

17 April 2018
NZX/ASX

RESTAURANT BRANDS DELIVERS RECORD PROFIT

\$NZm	2018	2017	Change (\$)	Change (%)
Total Group Sales	740.8	497.2	+243.6	+49.0
Group NPAT (reported)	35.5	26.0	+9.5	+36.6
Group NPAT (excl. non-trading)	40.4	30.6	+9.8	+32.0
Full Year Dividend (cps)	28.0	23.0	+5.0	+21.7

*52 weeks ended 26 February 2018

Highlights

- Reported Net Profit after Tax at a new high of \$35.5 million, up +36.6%.
- Net Profit after Tax (excluding non-trading items) also reached a record high of \$40.4 million, up +32.0%.
- Successful completion of the 82 store Pacific Island Restaurants Inc. (PIR) acquisition in Hawaii in March 2017 and a further 18 KFC stores acquired in Australia during the period.
- Total Group Sales of \$740.8 million, up 49.0%, with the bulk of this \$243.6 million increase attributable to the PIR acquisition in Hawaii and the full year impact of the Australian operations which were acquired during FY17.
- Combined brand EBITDA¹ of \$121.9 million, up 41.5% or \$35.8 million with \$24.1 million of the increase resulting from the PIR acquisition, with the Australian KFC business accounting for a further \$7.1 million and the New Zealand businesses driving the remaining \$4.6 million.
- Directors have declared a record final dividend of NZ18.0 cents per ordinary share, up +33.3%.

Overview

The past year has seen successful execution of Restaurant Brands' major growth strategies as the company continued to expand its global reach through the acquisition of additional KFC stores in Australia and the settlement of the Hawaiian acquisition. That initiative not only added a new geography, but also a new brand with 37 Taco Bell stores (together with 45 Pizza Huts) being brought into the Restaurant Brands' network. The continued expansion into the Australian market with the acquisition of an additional 18 KFC stores in New South Wales, brought total store numbers there to 61.

Integration of the recently acquired Australian stores and the Hawaiian business into the wider Restaurant Brands Group has been relatively seamless with local management aligned with and actively pursuing the company's growth strategies in each of their individual markets.

The company's recent acquisitions are delivering additional diversification with nearly half of FY18 Group sales now generated offshore. Pleasingly, this expansion growth has been accomplished whilst also continuing to achieve significant sales and earnings growth in the New Zealand market and from existing stores in Australia.

¹ EBITDA is earnings before interest, tax, depreciation and amortisation. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS

Group Operating Results

Directors are pleased to report that Restaurant Brands has produced a net profit after tax (NPAT) for the period ended 26 February 2018 (FY18) of \$35.5 million, up 36.6% on the reported NPAT of \$26.0 million for the prior year.

After allowing for the impact of non-trading items, the underlying NPAT was \$40.4 million, up \$9.8 million or +32.0% on prior year.

Chairman Ted van Arkel said *"This level of profitability is a new record for the company and more importantly the growth is not only coming out of new acquisitions as existing operations are also delivering solid results."*

Total brand sales for the Group were a record \$740.8 million, up \$243.6 million or +49.0% on FY17 with the benefit of \$167.5 million in additional sales generated from PIR in Hawaii from 7 March 2017. KFC operations in Australia delivered a strong performance with sales up \$54.7 million, from both organic growth and the acquisition of 18 stores during the year. The New Zealand business also delivered record sales of \$421.4 million, up 5.4%. Other revenue (primarily sales to independent franchisees) totalled \$25.5 million, bringing total operating revenue to \$766.3 million, up \$248.7 million on prior year.

Ted van Arkel added *"The board and I are delighted with the progress of Restaurant Brands towards its stated target of \$1 billion in annual revenues. Sales have almost doubled over the past two years and there is every indication of continued momentum of sales growth."*

Combined brand EBITDA of \$121.9 million was up \$35.8 million or +41.5% on prior year, with a \$24.1 million contribution from the newly acquired Hawaiian operations.

Restaurant Brands' store numbers now total 314, comprising 171 in New Zealand, 82 in Hawaii and 61 stores in Australia.

New Zealand Operations

New Zealand operating revenue was \$446.8 million, up \$26.4 million or +6.3% on FY17.

Total store sales were \$421.4 million, an increase of \$21.4 million or +5.4% on last year, delivering EBITDA of \$75.8 million, a \$4.6 million or +6.5% increase on FY17. This was largely as a result of the continued strong performance of the KFC business.

