the 2016 budget.

Management believe that these growth percentages are reasonable considering the growth that has been seen in this cash generating unit during the 2015 and prior reporting periods. A pre-tax discount rate of 12.5% has been applied to the cash flows. An indefinite terminal cash flow calculation has been applied for cash flows beyond 2020, using that year's cash flow as a base. The growth rate of 3.5% has been used in determining the terminal rate which does not exceed the long term average growth rate for the casual dining industry segment.

Note 12: Non-current assets – deferred tax assets, net

	2015 $000	2014 $000
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Depreciation	21,593	19,121
Employee benefits	4,448	4,106
Provisions	2,109	1,504
Receivables	–	175
Capitalised costs	761	1,526
	28,911	26,432
Amounts recognised in other comprehensive income:		
Cash flow hedges	1,355	416
Deferred tax assets	30,266	26,848
Movements:		
Opening balance	26,848	21,417
Acquisition of subsidiary (Note 35)	–	4,327
(Charged)/credited to the Consolidated Income Statement (Note 6)	2,479	977
Credited to other comprehensive income (Note 6)	939	127
Closing balance	30,266	26,848
Deferred tax assets to be recovered within 12 months	9,181	7,690
Deferred tax assets to be recovered after more than 12 months	21,085	19,158
	30,266	26,848
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Inventories	706	680
Intangibles	4,452	6,233
Prepayments	268	77
Deferred tax liabilities	5,426	6,990
Movements:		
Opening balance	6,990	6,700
Foreign exchange revaluation	366	–
Charged/(credited) to the Consolidated Income Statement (Note 6)	(1,930)	290
Closing balance	5,426	6,990
Deferred tax liabilities to be recovered within 12 months	2,026	1,293
Deferred tax liabilities to be recovered after more than 12 months	3,400	5,697
	5,426	6,990
Deferred tax assets	30,266	26,848
Deferred tax liabilities	(5,426)	(6,990)
Deferred tax assets, net	**24,840**	**19,858**

Note 13: Non-current assets – receivables

	2015 $000	2014 $000
Loan to related party – joint venture	1,460	400
Security deposits	33	38
	1,493	438

Interest rate risk

The Group's exposure to interest rate risk and the average interest rate by maturity period is set out in the following table:

			Fixed interest maturing in:				Average interest rate	
	Notes	Floating interest rate	5 years or less	More than 5 years	Non-interest bearing	Total	Floating	Fixed
2015		$000	$000	$000	$000	$000		
Trade and interest receivables	8	–	–	–	1,898	1,898		
Related party receivables	13	1,460	–	–	–	1,460	7.7%	
Other receivables	13	–	–	–	33	33		
		1,460	–	–	1,931	3,391		
2014		$000	$000	$000	$000	$000		
Trade and interest receivables	8	–	–	–	680	680		
Related party receivables	13	400	–	–	–	400	8.2%	
Other receivables	13	–	–	–	38	38		
		400	–	–	718	1,118		

Credit risk

There is no concentration of credit risk with respect to external current and non-current receivables.

Note 14: Non-current assets – investments accounted for using the equity method

Interests in individually immaterial joint ventures

Name of entity	Place of incorporation	Acronym	% of ownership interest	
			2015	2014
Sizzler China Pte Ltd	Singapore	SCP	50	50
Snag Holdings Pty Ltd	Australia	SNG	50	50

	Sizzler China Pte Ltd		Snag Holdings Pty Ltd		Total joint ventures	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
Interest in individually immaterial joint ventures	1,042	800	571	1,681	1,613	2,481
Interests in individually immaterial joint ventures						
Opening balance	800	593	1,681	–	2,481	593
Acquisition of investment accounted for using the equity method	–	–	–	1,850	–	1,850
Share of net profit of joint venture accounted for using the equity method	242	207	(1,110)	(169)	(868)	38
Closing balance	1,042	800	571	1,681	1,613	2,481
Summarised financial information of individually immaterial joint ventures						
ASSETS:						
Current assets:						
Cash and cash equivalents	2,070	1,503	121	844	2,191	2,347
Receivables	63	154	129	89	192	243
Inventories	–	–	55	54	55	54
Total current assets	2,133	1,657	305	987	2,438	2,644
Non-current assets:						
Cash and cash equivalents	–	–	173	168	173	168
Property, plant and equipment	–	–	1,105	1,098	1,105	1,098
Intangible assets, net	–	–	35	49	35	49
Total non-current assets	–	–	1,313	1,315	1,313	1,315
Total assets	**2,133**	**1,657**	**1,618**	**2,302**	**3,751**	**3,959**
LIABILITIES:						
Current liabilities:						
Trade and other payables	49	57	670	419	719	476
Provisions	–	–	534	109	534	109
Borrowings	–	–	–	200	–	200
Total current liabilities	49	57	1,204	728	1,253	785
Non-current liabilities:						
Borrowings	–	–	1,460	400	1,460	400
Total non-current liabilities	–	–	1,460	400	1,460	400
Total liabilities	**49**	**57**	**2,664**	**1,128**	**2,713**	**1,185**
Net assets	**2,084**	**1,600**	**(1,046)**	**1,174**	**1,038**	**2,774**
EQUITY:						
Contributed equity	–	–	2,402	2,402	2,402	2,402
Retained earnings	2,084	1,600	(3,448)	(1,228)	(1,364)	372
Total Equity	**2,084**	**1,600**	**(1,046)**	**1,174**	**1,038**	**2,774**
Group's share in %	50%	50%	50%	50%		
Group's share in $	1,042	800	(523)	587	519	1,387
Goodwill	–	–	1,094	1,094	1,094	1,094
Carrying amount	1,042	800	571	1,681	1,613	2,481

Note 15: Current liabilities – trade and other payables

	2015 $000	2014 $000
Trade payables and accruals – unsecured	43,382	39,281
Other payables	13,084	11,734
Total payables	56,466	51,015

Note 16: Derivative financial instruments

	2015 $000	2014 $000
Current liabilities		
Interest rate swap contracts – cash flow hedges	1,873	1,070
Non-current liabilities		
Interest rate swap contracts – cash flow hedges	2,762	401

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer Note 1).

