Restaurant BRANDS NEW ZEALAND LTD

2015 Annual Report

RESTAURANT BRANDS MOVES FORWARD WITH PACE & PURPOSE

Performing beyond expectations and getting stronger every day. Applying knowledge and expertise across the business. Delivering the goods.

Restaurant Brands New Zealand Limited is a corporate franchisee that operates the New Zealand outlets of KFC, Pizza Hut, Starbucks Coffee and Carl's Jr. These brands – four of the world's most famous – are distinguished for their product, look, style and ambience, service and for the total experience they deliver to their customers in New Zealand and around the world.

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FINANCIAL HIGHLIGHTS

HISTORICAL SUMMARY

All figures in $NZm unless stated	2010	2011	2012	2013	2014	2015
Financial performance						
Sales*						
KFC	223.2	235.8	236.3	237.0	241.5	265.0
Pizza Hut	64.2	59.3	45.5	47.9	48.4	48.4
Starbucks Coffee	30.5	29.3	26.5	25.1	25.0	26.1
Carl's Jr.	–	–	–	1.9	14.3	20.1
Total	**317.8**	**324.4**	**308.2**	**311.9**	**329.3**	**359.5**
EBITDA before G&A*						
KFC	46.3	52.1	45.6	45.3	44.5	50.8
Pizza Hut	5.4	5.6	2.1	3.8	5.5	6.4
Starbucks Coffee	3.2	4.1	3.7	2.9	3.5	4.3
Carl's Jr.	–	–	–	(0.5)	–	0.2
Total	**54.9**	**61.9**	**51.4**	**51.5**	**53.5**	**61.5**
EBIT	29.2	35.0	24.4	22.7	28.2	33.4
NPAT (reported)	19.5	24.3	16.9	16.2	20.0	23.8
NPAT (excluding non-trading)	19.9	25.1	18.4	17.7	18.9	22.5
Financial position/cash flow						
Share capital	25.8	26.6	26.6	26.7	26.8	26.8
Total equity	48.7	58.9	59.8	60.3	64.7	71.2
Total assets	103.0	111.4	104.9	111.8	108.3	144.6
Operating cash flows	38.7	40.6	29.8	34.8	32.2	36.6
Shares						
Shares on issue (year end)	97,280,005	97,762,866	97,809,001	97,850,110	97,871,090	97,871,090
Number of shareholders (year end)	5,668	5,527	5,675	6,015	6,112	6,019
Earnings per share (full year reported)	20.1c	24.9c	17.3c	16.5c	20.4c	24.3c
Ordinary dividend per share	12.5c	17.0c	16.0c	16.0c	16.5c	19.0c
Other						
Number of stores (year end)						
KFC	85	89	88	89	90	91
Pizza Hut	91	82	71	57	51	46
Starbucks Coffee	41	37	35	29	27	26
Carl's Jr.	–	–	–	2	8	18
Total	**217**	**208**	**194**	**177**	**176**	**181**
Employees (partners) paid (year end)	4,735	4,374	3,909	3,725	3,691	3,912

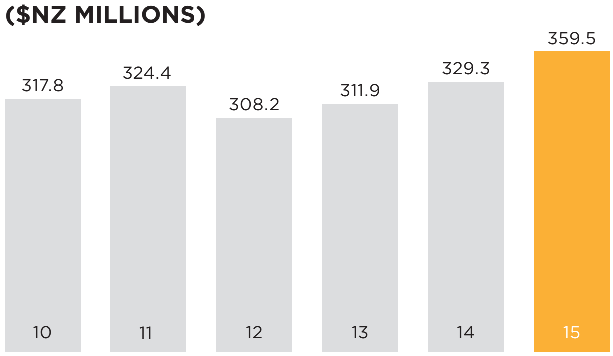
* Sales and store EBITDA for each of the concepts may not aggregate to the total due to rounding.

Note: Results for the 2014/15 financial year are on a 53 week basis vs 52 weeks for the previous year. Because the company normally uses a 52 week (364 day) year, a "leap" year is occasionally required; hence an extra week. All comparative data (with the exception of same store sales) is stated on the basis of a 53 week to 52 week comparison.

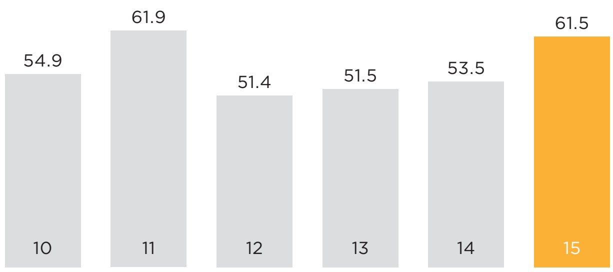
YEAR IN REVIEW

- **Group Net Profit after Tax** was $23.8 million (24.3 cents per share), up $3.9 million (+19.4%) on prior year. Net Profit after Tax (excluding non-trading items) was $22.5 million (23.0 cents per share), also up 19.4% on prior year.
- **Total Group Store Sales** were $359.5 million, up $30.3 million (+9.2%) on prior year with continued strong growth from KFC and store builds and acquisitions in the Carl's Jr. brand.
- **KFC sales** continued to grow to a new high of $265 million despite competitive market conditions.
- **Pizza Hut and Starbucks Coffee** delivered solid same store sales growth, up 6.3% and 5.1% respectively.
- **The roll out of the new Carl's Jr. brand** continued with the construction of three new stores and the acquisition in December 2014 of seven Carl's Jr. stores owned by Forsgren NZ Limited, bringing total store numbers to 18.
- **Total store EBITDA** of $61.5 million was up $8.0 million (+15.0%) on the prior year mainly driven by the strong performance by KFC.
- **Operating cash flows** were $36.6 million, up $4.4 million on prior year, driven by higher earnings. Investing cash flows were also substantially up on prior year, reflecting strong levels of store reinvestment and the acquisition of seven Carl's Jr. stores.
- **A final fully imputed dividend** of 11.5 cents per share will be paid on 26 June, making a full year dividend of 19.0 cents (up 15.2% on the previous year).

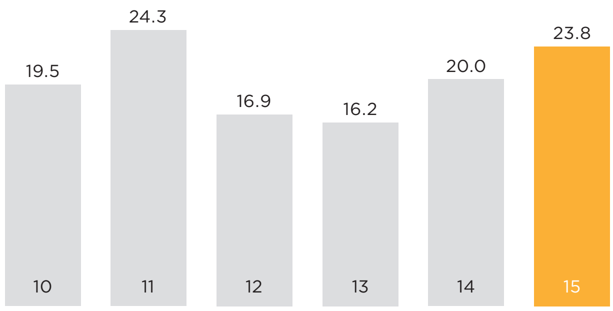
TOTAL SALES
($NZ MILLIONS)



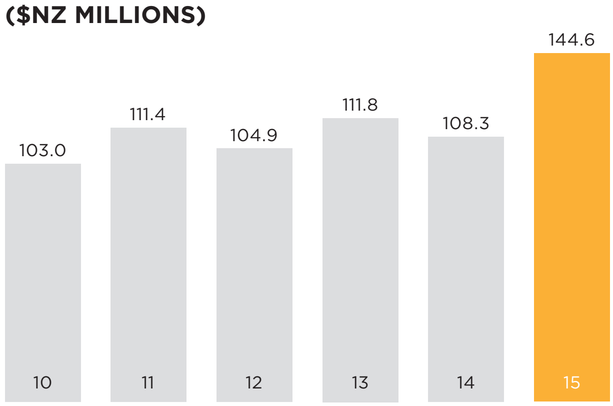
TOTAL STORE EBITDA
($NZ MILLIONS)



TOTAL NPAT
($NZ MILLIONS)



TOTAL ASSETS
($NZ MILLIONS)



Chairman's and Chief Executive's REPORT TO SHAREHOLDERS

Russel Creedy
Chief Executive Officer

Ted van Arkel
Chairman

We are pleased to report on the results for Restaurant Brands for the 2014/15 financial year (FY15); a year in which we continued to build on last year's sales and profit momentum.

Despite continuing competitive challenges, all four of the company's brands produced improved sales and profit performances, with KFC in particular having a stellar year.

	2015 $m	2014 $m	Change %
Total Group Store Sales	359.5	329.3	+9.2
Group Net Profit after Tax	23.8	20.0	+19.4
Dividend (cps)	19.0	16.5	+15.2

Group Operating Results

Restaurant Brands Net Profit after Tax for the 53 weeks to 2 March 2015 (FY15) was $23.8 million (24.3 cents per share), up 19.4% on last year's profit of $20.0 million (20.4 cents per share).

Net Profit after Tax (excluding non-trading items) was $22.5 million (23.0 cps) also up 19.4% on the $18.9 million (19.3 cps) result in FY14.

Non-trading items primarily comprised gains on Pizza Hut store sales and the sale and leaseback of a KFC store. In total non-trading items contributed $1.3 million (pre-tax) compared with $1.5 million in the prior year.

Note: Results for the 2014/15 financial year are on a 53 week basis vs 52 weeks for the previous year. Because the company normally uses a 52 week (364 day) year, a "leap" year is occasionally required; hence an extra week. All comparative data (with the exception of same store sales) is stated on the basis of a 53 week to 52 week comparison.

Net profit
UP 19.4%

Same store sales
UP 5.7%

Total store sales of $359.5 million were up $30.3 million (+9.2%) on the previous year's sales. The extra trading week accounted for $6.9 million of the increase with the majority of the balance coming from KFC and Carl's Jr.

Same store sales for the group were up 5.7% (up 2.4% in FY14).

Group revenues for the year were $372.6 million with the inclusion of sales of ingredients and packaging materials to independent franchisees. This produced an increase in other revenues of $11.9 million on prior year.

Store EBITDA (before G&A costs) was up by $8.0 million (+15.0%) to $61.5 million, with KFC contributing $6.3 million of the improved earnings. All four brands delivered improved results on last year.

Year end store numbers at 181 were five up on February 2014 with continuing sales of regional Pizza Hut stores to independent franchisees, offset by the Forsgren acquisition and new builds for Carl's Jr.

KFC

	2015 $m	2014 $m	Change $m	Change %
Sales	265.0	241.5	+23.5	+9.7
EBITDA	50.8	44.5	+6.3	+14.0
EBITDA as % of Sales	19.2	18.4	–	+0.8

KFC, the company's biggest brand, continued its strong run, producing record annual sales of $265.0 million, an increase of $23.5 million or 9.7% on the prior year (noting that $5 million of this was derived from the extra week's trading). Same store sales were strong throughout the year with the first half delivering same store sales growth of +6.4% and finishing the full year at +7.7% (compared with +0.2% last year).

KFC continued to roll out a range of new products throughout the year. These included a new burger range – the *Colonel's Stack* burger, the *Kiwi Onion Dip* burger and the *Moroccan* burger. Other successful KFC promotional activity included the release of new *Double Down* variants and a re-launch of the popular *Hot 'n Spicy* range. Continued store transformation investment, in-store operational enhancements (including extended opening hours) and an increase in marketing and promotional spend also reinforced the strong same store sales momentum.

Margins were up on prior year with the brand producing an EBITDA of $50.8 million, +14.0% ($6.3 million) up on prior year. As a % of sales, brand EBITDA improved from 18.4% in FY14 to 19.2% this year.

Store transformations picked up momentum in FY15 with ten major transformations undertaken and twelve minor upgrades. The major transformation process is now nearly complete with 82 out of the company's 91 stores now either new or fully transformed.

Store numbers increased to 91 with the acquisition of two stores from independent franchisees in Mt Maunganui and Oamaru and the closure of the Taihape store at end of lease.

Operating cash flows up $4.4 million to

$36.6 MILLION

Pizza Hut

	2015 $m	2014 $m	Change $m	Change %
Sales	48.4	48.4	–	−0.1
EBITDA	6.4	5.5	+0.9	+15.8
EBITDA as % of Sales	13.2	11.4	–	+1.8

Pizza Hut continued to enhance both sales and profit despite continuing strong competition. Total sales were held flat to prior year at $48.4 million, with five fewer stores operating as a result of continued sell downs to independent franchisees. Same store sales continued to perform strongly at +6.3% (+15.3% in FY14). The brand undertook a number of promotions such as the *Mexican* range and innovative *Stuffed Crust* variants that were also particularly well received by customers.

Despite the lower store numbers Pizza Hut improved total earnings on prior year, with all stores operating profitably. The continued improvements in sales volumes, cost-effective menu changes and limited ingredient cost pressures, increased earnings by $0.9 million (+15.8%) on prior year. Resulting EBITDA was $6.4 million or 13.2% of sales (11.4% in FY14).

The sale of stores to independent franchisees continued, with five being sold, leaving Restaurant Brands with a total of 46 stores out of a total of 88 in the market. Favourable trading conditions have underpinned the strong demand from potential purchasers of the company's Pizza Hut stores.

Starbucks Coffee

	2015 $m	2014 $m	Change $m	Change %
Sales	26.1	25.0	+1.0	+4.1
EBITDA	4.3	3.5	+0.8	+21.6
EBITDA as % of Sales	16.3	14.0	–	+2.3

The Starbucks Coffee brand continued with consistent improvements in its business performance to where this year's earnings were at an all-time high. Improved operational standards in conjunction with a rationalised network of stores assisted the brand in delivering total sales of $26.1 million, a growth rate of +4.1% and same store growth of +5.1% for the year (+5.7% for FY14).

Improved sales and continuing operating efficiencies (with some assistance from a stronger exchange rate) saw Starbucks Coffee EBITDA climb to a new high of $4.3 million (or 16.3% of sales), an increase of 21.6% on the prior year result.

Carl's Jr.

	2015 $m	2014 $m	Change $m	Change %
Sales	20.1	14.3	+5.7	+40.1
EBITDA	0.2	0.0	+0.2	n/m*
EBITDA as % of Sales	0.8	–	–	+0.8

**not meaningful*

Our commitment to the development of the Carl's Jr. brand was reinforced by the acquisition of the seven stores operated by Forsgren NZ Limited, and the opening of three new stores in Gisborne, Albany and Manukau, increasing the number of stores to 18. Total sales were up by over 40% to $20.1 million, while same store sales remained negative as the brand rolled over very high volumes due to new store openings in comparative prior year periods.

The Carl's Jr. brand experienced margin pressures from a variety of sources over the year. New store openings continued to incur training and set up expenditure and there were a number of incremental costs incurred in integrating the Forsgren stores into the Restaurant Brands' network. Food costs were adversely impacted by major industrial action at the West Coast US ports, necessitating an urgent search for alternative sources of supply at often significant cost premiums. The industrial action has now been settled and normal shipments will be under way again by the middle of the current year. The company is prioritising local sourcing where possible. Heavy competitive discounting also meant that the brand was limited in its ability to recover cost increases, further impacting margins.

MARGINS IMPROVED ACROSS ALL FOUR BRANDS

Despite this the brand managed to deliver a small improvement in EBITDA from break-even to $0.2 million for the year. The company is focused on developing the brand and improving the profitability of the business in the coming year now that Carl's Jr. has sufficient scale and presence in the market.

Corporate and Other Costs

G&A (above store overheads) at $15.1 million were $2.0 million up on prior year. Most of this increase arose from variable remuneration costs (self-funding) that were incurred as the business improved profitability. As a result G&A costs were slightly above the targeted 4.0% of operating revenue at 4.1% (4.0% in FY14).

A $0.3 million pre-tax charge was taken up to G&A costs in the year to recognise the fair value of the liability that directors believe will arise as a result of eligibility conditions being met under the Chief Executive's Long Term Incentive Scheme.

Group non-trading gains of $1.3 million arose primarily from gains on sale following the successful sale and leaseback of a KFC store ($0.9 million) and Pizza Hut store disposals ($0.8 million). This compares with a $1.5 million non-trading profit in FY14.

Depreciation charges of $15.0 million were up $0.9 million on the prior year largely as a result of the Carl's Jr. new store roll out and Forsgren purchase (an additional $1.0 million). Reduced depreciation charges in Pizza Hut with store disposals amounted to $0.3 million and the KFC depreciation charge at $10.5 million was flat compared with the prior year.

Interest and funding costs at $1.0 million were up slightly on prior year with a small increase in borrowings to fund the Forsgren acquisition. Bank interest rates (inclusive of margins) for the year averaged 5.1% compared with 4.9% in FY14.

Cash Flow and Balance Sheet

Operating cash flows increased to $36.6 million, $4.4 million up on the prior year, reflecting improved sales and profitability. Bringing inventory ownership in-house had an effect on working capital movements, although the increase in inventories of $7.9 million was partly offset by a corresponding increase in creditors.

Net investing cash outflows were significantly up on prior year to $33.0 million from $10.1 million in FY14. Expenditure on plant and equipment and intangibles increased from $22.5 million to $31.0 million, largely from KFC transformation and the purchase of two independent KFC franchisees. A significant additional investment in the current year was from the acquisition of the Carl's Jr. business from Forsgren NZ Limited for $10.3 million. FY15 also saw a reduction in investing cash inflows from $12.4 million to $8.4 million as there was only one sale and leaseback of a KFC store (versus two in the prior year).

The high level of investing cash flows saw resultant free cash flows down to $3.6 million for the year. With dividend payments taking $17.1 million, borrowings increased by $14.5 million. Resulting bank debt was up to $22.6 million at year end, well within the company's $35 million facility limit.

Total assets at year end were $144.6 million, up $36.3 million. Non-current assets made up $24.4 million of the increase with $10.4 million attributable to KFC store transformations and $4.9 million arising from the Carl's Jr. store roll out, together with $10.3 million from the acquisition of the seven stores from Forsgren NZ Limited. The bulk of the additional $11.9 million increase in current assets was in inventories (with the transfer of inventory ownership in-house) and debtors with the company now charging independent franchisees directly for raw material and ingredient supplies.

Total liabilities were up by $29.7 million, with $13.0 million attributable to creditors (again largely as a result of increased levels of bulk stock ownership) and $14.5 million in increased borrowings.

Year-end shareholders' funds of $71.2 million were $6.6 million up on prior year because of increases in retained earnings.

The balance sheet remains conservative with a gearing ratio of 23% (FY14: 11%).

Full year dividend up 15.2% to

19.0 CENTS PER SHARE

Dividend

Directors have declared a final fully imputed dividend of 11.5 cents per share. This, together with the interim dividend of 7.5 cents per share, makes a full year dividend of 19.0 cents per share (16.5 cents for FY14).