Interest rate swap contracts – cash flow hedges
A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a $165.0m Syndicated Facility Agreement (Syndicated Facility) and a $10.0m Working Capital Facility Agreement (Working Capital Facility). The Syndicated Facility is drawn to $165.0m (2014: $165.0m), $65.0m is available to 31 October 2016 and $100.0m is available to 31 October 2018.

Bank loans of the Group currently bear variable interest at BBSY which at balance date was 2.18% (2014: 2.69%) plus margins which vary with the leverage of the Group. At balance date, the weighted average margin was 2.03% (2014: 1.73%).

It is the policy of the Group to protect a designated portion of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts (Swap Contract) under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. During the reporting period ended 27 April 2014, the Group entered into the following Swap Contracts to hedge a designated portion of the interest rate exposure of the facility:

→ on 7 August 2013 a $45.5m Swap Contract, which commenced on 5 August 2014, with a maturity date of 31 October 2016;
→ on 7 August 2013 a $28.0m Swap Contract, which commenced on 5 August 2014, with a maturity date of 31 October 2018; and
→ on 13 March 2014 a $48.0m Swap Contract, which commenced on 4 April 2014, with a maturity date of 31 October 2018.

Swap Contracts currently in place cover approximately 74% (2014: 78%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The variable rates are BBSY which at balance date was 2.18% (2014: 2.69%). The fixed interest rates are as follows:

→ $45.5m Swap Contract: 3.18% (2014: 3.18%);
→ $28.0m Swap Contract: 3.68% (2014: 3.68%); and
→ $48.0m Swap Contract: 3.70% (2014: 3.70%).

The notional principal amounts and periods of expiry of the Swap Contracts are as follows:

	Notional principal amount	
	2015 $000	2014 $000
Less than 1 year	–	80,000
1–2 years	45,500	–
2–3 years	–	45,500
3–4 years	76,000	–
4–5 years	–	76,000
	121,500	201,500

The Swap Contracts require settlement of net interest receivable or payable each month. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The Swap Contracts are settled on a net basis.

The derivative financial instruments were designated as cash flow hedges at inception, as such, the gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedges were effective. The fair value amounts deferred in equity are subsequently reclassified into the profit and loss when the hedged interest expense is recognised. At balance date these contracts were payables with a fair value of $4.6m (2014: payables totalling $1.5m).

Credit risk exposures
At 3 May 2015, the Swap Contracts gave rise to payables for unrealised losses on derivative instruments of $4.6m (2014: $1.5m) for the Group. Management has undertaken these contracts with the Australia and New Zealand Banking Group Limited which is an AA rated financial institution.

Interest rate risk exposures
Refer to Note 18 and Note 33 for the Group's exposure to interest rate risk on Swap Contracts.

Note 17: Current liabilities – provisions

	2015 $000	2014 $000
Employee entitlements	3,853	3,934
Make good provision	760	78
Total current liabilities – provisions	4,613	4,012

Notes to the Consolidated Financial Statements

Note 18: Non-current liabilities – borrowings

	2015 $000	2014 $000
Bank loan – unsecured	165,000	165,000
Fees on bank loan – capitalised	(449)	(619)
Total non–current liabilities – borrowings	164,551	164,381
Available financing facilities		
Restricted access was available at balance date to the following lines of credit:		
Credit standby arrangements:		
Total facilities		
Working capital facility	10,000	10,000
Revolving cash advance facility – Facility A1	–	–
Revolving cash advance facility – Facility A2	–	–
Revolving cash advance facility – Facility B	–	–
	10,000	10,000
Used at balance date		
Working capital facility	876	319
Revolving cash advance facility – Facility A1	–	–
Revolving cash advance facility – Facility A2	–	–
Revolving cash advance facility – Facility B	–	–
	876	319
Unused at balance date		
Working capital facility	9,124	9,681
Revolving cash advance facility – Facility A1	–	–
Revolving cash advance facility – Facility A2	–	–
Revolving cash advance facility – Facility B	–	–
	9,124	9,681
Bank loan facilities excluding credit standby arrangements:		
Total facilities less mandatory scheduled or prepaid repayments made	165,000	165,000
Used at balance date	165,000	165,000
Unused at balance date	–	–

A subsidiary of the Company, CFG Finance Pty Limited, is the primary borrower under a $165.0m Syndicated Facility Agreement (Syndicated Facility) and a $10.0m Working Capital Facility Agreement (Working Capital Facility).

Facilities

Facility A1, Facility A2 and Facility B

- The Syndicated Facility comprises Facility A1, Facility A2 and Facility B for $65.0m, $40.0m and $60.0m respectively (2014: Facility A1, Facility A2 and Facility B for $65.0m, $40.0m and $60.0m respectively). Facility A1 expires on 31 October 2016, Facility A2 and Facility B expire on 31 October 2018. There are no scheduled repayments for Facility A1, Facility A2 or Facility B. Conditions exist regarding the voluntary repayment of debt. As at the end of the reporting period Facility A1, Facility A2 and Facility B were fully drawn (2014: fully drawn).
- The rate of interest under Facility A1, Facility A2 and Facility B was BBSY which at balance date was 2.18% (2014: 2.69%) plus, depending upon the leverage ratio of the Group, the applicable margin for Facility A1 of between 1.35% and 1.85%, and Facility A2 and Facility B of between 1.65% and 2.15% (2014: Facility A1 of between 1.35% and 1.85%, and Facility A2 and Facility B of between 1.65% and 2.15%). At balance date, the margin applicable for Facility A1 was 1.85% (2014: 1.55%) and for Facility A2 and Facility B was 2.15% (2014: 1.85%). There is a commitment fee calculated daily and payable on the undrawn commitment of between 0.65% and 0.92% in respect of Facility A1 and 0.83% and 1.08% in respect of Facility A2 and Facility B depending upon the leverage ratio of the Group (2014: Facility A1 0.65% and 0.92% and Facility A2 and Facility B 0.83% and 1.08%). At balance date, this commitment fee rate was 0.93% for Facility A1 (2014: 0.78%) and 1.08% for Facility A2 and Facility B (2014: 0.93%) and was payable quarterly in arrears.