Restaurant Brands continues to enjoy strong cash flows and dividend levels will continue to increase as the company continues to enhance its profit performance.

The 11.5 cents final dividend will be paid on 26 June 2015 to all shareholders on the register as at 12 June 2015. A supplementary dividend of 2.0294 cents per share will also be paid to overseas shareholders on that date.

The dividend re-investment plan remains suspended for this dividend.

Board

The Restaurant Brands board continues to work as a small tightly knit team. Hamish Stevens joined us as a director last year, bringing our number to five. Hamish has provided strong financial input and has assumed the Chairmanship of the Audit Committee.

Unfortunately the board also saw the resignation of David Pilkington as a director this year. As with all our board members, David was with us for some time, giving in excess of ten years' service to Restaurant Brands and we are grateful for his considerable input. We are actively looking for a replacement.

Staff

We acknowledge the continued efforts of our employees at all levels of the organisation in producing the kind of results we achieved this year. Working in sometimes challenging conditions, the people in our stores continue to deliver the product and experience that keeps our customers coming back for more.

Elsewhere in this report we introduce the senior management of Restaurant Brands who work closely with chief executive and board to continue to drive the performance of Restaurant Brands.

We continue to enhance our recruitment and training capabilities to increase our attractiveness as an employer and it is pleasing to see a continued reduction in turnover of our staff.

Our Community

Restaurant Brands is a company that is very much a part of the community it operates in. With stores covering the country from Kaitaia to Invercargill, the company's brands have a strong presence and are known to all. Our employees too are part of that community and we as a responsible employer are very conscious of this. Workplace safety and diversity of our workforce are two areas of constant focus which, together with our staff turnover, give us and our shareholders real measures of inherent staff satisfaction.

As part of the support to the wider community we continue to partner with Surf Life Saving New Zealand. That worthwhile community cause benefitted from our donations and fundraising activities to the tune of over $120,000 over the past twelve months.

We also continue to improve our environmental footprint and to reduce our impact on the environment with recycling and energy conservation activities.

We remain committed to doing business on a sustainable basis and supporting our people and the communities we serve.

Outlook

We are pleased with the trading results for the FY15 year. The $22.5 million NPAT (excluding non-trading items) is the second best result in the company's history. However despite the benign retail environment, continued competitive pressures mean that the margin improvements achieved across all our brands have been hard-won.

The new financial year has started well with continuing strong sales across all four brands and the company is very focused on maintaining this momentum. Ingredient input prices are expected to remain stable; however there is an expectation of higher levels of labour cost.

KFC will see continued high levels of investment in store transformation as the brand comes closer to its target of having all 91 stores at the new high standard. This, together with a strong promotional calendar will see continued same store sales growth for the coming year (albeit at lower levels than the FY15 year), with margins at similar levels.

Pizza Hut will also see same store sales growth in its company stores. The store sell down programme will see company stores at less than 50% of the network by year end, but the residual stores will remain profitable as the brand continues to thrive.

Starbucks Coffee will again see similar levels of same store sales growth. Margins will remain strong, but there will be some pressure from exchange rate movements.

Building sales momentum and profitability in the Carl's Jr. operations will be a major focus for the company over the next 12 months. Expanding the brand footprint will continue with the intention of reaching into previously unpenetrated markets. Addressing the current supply chain issues, the continued move to local sourcing, more efficiency in new store openings and leverage from sales growth will all help to significantly improve margins in the FY16 year.

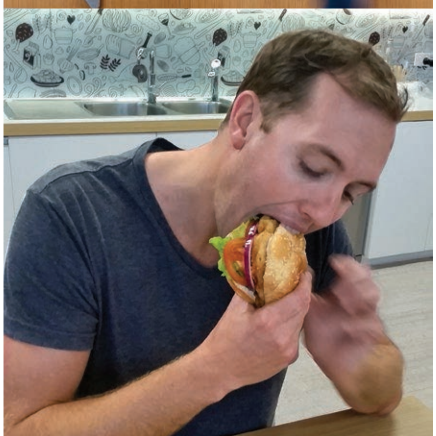
Subject to any significant changes in the economic and competitive environment or unusual costs, with increased contributions from both KFC and Carl's Jr. we expect that the company will deliver a further improved profit result in the new financial year.

Conclusion

Restaurant Brands' board and management continue to work closely together. We would jointly like to thank both the board of directors and the management team for their efforts in producing the strong result in the FY15 year and acknowledge their continuing support as we move into a new financial year.

Ted van Arkel
Chairman

Russel Creedy
Chief Executive Officer



PACE & PURPOSE

From the minute we open our restaurant doors early in the morning, there's a belief that the day will be a good day – full on, with plenty of challenges, opportunities to delight our customers and, of course, grow. We're often asked how it all works, how a company our size managing four brands across nearly 200 stores can consistently deliver in a constantly changing retail environment. Yes it's the infrastructure, the systems and the disciplines. But it's the energy and pace of a strong and focused management team that makes the difference.

Past annual reports have offered some insight into the complexity of our business. Multi-faceted and multi-disciplinary, the company's organisation might at times seem unwieldy and difficult to manage. To the uninitiated perhaps. But to the people who drive this business every day, it is an exciting challenge – one that exacts the best from everybody involved, and one requiring total commitment, focus and personal energy to maintain a competitive pace. Those drivers are the company's leaders, the people that make up the Senior Leadership Team (SLT).

Driven 'A' types

Each member of the SLT is a focused multi-tasker and leader in their field of expertise. You might recognise them as classic 'type A' personalities, driven by big picture thinking while constantly tuned to the everyday detail of restaurant operations. The pace of smoothly running nearly 200 restaurants covering the length and breadth of the country demands nothing less.

Geraldine Oldham, GM Sales and Marketing, believes the SLT comprises a group of very strong personalities. "We're all leaders with more than five years of experience at this level – and that brings a lot of substance, stature and innovative horsepower."

Deidre Gourlay, GM Development and Property, describes the leadership team as a very potent forum of 'subject matter experts' that feeds into the entire operation. "There are so many different perspectives," she says.

Yet despite the different viewpoints, steering a successful business like Restaurant Brands relies on each leader having an understanding and respect for all aspects of the operation, not just their own. Well-rounded experience and collective maturity ensures a healthy supportive approach to decision-making and meeting the day-to-day challenges.

"As a team of people who know each other it starts to work intuitively," says Geoff Holton, GM Information Systems. "People rise up to tackle the issues, prioritising and focusing on what's really important."

Adds Deidre, "Initiatives are taken with a holistic view and complete sensitivity about which functions are likely to be affected by the necessary decisions."

Leonie Reyneke, GM Supply and Quality, comments that the SLT is almost 'rhythmic' and like a well-oiled engine that enables change to happen and decisions to be carried out efficiently and effectively.

Culture of change and innovation

A strength of Restaurant Brands that all its SLT members applaud is a culture of willingness to embrace change and explore different ways of doing things.

"EACH OF US (IN THE LEADERSHIP TEAM) THRIVES ON CHANGE AND INNOVATION. IT IS HUGELY EXCITING WHAT WE CAN ACHIEVE TOGETHER."

Geraldine Oldham, GM Sales and Marketing

"THE PACE OF CHANGE IS EXCITING. AND I SEE MY ROLE AS HELPING TO DEVELOP THE BUSINESS BY DELIVERING CHANGE AND INNOVATION."

Geoff Holton, GM Information Systems

It's an innovative energy in a leadership team that constantly challenges and pushes itself to go further.

"Hitting a target is not good enough," says Geraldine Oldham, "the bar can always be higher. We're always looking for opportunities to develop the business – breakfast menus, digital communications, new delivery models – there's enormous scope to explore many different avenues and inject some real innovation."

"There's never a dull moment," says Leonie Reyneke, describing the daily ebb and flow of energy in the organisation. "And nor should there be. We work in an atmosphere of change and innovation which is wonderfully inspiring, but also fundamental to the company's continued competitiveness and growth."

Of course, innovation is critical in any business, but it's the pace of change in Restaurant Brands that would frustrate many companies. Yet Restaurant Brands thrives on it. The goal is always to improve, keep looking ahead and to move on.

The Quick Service Restaurant (QSR) market that Restaurant Brands operates in sets its own pace and the SLT is acutely aware that change needs to keep in step; if it does not happen quickly enough, opportunities for growth may be missed.

"Innovation may arise out of a specific need or it may be in anticipation of a need." explains Jennifer Blight, GM People and Performance, "It may be fuelled by the business or by the market. Either way we embrace it and implement it as quickly as possible."

The consumer is ever-demanding of quality in service, food, environment, and overall brand experience, be that in-store or online. The market is intensely competitive and our consumers are presented daily with a vast array of QSR brands and their respective takeaway, delivery, drive-thu or dine-in offerings.

"It's our business to know our customers very well," says Geraldine Oldham. "We are constantly talking to them in focus groups, out in the stores where the action happens, as well as across a range of online and social media channels."

Integrated, supportive and collaborative

It's typically when the market responds overwhelmingly to the company's marketing and promotional initiatives, for example, that the organisation's SLT shows its mettle. Often the need to be flexible, agile and adaptive to change is immediate. Take KFC's *Double Down* promotion. The business relied on a robust and responsive supply chain operation able to anticipate the pressure points in the system and ensure a continued supply of quality ingredients to the stores – such was the swell in consumer demand for this product.

Successful marketing promotions rely not only on Marketing and Supply Chain working closely together but also hand-in-hand with the stores, led by Jamie McKaughan, GM Restaurant Operations. "Our operations people are trained and motivated to deliver the pace of a full-on promotion along with the usual day-to-day in store pressures. They are the ultimate point of contact with the customer and are passionate about their brands. Sales are so responsive to a positive and committed store crew," he says.

Information Systems are right in there too, with data streaming from the stores in real time giving an up-to-the-minute picture of how a promotion is going. Sales and Marketing needs it. Supply and Quality needs it.

"THE SLT HOLDS EVERYTHING TOGETHER IN THE BUSINESS. I BELIEVE THE EXPERIENCE EACH OF US BRINGS MEANS THE COMPANY'S LEADERSHIP IS THE STRONGEST IT'S EVER BEEN."

Jennifer Blight, GM People and Performance

"In the SLT, we're talking to each other all of the time," says Jennifer Blight. "We're in constant communication, because each of us on the team realises that nothing can be done alone in isolation without the support of our colleagues."

Besides ramping up the organisation behind a promotion, examples of this cross-functional collaboration include how Property and Marketing worked closely together throughout the successful KFC store transformation process. And Restaurant Operations constantly look to HR for consistent levels of competent staff to maintain the highest service standards and dependable brand experience in store. Meanwhile HR and Operations engage with the talents of the Information Systems team to help consider new opportunities in managing staff rosters or health and safety initiatives.

Finance is an integral and critical part of the business. Led by Chief Financial Officer Grant Ellis, the Finance team keeps an eye on individual store performance working with Restaurant Operations to keep on top of things that matter at store level. Grant Ellis also draws attention to his team's in-depth analysis and forecasting on trends that impact on the planning and input of all SLT members and their respective teams. "The operation of all aspects of the SLT functions has financial implications," says Grant. "Every SLT member has to have an eye for the detail and an ability to understand the facts that lie beneath the numbers."

Decisions, decisions, always decisions

Grant acknowledges the challenge of balancing big picture visionary initiatives with the detail of daily retailing at the store level. "The company is made up of 181 individual stores, each with its own unique business patterns, revenue streams and cost structures. Long term initiatives are very important for continued growth and competitiveness, but so too is the need to keep the tills ringing today," says Grant.

It's an observation on which all SLT members agree can present tensions in the company. But in a positive way because it makes decision-making much sharper, and acutely accountable.

Such tensions are normal in the QSR business. Maintaining a balance between corporate disciplines and entrepreneurial agility, promotional exuberance and precise demand-led supply management, and between autonomy and accountability is a constant challenge.

"We need structure of course, but we can't allow structural layers to constrain innovation and empowerment. We're in a retail business that requires the utmost flexibility and agility," says Geoff Holton.

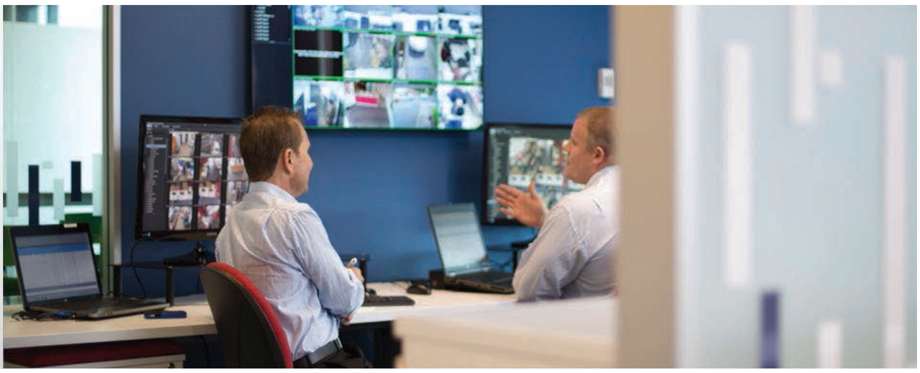
Yet amidst the competing perspectives, decisions must be made, and quickly.

"You can't be afraid of making decisions at Restaurant Brands," says Leonie Reyneke, "pick up the phone, make the call and make it happen – you might only have ten minutes."

Naturally, the path of innovation and change is not always smooth and lessons are constantly being learnt. "But if the goal is always to improve and keep moving forward, obstacles are easier to overcome," adds Deidre Gourlay, "just as we make decisions quickly, we have to get over our stumbles quickly too, learn from them and move on. We have to be resilient."

It's fair to say that this environment does not suit everyone. Where some companies may find the pace and responsibility of change a little daunting, here people are energised by it. Why? Quite simply - because they are in their element, the right people have been chosen for the job.

It is all very well to find people with the right set of skills but, says Jennifer Blight, "it is the challenge of HR to find people who will do well in this environment. It is so satisfying when we find the right fit because all our people are so passionate about their brands."



Structure and systems are the foundation

The requirement for constant assessments keeps the organisation on its toes every day; yet for all the immediacy that the business demands, decisions are based on concrete data. Restaurant Brands' robust, nimble information systems are to thank for that. Free flow of real time information supplements training, knowledge, and expertise so that sound and deliberate decisions can be made in the shortest time possible.

The systems, processes, procedures and networks in the business are all in place and fully operational but they are simple, efficient and adaptable; they support the company's culture and character.

"We are a corporate with the agility of a small business," says Leonie Reyneke, and it is up to the SLT to facilitate that entrepreneurial spirit.

Jamie McKaughan remarks that it is the company's structures and disciplines that allowed the business to recently take over, so effectively, the Carl's Jr. stores it didn't already own. "It was an overnight change and we were able to absorb their operations and their people without a hiccup or any impact on the stores' day-to-day running."

Leadership provides focus on strategy

With each member being a leader in their own right and passionate about their function, creating unity in a team is easier said than done. But, hiring ambitious, dynamic experts in their fields has resulted in a SLT of people who are confident in themselves and in each other – and who are quite simply, too busy focusing on the company to worry about ego.

"Robust discussions are commonplace but result in sound decisions without unnecessarily protracted discussions. If any tension arises, we get back to strategy, there is less frustration when decision-makers are clear on the strategy," comments Deidre Gourlay.

Without a doubt, the pace of change and all of its attendant opportunities calls for focus and leadership – on clear vision and direction. The strategic focus comes from Restaurant Brands' Chief Executive Officer, Russel Creedy.

"We're all leaders in the SLT, but it's Russel who maintains the overarching strategic focus to keep us on the straight and narrow. Our strategy allows us to prioritise, maintain focus and make the right decisions with authority and confidence," says Leonie Reyneke.

And once again, it becomes clear that when the whole leadership team is unified in moving forward, embracing change and looking to improve, any competing side issues quickly dissipate and fall into line.

...and when the day is done

It takes a special set of qualities to be able to respond effectively to challenges as they arise, and to look for ways to make a well-tuned engine purr even better. The supportive interdependency between the different functions of the SLT is crucial as is visionary leadership to ensure focus is maintained on the priorities.

There's a confidence in Restaurant Brands' SLT, and an expectation of success born of a can-do spirit. Never complacent; "there's no time for that," says Geoff Holton, "every dollar is hard earned. That's the constant competitive nature of our industry and business."

And so, at the end of each day's trading, the SLT can be content knowing that they led a high performance business to perform even higher, that their teams once again gave their best and met their challenges, and that ultimately, each in their own way, contributed to a customer brand experience to keep this company one of the most admired operators of Quick Service Restaurants in the world.

"WE CHALLENGE EACH OTHER. BUT THEN AGAIN WE HAVE TO DO THAT BECAUSE THIS IS A COMPANY THAT ONLY SETTLES FOR BETTER OR BEST."

Jamie McKaughan, GM Restaurant Operations

From left to right: Russel Creedy, Jennifer Blight, Leonie Reyneke (standing), Grant Ellis (standing), Jamie McKaughan, Geraldine Oldham (standing), Deidre Gourlay, Geoff Holton

Introducing our

SENIOR LEADERSHIP TEAM

Each member of the Senior Leadership Team (SLT) is an expert in his or her own field, as well as a committed engineer of Restaurant Brands' vision. Each one is undaunted and passionate. Here are the drivers of our business.

RUSSEL CREEDY

MBA, BSc, HED

Chief Executive Officer

14 years with Restaurant Brands, including 3 years as Supply Chain Manager and 3 years as GM Pizza Hut.

Key areas of responsibility
Oversees all aspects of the company's operations.

Previous experience
Sales and manufacturing roles in chemical companies, food supply chain and logistics operations in South Africa and New Zealand.

Interests
Golf, travel.

GRANT ELLIS

MBA, B Com, FCA, ACIS

Chief Financial Officer

17 years with Restaurant Brands.

Key areas of responsibility
Financial reporting, planning and forecasting, company secretarial, legal, treasury, insurance, internal audit, administration, investor relations.

Previous experience
Senior finance roles in a number of New Zealand corporates in food, construction and retail sectors.

Interests
Military history, cycling, tramping.

JENNIFER BLIGHT

BBS, Dip HSM

General Manager People and Performance

7 years with Restaurant Brands.

Key areas of responsibility
Learning and development, recruitment, OHS&E and industrial relations.

Previous experience
Senior HR roles in recruitment, utilities and healthcare sectors.