Working capital

- The Working Capital Facility commitment is for a total of $10.0m and expires on 31 October 2018. At balance date the Working Capital Facility was allocated as follows: $9.0m for the overdraft facility and $1.0m for the letter of credit facility (2014: $9.6m overdraft facility and $0.4m letter of credit facility). Any undrawn amount under either option can be reallocated at any time by the borrowers to either of the other options.
- Letters of credit of $0.9m (2014: $0.3m) were drawn under the Working Capital Facility as at balance date. The remainder of the Working Capital Facility was undrawn at that date. There is a commitment fee calculated daily and payable on the undrawn commitment of between 0.83% and 1.08% depending upon the leverage ratio of the Group (2014: 0.83% and 1.08%). At balance date, this commitment fee rate was 1.08% (2014: 0.93%) and was payable quarterly in arrears.
- The rate of interest for cash advances under the revolving advance facility of the Working Capital Facility is BBSY plus the applicable margin. The interest rate applicable to the overdraft facility is the 'Overdraft Base Rate', a weekly average of the 30 day BBSY rate, and at balance date was 2.18% (2014: 2.69%) plus the applicable margin. Fees on letters of credit issued under the Working Capital Facility are at a rate of 75% of the applicable margin. The applicable margin for the purposes of the cash advance, overdraft and letters of credit facility is between 1.65% and 2.15% depending upon the leverage ratio of the Group (2014: 1.65% and 2.15%). At balance date, the applicable margin was 2.15% (2014: 1.85%).

The Syndicated Facility and Working Capital Facility are subject to certain financial covenants and restrictions such as net leverage ratios, interest coverage ratios and others which management believe are customary for these types of loans. During the reporting period ended 3 May 2015, the Group maintained compliance with the financial covenants and restrictions of these facilities. The Company and its subsidiaries (other than subsidiaries outside of the Closed Group) were registered guarantors of all the obligations in respect of these loan facilities.

Notes to the Consolidated Financial Statements

Note 18: Non-current liabilities – borrowings (continued)

Interest rate risk exposures

The following table summarises interest rate risk for the Group, together with effective interest rates as at the end of the reporting period. Sensitivity to interest rate risk is set out in Note 33.

	Notes	Floating interest rate	Fixed interest maturing in: 5 years or less	Fixed interest maturing in: More than 5 years	Non-interest bearing	Total	Average interest rate excluding margin: Floating	Average interest rate excluding margin: Fixed
2015		$000	$000	$000	$000	$000		
Trade and other payables	15	–	–	–	56,466	56,466		
Borrowings	18	165,000	–	–	–	165,000	2.2%	
Derivative financial instruments (1)	16	(48,000)	48,000	–	–	–	2.2%	3.7%
Derivative financial instruments (2)	16	(45,500)	45,500	–	–	–	2.2%	3.2%
Derivative financial instruments (3)	16	(28,000)	28,000	–	–	–	2.2%	3.7%
		43,500	121,500	–	56,466	221,466		
2014		$000	$000	$000	$000	$000		
Trade and other payables	15	–	–	–	51,015	51,015		
Borrowings	18	165,000	–	–	–	165,000	2.7%	
Derivative financial instruments (4)		(80,000)	80,000	–	–	–	2.7%	3.7%
Derivative financial instruments (1)		(48,000)	48,000	–	–	–	2.7%	3.7%
		37,000	128,000	–	51,015	216,015		
Derivatives with future commencement dates:								
Derivative financial instruments (2)		(45,500)	45,500	–	–	–	2.7%	3.2%
Derivative financial instruments (3)		(28,000)	28,000	–	–	–	2.7%	3.7%

(1) Notional principal amount commenced 4 April 2014, maturing 31 October 2018

(2) Notional principal amount commenced 5 August 2014, maturing 31 October 2016.

(3) Notional principal amount commenced 5 August 2014, maturing 31 October 2018.

(4) Notional principal amount matured 5 August 2014.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For Swap Contracts the cash flows have been estimated using forward interest rates applicable at the end of each reporting period.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/liabilities
2015	$000	$000	$000	$000	$000	$000
Non-derivatives						
Trade and other payables	56,466	–	–	–	56,466	56,466
Borrowings	8,638	72,078	108,282	–	188,998	164,551
Total non-derivatives	65,104	72,078	108,282	–	245,464	221,017
Derivatives						
Net settled (Swap Contracts)	(1,959)	(1,457)	(1,845)	–	(5,261)	(4,635)
2014	$000	$000	$000	$000	$000	$000
Non-derivatives						
Trade and other payables	51,015	–	–	–	51,015	51,015
Borrowings	8,365	8,277	181,239	–	197,881	164,381
Total non-derivatives	59,380	8,277	181,239	–	248,896	215,396
Derivatives						
Net settled (Swap Contracts)	(1,097)	(620)	216	–	(1,501)	(1,471)

Note 19: Non-current liabilities – provisions

	2015 $000	2014 $000
Employee entitlements	3,359	3,265
Make good provision	395	135
	3,754	3,400

The non-current provision for employee entitlements in respect of long service leave includes all conditional entitlements for which provision is made, but where employees have not yet completed the required period of service. Upon completion of the required period of service the Group no longer has an unconditional right to defer settlement of these obligations and as such the obligation is then presented as a current liability.

Note 20: Contributed equity

		Parent entity	
	Date	Share capital $000	Total equity $000
Balance	27 April 2014	182,098	182,098
Balance	3 May 2015	182,098	182,098

Share capital	Parent entity	
	2015 Shares	2014 Shares
Ordinary shares – fully paid	93,000,003	93,000,003

Equity of parent company

Movements in ordinary share capital during the reporting period were as follows:

Details	Date	Number of shares
Ordinary shares – fully paid		
Balance	27 April 2014	93,000,003
Balance	3 May 2015	93,000,003

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote. Upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Long Term Incentive Plan

Information relating to the Long Term Incentive Plan including details of Performance Rights issued under this Plan which may convert into ordinary shares is set out in Note 27.