Interests
Cycling, catching up with friends.

DEIDRE GOURLAY

BPlan(Hons)

General Manager Development and Property

13 years with Restaurant Brands.

Key areas of responsibility
New store development, refurbishment, property management of lease portfolio, facilities maintenance.

Previous experience
Various property roles in major QSR operators in New Zealand, UK retailers and airlines.

Interests
Kayaking, cycling, photography.

LEONIE REYNEKE

BM, HED

General Manager Supply and Quality

4 years with Restaurant Brands.

Key areas of responsibility
Forecasting and demand planning, sourcing and purchasing, supplier and inventory management, quality assurance, food safety and compliance.

Previous experience
Over 22 years' experience in senior roles across various business disciplines: finance, logistics, supply chain and quality assurance positions held with various high profile New Zealand companies.

Interests
Netball (umpiring, coaching), cooking, reading.

GEOFF HOLTON

CA

General Manager Information Systems

6 years with Restaurant Brands.

Key areas of responsibility
IT infrastructure, software systems, helpdesk, business information reporting, system and process development.

Previous experience
Senior IT, finance and business development roles in a number of New Zealand companies.

Interests
Snowboarding, fishing, travel.

JAMIE MCKAUGHAN

Dip Adv Retail Mgt, Exec Mgt Devpt Programme MGSM

General Manager Restaurant Operations

2 years with Restaurant Brands.

Key areas of responsibility
Store operations, staff training and people development, motivation, customer service with focus on policies, procedures and standards.

Previous experience
Senior leadership and operations roles for over 30 years in QSR corporate and franchise systems in Australia, Asia and the USA.

Interests
Golf, horse racing and breeding, volunteer fireman.

GERALDINE OLDHAM

BMS

General Manager Sales and Marketing

4 years with Restaurant Brands.

Key areas of responsibility
Sales, marketing, customer care.

Previous experience
Senior marketing roles in retail and media sectors.

Interests
Fitness, cycling, gym, dance.


09
MEETING
ROOM






SETTING THE STANDARD

STRONGEST SALES YEAR EVER

KFC enjoyed its strongest year ever in terms of sales performance with commensurate solid earnings levels. An improving economic environment, some innovative new product development, the ongoing programme of significant store upgrades, better customer experiences and higher levels of marketing and promotion activity, all contributed to driving sales to an all-time high of $265.0 million. Same store sales growth for the year was 7.7% with each quarter showing continued momentum. Q1 was 5.0%, Q2 7.4%, Q3 10.8% and Q4 7.5%.

New burgers were very much a part of the growth with such innovations as *Colonel's Stack* burger, *Kiwi Onion Dip* burger and *Moroccan* burger all proving successful launches. However the base chicken business delivered solid sales growth as well. Sponsorships of the New Zealand Super Rugby franchises as well as the Cricket World Cup also contributed strongly to brand awareness.

Earnings also grew strongly, with EBITDA up $6.2 million or 14.0% on prior year to $50.8 million. Sales leverage, a change in menu mix from last year's value offerings and some relief in raw material price increases all assisted in driving better margins. These benefits were somewhat offset by higher labour costs as KFC reinvested in store labour to improve customer experience and higher levels of marketing expenditure. As a % of sales, EBITDA was 19.1% in the first half, climbing to 19.2% for the full year, up on last year's 18.4%.

The tempo of store transformations increased with a total of ten stores receiving major upgrades compared with only two in FY14. This brings the total number of KFC stores that are either new or significantly transformed to 82, 90.1% of the total network. In addition, a further twelve stores underwent five and ten year minor upgrades.

The total stores in the network increased from 90 to 91 over the year with the acquisition of two stores previously owned by independent franchisees in Mt Maunganui and Oamaru and the closure at lease end of a store in Taihape.

The KFC mystery shopper programme (CHAMPS) produced scores consistent with the prior year (90%), indicating that despite significantly increased volumes there has been no deterioration in customer experience levels.

The measure of store internal operational compliance (CER score) also remained very consistent with prior year at 65%.

Staff turnover of 47.4% represented a further improvement on the previous year's 49.0% as the benefits of central recruiting continued to be evident.

The continued focus on workplace safety also paid dividends. The number of accidents in our KFC stores was 151, much the same as last year at 153. The actual lost time injuries per million hours dropped to six, compared with 16 per million in the prior year.

The strong momentum built up over the FY15 year is continuing into the FY16 year with robust sales growth and good margins being maintained. Whilst the retail environment remains relatively benign and competitive activity less extreme KFC is expected to continue to maintain solid same store sales growth over the coming year and EBITDA margins of 19-20% of sales. The brand will continue to actively pursue its store upgrade programme with the bulk of the remaining nine stores in the network that haven't been transformed being completed in the FY16 year. KFC is Restaurant Brands' largest and most profitable brand and it continues to deliver excellent results for the company and its shareholders.

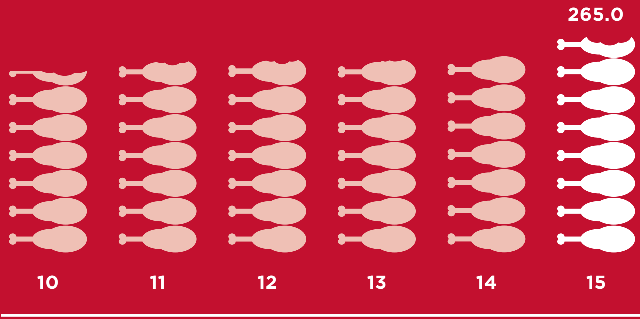
STAFF

2,360

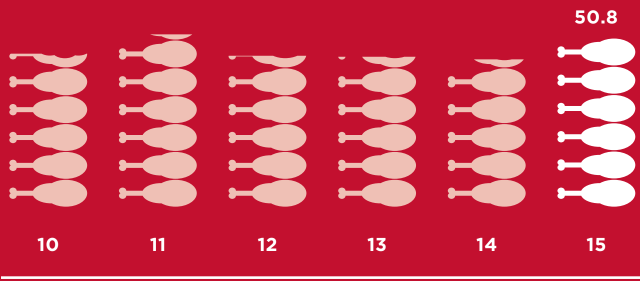
STORES

91 **(+6 FRANCHISED)**

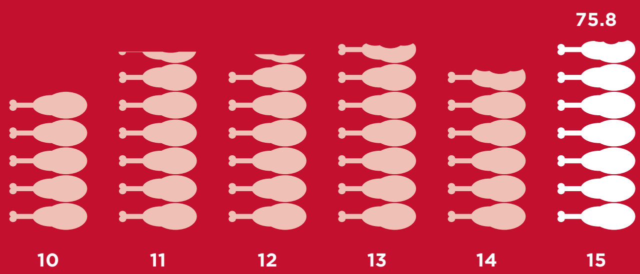
TOTAL SALES ($NZ MILLIONS)



TOTAL EBITDA ($NZ MILLIONS)



TOTAL ASSETS ($NZ MILLIONS)



DELIVERING ON THE STRATEGY

FEWER STORES AND HIGHER PROFIT

The turnaround in the Pizza Hut brand continued with another excellent year in sales and profit performance. Total sales held at $48.4 million despite there being five less stores in the network with the continuation of the store sales programme. The value pizza offering with quality product and good levels of customer service saw another year of positive same store sales of +6.3%. The rate of increase of sales growth has started to taper however as the brand rolls over some very significant increases in previous years.

Product innovation helped drive the sales performance with a range of *Stuffed Crust* variants and the release of the *Mexican* range, both proving very popular with Pizza Hut customers.

Pizza Hut's profitability rose yet again with brand EBITDA up by $0.9 million (+15.8%) to $6.4 million, again despite lower store numbers. Volume leverage and stable material prices contributed to the good result which at 13.2% of sales is one of the highest margin levels seen for some time.

Customer service levels as measured by the CHAMPS mystery shopper scores slipped slightly to 89% (versus 91% in the prior year).

The measure of internal store operational compliance (CER score) was 75% for the year (77% in FY14). This measure, which is significant in determining the operating efficiencies and food quality in our stores has seen a consistent improvement over recent times and is still at a satisfactory level.

Staff turnover was 59%, slightly up on the prior year's 55%, and remained in part a reflection of the continued store sell down process.

Pizza Hut saw a small increase in total accident claims from 16 to 20 despite a continued focus on staff safety. Lost time injuries per million hours remained constant at five.

Five more stores were sold to independent franchisees as part of the strategy of exiting regional and lower volume stores. Interest in purchasing Pizza Hut stores continues to be very high with a number of franchisees now looking to buy more than one store. The pace of selling continues to slow as the improved profitability of the brand means higher prices being sought for stores. Company owned stores had reduced to 46, out of a total of 88 in the market by the end of the year.

Pizza Hut has seen a continuation of the strong sales and margin performance into the FY16 financial year and is expected to deliver another solid result (although not at the incremental levels seen in the past two years). There will be continued sales of stores to independent franchisees as and when opportunities present.

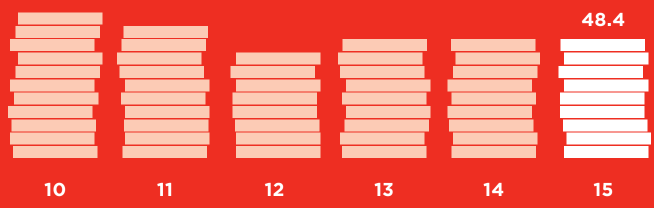
STAFF

547

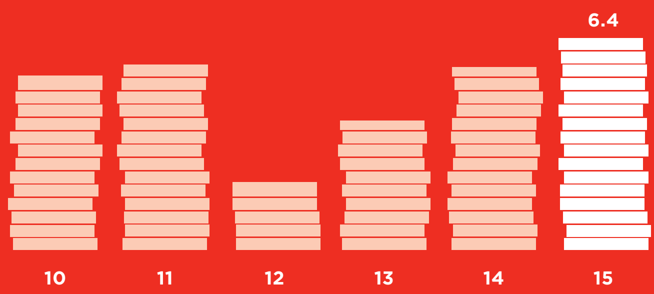
STORES

46 **(+42 FRANCHISED)**

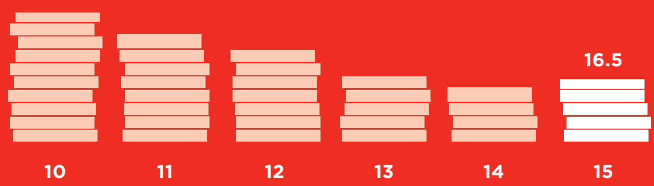
TOTAL SALES ($NZ MILLIONS)



TOTAL EBITDA ($NZ MILLIONS)



TOTAL ASSETS ($NZ MILLIONS)



ACHIEVING CRITICAL MASS

STORE NUMBERS UP BY TEN

Solid progress was made in establishing the newest brand in the Restaurant Brands stable, despite intense competition and some significant supply chain challenges.

Store numbers increased from eight to eighteen with the construction of three new stores and the acquisition in December 2014 of seven stores in the Auckland area previously owned by Forsgren NZ Limited. The Carl's Jr. brand is beginning to gain penetration in the Auckland and northern North Island market, but has yet to take up the opportunities available for growth in the Wellington and South Island markets.

Sales grew by over 40% from $14.3 million to $20.1 million with the impact of the new store builds and Forsgren acquisition. Same store sales continued to remain negative with Carl's Jr. having to roll over often significant new store opening sales volumes in prior periods. As the brand begins to mature sales will move to more consistent levels.

Profitability continues to be a challenge. Whilst the impact of new store opening costs still weighs on earnings, this is becoming increasingly diluted as the brand grows. Additional costs were also incurred over the year in increased marketing expenditure (driving brand awareness off a small base) and in the acquisition and integration of the Forsgren stores. However the largest impost on margins arose in ingredient costs with major industrial action in the West Coast US ports restricting supply of sometimes critical items from the US. This caused considerable disruption to the business in the latter half of the year and necessitated an urgent search for alternative sources of supply with commensurate cost implications.

The resulting EBITDA margin was up marginally on prior year's break-even at $0.2 million (0.8% of sales).

Staff turnover was 70%. This is higher than desirable, but reflects the substantial change the brand has been going through and particularly the integration of seven newly acquired stores into the business.

Employee safety results also reflect the rapid growth and disruption the business is going through as part of the establishment process. Total accident levels were up slightly from 11 to 14 claims, but there were no lost time claims in the year.

With initial growing pains, integration of a significant acquisition and supply chain problems now behind it, the Carl's Jr. brand is positioned to make a considerably enhanced return in the FY16 year. It has a strong management team in place and innovative marketing programmes, supported by a good pipeline of new product releases. These, combined with further planned store roll outs, should see robust sales growth and commensurate margin expansion over FY16.

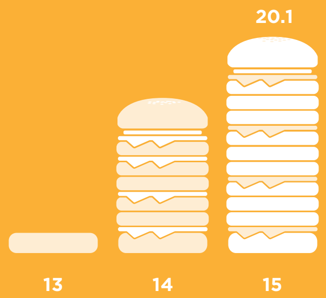
STAFF

411

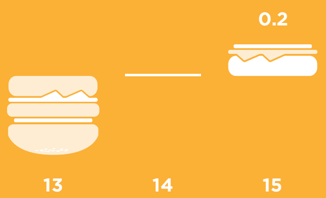
STORES

18 (+ NIL FRANCHISED)

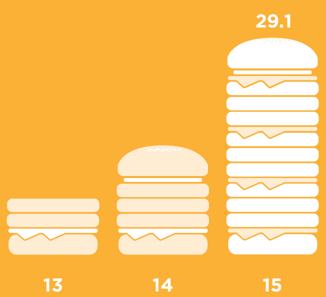
TOTAL SALES ($NZ MILLIONS)



TOTAL EBITDA ($NZ MILLIONS)



TOTAL ASSETS ($NZ MILLIONS)



IT'S FULL STEAM AHEAD

PROFIT MARGINS UP

FY15 saw the best profit performance ever for the Starbucks Coffee brand. Earnings were up 21.6% for the year to $4.3 million on the back of solid sales growth and continuing store efficiencies. A strong exchange rate also assisted in keeping input costs down. EBITDA margin climbed from 14.0% of sales to 16.3%.

Total sales were up 4.1% to $26.1 million with same store sales up 5.1% (5.7% in FY14) with increases across the board in blended beverages, espresso drinks and food items.

Some increase in capital expenditure with the commencement of a store refurbishment programme and the implementation of a new point of sale system in stores saw a small increase in total assets invested, but this brand continues to show a very high return on investment.

Store numbers at year end totalled 26, one down on last year with the closure of the Karangahape Rd store in Auckland at lease end. All stores recorded positive margins for the full year.

Staff (or partner) turnover continued to reduce, down to 52% from 66% last year and 70% in the year before as this brand benefits from continued stability and the implementation of centralised recruitment.

Despite a continuing focus on safety in stores, Starbucks Coffee saw a small increase in accident levels from nine to fourteen. None of the injuries were serious in nature and mainly involved slips.

With its niche position among branded chains in the New Zealand coffee marketplace and following a period of rationalisation, the Starbucks Coffee brand is demonstrating steady growth and is beginning to generate excellent returns. It is expected to deliver similar same store sales growth over the coming year whilst holding margin. There will be continuing capital reinvestment in store refurbishment over the new year.

STAFF
334

STORES
26 **(+ NIL FRANCHISED)**

TOTAL SALES ($NZ MILLIONS)

TOTAL EBITDA ($NZ MILLIONS)

TOTAL ASSETS ($NZ MILLIONS)

Board of DIRECTORS

Ted van Arkel
FNZIM
Chairman and Independent Non-Executive Director

Term of Office: Appointed Director 24 September 2004 and appointed Chairman 21 July 2006, last re-elected 2011 Annual Meeting

Board Committees: Member of the Audit and Risk Committee and Appointments and Remuneration Committee

Mr van Arkel has been a professional director since retiring from the position of Managing Director of Progressive Enterprises Limited in November 2004. Mr van Arkel currently serves as Chairman of Health Benefits Limited and The Warehouse Group Limited. Other NZX listed company directorships are AWF Group Limited and Abano Healthcare Group Limited. He is also a director of the Auckland Regional Chamber of Commerce & Industry Limited. Mr van Arkel also serves as a director of a number of private companies including Philip Yates Securities Limited, Danske Mobler Limited and his family-owned companies Lang Properties Limited and Van Arkel & Co Limited.

Sue Suckling
B.TECH (HONS), M.TECH (HONS), OBE
Independent Non-Executive Director

Term of Office: Appointed Director 9 June 2006, last re-elected 2010 Annual Meeting

Board Committees: Chairman of the Appointments and Remuneration Committee and Member of Audit and Risk Committee

Ms Suckling is a professional director with over 20 years governance experience with public and private companies. She is currently Chairman of the New Zealand Qualifications Authority, Barker Fruit Processors Limited, ECL Group Limited, Jacobsen Holdings Limited and Callaghan Innovation Research Limited and its subsidiaries and also chairs Health Benefits Limited Transition Interim Governance Group. She is a director of Oxford Health Group Limited, Oxford Clinic Hospital Limited, SKYCITY Entertainment Group Limited and Acemark Holdings Limited. She also serves as a member of the Takeovers Panel.

Danny Diab
FAICD, DIP CD, DIP CM, FICM
Non-Executive Director

Term of Office: Appointed Director 17 October 2002, last re-elected 2012 Annual Meeting

Board Committees: Member of the Audit and Risk Committee and Appointments and Remuneration Committee

Mr Diab is based in Australia where he owns and operates a number of Pizza Hut restaurants in Sydney in addition to other business interests. He has more than 27 years' experience in the food industry and is regarded as one of the leading Pizza Hut franchisees in Australia. He has worked as a consultant specialising in the areas of business improvement and restructure, mergers and acquisitions. He is Vice President of the Australian Pizza Association.

Hamish Stevens
MBA, B COM, CA
Independent Non-Executive Director

Term of Office: Appointed Director 8 May 2014, last re-elected 2014 Annual Meeting

Board Committees: Chairman of the Audit and Risk Committee and Member of Appointments and Remuneration Committee

After considerable experience in a number of senior corporate roles including both operational and financial management in such large companies as DB Breweries Limited and Heinz-Watties Limited, Mr Stevens became a professional director in 2010. He is currently chairman of Counties Power Limited and is a director of AsureQuality Limited, Smart Environmental Limited, Dairy Technical Services Limited and Botany Health Hub Limited. He also chairs East Health Services Limited and The Kennedys Limited and is a director and shareholder of Governance & Advisory Limited. A qualified chartered accountant, he also chairs the audit committees for a number of these companies as well as an independent chairman of Audit and Risk Committee of the Waikato Regional Council.