Notes to the Consolidated Financial Statements

Note 21: Reserves

	2015 $000	2014 $000
Hedging – cash flow hedges	(3,163)	(970)
Foreign currency translation	4,153	1,749
Share-based payments	456	160
	1,446	939
Movements in hedging reserve – cash flow hedges:		
Opening balance	(970)	(674)
Revaluation – gross	(3,165)	(475)
Deferred tax (Note 12)	950	143
Transfer to net profit – gross	33	52
Deferred tax (Note 12)	(11)	(16)
Closing balance	(3,163)	(970)
Movements in foreign currency translation reserve:		
Opening balance	1,749	461
Exchange fluctuations arising on net assets of foreign operations	2,404	1,288
Closing balance	4,153	1,749
Movements in share-based payments reserve:		
Opening balance	160	–
Valuation of performance rights	296	160
Closing balance	456	160

Nature and purpose of reserves

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payments reserve – Performance Rights

The share-based payments reserve is used to recognise the issuance date fair value of Performance Rights issued to employees under the Long Term Incentive Plan but not yet vested.

Foreign currency translation reserve

Exchange differences arising on translation are recognised in other comprehensive income and accumulated in a separate reserve within equity.

Note 22: Retained earnings/(accumulated losses)

	2015 $000	2014 $000
Retained earnings/(accumulated losses):		
Opening balance	8,335	3,610
Net profit/(loss)	(10,360)	14,025
Dividend provided for or paid	(10,230)	(9,300)
Closing balance	(12,255)	8,335
Dividends:		
Dividends paid of $0.11 (2014: $0.10) per fully paid share	10,230	9,300
	10,230	9,300
Franking credits available for the subsequent reporting period based on a tax rate of 30%	54,316	49,590

The above amount represents the balance of the franking account as at the end of the reporting period, adjusted for:

→ franking credits that will arise from the payment of income tax payable as at the end of the reporting period;

→ franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

→ franking credits that may be prevented from being distributed in the subsequent reporting period.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

Since the end of the reporting period, the Directors of the Company have declared the payment of a fully franked final dividend of 6.5 cents per ordinary share ($6.0m) to be paid on 23 July 2015. The aggregate amount of the dividend to be paid on that date, but not recognised as a liability at the end of the reporting period is $6,045,000.

Notes to the Consolidated Financial Statements

Note 23: Subsidiaries and Deed of Cross Guarantee

The Consolidated Financial Statements at 3 May 2015 include the following subsidiaries. The reporting period end of all subsidiaries is the same as that of the parent entity. [(a)]

Name of controlled entity	Notes	Place of incorporation	Acronym	% of shares held 2015	2014
CFG Finance Pty Limited	(b)	Australia	CFGF	100	100
Collins Foods Holding Pty. Limited	(b)	Australia	CFH	100	100
Collins Foods Finance Pty. Limited	(b)	Australia	CFF	100	100
Collins Foods Group Pty. Ltd.	(b)	Australia	CFG	100	100
Collins Restaurants Queensland Pty. Ltd.	(b)	Australia	CRQ	100	100
Collins Restaurants NSW Pty. Ltd.	(b)	Australia	CRN	100	100
Collins Restaurants West Pty. Ltd.	(b)	Australia	CRW	100	100
Fiscal Nominees Company Pty. Ltd.	(b)	Australia	FNC	100	100
Sizzler Restaurants Group Pty. Ltd.	(b)	Australia	SRG	100	100
Collins Restaurants Management Pty. Ltd.	(b)	Australia	CRM	100	100
Collins Property Development Pty. Ltd	(b)	Australia	CPD	100	100
Club Sizzler Pty. Ltd.	(b)	Australia	CSP	100	100
Collins Foods Australia Pty. Ltd.	(b)	Australia	CFA	100	100
Collins Finance and Management Pty. Ltd.	(b)	Australia	CFM	100	100
Sizzler South Pacific Pty. Ltd.	(c)	Nevada, USA	SSP	100	100
SingCo Trading Pte Ltd	(d)	Singapore	SingCo	100	100
Sizzler International Marks LLC	(d)	Delaware, USA	SIM	100	100
Sizzler Asia Holdings LLC	(d)	Delaware, USA	SAH	100	100
Sizzler South East Asia LLC	(d) (e)	Delaware, USA	SSEA	100	100
Sizzler New Zealand LLC	(d) (e)	Delaware, USA	SNZ	100	100
Sizzler Restaurant Services LLC	(d) (e)	Delaware, USA	SRS	100	100

Notes relating to the above table:

(a) Collins Foods Limited is domiciled in Brisbane, Australia. The Registered office is located at 16 Edmondstone Street, Newmarket Qld 4051.

(b) These companies have entered into or acceded to a Deed of Cross Guarantee dated 23 February 2012 with Collins Foods Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. As a result of Class Order 98/1418 issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

(c) Sizzler South Pacific Pty. Ltd. (SSP) is a company with no net assets. The Directors have resolved to liquidate this company. This company is not an Australian registered company and is not covered by the Class Order 98/1418.

(d) These companies are not Australian registered companies and are not covered by the Class Order 98/1418.

(e) Originally incorporated in Nevada, upon conversion to a LLC became registered in Delaware.

The Consolidated Income Statement, Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits of the entities in the Class Order 98/1418 'Closed Group' are as follows.

As there are no other parties to the Deed of Cross Guarantee, that are controlled by Collins Foods Limited, the below also represents the 'Extended Closed Group'.

	Closed Group	
	2015 $000	2014 $000
CONSOLIDATED INCOME STATEMENT		
Sales revenue	568,494	437,808
Cost of sales	(272,955)	(209,968)
Gross profit	295,539	227,840
Selling, marketing and royalty expenses	(117,937)	(92,305)
Occupancy expenses	(47,171)	(36,506)
Restaurant related expenses	(83,316)	(43,500)
Administration expenses	(38,215)	(28,319)
Other expenses	(4,549)	(2,425)
Share of net profit of joint ventures accounted for using the equity method	(1,110)	(169)
Other income	943	848
Finance income	600	421
Finance costs	(9,081)	(6,444)
Profit/(loss) from continuing operations before income tax	(4,297)	19,441
Income tax expense	(7,457)	(6,561)
Profit/(loss) from continuing operations	(11,754)	12,880
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME		
Profit/(loss) from continuing operations	(11,754)	12,880
Other comprehensive income/(expense):		
Cash flow hedges	(3,132)	(423)
Income tax relating to components of other comprehensive income	939	127
Other comprehensive income/(expense) for the reporting period, net of tax	(2,193)	(296)
Total comprehensive income/(expense) for the reporting period	(13,947)	12,584
Total comprehensive income/(expense) for the reporting period is attributable to:		
Owners of the parent	(13,947)	12,584
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS/(ACCUMULATED LOSSES)		
Retained earnings/(accumulated losses) at the beginning of the reporting period	5,888	2,308
Profit/(loss) for the reporting period	(11,754)	12,880
Dividends provided for or paid	(10,230)	(9,300)
Retained earnings/(accumulated losses) at the end of the reporting period	(16,096)	5,888