COMMUNITY SPIRITED, SUSTAINABLY PRINCIPLED

Our vision is to be the leading operator of enduring and innovative QSR brands in New Zealand. That's why we're committed to doing business guided by principles of sustainability. These principles help form our menus and management practices; our people and the way we contribute to the communities we serve.

Four interdependent elements; People, Food, Planet and Progress, comprise the core aspects of our Corporate Social Responsibility ethos and sustain the health and vitality of our company. We set out below our Corporate Social Responsibility KPIs and progress for the new financial year in relation to each of these elements.

People

Restaurant Brands depends on the support of Kiwi consumers and partnerships with employees, suppliers, franchisees and investors. We employ 3,912 people aged from 16-70 nationwide and serve over 60,000 customers every day. We:

- **Offer competitive remuneration** to attract and retain skilled skilled employees. We maintain our position not to reintroduce youth rates. We also do not offer zero hours employment contracts to our people and guarantee minimum hours of work.
- **Invest in our people** through training and education programmes across all our brands and provide a clear career path for talented employees. We have rolled out an e-learning programme for a large proportion of our staff to build their competencies and skills in the field.
- **Are an equal opportunity employer** and embrace the diversity of the communities that we operate in. We provide employment for many new New Zealanders and opportunities to make a first start in the workforce. With more than half of our workforce being female (together with a significant proportion of senior management) we are committed to true gender balance.
- **Continue our involvement** with charitable and community organisations and review our efforts on an ongoing basis to ensure they remain relevant and valuable to the communities we serve.

Our significant partnership with Surf Life Saving New Zealand underscores our commitment to community causes. We have been a charity partner since 2012 and in addition to raising funds for charity we are committed to assisting Surf Life Saving New Zealand with educating people how to stay safe at the beach through a multi-lingual water safety education campaign.

Food

Restaurant Brands serves great tasting, safe food with seasonally and locally sourced ingredients. We:

- **Continue to make improvements** to the nutritional composition of our food with a focus on sodium, sugar and saturated fat reduction.
- **Provide detailed nutritional information** about our products online to enable our customers to make informed choices.
- **Support our trusted local suppliers** as part of our ethical purchasing and procurement. This year we have brought most of our ingredient sourcing for our new Carl's Jr. brand to domestic supply.

Planet

Restaurant Brands is conscious of the impact its operations have on the environment and we are always working to minimise waste, maximise energy efficiency and use resources carefully. We:

- **Continue to source all packaging from sustainable timbers** with the majority grown locally.
- **Continue with initiatives** that see all cardboard and paper collected for recycling and cooking oil reprocessed for bio-diesel and soap.
- **Are a member of the Public Place Recycling Scheme (PPRS),** a programme which helps New Zealanders to recycle and reduce litter away from home.
- **Actively participate in energy saving initiatives** including monitoring live power usage in our stores to reduce peak load.

Progress

Restaurant Brands continues to proactively and fairly reward all its stakeholders. We have:

- Since 2004, **invested $80 million in the KFC store network** including building 11 new KFC stores.
- Since we opened the first Carl's Jr. store in December 2012, **invested $17 million in building 11 new Carl's Jr.** stores.
- Created up to **40 new jobs per new KFC store and Carl's Jr. store**, a total of 400 over the past two years.
- **Over the past year paid our staff $95 million in salaries and wages**, up from $84 million in the prior year.
- For the last financial year **paid $17.1 million in dividends to our investors.**
- **As a responsible corporate citizen** paid $9.2 million in income tax and $19.3 million in goods and services tax in the last year.

CSR Performance Measures

Category	Measure	Outcome FY2015	Outcome FY2014
Workplace safety	Number of workplace lost time incidents in past 365 days	21	51
	Number of lost workdays from injury in past 365 days	77	167
Staff satisfaction	Staff turnover (as a % of average total staff on a rolling annual basis)	51%	52%
Gender diversity	% of women employed at all levels	53%	52%
Community	Total funds raised for charitable and community organisations	$222,000	$240,000
Recycling	% of cardboard and paper waste from back of house operations recycled	100%	100%
	% of oil from back of house operations recycled	100%	100%
Energy conservation	Kilowatts of energy used in electricity and gas per $ million of sales (excluding Restaurant Brands Support Centre)	140,000 kw	141,000 kw

More Information

A full copy of our CSR Statement can be found on our website **restaurantbrands.co.nz**

CONSOLIDATED INCOME STATEMENT

for the 53 week period ended 2 March 2015

$NZ000's	2 March 2015 53 weeks		vs prior %	24 February 2014 52 weeks	
Sales					
KFC	**265,038**		*9.7*	241,521	
Pizza Hut	**48,364**		*(0.1)*	48,393	
Starbucks Coffee	**26,067**		*4.1*	25,041	
Carl's Jr.	**20,059**		*40.1*	14,314	
Total sales	**359,528**		*9.2*	**329,269**	
Other revenue	**13,075**		*1,057.1*	1,130	
Total operating revenue	**372,603**		*12.8*	**330,399**	
Cost of goods sold	**(304,190)**		*(11.2)*	(273,493)	
Gross margin	**68,413**		*20.2*	**56,906**	
Distribution expenses	**(2,321)**		*5.8*	(2,464)	
Marketing expenses	**(18,892)**		*(28.9)*	(14,656)	
General and administration expenses*	**(15,105)**		*(15.4)*	(13,088)	
EBIT before non-trading	**32,095**		*20.2*	**26,698**	
Non-trading items	**1,328**		*(9.8)*	1,472	
EBIT	**33,423**		*18.6*	**28,170**	
Interest income	**2**		*(89.5)*	19	
Interest expense	**(963)**		*(24.4)*	(774)	
Net profit before taxation	**32,462**		*18.4*	**27,415**	
Taxation expense	**(8,632)**		*(15.7)*	(7,462)	
Total profit after taxation (NPAT)	**23,830**		*19.4*	**19,953**	
Total NPAT excluding non-trading	**22,523**		*19.4*	**18,863**	
		% sales			*% sales*
EBITDA before G&A					
KFC	**50,777**	*19.2*	*14.0*	44,529	*18.4*
Pizza Hut	**6,365**	*13.2*	*15.8*	5,496	*11.4*
Starbucks Coffee	**4,253**	*16.3*	*21.6*	3,498	*14.0*
Carl's Jr.	**153**	*0.8*	*n/m***	4	-
Total	**61,548**	*17.1*	*15.0*	**53,527**	*16.3*
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	**51.2c**			47.2c	

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads.
Distribution expenses are costs of distributing product from store.
Marketing expenses are call centre, advertising and local store marketing expenses.
General and administration expenses (G&A) are non-store related overheads.

* Included in general and administration expenses is a $0.3 million charge (2014: nil) relating to the long term incentive scheme ("LTI Scheme") the Group entered into with the Chief Executive Officer. Refer to Note 27(d) of the financial statements for further details.

** Not meaningful.

NON-GAAP FINANCIAL MEASURES

for the 53 week period ended 2 March 2015

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("GAAP") and comply with International Financial Reporting Standards ("IFRS"). These financial statements include non-GAAP financial measures that are not prepared in accordance with IFRS. The non-GAAP financial measures used in this presentation are as follows:

1. EBITDA before G&A. The Group calculates Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) by taking net profit before taxation and adding back (or deducting) net financing expenses, non-trading items, depreciation, amortisation and G&A. The Group also refers to this measure as Concept EBITDA before G&A.

   The term Concept refers to the Group's four operating segments comprising KFC, Pizza Hut, Starbucks Coffee and Carl's Jr. The term G&A represents non-store related overheads.

2. EBIT before non-trading. Earnings before interest and taxation ("EBIT") before non-trading is calculated by taking net profit before taxation and adding back (or deducting) net financing expenses and non-trading items.
3. Non-trading items. Non-trading items represent amounts the Group considers unrelated to the day to day operational performance of the Group. Excluding non-trading items enables the Group to measure underlying trends of the business and monitor performance on a consistent basis.
4. EBIT after non-trading items. The Group calculates EBIT after non-trading items by taking net profit before taxation and adding back net financing expenses.
5. Total NPAT excluding non-trading. Total Net Profit After Taxation ("NPAT") excluding non-trading items is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) non-trading items whilst also allowing for any tax impact of those items.
6. Capital expenditure including intangibles. Capital expenditure including intangibles represents additions to property, plant and equipment and intangible assets.

The Group believes that these non-GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with IFRS. Non-GAAP measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The following is a reconciliation between these non-GAAP measures and net profit after taxation:

$NZ000's	Note*	**2 March 2015**	24 February 2014
EBITDA before G&A	1	**61,548**	**53,527**
Depreciation		(15,008)	(14,114)
Loss on sale of property, plant and equipment (included in depreciation)		–	(51)
Amortisation (included in cost of sales)		(1,628)	(1,432)
General and administration – area managers, general managers and support centre		(12,817)	(11,232)
EBIT before non-trading	2	**32,095**	**26,698**
Non-trading items**	3	**1,328**	**1,472**
EBIT after non-trading items	4	**33,423**	**28,170**
Net financing costs		(961)	(755)
Net profit before taxation		**32,462**	**27,415**
Income tax expense		(8,632)	(7,462)
Net profit after taxation		**23,830**	**19,953**
Deduct non-trading items		(1,328)	(1,472)
Taxation expense on non-trading items		21	382
Net profit after taxation excluding non-trading items	5	**22,523**	**18,863**

* Refers to the list of non-GAAP measures as listed above.
** Refer to Note 5 of the financial statements for an analysis of non-trading items.

THE DIRECTORS ARE PLEASED TO PRESENT THE FINANCIAL STATEMENTS OF RESTAURANT BRANDS NEW ZEALAND LIMITED FOR THE 53 WEEK PERIOD ENDED 2 MARCH 2015 CONTAINED ON PAGES 34 TO 67.

For and on behalf of the Board of Directors:

E K van Arkel
Chairman

16 April 2015

H W Stevens
Director

16 April 2015

Statements of comprehensive income
for the 53 week period ended 2 March 2015

$NZ000's	Note	Group 2015	Group 2014	Company 2015	Company 2014
Store sales revenue	3	**359,528**	329,269	**–**	–
Other revenue	3, 4	**13,075**	1,130	**17,127**	16,158
Total operating revenue		**372,603**	330,399	**17,127**	16,158
Cost of goods sold		**(304,190)**	(273,493)	**–**	–
Gross profit		**68,413**	56,906	**17,127**	16,158
Distribution expenses		**(2,321)**	(2,464)	**–**	–
Marketing expenses		**(18,892)**	(14,656)	**–**	–
General and administration expenses		**(15,105)**	(13,088)	**–**	–
EBIT before non-trading		**32,095**	26,698	**17,127**	16,158
Non-trading items	5	**1,328**	1,472	**–**	–
Earnings before interest and taxation (EBIT)	3	**33,423**	28,170	**17,127**	16,158
Interest revenue		**2**	19	**–**	–
Interest expense		**(963)**	(774)	**(912)**	(733)
Net financing expenses	5	**(961)**	(755)	**(912)**	(733)
Profit before taxation		**32,462**	27,415	**16,215**	15,425
Taxation (expense)/credit	6	**(8,632)**	(7,462)	**255**	205
Profit after taxation attributable to shareholders		**23,830**	19,953	**16,470**	15,630
Items that may be reclassified subsequently to the statements of comprehensive income					
Derivative hedging reserve		**(207)**	–	**(204)**	–
Income tax relating to components of other comprehensive income		**58**	–	**57**	–
Other comprehensive income net of tax		**(149)**	–	**(147)**	–
Total comprehensive income attributable to shareholders		**23,681**	19,953	**16,323**	15,630
Basic earnings per share from total operations (cents)	18	**24.35**	20.39		
Diluted earnings per share from total operations (cents)	18	**24.35**	20.39		

The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of changes in equity
for the 53 week period ended 2 March 2015

Group $NZ000's	Note	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 52 week period ended 24 February 2014							
Balance at the beginning of the period	17	**26,723**	**26**	**53**	**–**	**33,530**	**60,332**
Comprehensive income							
Total profit after taxation attributable to shareholders		–	–	–	–	19,953	19,953
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**–**	**19,953**	**19,953**
Transactions with owners							
Shares issued on exercise of options	17	33	(4)	–	–	–	29
Transfer for share options lapsed		–	(22)	–	–	22	–
Net dividends distributed	16	–	–	–	–	(15,658)	(15,658)
Total transactions with owners		**33**	**(26)**	**–**	**–**	**(15,636)**	**(15,629)**
Balance at the end of the period	15, 17	**26,756**	**–**	**53**	**–**	**37,847**	**64,656**
For the 53 week period ended 2 March 2015							
Balance at the beginning of the period		**26,756**	**–**	**53**	**–**	**37,847**	**64,656**
Comprehensive income							
Total profit after taxation attributable to shareholders		–	–	–	–	23,830	23,830
Other comprehensive income							
Movement in derivative hedging reserve		–	–	–	(149)	–	(149)
Total comprehensive income		**–**	**–**	**–**	**(149)**	**23,830**	**23,681**
Transactions with owners							
Net dividends distributed	16	–	–	–	–	(17,127)	(17,127)
Total transactions with owners		**–**	**–**	**–**	**–**	**(17,127)**	**(17,127)**
Balance at the end of the period	15, 17	**26,756**	**–**	**53**	**(149)**	**44,550**	**71,210**

The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of changes in equity (continued)

for the 53 week period ended 2 March 2015

Company $NZ000's	Note	Share capital	Share option reserve	Derivative hedging reserve	Retained deficit	Total
For the 52 week period ended 24 February 2014						
Balance at the beginning of the period	17	**26,723**	**26**	**–**	**(25,469)**	**1,280**
Comprehensive income						
Profit after taxation attributable to shareholders		–	–	–	15,630	15,630
Other comprehensive income		–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**15,630**	**15,630**
Transactions with owners						
Shares issued on exercise of options	17	33	(4)	–	–	29
Transfer for share options lapsed		–	(22)	–	22	–
Net dividends distributed	16	–	–	–	(15,658)	(15,658)
Total transactions with owners		**33**	**(26)**	**–**	**(15,636)**	**(15,629)**
Balance at the end of the period	15, 17	**26,756**	**–**	**–**	**(25,475)**	**1,281**
For the 53 week period ended 2 March 2015						
Balance at the beginning of the period		**26,756**	**–**	**–**	**(25,475)**	**1,281**
Comprehensive income						
Profit after taxation attributable to shareholders		–	–	–	16,470	16,470
Other comprehensive income						
Movement in derivative hedging reserve		–	–	(147)	–	(147)
Total comprehensive income		**–**	**–**	**(147)**	**16,470**	**16,323**
Transactions with owners						
Net dividends distributed	16	–	–	–	(17,127)	(17,127)
Total transactions with owners		**–**	**–**	**–**	**(17,127)**	**(17,127)**
Balance at the end of the period	15, 17	**26,756**	**–**	**(147)**	**(26,132)**	**477**

The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of financial position
as at 2 March 2015

$NZ000's	Note	Group 2015	Group 2014	Company 2015	Company 2014
Non-current assets					
Property, plant and equipment	7	**100,300**	80,231	**–**	–
Investments in subsidiaries	9	**–**	–	**150,396**	150,396
Intangible assets	8	**21,060**	18,424	**–**	–
Deferred tax asset	10	**4,933**	3,223	**–**	–
Total non-current assets		**126,293**	101,878	**150,396**	150,396
Current assets					
Inventories	11	**9,475**	1,587	**–**	–
Trade receivables	12	**373**	–	**–**	–
Other receivables	12	**6,889**	1,750	**1**	–
Cash and cash equivalents		**1,575**	770	**–**	–
Assets classified as held for sale	13	**–**	2,353	**–**	–
Total current assets		**18,312**	6,460	**1**	–
Total assets		**144,605**	108,338	**150,397**	150,396
Equity attributable to shareholders					
Share capital	17	**26,756**	26,756	**26,756**	26,756
Reserves		**(96)**	53	**–**	–
Retained earnings/(deficit)		**44,550**	37,847	**(26,279)**	(25,475)
Total equity attributable to shareholders		**71,210**	64,656	**477**	1,281
Non-current liabilities					
Provisions and deferred income	21	**6,033**	4,439	**–**	–
Loans and finance leases	19	**22,556**	131	**22,550**	–
Total non-current liabilities		**28,589**	4,570	**22,550**	–
Current liabilities					
Bank overdraft		**–**	–	**938**	903
Income tax payable		**3,422**	2,726	**–**	–
Loans and finance leases	19	**112**	8,206	**–**	8,060
Creditors and accruals	20	**39,556**	26,595	**–**	116
Provisions and deferred income	21	**1,509**	1,579	**–**	–
Amounts payable to subsidiary companies	27	**–**	–	**126,228**	140,030
Derivative financial instruments	14	**207**	6	**204**	6
Total current liabilities		**44,806**	39,112	**127,370**	149,115
Total liabilities		**73,395**	43,682	**149,920**	149,115
Total equity and liabilities		**144,605**	108,338	**150,397**	150,396

The accompanying accounting policies and notes form an integral part of the financial statements.

Total assets
UP $36.3 MILLION

Statements of cash flows
for the 53 week period ended 2 March 2015

$NZ000's	Note	Group 2015	Group 2014	Company 2015	Company 2014
Cash flows from operating activities					
Cash was provided by/(applied to):					
Receipts from customers		**372,230**	330,399	**-**	–
Payments to suppliers and employees		**(325,402)**	(289,373)	**-**	–
Dividends received		**-**	–	**17,127**	16,158
Interest received		**2**	19	**-**	–
Interest paid		**(1,046)**	(955)	**(1,035)**	(913)
(Payment)/receipt of income tax		**(9,159)**	(7,864)	**255**	205
Net cash from operating activities	24	**36,625**	32,226	**16,347**	15,450
Cash flows from investing activities					
Cash was (applied to)/provided by:					
Acquisition of business	28	**(10,388)**	–	**-**	–
Payment for intangibles	8	**(2,836)**	(1,841)	**-**	–
Purchase of property, plant and equipment		**(28,184)**	(20,620)	**-**	–
Proceeds from disposal of property, plant and equipment		**8,384**	12,398	**-**	–
Advances (to)/from subsidiary company		**-**	–	**(13,745)**	5,761
Net cash (used in)/provided by investing activities		**(33,024)**	(10,063)	**(13,745)**	5,761
Cash flows from financing activities					
Cash was provided by/(applied to):					
Cash received on the exercise of options		**-**	29	**-**	29
Increase/(decrease) in loans	19	**14,490**	(6,495)	**14,490**	(6,495)
Decrease in finance leases	19	**(159)**	(67)	**-**	–
Dividends paid to shareholders	16	**(17,127)**	(15,658)	**(17,127)**	(15,658)
Net cash used in financing activities		**(2,796)**	(22,191)	**(2,637)**	(22,124)
Net increase/(decrease) in cash and cash equivalents		**805**	(28)	**(35)**	(913)
Reconciliation of cash and cash equivalents					
Cash and cash equivalents at the beginning of the period:		**770**	798	**(903)**	10
Cash and cash equivalents at the end of the period:					
Cash on hand		**222**	204	**-**	–
Cash at bank/(bank overdraft)		**1,353**	566	**(938)**	(903)
	25	**1,575**	770	**(938)**	(903)
Net increase/(decrease) in cash and cash equivalents		**805**	(28)	**(35)**	(913)

The accompanying accounting policies and notes form an integral part of the financial statements.

1. General information

Restaurant Brands New Zealand Limited ("Company" or "Parent") together with its subsidiaries (the "Group") operate quick service and takeaway restaurant concepts.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, Building 7, Central Park, 666 Great South Road, Penrose, Auckland.

The Group and Company financial statements ("financial statements") were authorised for issue on 16 April 2015 by the Board of Directors who do not have the power to amend after issue.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation and statutory base

Restaurant Brands New Zealand Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity however it is not required to prepare financial statements under Part 7 of the Financial Markets Conduct Act 2013 until 29 February 2016 (2016 year end). The Company is listed on the New Zealand Stock Exchange ("NZX") and is an issuer in terms of the Financial Reporting Act 1993. The financial statements of the Group have been prepared in accordance with the NZX Main Board Listing Rules, the Financial Reporting Act 1993 and the Companies Act 1993.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), NZ IFRIC interpretations, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by IASB.

The financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The Group divides its financial year into 13 four-week periods. The 2015 full year results are however for 53 weeks with one five-week period (2014: 52 weeks).

Entities reporting

The financial statements for the Group are the financial statements comprising the economic entity Restaurant Brands New Zealand Limited and its subsidiaries. The financial statements of the Parent are for the Company as a separate legal entity.

The Parent and the Group are designated as profit oriented entities for financial reporting purposes.

Historical cost convention

The financial statements have been prepared on the historical cost convention, unless otherwise stated.

Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below.

(i) Goodwill impairment

As disclosed in Note 8, the Group undertook impairment testing of its operating divisions. Note 8 sets out the key assumptions used to determine the recoverable amount along with a sensitivity analysis.

2. Summary of significant accounting policies (continued)

(a) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs 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 minority 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 statements of comprehensive income.

Intra-group balances and profits resulting from intra-group transactions are eliminated in preparing the financial statements.

(b) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in NZD, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Amounts qualifying as cash flow hedges and qualifying net investment hedges are also recognised in the statements of comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.

Exchange differences arising from the translation of the net investment in foreign operations are recognised in the foreign currency translation reserve and are released to the statements of comprehensive income upon disposal.

(c) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group's contractual rights to the cash flows from the financial assets expire or when the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised when the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, which are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, cash and cash equivalents, loans and borrowings (initially recognised at fair value plus transaction costs and subsequently measured at amortised cost), and creditors and accruals which are initially recognised at fair value and subsequently measured at amortised cost.

Derivative financial instruments

The Group has various derivative financial instruments to manage the exposures that arise due to movements in foreign currency exchange rates and interest rates arising from operational, financing and investment activities. The Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Derivative financial instruments (continued)

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(d) Revenue recognition

Store sales revenue

Revenue from store sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Other revenue

Other revenue represents sales of goods and services to independent franchisees. Services revenue is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales of goods are measured and recognised on a consistent basis with store sales revenue as already noted.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

2. Summary of significant accounting policies (continued)

(e) Net financing costs

Net financing costs comprise: interest payable on borrowings calculated using the effective interest rate method; interest received on funds invested calculated using the effective interest rate method; foreign exchange gains and losses; gains and losses on certain financial instruments that are recognised in the statements of comprehensive income; unwinding of the discount on provisions and impairment losses on financial assets.

(f) Lease payments

Finance leases

Minimum lease payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Operating leases

Payments made under operating leases are recognised in the statements of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statements of comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are set off only if there is a legal right of set off and they relate to income taxes levied by the same taxation authorities.

(h) Advertising and promotion costs

Expenditure on advertising and promotional activities is recognised as an expense when the Group has the right to access the goods or has received the service.

(i) Royalties paid

Royalties are recognised as an expense as revenue is earned.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

Loans and receivables

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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "other receivables" and "cash and cash equivalents" in the statements of financial position.

Financial assets that are stated at cost or amortised cost are reviewed individually at balance date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is calculated using the present value of future cash flows discounted at the original effective interest rate. An impairment loss is recognised in the statements of comprehensive income for the difference between the carrying amount and the recoverable amount. An impairment loss is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognised. The impairment loss is reversed only to the extent that the financial asset's carrying value does not exceed the carrying value that would have been determined if no impairment loss had been recognised.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Creditors and accruals

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest method.

(n) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and business combinations. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Where the Group disposes of an operation within a cash generating unit, the goodwill associated with the operation disposed of is part of the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Franchise costs

Franchise costs are those incurred in obtaining franchise rights or licences to operate quick service and take-away restaurant concepts. They include for example, the initial fee paid to a system franchisor when a new store is opened. These are measured at cost less accumulated amortisation and accumulated impairment costs. Amortisation is on a straight line basis over the life of the applicable franchise or licence agreement.

Concept development costs and fees

Concept development costs and fees include certain costs, other than the direct cost of obtaining the franchise, associated with the establishment of quick service and takeaway restaurant concepts. These include, for example, professional fees and consulting costs associated with the establishment of a new brand or business acquisition.

These costs are capitalised where the concept is proven to be commercially feasible and the related future economic benefits are expected to exceed those costs with reasonable certainty. These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the period which future economic benefits are reasonably expected to be derived.

Acquired software costs

Software costs have a finite useful life. Software costs are capitalised and amortised on a straight line basis over the estimated economic life of 3–8 years.

2. Summary of significant accounting policies (continued)

(o) Property, plant and equipment

Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining resource consents required to bring the asset ready for use. Borrowing costs associated with non-qualified property, plant and equipment are expensed as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statements of comprehensive income as incurred.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated initially at an amount equal to the lower of its fair value and present value of the future minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statements of financial position. The Group also leases certain plant and equipment and land and buildings by way of operating lease. The cost of improvements to leasehold assets is capitalised as buildings or leasehold improvements and then depreciated as outlined below.

Capital work in progress

All costs relating to an asset are first recorded in capital work in progress. Once all associated costs for an asset are established with relative certainty, the asset is then transferred from work in progress and capitalised into property, plant and equipment.

Store start up costs

Costs incurred in connection with assessing the feasibility of new sites are expensed as incurred with the exception of franchise costs and certain development costs and fees as discussed above.

Depreciation

Land is not depreciated. Depreciation is recognised in the statements of comprehensive income and is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of fixed assets are as follows:

Leasehold improvements	5–20 years
Plant and equipment	3–12.5 years
Motor vehicles	4 years
Furniture and fittings	3–10 years
Computer equipment	3–5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of marketing, selling and distribution. The cost of inventories is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(q) Dividends

Dividends are accrued in the period in which they are authorised.

2. Summary of significant accounting policies (continued)

(r) Impairment on non-financial assets

The carrying amounts of the Group's assets except for inventories and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset's or Cash Generating Unit's (CGU's) recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses directly reduce the carrying amount of assets and are recognised in the statements of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Except for impairment losses on goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(s) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) Employee benefits

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. The fair value of the options granted is measured using an options pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) 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, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team. The Senior Leadership Team reviews the Group's internal reporting in order to assess performance and allocate resources.

2. Summary of significant accounting policies (continued)

(w) Goods and services tax

The statements of comprehensive income and statements of cash flows have been prepared exclusive of Goods and Services Taxation (GST). All items in the statements of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(x) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the statements of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

(y) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(z) Non-trading items

The Group seeks to present a measure of comparable underlying performance on a consistent basis. In order to do so, the Group separately discloses items considered to be unrelated to the day to day operational performance of the Group. Such items are classified as non-trading items and are separately disclosed in the statements of comprehensive income and notes to the financial statements.

2. Summary of significant accounting policies (continued)

(aa) New standards and interpretations

Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- *NZ IFRS 15 Revenue from contracts with customers* (effective for periods beginning on or after 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 "Revenue" and NZ IAS 11 "Construction contracts" and related interpretations. The Group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.
- *NZ IFRS 9 Financial Instruments* (effective for periods beginning on or after 1 January 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets; amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

There are various other standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 25 February 2014 that had a material impact on the financial statements.

(ab) Comparative information

Where necessary, comparative information has been reclassified in order to provide a more appropriate basis for comparison.

3. Segmental reporting

The Group has four operating segments: KFC, Pizza Hut, Starbucks Coffee and Carl's Jr. All segments operate quick service and takeaway restaurant concepts. No operating segments have been aggregated.

The segments were determined primarily because the Group manages each business separately and reports each business separately to the chief operating decision maker (the Senior Leadership Team). The reportable segments are each managed separately as they operate in four distinct markets, sell distinct products, have distinct production processes and have distinct operating and gross margin characteristics. The Group operates in New Zealand.

All other segments represents general and administration support centre costs ("G&A"). G&A support centre costs are not an operating segment as the costs incurred are incidental to the Group's activities.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, concept EBITDA before general and administration expenses and EBIT before non-trading.

EBITDA refers to earnings before interest, taxation, depreciation and amortisation. EBIT refers to earnings before interest and taxation.

The accounting policies of the Group's segments are the same as those described in the notes to the Group's financial statements. Segment assets include items directly attributable to the segment (i.e. property, plant and equipment, intangible assets and inventories). Unallocated items comprise other receivables, cash and cash equivalents, deferred tax and derivative financial instruments as they are all managed on a central basis. These are part of the reconciliation to total assets in the statements of financial position. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has not disclosed segment liabilities as the chief operating decision maker evaluates performance and allocates resources purely on the basis of aggregated Group liabilities.

3. Segmental reporting (continued)

	KFC		Pizza Hut	
$NZ000's	**2015**	2014	**2015**	2014
Store sales revenue	**265,038**	241,521	**48,364**	48,393
Other revenue	**–**	–	**–**	–
Total operating revenue**	**265,038**	241,521	**48,364**	48,393
Concept EBITDA before general and administration expenses	**50,777**	44,529	**6,365**	5,496
Depreciation	**(10,499)**	(10,421)	**(1,226)**	(1,484)
Gain/(loss) on sale of property, plant and equipment (included in depreciation)	**–**	(18)	**–**	(9)
Amortisation (included in cost of sales)	**(723)**	(687)	**(304)**	(295)
G&A – area managers, general managers and support centre	**(1,877)**	(2,292)	**(836)**	(839)
EBIT before non-trading	**37,678**	31,111	**3,999**	2,869
Impairment on property, plant and equipment	**(27)**	(91)	**124**	–
Other non-trading	**872**	1,518	**659**	102
EBIT after non-trading	**38,523**	32,538	**4,782**	2,971
EBIT after non-trading				
Net financing costs				
Net profit before taxation				
Income tax expense				
Net profit after taxation				
Deduct non-trading items				
Taxation expense on non-trading items				
Net profit after taxation excluding non-trading				
Segment assets	**75,782**	63,968	**16,482**	14,807
Unallocated assets				
Total assets				
Capital expenditure including intangibles	**22,520**	6,967	**854**	476

* All other segments are general and administration support centre expenses (G&A).

** All operating revenue is from external customers.

KFC same store sales

UP 7.7%

	Starbucks Coffee		Carl's Jr.		All other segments*		Consolidated full year	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	26,067	25,041	**20,059**	14,314	**–**	–	**359,528**	329,269
	–	–	**–**	–	**13,075**	1,130	**13,075**	1,130
	26,067	25,041	**20,059**	14,314	**13,075**	1,130	**372,603**	330,399
	4,253	3,498	**153**	4	**–**	–	**61,548**	53,527
	(887)	(974)	**(1,797)**	(769)	**(599)**	(466)	**(15,008)**	(14,114)
	–	(29)	**–**	–	**–**	5	**–**	(51)
	(66)	(87)	**(155)**	(98)	**(380)**	(265)	**(1,628)**	(1,432)
	(239)	(431)	**(450)**	(491)	**(9,415)**	(7,179)	**(12,817)**	(11,232)
	3,061	1,977	**(2,249)**	(1,354)	**(10,394)**	(7,905)	**32,095**	26,698
	3	–	**(194)**	–	**–**	–	**(94)**	(91)
	(96)	(197)	**(13)**	269	**–**	(129)	**1,422**	1,563
	2,968	1,780	**(2,456)**	(1,085)	**(10,394)**	(8,034)	**33,423**	28,170
							33,423	28,170
							(961)	(755)
							32,462	27,415
							(8,632)	(7,462)
							23,830	19,953
							(1,328)	(1,472)
							21	382
							22,523	18,863
	4,955	4,004	**29,139**	14,421	**4,477**	2,924	**130,835**	100,124
							13,770	8,214
							144,605	108,338
	583	412	**16,724**	12,176	**2,631**	2,143	**43,312**	22,174

4. Other revenue

	Group		Company	
$NZ000's	**2015**	2014	**2015**	2014
Sales of goods and services	**13,075**	1,130	**–**	–
Dividends	**–**	–	**17,127**	16,158
	13,075	1,130	**17,127**	16,158

Pizza Hut same store sales

UP 6.3%

5. Analysis of expenses

The profit before taxation is calculated after charging/(crediting) the following items:

	Group		Company	
$NZ000's	**2015**	2014	**2015**	2014
Fees paid to auditor				
To PwC for audit of annual financial statements	**97**	78	**-**	–
To PwC for other services				
Review of interim financial statements	**23**	19	**-**	–
Assurance services*	**12**	9	**-**	–
Other services**	**30**	8	**-**	–
Total fees paid to auditor	**162**	114	**-**	–
Amortisation of intangibles	**1,628**	1,432	**-**	–
Royalties paid	**21,156**	19,416	**-**	–
Depreciation expense	**15,008**	14,114	**-**	–
Operating rental expenses	**19,476**	17,646	**-**	–
Net loss on disposal of property, plant and equipment (included in depreciation expense)	**-**	51	**-**	–
Net gain on disposal of property, plant and equipment (included in non-trading costs)	**(2,598)**	(2,581)	**-**	–
Donations	**120**	74	**-**	–
Directors' fees	**314**	250	**-**	–
Interest expense (net)	**943**	909	**912**	733
Interest income – interest rate swap fair value changes	**-**	(180)	**-**	–
Finance lease interest	**18**	26	**-**	–

* Assurance services comprise audit of Company share registry and certain compliance certificates for third parties.

** Other services in 2015 comprise executive benchmarking assistance (2014: executive reward services review and tax compliance advice).

Non-trading items

	Group		Company	
(Gain)/loss on sale of stores				
Net sale proceeds	**(1,155)**	(1,057)	**-**	–
Property, plant and equipment disposed of	**156**	385	**-**	–
Goodwill disposed of	**283**	699	**-**	–
	(716)	27	**-**	–
Gain on sale and leaseback of stores	**(916)**	(1,754)	**-**	–
Other store closure costs	**306**	325	**-**	–
Other store closure costs – franchise fees written off	**23**	47	**-**	–
Other store closure costs – insurance proceeds	**-**	(31)	**-**	–
Other store relocation and refurbishment costs	**332**	11	**-**	–
Other store relocation and refurbishment – insurance proceeds	**(563)**	(6)	**-**	–
Impairment on property, plant and equipment	**94**	(91)	**-**	–
Other	**112**	–	**-**	–
Total non-trading items	**(1,328)**	(1,472)	**-**	–

	Group	
$NZ000's	**2015**	2014
Personnel expenses		
Wages and salaries	**94,907**	83,697
Increase in liability for long service leave	**81**	60
	94,988	83,757

The Parent has no personnel expenses (2014: nil).

6. Income tax expense in the statements of comprehensive income

Reconciliation of effective tax rate

	Note		**Group**			**Company**	
$NZ000's			**2015**		2014	**2015**	2014
Total profit before income tax for the period	3		**32,462**		27,415	**16,215**	15,425
Total income tax (expense)/credit	3		**(8,632)**		(7,462)	**255**	205
Net profit after income tax			**23,830**		19,953	**16,470**	15,630
Income tax using the Company's domestic tax rate		**(28.0%)**	**(9,089)**	(28.0%)	(7,676)	**(4,540)**	(4,319)
(Non-deductible expenses) and non-assessable income		**1.4%**	**457**	0.7%	197	**4,795**	4,524
Prior period adjustment		**–**	**–**	0.1%	17	**–**	–
		(26.6%)	**(8,632)**	(27.2%)	(7,462)	**255**	205
Income tax (expense)/credit comprises:							
Current tax (expense)/credit			**(9,855)**		(8,115)	**255**	205
Deferred tax credit			**1,223**		653	**-**	-
Net tax (expense)/credit			**(8,632)**		(7,462)	**255**	205

Imputation credits

	Group	
$NZ000's	**2015**	2014
Imputation credits available for subsequent reporting periods	**15,133**	11,828

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation credits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The current income tax for the period was calculated using the rate of 28% (2014: 28%). The deferred tax balances in these financial statements have been measured using the 28% tax rate (2014: 28%).