Note 23: Subsidiaries and Deed of Cross Guarantee (continued)

The Consolidated Balance Sheet of all entities in the Class Order 98/1418 'Closed Group' as at the end of the reporting period is as follows:

	Closed Group	
	2015 $000	2014 $000
Current assets		
Cash and cash equivalents	38,906	36,341
Receivables	5,962	2,614
Inventories	4,657	4,914
Total current assets	49,525	43,869
Non-current assets		
Property, plant and equipment	79,476	72,518
Intangible assets, net	233,055	267,172
Deferred tax assets, net	27,248	21,985
Receivables	1,493	438
Investments accounted for using the equity method	571	1,681
Other financial assets	9,827	9,827
Total non-current assets	351,670	373,621
Total assets	401,195	417,490
Current liabilities		
Trade and other payables	56,709	52,005
Current tax liabilities	3,638	5,045
Derivative financial instruments	1,873	1,070
Provisions	4,613	4,012
Total current liabilities	66,833	62,132
Non-current liabilities		
Borrowings	164,551	164,381
Derivative financial instruments	2,762	401
Provisions	3,754	3,400
Total non-current liabilities	171,067	168,182
Total liabilities	237,900	230,314
Net assets	**163,295**	**187,176**
Equity		
Contributed equity	182,098	182,098
Reserves	(2,707)	(810)
Retained profits/(accumulated losses)	(16,096)	5,888
Total equity	**163,295**	**187,176**

Note 24: Commitments for expenditure

	2015 $000	2014 $000
Capital commitments		
Property, plant and equipment:		
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities, payable	1,323	5,801
Operating Leases		
Operating leases relate to land, buildings and equipment with lease terms ranging from 3 to 25 years and expire on varying dates through 2033. The Company has the right to extend many of these leases and many contain market review clauses. Certain leases require contingent rent, determined as a percentage of sales, when annual sales exceed specified levels.		
Operating lease commitments:		
Aggregate lease expenditure contracted for at balance date but not recognised as liabilities, payable:		
Not later than 1 year	33,593	31,951
Later than 1 year but not later than 5 years	86,529	73,668
Later than 5 years	40,386	34,599
	160,508	140,218
Less recoverable goods and services tax	(14,590)	(12,745)
Minimum lease payments	145,918	127,473

Note 25: Related parties

Parent entity
The parent entity and ultimate parent entity within the Group is Collins Foods Limited.

Key Management Personnel
KMP include the Directors for the parent entity and Directors and executives for the Group. Disclosures relating to the compensation of KMP are included in either Note 26 or in the Remuneration Report included in the Directors' Report.

Subsidiaries
The ownership interests in subsidiaries are set out in Note 23.

Transactions between entities within the Group during the reporting period consisted of loans advanced and repaid, interest charged and received, operating expenses paid, non-current assets purchased and sold, and tax losses transferred. These transactions were undertaken on commercial terms and conditions.

Transactions with related parties
All transactions with related parties are conducted on commercial terms and conditions.

		Whole dollars	
Transaction type	Class of related party	2015 $	2014 $
Loans to related parties			
Loan advanced to a related party	Related entity – joint venture	1,460,000	400,000
Interest received or receivable	Related entity – joint venture	75,000	14,000

Note 26: Key Management Personnel compensation

KMP compensation

	Whole dollars	
	2015 $	2014 $
Short term employee benefits	3,446,646	2,489,778
Post-employment benefits	181,967	180,559
Long term benefits	51,437	30,530
Share-based payments	285,418	156,059
	3,965,468	2,856,926

Detailed remuneration disclosures are provided in the Remuneration Report included in the Directors' Report.

Notes to the Consolidated Financial Statements

Note 27: Share-based payments

Long Term Incentive Plan – Performance Rights

The establishment of the Company's Long Term Incentive Plan (LTIP) was approved by shareholders at the 2013 Annual General Meeting. The LTIP is designed to provide long term incentives for employees, including Executive Directors to motivate them to build long term value for the Company and its shareholders. Under the Plan, participants are granted Performance Rights over shares. Participation in the Plan is at the Board's discretion. The number of Performance Rights is calculated by dividing the dollar value of the participant's long term incentive by the volume weighted average price of the shares for the five days prior to the date of offer of the Performance Rights.

Unless otherwise determined by the Board in its discretion, Performance Rights are issued for nil consideration. The amount of Performance Rights that will vest depends upon the achievement of certain vesting conditions, including the satisfaction of a minimum 12 month term of employment and the achievement of earnings per share (EPS) growth targets by the Company. The EPS growth targets must be achieved over a three year performance period. Performance Rights will automatically vest on the business day after the Board determines the Vesting Conditions have all been satisfied (Vesting Determination Date).

If in the opinion of the Board a change of control event has occurred, or is likely to occur, the Board may declare a Performance Right to be free of any Vesting Conditions and, if so, the Company must issue or transfer shares in accordance with the LTIP rules. In exercising its discretion, the Board will consider whether measurement of the Vesting Conditions (on a pro-rata basis) up to the date of the change of control event is appropriate in the circumstances.

The Performance Rights will automatically exercise on the Vesting Determination Date unless that date occurs outside a Trading Window permitted under the Company's Securities Trading Policy, in which case the Performance Rights will exercise upon the first day of the next Trading Window following the Vesting Determination Date. Upon exercise of the Performance Rights, the Company must issue or procure the transfer of one share for each Performance Right, or alternatively may in its discretion elect to pay the cash equivalent value to the participant. In the event of a capital reconstruction or bonus issue of securities by the Company, the number of shares issued for each Performance Right will be proportionately adjusted. Subject to a reconstruction or bonus issue, Performance Rights do not carry the right to participate in any new issue of securities including pro-rata issues. If the Company conducts a rights issue, the exercise price (if any) of the Performance Rights will be adjusted in accordance with ASX Listing Rules as at the date the Performance Rights were issued.

Performance Rights will lapse on the first to occur of:

- → the expiry date;
- → the Vesting Conditions not being satisfied by the Vesting Determination Date;
- → unless the Board otherwise determines, by the cessation of the employment of the employee to whom the offer of Performance Rights was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness).

Performance Rights when issued under the LTIP are not entitled to receive a dividend and carry no voting rights.

Set our below are summaries of Performance Rights issued under the LTIP:

	Number of Performance Rights
As at 28 April 2013	**–**
Issued during the reporting period	553,715
Exercised during the reporting period	–
Lapsed during the reporting period	22,552
As at 27 April 2014	**531,163**
Issued during the reporting period	149,797
Exercised during the reporting period	–
Lapsed during the reporting period	–
As at 3 May 2015	**680,960**
Vested and exercisable at 27 April 2014	–
Vested and exercisable at 3 May 2015	–

All Performance Rights issued during the reporting period ended 27 April 2014 have an expiry date of 25 July 2016 and were issued with an exercise price of nil. All Performance Rights issued during the reporting period ended 3 May 2015 have an expiry date of 26 July 2017 and were issued with an exercise price of nil.

Fair value of Performance Rights issued
The assessed fair value at issuance date of Performance Rights issued during the reporting period ended 3 May 2015 was an average of $1.89 per right. The assessed fair value at issuance date of Performance Rights issued during the reporting period ended 27 April 2014 was an average of $1.50. The fair value at issuance date has been determined using a discounted cash flow model that takes into account the share price at issuance date, the term of the right, the expected dividend yield and the risk free interest rate for the term of the rights.

The model inputs for rights issued during the reporting period ended 3 May 2015 included:

- issuance date 13 November 2014;
- share price: $2.22;
- expected dividend yield: 5.25%;
- risk-free interest rate: 2.65%.

Note 28: Superannuation

The Group maintains two superannuation plans which cover substantially all of its employees. Each participating employer entity in the Group has a legal obligation to contribute to the plans or other plans as chosen by the employees. The default plans chosen by the employer entity are as follows:

- Management employees – a non-contributory accumulated benefits scheme which is administered by Plum Financial Services Limited.
- Staff – non-contributory accumulated benefits plans which are administered by Westpac Financial Services Group Limited, Sunsuper or Australian Retirement Fund.

Note 29: Contingencies

Contingent liabilities
The parent entity and certain controlled entities indicated in Note 23 have entered into Deeds of Cross Guarantee under which the parent entity has guaranteed any deficiencies of funds on winding up of the controlled entities which are party to the deeds. At the date of this statement there are reasonable grounds to believe that the Company will be able to meet any obligations or liabilities to which it is, or may become, subject by virtue of the deeds.

As described in Note 18, CFG Finance Pty. Limited (a subsidiary) and several other related entities entered into Syndicated and Working Capital credit facilities. As a consequence of this, the Company and its subsidiaries (other than subsidiaries outside the Closed Group) became registered guarantors of all the obligations in respect of these loan facilities.

Notes to the Consolidated Financial Statements

Note 30: Remuneration of auditors

During the reporting period the following fees were paid or payable for services provided by the Auditor of the parent entity, its related practices and non-related audit firms:

	Whole dollars	
	2015 $	2014 $
Assurance services		
Audit services:		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the Corporations Act 2001	292,712	306,973
Audit and review of financial reports and other audit work for foreign subsidiary	32,820	32,176
Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports and other audit work for foreign subsidiary	25,930	23,061
	351,462	362,210
Other assurance services:		
PricewaterhouseCoopers Australian firm		
Store sales certificates	10,506	10,300
Agreed upon procedures for covenant calculations	20,620	20,216
Network firms of PricewaterhouseCoopers Australia		
Agreed upon procedures in respect of franchisee sales	–	–
	31,126	30,516
Total remuneration for assurance services	382,588	392,726
Taxation services		
PricewaterhouseCoopers Australian firm		
Tax compliance services, including review of company tax returns	31,000	25,000
Tax advice and consulting	24,750	6,000
Network firms of PricewaterhouseCoopers Australia		
Tax compliance services, including review of company tax returns	4,793	4,348
Total remuneration for taxation services	60,543	35,348
Total remuneration for services	**443,131**	**428,074**

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice, due diligence reporting on acquisitions and capital raisings, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major consulting projects.

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Note 31: Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit/(loss) from continuing operations to net cash inflow from operating activities

	2015 $000	2014 $000
Profit/(loss) from continuing operations	(10,360)	14,025
Adjustments for non-cash income and expense items:		
Depreciation, amortisation and impairment	60,186	20,709
Loss on disposal of property, plant and equipment	411	130
Amortisation of borrowing costs	170	166
Non-cash employee benefits expense share-based payments	296	160
Transfer to/(from) provisions:		
Reversal of provision for diminution in value of inventory	107	(2)
Provision for employee entitlements	(201)	769
Movement in:		
Income tax payable	(1,407)	888
Deferred tax balances	(4,410)	(897)
Fringe benefits tax payable	(55)	23
Goods and services tax payable	732	1,015
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(1,218)	1,384
Inventory	150	1,270
Prepayments and other assets	(2,197)	240
Share of profits of joint ventures	868	(38)
Increase in liabilities:		
Trade payables and accruals	6,072	2,821
Investing activities included in profit from continuing operations:		
Costs associated with acquisitions	–	2,187
Net operating cash flows	49,144	44,850

Note 32: Non-cash financing and investing activities

	2015 $000	2014 $000
Non-cash financing and investing activities	–	–
Total non-cash financing and investing activities	–	–

Notes to the Consolidated Financial Statements

Note 33: Financial risk management

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. In addition, the Group manages its capital base. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's activities expose it primarily to the financial risk of changes in interest rates and it utilises Swap Contracts to manage its interest rate risk exposure. The use of financial instruments is governed by the Group's policies approved by the Board of Directors, and are not entered into for speculative purposes.

Market risk

Foreign exchange risk

During 2015 and 2014, the financial instruments of the Group and the parent entity were denominated in Australian dollars apart from certain bank accounts, trade receivables and trade payables in respect of the Group's Asian operations which were denominated in foreign currencies at the Group level. Management has decided not to hedge this foreign exchange risk exposure. The Group's exposure to foreign currency risk is disclosed in the tables below.