7. Property, plant and equipment

Group $NZ000's	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
Cost							
Balance as at 28 February 2013	**5,547**	**100,548**	**55,518**	**1,024**	**738**	**7,282**	**170,657**
Additions	2,702	–	1,117	145	62	16,307	20,333
Transfer from work in progress	–	14,297	5,010	–	–	(19,307)	–
Transfer to assets classified as held for sale	(1,485)	(882)	–	–	–	–	(2,367)
Disposals	(5,406)	(5,878)	(2,635)	(234)	(7)	–	(14,160)
Balance as at 24 February 2014	**1,358**	**108,085**	**59,010**	**935**	**793**	**4,282**	**174,463**
Additions	1,265	–	1,788	136	–	27,134	30,323
Acquisition of business	–	5,561	2,803	–	–	–	8,364
Transfer from work in progress	–	15,563	3,541	–	–	(19,104)	–
Disposals	(780)	(5,419)	(3,393)	(171)	(119)	–	(9,882)
Balance as at 2 March 2015	**1,843**	**123,790**	**63,749**	**900**	**674**	**12,312**	**203,268**
Accumulated Depreciation							
Balance as at 28 February 2013	**–**	**(46,569)**	**(36,468)**	**(808)**	**(393)**	**–**	**(84,238)**
Charge	–	(8,408)	(5,437)	(130)	(139)	–	(14,114)
Transfer to assets classified as held for sale	–	14	–	–	–	–	14
Disposals	–	2,145	2,259	223	8	–	4,635
Balance as at 24 February 2014	**–**	**(52,818)**	**(39,646)**	**(715)**	**(524)**	**–**	**(93,703)**
Charge	–	(9,270)	(5,496)	(98)	(144)	–	(15,008)
Disposals	–	3,234	3,202	165	116	–	6,717
Balance as at 2 March 2015	**–**	**(58,854)**	**(41,940)**	**(648)**	**(552)**	**–**	**(101,994)**
Impairment Provision							
Balance as at 28 February 2013	**–**	**(691)**	**(77)**	**–**	**–**	**–**	**(768)**
Charge	–	82	9	–	–	–	91
Utilised/disposed	–	133	15	–	–	–	148
Balance as at 24 February 2014	**–**	**(476)**	**(53)**	**–**	**–**	**–**	**(529)**
Charge	–	(85)	(9)	–	–	–	(94)
Utilised/disposed	–	(316)	(35)	–	–	–	(351)
Balance as at 2 March 2015	**–**	**(877)**	**(97)**	**–**	**–**	**–**	**(974)**

The impairment charge recognised during the period relates to accelerated depreciation on leasehold improvements and plant, equipment and fittings on stores expected to be transformed or closed. Impairment charges incurred and utilised/disposed are recognised in non-trading in the statements of comprehensive income (refer Note 5).

Refer to Note 28 relating to the assets recognised on acquisition.

The Parent has no property, plant and equipment (2014: nil).

Carrying Amounts	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
Balance as at 28 February 2013	5,547	53,288	18,973	216	345	7,282	85,651
Balance as at 24 February 2014	1,358	54,791	19,311	220	269	4,282	80,231
Balance as at 2 March 2015	**1,843**	**64,059**	**21,712**	**252**	**122**	**12,312**	**100,300**

8. Intangibles

Group $NZ000's	Goodwill	Franchise fees	Concept development costs	Software costs	Total
Cost					
Balance as at 28 February 2013	**13,736**	**8,633**	**1,650**	**2,846**	**26,865**
Additions	–	317	–	1,524	1,841
Disposals	(699)	(189)	–	(33)	(921)
Balance as at 24 February 2014	**13,037**	**8,761**	**1,650**	**4,337**	**27,785**
Additions	1,629	278	–	929	2,836
Acquisition of business	1,507	282	–	–	1,789
Disposals	(283)	(233)	–	(754)	(1,270)
Balance as at 2 March 2015	**15,890**	**9,088**	**1,650**	**4,512**	**31,140**
Accumulated amortisation					
Balance as at 28 February 2013	**(831)**	**(4,344)**	**(769)**	**(2,136)**	**(8,080)**
Charge	–	(777)	(86)	(569)	(1,432)
Disposals	–	142	–	9	151
Balance as at 24 February 2014	**(831)**	**(4,979)**	**(855)**	**(2,696)**	**(9,361)**
Charge	–	(791)	(86)	(751)	(1,628)
Disposals	–	210	–	699	909
Balance as at 2 March 2015	**(831)**	**(5,560)**	**(941)**	**(2,748)**	**(10,080)**

Impairment charges and disposals are recognised in non-trading in the statements of comprehensive income (refer Note 5).

Carrying amounts					
Balance as at 28 February 2013	12,905	4,289	881	710	18,785
Balance as at 24 February 2014	12,206	3,782	795	1,641	18,424
Balance as at 2 March 2015	**15,059**	**3,528**	**709**	**1,764**	**21,060**

The Parent has no intangible assets (2014: nil).

Refer to Note 28 relating to the assets recognised on acquisition.

Amortisation

Amortisation charge is recognised in cost of sales in the statements of comprehensive income (refer Note 5).

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
$NZ000's	2015	2014
KFC	**3,799**	2,170
Pizza Hut	**9,753**	10,036
Carl's Jr.	**1,507**	–
	15,059	12,206

The recoverable amount of each cash-generating unit was based on its value in use.

8. Intangibles (continued)

KFC

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 2.7–6.1% over 2016–2018 (2014: 4.0-6.0% over 2015-2017). A terminal year was calculated based on the 2018 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2014: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 19.6-19.7% as a proportion of sales over 2016-2018 (2014: 19.0-19.3% over 2015-2017).

As a result of the review, no impairment of goodwill was necessary (2014: nil).

Pizza Hut

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of -9.0% to 2.7% over 2016-2018 (2014: 3.4-5.2% over 2015-2017). A terminal year was calculated based on the 2018 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2014: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 13.0-13.9% as a proportion of sales over 2016-2018 (2014: 11.9-12.7% over 2015-2017).

As a result of the review and based on the key assumptions described above, no impairment of goodwill was necessary (2014: nil).

Carl's Jr.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 75.5% in 2016 (full year impact from the acquisition of seven stores in 2015), then 2.3% to 3.2% over 2017-2018. A terminal year was calculated based on the 2018 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 6.4-11.0% as a proportion of sales over 2016-2018.

As a result of the review and based on the key assumptions described above, no impairment of goodwill was necessary.

The discount rate applied, across all three concepts, to future cash flows is based on an 8.2% weighted average post-tax cost of capital (2014: 8.2%) applicable to Restaurant Brands.

The weighted average cost of capital calculation was reviewed in 2012 based on CAPM methodology using current market inputs. Changes in the market inputs have been considered and are not deemed material enough to change the weighted average cost of capital calculation.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

Impact of possible changes in key assumptions

Set out below are reasonably possible changes in key assumptions as applied to goodwill balances for KFC, Pizza Hut and Carl's Jr.

Key assumptions	Variation % (absolute terms)	Pizza Hut impairment charge ($m)	KFC impairment charge ($m)	Carl's Jr. impairment charge ($m)
Terminal year sales growth	(2.5)	no impairment necessary	no impairment necessary	no impairment necessary
Discount rate	1.0	no impairment necessary	no impairment necessary	no impairment necessary
EBITDA ratio as a % of sales per annum	(1.0)	no impairment necessary	no impairment necessary	no impairment necessary
Sales growth	zero growth initial and terminal	no impairment necessary	no impairment necessary	no impairment necessary

9. Investments in subsidiaries

The following subsidiary companies are all wholly owned and incorporated in New Zealand (except as outlined below), have a 2 March balance date and have been owned for the full financial year:

Restaurant operating company	**Investment holding companies**
Restaurant Brands Limited	RB Holdings Limited
	RBP Holdings Limited
	RBDNZ Holdings Limited
	RBN Holdings Limited

Property holding company	**Non-trading subsidiary companies**
Restaurant Brands Properties Limited	Restaurant Brands Pizza Limited
	Restaurant Brands Australia Pty Limited
	(incorporated in Victoria, Australia)

Employee share option plan trust company
Restaurant Brands Nominees Limited

10. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
Group $NZ000's	**2015**	2014	**2015**	2014	**2015**	2014
Property, plant and equipment	**2,297**	1,167	**–**	–	**2,297**	1,167
Inventory	**28**	49	**–**	–	**28**	49
Provisions	**2,457**	1,973	**–**	–	**2,457**	1,973
Intangibles	**95**	36	**–**	–	**95**	36
Other	**58**	–	**(2)**	(2)	**56**	(2)
	4,935	3,225	**(2)**	(2)	**4,933**	3,223

At balance date deferred tax assets of $0.7 million and deferred tax liabilities of nil are expected to be settled within 12 months (2014: deferred tax assets of $0.3 million and deferred tax liabilities of nil). The Parent has no deferred tax assets or liabilities (2014: nil).

Movement in temporary differences during the period:

Group $NZ000's	**Balance 28 February 2013**	**Recognised in income statement**	**Balance 24 February 2014**	**Acquisition of business**	**Recognised in income statement**	**Recognised in equity**	**Balance 2 March 2015**
Property, plant and equipment	515	652	1,167	390	740	–	**2,297**
Inventory	17	32	49	–	(21)	–	**28**
Provisions	2,038	(65)	1,973	–	484	–	**2,457**
Intangibles	2	34	36	39	20	–	**95**
Other	(2)	–	(2)	–	–	58	**56**
	2,570	653	3,223	429	1,223	58	**4,933**

Refer to Note 28 relating to the assets recognised on acquisition.

11. Inventories

	Group		**Company**	
$NZ000's	**2015**	2014	**2015**	2014
Raw materials and consumables	**9,475**	1,587	**–**	–

All inventories are valued at cost. The cost of inventories is recognised as an expense and included in cost of goods sold in the statements of comprehensive income.

12. Trade and other receivables

$NZ000's	Group 2015	Group 2014	Company 2015	Company 2014
Trade receivables	**373**	–	**–**	–
Prepayments	**2,653**	643	**–**	–
Other debtors	**4,236**	1,107	**1**	–
Other receivables	**6,889**	1,750	**1**	–

There were no foreign currency debtors included in trade receivables and other debtors (2014: nil).

The Group's exposure to credit risk is minimal as the Group's primary source of revenue is from sales made on a cash basis.

The carrying value of trade and other receivables approximates fair value.

13. Assets held for sale

$NZ000's	Group 2015	Group 2014	Company 2015	Company 2014
Assets classified as held for sale				
Property, plant and equipment	**–**	2,353	**–**	–

14. Derivative financial instruments

$NZ000's	Group 2015 Liabilities	Group 2014 Liabilities	Company 2015 Liabilities	Company 2014 Liabilities
Current				
Fair value of interest rate swap	**204**	6	**204**	6
Fair value of forward exchange contract	**3**	–	**–**	–
	207	6	**204**	6

The above table shows the Group's financial derivative holdings at period end.

The fair value of the interest rate swap and forward exchange contract falls into level 2 fair value measurement. Refer to Note 2(c) for information on the measurement of fair values. There were no transfers between fair value measurements during the period (2014: nil).

Fair values at balance date have been assessed using a range of market interest rates between 3.57% to 3.65% (2014: 2.50% to 2.96%).

15. Capital and reserves

Share option reserve

The share option reserve comprises the net change in options exercised during the period and the cumulative net change of share based payments incurred. All remaining options lapsed during 2014 and the balance of the reserve was transferred to retained earnings.

Foreign currency translation reserve

The foreign currency translation reserve comprises all exchange rate differences arising from translating the financial statements of the foreign currency operation.

Derivative hedging reserve

The derivative hedging reserve represents the fair value of outstanding derivatives.

16. Dividend distributions

$NZ000's	Group 2015	Group 2014	Company 2015	Company 2014
Interim dividend of 7.5 cents per share paid (2014: 6.5 cents per share)	**7,340**	6,359	**7,340**	6,359
Final dividend of 10.0 cents per share paid for the 52 week period ended 24 February 2014 (2014: 9.5 cents per share)	**9,787**	9,299	**9,787**	9,299
	17,127	15,658	**17,127**	15,658

17. Equity

The issued capital of the Company is 97,871,090 (2014: 97,871,090) ordinary fully paid up shares. The par value is nil (2014: nil). All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regard to the Company's residual assets.

	Group & Company 2015 Number	Group & Company 2015 NZ$000's	Group & Company 2014 Number	Group & Company 2014 NZ$000's
Balance at beginning of period	**97,871,090**	**26,756**	97,850,110	26,723
Shares issued on exercise of options	**-**	**-**	20,980	33
Balance at end of period	**97,871,090**	**26,756**	97,871,090	26,756

18. Earnings per share

The calculation of basic earnings per share for the 53 week period ended 2 March 2015 was based on the weighted average number of ordinary shares on issue of 97,871,090 (2014: 97,858,777). The calculation of diluted earnings per share for the 53 week period ended 2 March 2015 was based on the weighted average number of ordinary shares on issue adjusted to assume conversion of all dilutive potential ordinary shares, of 97,871,090 (2014: 97,858,777). The difference between weighted average number of shares used to calculate basic and diluted earnings per share represents share options outstanding. All remaining share options expired in 2014.

	Group 2015	Group 2014
Basic earnings per share		
Profit after taxation attributable to shareholders ($NZ000's)	**23,830**	19,953
Basic earnings per share (cents)	**24.35**	20.39
Diluted earnings per share		
Profit after taxation attributable to shareholders ($NZ000's)	**23,830**	19,953
Diluted earnings per share (cents)	**24.35**	20.39

19. Loans and finance leases

All existing bank loans, loans and finance leases are denominated in New Zealand dollars (2014: all denominated in New Zealand dollars). For more information about the Group's exposure to interest rate and foreign currency risk see Note 22.

		Group		Company	
$NZ000's	Note	**2015**	2014	**2015**	2014
Non-current liabilities					
Finance leases	23d	**6**	131	**–**	–
Secured bank loans	22c	**22,550**	–	**22,550**	–
		22,556	131	**22,550**	–
Current liabilities					
Finance leases	23d	**112**	146	**–**	–
Secured bank loans	22c	**–**	8,060	**–**	8,060
		112	8,206	**–**	8,060

The secured bank facility was renewed in October 2014 and the bank loans expire in October 2017.

On 16 April 2014 the Group entered into an interest rate swap to fix the interest rate on $5.0 million of bank loans for five years. At balance date the interest rate applicable was 5.50% (2014: 5.05%) inclusive of bank margin. The swap matures on 16 April 2019.

As security over the loan and bank overdraft, the bank holds a negative pledge deed between Restaurant Brands New Zealand Limited and all its subsidiary companies. The negative pledge deed includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The carrying value equates to fair value.

20. Creditors and accruals

	Group		Company	
$NZ000's	**2015**	2014	**2015**	2014
Trade creditors	**21,405**	11,944	**–**	–
Other creditors and accruals	**8,735**	5,068	**–**	116
Employee entitlements	**7,671**	6,382	**–**	–
Indirect and other taxes	**1,745**	3,201	**–**	–
	39,556	26,595	**–**	116

Included in trade creditors are foreign currency creditors of $NZ1.0 million ($AU0.3 million, $US0.5 million), (2014: $NZ141,000 ($AU52,000, $US69,000)), which are not hedged.

The carrying value of creditors and accruals approximates fair value.

21. Provisions and deferred income

Group $NZ000's	Surplus lease space	Store closure costs	Employee entitlements	Incentive scheme	Deferred income	Total
Opening balance	56	–	616	–	5,346	6,018
Created during the period	–	66	271	259	2,578	3,174
Used during the period	(30)	(34)	(97)	–	(1,360)	(1,521)
Released during the period	(26)	(10)	(93)	–	–	(129)
Balance at 2 March 2015	**–**	**22**	**697**	**259**	**6,564**	**7,542**
2015						
Non-current	–	–	429	259	5,345	6,033
Current	–	22	268	–	1,219	1,509
Total	**–**	**22**	**697**	**259**	**6,564**	**7,542**

The provision for surplus lease space reflects lease commitments that the Group has on properties leased that are surplus to its current operating requirements.

The provision for store closure costs reflects the estimated costs of make good and disposal of fixed assets for stores committed for closure.

The provision for employee entitlements is long service leave. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken. Once an employee attains the required length of service, the employee has a period of five years in which to take this leave.

The incentive scheme provision relates to the long term incentive scheme ("LTI Scheme") the Group entered into with the Chief Executive Officer and is discussed in detail in Note 27(d).

Deferred income relates to non-routine revenue from suppliers and landlords and is recognised in the statements of comprehensive income on a systematic basis over the life of the associated contract.

22. Financial instruments

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign currency exchange rates and interest rates.

(a) Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the New Zealand dollar. The currencies giving rise to this risk are primarily U.S. dollars and Australian dollars.

The direct exposure to foreign currency risk is small and is primarily confined to raw material purchases, some items of capital equipment and some franchise fee payments. Where any one item is significant, the Group will specifically hedge its exposure.

The Group has an indirect exposure to foreign currency risk on some of its locally sourced ingredients, where those ingredients in turn have a high imported component. Where this is significant the Group contracts to a known purchase price with its domestic supplier based on a forward cover position taken by that supplier on its imported components.

The Group has a residual foreign currency risk on its assets and liabilities that are denominated in Australian dollars as part of its remaining Australian investment.

(b) Interest rate risk

The Group's main interest rate risk arises from bank loans. The Group analyses its interest rate exposure on a dynamic basis. Based on a number of scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. Based on these scenarios the maximum loss potential is assessed by management as to whether it is within acceptable limits.

Where necessary the Group hedges its exposure to changes in interest rates primarily through the use of interest rate swaps. There are no minimum prescribed guidelines as to the level of hedging.

Note 2(c) discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in Note 19, the Group has an interest rate swap in place to fix the interest rate on $5.0 million of bank loans to April 2019 (2014: $10.0 million to March 2014). The Group will continue to monitor interest rate movements to ensure it maintains an appropriate mix of fixed and floating rate exposure within the Group's policy.

22. Financial instruments (continued)

(c) Liquidity risk

In respect of the Group's cash balances, non-derivative financial liabilities and derivative financial liabilities the following table analyses the amounts into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date, along with their effective interest rates at balance date. The amounts disclosed in the table are the contractual undiscounted cash flows.

$NZ000's	Effective interest rate	Total	12 months or less	12 months or more
Group 2015				
Cash		**222**	**222**	**-**
Bank balance	**3.00%**	**1,353**	**1,353**	**-**
Bank loan - principal	**5.15%**	**(22,550)**	**-**	**(22,550)**
Bank loan - expected interest	**4.99%**	**(3,002)**	**(1,125)**	**(1,877)**
Finance leases	**8.20%**	**(118)**	**(112)**	**(6)**
Finance leases - expected interest	**8.20%**	**(4)**	**(4)**	**-**
Derivative financial instruments	**-**	**(207)**	**(207)**	**-**
Creditors and accruals (excluding indirect and other taxes and employee benefits)	**-**	**(30,140)**	**(30,140)**	**-**
		(54,446)	**(30,013)**	**(24,433)**
Group 2014				
Cash		204	204	-
Bank balance	2.00%	566	566	-
Bank term loan - principal	4.86%	(8,060)	(8,060)	-
Bank term loan - expected interest	5.68%	(312)	(312)	-
Finance leases	8.20%	(277)	(146)	(131)
Finance leases - expected interest	8.20%	(23)	(17)	(6)
Derivative financial instruments	-	(6)	(6)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(17,012)	(17,012)	-
		(24,920)	(24,783)	(137)
Company 2015				
Bank balance	**3.00%**	**(938)**	**(938)**	**-**
Derivative financial instruments	**-**	**(204)**	**(204)**	**-**
Bank loan - principal	**5.15%**	**(22,550)**	**-**	**(22,550)**
Bank loan - expected interest	**4.99%**	**(3,002)**	**(1,125)**	**(1,877)**
Amounts payable to subsidiary companies	**-**	**(126,228)**	**(126,228)**	**-**
		(152,922)	**(128,495)**	**(24,427)**
Company 2014				
Bank balance	8.45%	(903)	(903)	-
Derivative financial instruments	-	(6)	(6)	-
Bank term loan - principal	4.86%	(8,060)	(8,060)	-
Bank term loan - expected interest	5.68%	(312)	(312)	-
Creditors and accruals	-	(116)	(116)	-
Amounts payable to subsidiary companies	-	(140,030)	(140,030)	-
		(149,427)	(149,427)	-

Prudent liquidity risk management implies the availability of funding through adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group has bank funding facilities, excluding overdraft facilities, of $35.0 million (2014: $35.0 million) available at variable rates. The amount undrawn at balance date was $12.5 million (2014: $26.9 million).

The Group has fixed the interest rate on $5.0 million of bank loans with the balance at a floating interest rate. The bank loan is structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. This leads to the loans being sensitive to interest rate movement in 12 months or less.

22. Financial instruments (continued)

(d) Credit risk

Credit risk arises from cash deposits with banks and financial institutions and outstanding receivables.

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The nature of the business results in most sales being conducted on a cash basis that significantly reduces the risk that the Group is exposed to. Reputable financial institutions are used for investing and cash handling purposes.

There were no financial assets neither past due nor impaired at balance date (2014: nil).

At balance date there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying value of each financial asset in the statements of financial position.

(e) Fair values

The carrying values of bank loans and finance leases are the fair value of these liabilities. A Group set-off arrangement is in place between certain bank accounts operated by the Group.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates on a weighted average balance will have an impact on profit.

At 2 March 2015 it is estimated that a general increase of one percentage point in interest rates would decrease the Group and Parent's profit before income tax and equity by approximately $0.2 million (2014: $0.1 million). A one percentage point decrease in interest rates would increase the Group and Parent's profit before income tax and equity by approximately $0.2 million (2014: $0.1 million).

A general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have minimal impact on the cost of the Group's directly imported ingredients denominated in foreign currencies (Parent: nil).

Capital risk management

The Group's capital comprises share capital, reserves, retained earnings and debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern, to maintain an optimal capital structure commensurate with risk and return and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or draw down more debt.

The Group is subject to a number of externally imposed bank covenants as part of the terms of its secured bank loan facility.

The most significant covenants relating directly to capital management are the ratio of total debt to earnings before interest, tax and amortisation (EBITA) and restrictions relating to acquiring its own shares.

The specific covenants relating to financial ratios the Group is required to meet are:

- debt coverage ratio (i.e. net borrowings to EBITA); and
- fixed charges coverage ratio (i.e. EBITL to total fixed charges), with EBITL being EBIT before lease costs. Fixed charges comprise interest and lease costs.

The covenants are monitored and reported to the bank on a six monthly basis. These are reviewed by the Board on a monthly basis.

There have been no breaches of the covenants during the period (2014: no breaches).

23. Commitments

(a) Capital commitments

The Group has capital commitments which are not provided for in these financial statements, as follows:

	Group	
$NZ000's	**2015**	2014
Store development	**1,366**	4,461

The Parent has no capital commitments (2014: nil).

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Group	
$NZ000's	**2015**	2014
Not later than one year	**18,972**	17,373
Later than one year but not later than two years	**17,683**	16,033
Later than two years but not later than five years	**41,681**	39,765
Later than five years	**33,360**	33,709
	111,696	106,880

The parent has no operating lease commitments (2014: nil).

(c) Renewal rights of operating leases

The Group has entered into a number of operating lease agreements for retail premises. The lease periods vary and many have an option to renew. Lease payments are increased in accordance with the lease agreements to reflect market rentals. The table below summarises the Group's lease portfolio.

	Right of renewal		No right of renewal	
	2015	2014	**2015**	2014
Number of leases expiring:				
Not later than one year	**15**	15	**9**	13
Later than one year but not later than two years	**16**	15	**7**	5
Later than two years but not later than five years	**53**	49	**21**	14
Later than five years	**68**	69	**6**	14

(d) Finance lease commitments

The carrying amount of finance leases in relation to computer and related equipment for the Group as at balance date is $0.1 million (2014: $0.3 million).

The non cancellable finance lease rentals are payable as follows:

	Group	
$NZ000's	**2015**	2014
Minimum lease payments of:		
Not later than one year	**117**	164
Later than one year but not later than two years	**5**	129
Later than two years but not later than five years	**-**	7
	122	300
Future lease finance charges	**(4)**	(23)
Net finance lease liability	**118**	277
Current	**112**	146
Non-current	**6**	131
	118	277

The fair value of finance leases equals their carrying amount as the impact of discounting is not significant.

24. Net cash flow from operating activities

The following are definitions of the terms used in the statements of cash flows:

Cash and cash equivalents

Cash and cash equivalents are comprised of cash at bank, cash on hand and overdraft balances.

Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangibles and investments. Investments can include securities not falling within the definition of cash.

Financing activities

Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company.

Operating activities

Operating activities include all transactions and other events that are not investing or financing activities.

The following is a reconciliation between the profit after taxation for the period shown in the statements of comprehensive income and the net cash flow from operating activities in the statements of cash flows.

	Group		Company	
$NZ000's	**2015**	2014	**2015**	2014
Total profit after taxation attributable to shareholders	**23,830**	19,953	**16,470**	15,630
Add items classified as investing/financing activities:				
Gain on disposal of property, plant and equipment	**(2,598)**	(2,530)	**-**	–
	(2,598)	(2,530)	**-**	–
Add/(less) non-cash items:				
Depreciation	**15,008**	14,114	**-**	–
Disposal of goodwill	**283**	699	**-**	–
Increase/(decrease) in provisions	**225**	(460)	**-**	–
Amortisation of intangible assets	**1,628**	1,432	**-**	–
Write-off of franchise fees	**23**	47	**-**	–
Impairment on property, plant and equipment	**94**	(91)	**-**	–
Net increase in deferred tax asset	**(1,223)**	(653)	**-**	–
Change in fair value of derivative financial instruments	**(6)**	(180)	**(6)**	(180)
	16,032	14,908	**(6)**	(180)
Add/(less) movement in working capital:				
(Increase)/decrease in inventories	**(7,888)**	189	**-**	–
Increase in trade receivables	**(373)**	–	**-**	–
Increase in other debtors and prepayments	**(4,992)**	(179)	**(1)**	–
Increase/(decrease) in trade creditors and other payables	**11,918**	(366)	**(116)**	–
Increase in income tax payable	**696**	251	**-**	–
	(639)	(105)	**(117)**	–
Net cash from operating activities	**36,625**	32,226	**16,347**	15,450

25. Financial assets and financial liabilities by category

	Group		Company	
$NZ000's	**2015**	2014	**2015**	2014
Loans and receivables				
Trade receivables	**373**	–	**–**	–
Other debtors	**4,236**	1,107	**1**	–
Cash and cash equivalents	**1,575**	770	**–**	–
	6,184	1,877	**1**	–
Derivatives used for hedging				
Derivative financial instruments – liabilities	**207**	–	**204**	–
	207	–	**204**	–
Derivatives held at fair value through profit or loss				
Derivative financial instruments – liabilities	**–**	6	**–**	6
	–	6	**–**	6
Financial liabilities at amortised cost				
Bank overdraft	**–**	–	**938**	903
Loans and finance leases – non current	**22,556**	131	**22,550**	–
Loans and finance leases – current	**112**	8,206	**–**	8,060
Creditors and accruals (excluding indirect and other taxes and employee benefits)	**30,140**	17,012	**–**	116
Amounts payable to subsidiary companies	**–**	–	**126,228**	140,030
	52,808	25,349	**149,716**	149,109

26. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Company and Group (2014: nil).

27. Related party disclosures

Parent and ultimate controlling party

The immediate parent and controlling party of the Group is Restaurant Brands New Zealand Limited.

Identity of related parties with whom material transactions have occurred

Note 9 identifies all entities within the Group. All of these entities are related parties of the Company.

In addition, the directors and key management personnel of the Group are also related parties.

(a) Subsidiaries

Material transactions within the Group are loans and advances to and from Group companies and dividend payments. All inter-company loans in the Parent are non-interest bearing, repayable on demand and disclosed as a current liability.

During the period $13.7 million was repaid to its subsidiary company (2014: $5.8 million advanced by its subsidiary company). At balance date the amount owed to subsidiary companies was $126.2 million (2014: $140.0 million). During the period the Parent received $17.1 million in dividends from its subsidiary company (2014: $16.2 million).

Refer to Note 19 for details regarding the guarantees between group companies.

27. Related party disclosures (continued)

(b) Other transactions with entities with key management or entities related to them

During the period the Group made the following:

- Stock purchases of $0.4 million (2014: $0.3 million) from Barker Fruit Processors Limited, a company of which Company director Sue Helen Suckling is chairman. There was nil owing at balance date (2014: nil).
- Stock purchases of $3.0 million (2014: $2.7 million) from Hellers Limited, a company of which Company director David Alan Pilkington is chairman. There was nil owing at balance date (2014: nil). David Alan Pilkington resigned as director of the Restaurant Brands Group on 11 December 2014.
- Acquired services totalling $22,000 (2014: nil) from AsureQuality Limited, a company of which Company director Hamish William Stevens is a director. There was $1,000 owing at balance date (2014: nil).

These transactions were at arm's length and performed on normal commercial terms.

(c) Key management and director compensation

Key management personnel comprises members of the Senior Leadership Team. Key management personnel compensation comprised short-term benefits for the period of $2.1 million (2014: $2.4 million) and other long-term benefits of $18,000 (2014: $23,000). Directors' fees were $0.3 million (2014: $0.3 million).

(d) Long term incentive scheme

On 28 July 2014 the Group entered into a long term incentive scheme ("LTI Scheme") with the Chief Executive Officer ("CEO"). The scheme provides that if in the two year period starting 25 July 2015:

1. the Group's share price is at $4 or above for a continuous period of 40 trading days or;
2. the Group is subject to a successful takeover at or above $4 share price

then the CEO will be paid a one-off $1 million bonus net of tax. A condition of the payment is that the CEO must remain employed for a period of at least 6 months immediately following the eligibility criteria being met.

The directors believe it is likely that the conditions will be met during the eligibility period. The fair value of the liability (refer Note 21) at balance date was assessed at $0.3 million and has been taken up as a charge to general and administration expenses in the statements of comprehensive income.

28. Business combinations

On 9 December 2014 the Group acquired the business assets comprising seven Carl's Jr. stores from Forsgren NZ Limited. As a result of the acquisition, the total number of Carl's Jr. stores in New Zealand owned by the Group is 18. The goodwill of $1.5 million arising from the acquisition is attributed to economies of scale expected from combining the operations of the Group and Forsgren NZ Limited. The acquisition will add critical mass to its Carl's Jr. chain, using increased volume to further leverage marketing and supply chain opportunities.

The following summarises the consideration paid for the business and the fair value of assets acquired and liabilities assumed at the acquisition date.

	Note	**$NZ000's**
Price per agreement		10,500
Subsequent adjustment to purchase price		(208)
Adjusted price		10,292
Price for stock		83
Transfer of floats		13
Total consideration transferred – paid in cash		**10,388**
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant and equipment	7	8,364
Intangibles	8	282
Stock		83
Cash		13
Other receivables		147
Deferred tax assets	10	429
Non-current liabilities		(437)
Total identifiable assets and liabilities		**8,881**
Goodwill		**1,507**

None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of $0.1 million have been expensed through non-trading in the consolidated statement of comprehensive income.

Of the total consideration transferred of $10.4 million, $0.4 million was paid into an escrow account to be held on account of the Group and Forsgren NZ Limited. Subject to certain future conditions being fulfilled the amount will be paid to the Group. The fair value of the contingently returnable consideration arrangement of $147,000 was based on an assessment of the probability of the events occurring and at a discount rate of 8.2% and has been included as part of other receivables.

The store sales revenue included in the consolidated statement of comprehensive income since 9 December 2014 contributed by the Forsgren NZ Limited stores was $3.1 million. The Forsgren NZ Limited stores also contributed profit after taxation attributable to shareholders for the Group of $0.1 million. Had the stores' results been consolidated for the 53 week period ended 2 March 2015, the consolidated statement of comprehensive income would show pro-forma total operating revenue of $387.7 million and profit after taxation attributable to shareholders of $24.4 million.

29. Subsequent events

Dividends

The directors have declared a fully imputed final dividend of 11.5 cents per share for the 53 week period ended 2 March 2015 (2014: 10.0 cents).

INDEPENDENT AUDITORS' REPORT

to the shareholders of Restaurant Brands New Zealand Limited

Report on the Financial Statements

We have audited the financial statements of Restaurant Brands New Zealand Limited ("the Company") on pages 34 to 67, which comprise the statements of financial position as at 2 March 2015, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 2 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of other assurance and advisory services. The provision of these services has not impaired our independence.

Opinion

In our opinion, the financial statements on pages 34 to 67:

(i) comply with generally accepted accounting practice in New Zealand; and
(ii) comply with International Financial Reporting Standards; and
(iii) give a true and fair view of the financial position of the Company and the Group as at 2 March 2015, and their financial performance and cash flows for the period then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the period ended 2 March 2015:

(i) we have obtained all the information and explanations that we have required; and
(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
16 April 2015

Auckland

SHAREHOLDER INFORMATION

As at 20 April 2015

1. Stock exchange listing

The Company's ordinary shares are listed on the New Zealand Stock Exchange (NZX).

2. Distribution of security holders and security holdings

Size of holding	Number of security holders		Number of securities	
1 to 999	1,113	18.56%	570,413	0.58%
1,000 to 4,999	3,073	51.26%	6,318,142	6.46%
5,000 to 9,999	879	14.66%	5,755,994	5.88%
10,000 to 49,999	840	14.01%	14,503,945	14.82%
50,000 to 99,999	53	0.88%	3,386,905	3.46%
100,000 to 499,999	32	0.53%	5,921,924	6.05%
500,000+	6	0.10%	61,413,767	62.75%
	5,996	**100.00%**	**97,871,090**	**100.00%**

Geographical distribution				
New Zealand	5,799	96.71%	91,829,508	93.83%
Australia	112	1.87%	5,382,966	5.50%
Rest of world	85	1.42%	658,616	0.67%
	5,996	**100.00%**	**97,871,090**	**100.00%**

3. 20 largest registered holders of quoted equity securities

	Number of ordinary shares	Percentage of ordinary shares
New Zealand Central Securities Depository Limited	50,497,308	51.60%
Diab Investments NZ Limited	5,000,000	5.11%
FNZ Custodians Limited	2,495,691	2.55%
Investment Custodial Services Limited (account C)	1,633,850	1.67%
JA Hong Koo & Pyung Keum Koo	911,000	0.93%
NZPT Custodians (Grosvenor) Limited	875,918	0.89%
Matthew Charles Goodson & Dianna Dawn Perron & Goodson & Perron Independent Trustee Limited	496,666	0.51%
New Zealand Depository Nominee Limited (account 1) cash account	450,893	0.46%
Forsyth Barr Custodians Limited (1-33)	367,361	0.38%
Guangqiang Chen	326,375	0.33%
Russel Ernest George Creedy	252,229	0.26%
Custodial Services Limited (account 3)	235,761	0.24%
Davd Mitchell Odlin	204,700	0.21%
David George Harper & Karen Elizabeth Harper	193,248	0.20%
Alan Sedgwick Limmer & Nina Agnes Limmer	193,143	0.19%
Ja Seo Koo & Young Ran Koo	190,000	0.19%
Marcia Lynn Hane & William Lee Hane	187,198	0.19%
Forsyth Barr Custodians Limited (1-17.5)	181,501	0.19%
ASB Nominees Limited (569086 ML account)	177,969	0.18%
FNZ Custodians Limited (DTA non resident account)	176,746	0.18%
	65,047,557	**66.46%**

3. 20 largest registered holders of quoted equity securities (continued)

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to its members. As at 20 April 2015, the NZCSD holdings in Restaurant Brands were:

	Number of ordinary shares	Percentage of ordinary shares
National Nominees New Zealand Limited	9,801,901	10.02%
Citibank Nominees (New Zealand) Limited	8,758,656	8.95%
New Zealand Superannuation Fund Nominees Limited	7,431,037	7.59%
Accident Compensation Corporation	6,231,357	6.37%
Westpac NZ Shares 2002 Wholesale Trust	4,477,381	4.57%
Tea Custodians Limited	2,724,369	2.78%
HSBC Nominees (New Zealand) Limited A/C State Street	2,436,720	2.49%
JPMorgan Chase Bank NA	2,221,788	2.27%
BNP Paribas Nominees (NZ) Limited (COGN40)	1,786,442	1.84%
BT NZ Unit Trust Nominees Limited	1,537,324	1.57%
BNP Paribas Nominees (NZ) Limited (BPSS40)	1,267,934	1.30%
HSBC Nominees (New Zealand) Limited	1,088,772	1.11%
Mint Nominees Limited	316,622	0.32%
New Zealand Permanent Trustees Limited	236,000	0.24%
Private Nominees Limited	135,198	0.14%
Public Trust Class 30 Nominees Limited	23,000	0.02%
BNP Paribas Nominess (NZ) Limited (BPSS41)	22,807	0.02%
	50,497,308	**51.60%**

4. Substantial security holders

The following persons have given substantial security holder notices as shown by the register kept by the Company in accordance with section 35C of the Securities Markets Act 1988 as at 20 April 2015. The numbers of ordinary shares set out below are taken from the relevant substantial security holder notices.