Cash flow and interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk while borrowings issued at fixed rates expose the Group to fair value interest rate risk. Information about the Group's variable rate borrowings, outstanding Swap Contracts and an analysis of maturities at the reporting date is disclosed in Notes 16 and 18.

Price risk

The Group manages commodity price risk by forward contracting prices on key commodities and by being actively involved in relevant supply co-operatives.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks, other trade receivables and receivables from related parties. The Group has adopted a policy of only dealing with creditworthy counterparties and in the situation of no independent rating being available, will assess the credit quality of the customer taking into account its financial position, past experience and other factors.

Trade receivables consist of a small number of customers and ongoing review of outstanding balances is conducted on a periodic basis. The balance outstanding (disclosed in Note 8) is not past due, nor impaired (2014: nil past due). The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Related party transactions are conducted on commercial terms and conditions. Recoverability of these transactions are assessed on an ongoing basis.

Credit risk further arises in relation to financial guarantees given to certain parties, refer to Notes 18 and 23 for details.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve banking facilities by continuously monitoring forecast and actual cash flows. This approach enables the Group to manage short, medium and long term funding and liquidity management as reported in Note 18. Non-interest bearing liabilities are due within six months. For maturities of interest bearing liabilities and Swap Contracts of the Group, refer to Notes 16 and 18.

Capital management

The Group manages its capital by maintaining a strong capital base. The Group assesses its capital base by reference to its gearing ratio, which it defines as net debt divided by total capital. Net debt is calculated as borrowings (excluding capitalised fees) less cash and cash equivalents. Total capital is calculated as total equity as shown in the balance sheet plus net debt. At balance date, the gearing ratio was 42% (2014: 40%).

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk only, as the Group is not exposed to other price risks:

Interest rate risk and foreign exchange risk

		Interest rate risk				Foreign exchange risk			
		–1%		+1%		–20%		+20%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
2015	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets									
Cash and cash equivalents	42,234	(296)	–	296	–	666	–	(666)	–
Trade and other receivables	1,898	–	–	–	–	54	–	(54)	–
Related party receivables	1,460	(10)	–	10	–	–	–	–	–
Financial liabilities									
Trade and other payables	56,466	–	–	–	–	(9)	–	9	–
Current tax liabilities	3,638	–	–	–	–	–	–	–	–
Borrowings	165,000	305	–	(305)	–	–	–	–	–
Derivative financial instruments	4,635	–	(2,317)	–	2,317	–	–	–	–
Total increase/(decrease)		(1)	(2,317)	1	2,317	711	–	(711)	–
2014	$000	$000	$000	$000	$000	$000	$000	$000	$000
Financial assets									
Cash and cash equivalents	36,983	(259)	–	259	–	128	–	(128)	–
Trade and other receivables	680	–	–	–	–	40	–	(40)	–
Related party receivables	400	(3)	–	3	–	–	–	–	–
Financial liabilities									
Trade and other payables	51,015	–	–	–	–	(9)	–	9	–
Current tax liabilities	5,045	–	–	–	–	–	–	–	–
Borrowings	165,000	259	–	(259)	–	–	–	–	–
Derivative financial instruments	1,471	–	(2,881)	–	2,881	–	–	–	–
Total increase/(decrease)		(3)	(2,881)	3	2,881	159	–	(159)	–

Note 34: 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 presents the Group's assets and liabilities measured and recognised at fair value.

	2015			2014		
	Level 1 $000	Level 2 $000	Level 3 $000	Level 1 $000	Level 2 $000	Level 3 $000
Assets						
Derivative financial instruments	–	–	–	–	–	–
Liabilities						
Derivative financial instruments	–	4,635	–	–	1,471	–

There were no transfers between Levels 1 and 2 or Levels 2 and 3 during the reporting period. 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 34: Recognised fair value measurements (continued)

Level 1

The fair value of assets and liabilities traded in active markets (such as publicly 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 borrowings is as follows:

	2015			2014		
	Carrying amount $000	Fair value $000	Discount rate %	Carrying amount $000	Fair value $000	Discount rate %
Bank loan (net of borrowing costs)	164,551	159,459	6	164,381	159,081	6

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. 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.

Note 35: Business combinations

Summary of acquisition

On 7 March, 2014, Fiscal Nominees Company Pty Ltd, a subsidiary of the Company, acquired 100% of the issued share capital of Competitive Foods Pty Ltd for $55.6m, a franchisee of KFC restaurants in Western Australia and the Northern Territory. Subsequent to the acquisition the name of this Company was changed to Collins Restaurants West Pty Ltd. 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.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$000
Purchase consideration	
Cash paid	55,605

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

	Fair value $000
Cash	152
Receivables	616
Inventories	1,777
Property, plant and equipment	10,353
Intangible assets	98
Deferred tax asset, net	4,327
Trade and other payables	(6,102)
Provisions	(815)
Net identifiable assets acquired	10,406
Goodwill	45,199
Net assets acquired	55,605

The goodwill is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

Acquisition related costs

Significant acquisition related costs amounting to $2.1m were incurred in connection with the purchase of Collins Restaurants West Pty Ltd and are included in administration expenses in the Consolidated Income Statement.

Purchase consideration – cash flow

	2015	2014
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	–	55,605
Less balances acquired		
Cash	–	152
Outflow of cash – investing activities	–	55,453

Note 35: Business combinations (continued)

Revenue and profit contribution

The acquired business contributed revenues of $15.4m and net profit of $0.4m (excluding costs of acquisition expensed) to the Group for the period 7 March 2014 to 27 April 2014. If the acquisition had occurred on 29 April 2013, the contributed revenue for the year ended 27 April 2014 would have been $109.8m with a corresponding net profit of $3.0m.

Note 36: Earnings per share

	2015 cents	2014 cents
Basic earnings per share		
From continuing operations	(11.14)	15.08
Diluted earnings per share		
From continuing operations	(11.14) (1)	15.03

(1) 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.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2015 $000	2014 $000
Profit/(loss) for the reporting period	(10,360)	14,025
Earnings used in the calculation of basic earnings per share from continuing operations	(10,360)	14,025

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	93,000,003	93,000,003

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2015 $000	2014 $000
Profit/(loss) for the reporting period	(10,360)	14,025
Earnings used in the calculation of diluted earnings per share from continuing operations	(10,360)	14,025

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares for the purpose of diluted earnings per share	93,000,003 (1)	93,320,121

(1) 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.