	Number of ordinary shares	Percentage of voting securities
Milford Asset Management Limited	10,731,925	10.97%
New Zealand Superannuation Fund Nominees Limited	7,431,037	7.59%
Accident Compensation Corporation	6,381,357	6.52%
Salt Funds Management Limited	6,069,659	6.20%
Westpac Banking Corporation and BT Funds Management (NZ) Limited	6,014,705	6.15%
D Diab	5,000,000	5.14%

5. Shares on issue

As at 20 April 2015, the total number of ordinary shares on issue was 97,871,090.

6. Directors' security holdings

	Equity securities held	
	2015	2014
E K van Arkel	**50,000**	50.000
D Diab	**5,000,000**	5,000,000

7. Stock exchange waiver

No waivers were sought or relied on from NZX during the period.

STATUTORY INFORMATION

For the 53 week period ended 2 March 2015

1. Directorships

The names of the directors of the Company as at 2 March 2015 are set out in the Corporate Directory on page 78 of this annual report.

The following are directors of all subsidiary companies of the Group:
E K van Arkel and H W Stevens.

The following are directors of Restaurant Brands Australia Pty Limited:
E K van Arkel, D Diab and G R Ellis.

2. Directors and remuneration

The following persons held office as directors during the 53 week period ended 2 March 2015 and received the following remuneration and other benefits:

	Directors' fees ($NZ)
E K van Arkel	96,894
D Diab	59,478
D A Pilkington	49,093
S H Suckling	59,478
H W Stevens	48,594
	313,537

3. Entries recorded in the interests register

The following entries were recorded in the interests register of the Company and its subsidiaries during the year:

a) Share dealings of directors
No shares were purchased or sold by directors of the Company during the 53 week period ended 2 March 2015.

b) Loans to directors
There were no loans to directors during the 53 week period ended 2 March 2015.

3. Entries recorded in the interests register (continued)

c) General disclosure of interest

In accordance with Section 140 (2) of the Companies Act 1993, directors of the Company have made general disclosures of interest in writing to the board of positions held in other named companies or parties as follows:

Name	Position	Party
E K van Arkel	Chairman	Health Benefits Limited
	Chairman	The Warehouse Group Limited
	Director and Shareholder	Lang Properties Limited
	Director and Shareholder	Van Arkel & Co Limited
	Director	AWF Group Limited
	Director	Danske Mobler Limited
	Director	Auckland Regional Chamber of Commerce & Industry Limited
	Director	Abano Healthcare Group Limited
	Director	Philip Yates Securities Limited (and subsidiaries)
S H Suckling	Chairman	New Zealand Qualifications Authority
	Chairman	Barker Fruit Processors Limited (and subsidiaries)
	Chairman	ECL Group Limited
	Chairman	Callaghan Innovation Research Limited
	Chairman	Jacobsen Holdings Limited
	Director and Shareholder	Acemark Holdings Limited
	Director	SKYCITY Entertainment Group Limited
	Director	Oxford Health Group Limited and Oxford Clinic Hospital Limited
	Member	Takeovers Panel
	Chairman	Health Benefits Limited Transition Interim Governance Group
D Diab	Director	Diab Investments NZ Limited
	Director and Shareholder	Diab Pty Limited
	Director and Shareholder	Diab Investments Pty Limited
	Director	Mainplay Investments Pty Limited
	Director and Shareholder	Diab Investments II Pty Limited
	Director	Mirrapol Holdings Pty Limited
	Vice President	Australian Pizza Association
H W Stevens	Chairman	The Kennedys Limited
	Chairman	East Health Services Limited
	Chairman	Counties Power Limited
	Independent Chairman	Audit & Risk Sub-Committee, Waikato Regional Council
	Director	AsureQuality Limited
	Director	Smart Environmental Limited
	Director	Dairy Technical Services Limited
	Director and Shareholder	Governance & Advisory Limited
	Director	Botany Health Hub Limited

3. Entries recorded in the interests register (continued)

d) Directors' indemnity and insurance

The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a deed of indemnity indemnifying all directors to the extent permitted by section 162 of the Companies Act 1993.

4. Employees' remuneration

During the period the following number of employees or former employees received remuneration of at least $100,000:

	Number of employees	
	2015	2014
$100,000 - $109,999	**3**	6
$110,000 - $119,999	**3**	4
$120,000 - $129,999	**3**	3
$130,000 - $139,999	**4**	3
$140,000 - $149,999	**1**	2
$150,000 - $159,999	**3**	2
$160,000 - $169,999	**2**	1
$170,000 - $179,999	**2**	–
$180,000 - $189,999	**–**	2
$190,000 - $199,999	**1**	–
$220,000 - $229,999	**–**	1
$270,000 - $279,999	**1**	–
$320,000 - $329,999	**–**	1
$330,000 - $339,999	**1**	–
$690,000 - $699,999	**–**	1
$730,000 - $739,999	**1**	–
	25	26

5. Subsidiary company directors

No employee of Restaurant Brands New Zealand Limited appointed as a director of Restaurant Brands New Zealand Limited or its subsidiaries receives, or retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under Note 4 above.

STATEMENT OF CORPORATE GOVERNANCE

For the 53 week period ended 2 March 2015

Overview

The board of Restaurant Brands New Zealand Limited is committed to the guiding values of the Company: integrity, respect, continuous improvement and service. Whilst not formally constituted into a code of ethics, it expects that management and staff ultimately subscribe to these values and use them as a guide to making decisions. These values are reflected in a series of formal policies covering such matters as:

- Conflicts of interest
- Use of company property
- Use of company information
- Compliance with applicable laws

Responsibility

The board is responsible for the proper direction and control of the Company's activities and is the ultimate decision-making body of the Company. Its responsibilities include setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

Delegation

The board has delegated responsibility for the day-to-day leadership and management of the Company to the Chief Executive Officer (CEO) who is required to do so in accordance with board direction. The CEO's performance is reviewed each year by the board. The review includes a formal performance appraisal against measured objectives together with a qualitative review.

The board has approved a schedule of delegated authorities affecting all aspects of the Company's operation. This is reviewed from time to time as to appropriateness and levels of delegation.

Composition and focus

As at 2 March 2015, the board comprised four non-executive directors (including the Chairman). In addition to committee responsibilities (below), individual board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

Ted van Arkel, Hamish Stevens and Sue Suckling are considered by the board to be independent under the NZSX Listing Rules. Danny Diab is considered not to be independent as he represents a significant shareholding. The board does not have a policy on a minimum number of independent directors.

Committees

From amongst its own members, the board has appointed the following permanent committees:

- Audit and Risk Committee. The members of the Audit and Risk Committee are Hamish Stevens (chairman), Ted van Arkel, Sue Suckling and Danny Diab. This committee is constituted to monitor the veracity of the financial data produced by the Company and ensure controls are in place to minimise the opportunities for fraud or for material error in the accounts. A majority of the committee's members must be independent directors.

  The Audit Committee meets two to three times a year, with external auditors of the Company and executives performing internal audit management from within the Company in attendance. The external auditors also meet with the committee with no Company executive present.

  The committee has adopted an audit charter setting out the parameters of its relationship with internal and external audit functions. The charter which is posted on the Company's website requires five yearly reviews of the external audit relationship and audit partner rotation.

- Appointments and Remuneration Committee. The members of the Appointments and Remuneration Committee are Sue Suckling (chairman), Ted van Arkel, Danny Diab, and Hamish Stevens. This committee is constituted to approve appointments and terms of remuneration for senior executives of the Company; principally the CEO and those reporting directly to the CEO. It also reviews any company-wide incentive and share option schemes as required and recommends remuneration packages for directors to the shareholders.

  The committee has adopted a written charter which is posted on the Company's website.

The board does not have a formal nominations committee, as all non-executive directors are involved in the appointment of new directors.

Other sub-committees may be constituted and meet for specific ad hoc purposes as required.

Board appraisal and training

The board has adopted a performance appraisal programme by which it biennially monitors and assesses individual and board performance.

The Company does not impose any specific training requirements on its directors. The board believes all directors have considerable training and expertise. New directors complete an induction programme with company senior management.

Insider trading

All directors and senior management of the Company are familiar with and have formally acknowledged acceptance of the Company's "Insider Trading Code" that relates to dealings in securities by directors and employees. A copy of the code is available on the Company's website.

Size

The constitution prescribes a minimum of three directors and as at balance date there were four members of the board.

Re-election

Under the terms of the constitution, one third of the directors (currently one) are required to retire from office at the annual meeting of the Company but may seek re-election at that meeting.

Meetings

The board normally meets ten to twelve times a year and, in addition to reviewing normal operations of the Company, approves a strategic plan and annual budget each year.

Board meetings are usually scheduled annually in advance, although additional meetings may be called at shorter notice.

Directors receive formal proposals, management reports and accounts in advance of all meetings.

Executives are regularly invited to attend board meetings and participate in board discussion. Directors also meet with senior executives on items of particular interest.

Board and committee meeting attendance for the 53 week period ended 2 March 2015 was as follows:

Name	Board meetings held	Board meetings attended	Audit and Risk Committee meetings held	Audit and Risk Committee meetings attended	Appointments and Remuneration Committee meetings held	Appointments and Remuneration Committee meetings attended
E K van Arkel	12	12	2	2	1	1
D Diab	12	12	2	2	1	1
D A Pilkington*	12	10	2	2	1	1
S H Suckling	12	11	2	2	1	1
H W Stevens**	12	10	2	1	1	1

*Retired on 11 December 2014
**Appointed 8 May 2014

Board remuneration

Directors' fees for the 53 week period ended 2 March 2015 were set at $100,000 per annum for the Chairman and $60,000 for each non-executive director. Refer to the Statutory Information section of the annual report for more detail.

No directors currently take a portion of their remuneration under a performance-based equity compensation plan, although a number of directors do hold shares in the Company.

The terms of any directors' retirement payments are as prescribed in the constitution and require prior approval of shareholders in general meeting. No retirement payments have been made to any director.

Directors' indemnity and insurance

The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a Deed of Indemnity, indemnifying all directors to the extent permitted by section 162 of the Companies Act 1993.

Risk management

In managing the Company's business risks, the board approves and monitors policy and process in such areas as:

- Internal audit – Regular checks are conducted by operations and financial staff on all aspects of store operations.
- Treasury management – Exposure to interest rate and foreign exchange risks is managed in accordance with the Company's treasury policy.
- Financial performance – Full sets of management accounts are presented to the board at every meeting. Performance is measured against an annual budget with periodic forecast updates.
- Capital expenditure – All capital expenditure is subject to relevant approval levels with significant items approved by the board. The board also monitors expenditure against approved projects and approves the capital plan.
- Insurance – The Company has insurance policies in place covering most areas of risk to its assets and business. These include material damage and business interruption cover at all of its sites. Policies are reviewed and renewed annually with reputable insurers.

External advice

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2015 financial year no director sought their own independent professional advice, but the board sought advice with respect to market levels of director remuneration.

Shareholding

There is no prescribed minimum shareholding for directors, although some do hold shares in the Company (refer to the Statutory Information section of the report for more detail).

Directors may purchase shares upon providing proper notice of their intention to do so and in compliance with the operation of the Company's "Insider Trading Code" (see above).

Interests register

The board maintains an interests register. In considering matters affecting the Company, directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict has been disclosed, the director takes no further part in receipt of information or participation in discussions on that matter.

Shareholder communication

The board places importance on effective shareholder communication. Half year and annual reports are published each year and posted on the Company's website, together with quarterly sales releases. From time to time the board may communicate with shareholders outside this regular reporting regime.

Consistent with best practice and a policy of continuous disclosure, external communications that may contain market sensitive data are released through NZX in the first instance. Further communication is encouraged with press releases through mainstream media. The board formally reviews its proceedings at the conclusion of each meeting to determine whether there may be a requirement for a disclosure announcement.

Shareholder attendance at annual meetings is encouraged and the board allows extensive shareholder debate on all matters affecting the Company.

Auditor independence

The board manages the relationship with its auditors through the Audit and Risk Committee. The Company's external auditors are currently permitted to provide non-audit services to the Company with the approval of the Audit and Risk Committee. The board utilised the external auditors to provide advice on the Chief Executive's Long Term Incentive Scheme in the current year.

Auditors' remuneration is disclosed in Note 5 to the financial statements.

Diversity policy

The Company does not have a formal diversity policy. However it recognises the wide-ranging benefits that diversity brings to an organisation and its workplaces. Restaurant Brands endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of our shareholders and customers.

As at 2 March 2015, the gender balance of the Company's directors, officers and all employees is as follows:

	Directors				Officers				Employees			
	2015		2014		**2015**		2014		**2015**		2014	
Female	**1**	**25%**	1	25%	**4**	**50%**	4	40%	**2,073**	**53%**	1,909	52%
Male	**3**	**75%**	3	75%	**4**	**50%**	6	60%	**1,839**	**47%**	1,782	48%
Total	**4**	**100%**	4	100%	**8**	**100%**	10	100%	**3,912**	**100%**	3,691	100%

NZX corporate governance best practice code

In almost all respects, the Company's corporate governance practices conform with the NZX Corporate Governance Best Practice Code (the "Code"). The only areas in which the Company's practices vary from the Code are: it has not adopted a formal code of ethics, does not remunerate directors under a performance based equity compensation plan, does not impose specific training requirements on its directors and does not have a nominations committee.

CORPORATE DIRECTORY

Directors:

E K (Ted) van Arkel (Chairman)
Sue Helen Suckling
Danny Diab
Hamish William Stevens

Registered office:

Level 3
Building 7
Central Park
666 Great South Road
Penrose
Auckland 1061
New Zealand

Share registrar:

Computershare Investor
Services Limited
Level 2
159 Hurstmere Road
Takapuna

Private Bag 92 119
Auckland 1142
New Zealand

Telephone: 64 9 488 8700

Auditors:

PricewaterhouseCoopers

Solicitors:

Bell Gully
Harmos Horton Lusk
Meredith Connell

Bankers:

Westpac Banking Corporation

Contact details:

Postal Address:

PO Box 22 749
Otahuhu
Auckland 1640
New Zealand

Telephone: 64 9 525 8700
Fax: 64 9 525 8711
Email: investor@rbd.co.nz

FINANCIAL CALENDAR

Annual meeting:
2 July 2015

Close of register for final dividend:
12 June 2015

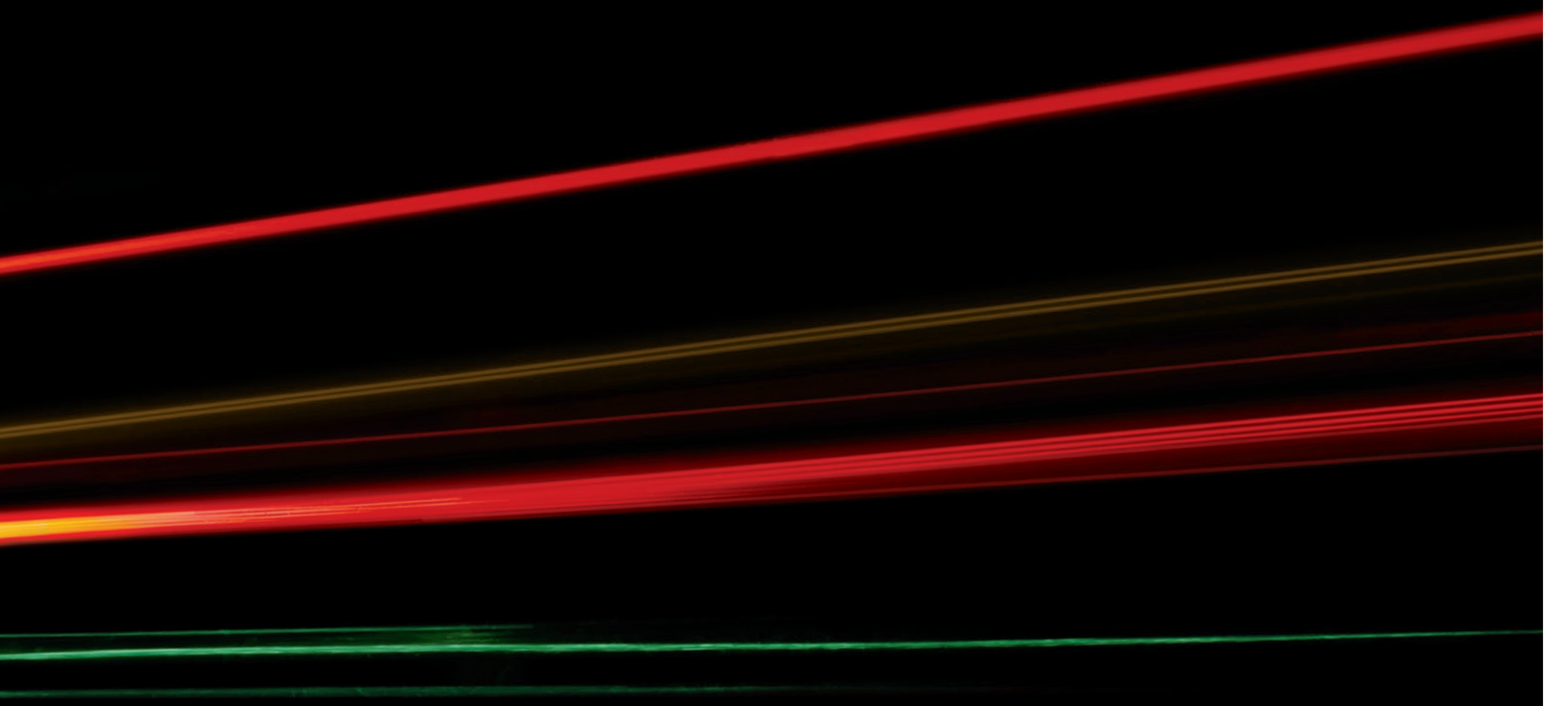
Final dividend paid:
26 June 2015

Interim profit announcement:
October 2015

Interim dividend paid:
November 2015

Financial year end:
29 February 2016

Annual profit announcement:
April 2016



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