Note 37: Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $000	2014 $000
Balance sheet		
Current assets	112	108
Non-current assets	239,848	241,424
Total assets	239,960	241,532
Current liabilities	4,803	5,626
Non-current liabilities	6,528	6,485
Total liabilities	11,331	12,111
Net assets	228,629	229,421
Shareholder's equity:		
Issued capital [(1)]	228,426	228,426
Reserves	456	160
(Accumulated loss)/retained earnings	(253)	835
	228,629	229,421
Profit for the reporting period	**9,142**	**10,021**
Total comprehensive income	**9,142**	**10,021**

(1) Represents share capital of the parent entity. This differs from the share capital of the Group due to the capital reconstruction of the Group treated as a reverse acquisition in the 2012 reporting period.

Guarantees entered into by the parent entity

The parent entity has provided unsecured financial guarantees in respect of bank loan facilities amounting to $165.0m as stated in Note 18. In addition, there are cross guarantees given by the parent entity as described in Note 23. All controlled entities will together be capable of meeting their obligations as and when they fall due by virtue to the Deed of Cross Guarantee dated 23 February 2012. No liability was recognised by the parent entity in relation to these guarantees, as their fair value is considered immaterial.

Contingent liabilities of the parent entity

Except as described above in relation to guarantees, the parent entity did not have any contingent liabilities as at 3 May 2015.

Directors' Declaration

In the Directors' opinion:

- the Financial Statements and notes set out on pages 35 to 83 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 3 May 2015 and of its performance for the period 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; and
- at the date of this Declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in Note 23.

Note 1 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the Corporations Act 2001.

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
25 June 2015

Independent Auditor's Report

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

Report on the financial report

We have audited the accompanying financial report of Collins Foods Limited (the company), which comprises the consolidated balance sheet as at 3 May 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 period 28 April 2014 to 3 May 2015, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Collins Foods Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

PricewaterhouseCoopers, ABN 52 780 433 757
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T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Independent Auditor's Report

pwc

(a) the financial report of Collins Foods Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 3 May 2015 and of its performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 22 to 31 of the directors' report for the period ended 3 May 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Collins Foods Limited for the period ended 3 May 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac
Partner

Brisbane
25 June 2015

Shareholder Information

Shareholder information that has not been stated elsewhere in the Annual Report is set out below. The shareholder information set out below was applicable as at the close of trading on 17 June 2015.

A: Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Number of shareholders of ordinary shares	Number of holders of Performance Rights
1–1,000	1,390	–
1,001–5,000	2,142	–
5,001–10,000	679	–
10,001–100,000	522	3
100,001 and over	43	2
Total	4,776	5

There were 197 holders of less than a marketable parcel of ordinary shares.

B: Equity security holders

The names of the 20 largest holders of the only class of quoted equity securities are listed below:

	Ordinary shares	
	Number held	Percentage of issued shares %
Citicorp Nominees Pty Limited	12,402,999	13.34
HSBC Custody Nominees (Australia) Limited	10,356,685	11.14
HSBC Custody Nominees (Australia) Limited <CW A/C>	8,980,575	9.66
Mr Kevin Perkins	7,000,833	7.53
J P Morgan Nominees Australia Limited	6,663,065	7.16
National Nominees Limited	5,930,921	6.38
Spacetime Pty Ltd <Copulos Exec S/F No 1 A/C>	3,777,233	4.06
RBC Investor Services Australia Nominees P/L <WAM Account>	3,573,030	3.84
Hooks Enterprises Pty Ltd <Hoeksema Superfund A/C>	900,000	0.97
Sandhurst Trustees Ltd <Wentworth Williamson A/C>	690,507	0.74
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	588,882	0.63
Aust Executor Trustees Ltd <DS Capital Growth Fund>	551,378	0.59
Mrs Heather Lynnette Grace	527,801	0.57
Mr Leendert Hoeksema + Mrs Aaltje Hoeksema	500,000	0.54
UBS Nominees Pty Ltd	476,341	0.51
Brazil Farming Pty Ltd	405,000	0.44
Adrian Mark Argent	350,014	0.38
Michael Kemp Pty Ltd <Michael Kemp A/C>	315,000	0.34
Perkins Family Investment Corporation Pty Ltd	300,000	0.32
HSBC Custody Nominees (Australia) Limited - A/C 3	291,655	0.31

Shareholder Information

C: Substantial holders

Substantial holders (including associate holdings) in the Company, based on the most recent substantial holder notices lodged with the Company and ASX, are set out below:

	Ordinary shares	
	Number held	Percentage
Allan Gray Australia Pty Ltd	14,958,872	16.08%
Copulos Group	12,777,233	13.74%
Kevin Perkins	7,000,833	7.53%

D: Restricted securities and share buy-backs

There are no restricted fully paid shares on issue in the Company. A voluntary holding lock will be applied in relation to 35,608 fully paid ordinary shares, if they are issued, upon the vesting of 35,608 Performance Rights in accordance with the rules of the LTIP.

The Company is not currently conducting an on-market share buy-back.

E: Voting rights

Fully paid ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote. Upon a poll, each share shall have one vote.

Performance Rights
The Performance Rights do not have any voting rights. The fully paid ordinary shares to be allotted on the exercise of the Performance Rights will have the voting rights noted above for fully paid ordinary shares.

Corporate Directory

Directors
Robert Kaye SC, Independent Non-executive Chairman
Graham Maxwell, Managing Director & CEO
Kevin Perkins
Newman Manion
Bronwyn Morris
Russell Tate

Company Secretary
Frances Finucan

Principal Registered Office in Australia
Level 3 KSD1, 485 Kingsford Smith Drive
Hamilton QLD 4007 Australia

Share Register
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117 Victoria Street
West End QLD 4101 Australia

Telephone number: 1300 458 215
Outside Australia: +61 3 9415 4245

Auditor
PricewaterhouseCoopers
Riverside Centre, Level 15
123 Eagle Street
Brisbane QLD 4000

Securities Exchange Listing
Collins Foods Limited shares are listed on the Australian Securities Exchange.

Website address
www.collinsfg.com.au

COLLINS FOODS LIMITED