New Zealand operations produced earnings before interest and tax (EBIT) (before non-trading items) of \$44.7 million, up 18.6% on the prior year.

KFC New Zealand

\$NZm	2018	2017	Change (\$)	Change (%)
Network Sales	339.4	314.9	+24.5	+7.8
Network Store Numbers	100	98		
RBD Sales	319.6	296.5	+23.1	+7.8
RBD Store Numbers	94	92		
RBD EBITDA	66.0	61.4	+4.6	+7.4
EBITDA as a % of Sales	20.6	20.7		

KFC New Zealand continues to be a key driver of overall performance and this brand has had another excellent year. Sales were up 7.8% to \$319.6 million, with same store sales up 6.2%. Successful product promotions and the introduction of a delivery service in selected stores contributed to this strong sales performance.

Despite some input cost pressures, margins remained strong, with an EBITDA margin of 20.6% of sales being delivered in the period. In dollar terms, EBITDA totalled \$66.0 million, up 7.4% on last year's result.

KFC in New Zealand reached a new milestone of 100 total network stores with company-owned store numbers increasing by two to a total of 94.

The brand opened a new format store in Fort Street, Auckland in September. This new concept store design was customised for a central city environment with no drive-through facility. It has significantly outperformed expectations and is likely to be the prototype for a number of similar central city stores in both New Zealand and Australia. The other store opening during the year was at Christchurch Airport and this is also performing above expectations.

Pizza Hut New Zealand

<i>\$NZm</i>	2018	2017	Change (\$)	Change (%)
Network Sales	100.7	91.6	+9.1	+10.0
Network Store Numbers	97	93		
RBD Sales	41.1	40.5	+0.6	+1.5
RBD Store Numbers	36	35		
RBD EBITDA	3.1	4.1	-1.0	-24.6
EBITDA as a % of Sales	7.4	10.0		

Transformation of the Pizza Hut network in New Zealand to a master franchise model continues on plan. The commencement of an aggressive new store build programme during the year has progressed the expansion of the independent franchisee network.

This continued growth saw total brand sales climb to \$100.7 million for FY18, up \$9.1 million or +10.0% on prior year.

During the period three new company stores were opened in Tamatea, Glenfield and Te Ngae and one new franchisee store opened in Howick. The company sold two existing stores to independent franchisees. The number of company owned stores therefore increased by one to 36 while the number of independent franchisee stores has increased to 61, bringing the total Pizza Hut network to 97 stores.

In company owned stores, sales were up \$0.6 million to \$41.1 million, with same store sales up 8.1%.

Restaurant Brands' Pizza Hut store earnings were \$3.1 million (7.4% of sales), down \$1.0 million or 24.6% on last year, reflecting some margin pressures, particularly in relation to increased labour rates and ingredient costs.

Starbucks Coffee New Zealand

<i>\$NZm</i>	2018	2017	Change (\$)	Change (%)
Sales	25.8	26.7	-0.9	-3.3
Store Numbers	22	24		
EBITDA	4.8	4.8	+0.0	+1.1
EBITDA as a % of Sales	18.6	17.8		

Note: all Starbucks Coffee stores are RBD owned

The company's smallest brand, Starbucks Coffee, produced another consistent result.

Total sales were down marginally on FY17 to \$25.8 million, reflecting the reduced store network of 22 stores, following the closure of the Newmarket and Botany stores in Auckland as a result of leases not being renewed because of landlord re-developments. Same store sales were positive at +6.3%.

Margins improved slightly with continuing sales leverage and store efficiencies. The brand achieved an EBITDA of \$4.8 million (18.6% of sales), up slightly on FY17 despite the reduced number of stores.

Carl's Jr. New Zealand

\$NZm.	2018	2017	Change (\$)	Change (%)
Sales	34.9	36.3	-1.4	-3.9
Store Numbers	19	19		
EBITDA (\$m)	2.0	1.0	+1.0	+105.7
EBITDA as a % of Sales	5.7	2.7		

Note: All Carl's Jr. stores are RBD owned

Progress continues to be made in building Carl's Jr. into a profitable, sustainable brand in New Zealand; the focus for FY18 being on generating more profitable sales, rather than driving volume through discounting and promotional activity.

As a result of these efforts, EBITDA was \$2.0 million (5.7% of sales), an increase of \$1.0 million or just over double that in the prior year.

Store numbers remained stable at 19 stores and sales were down 3.9% (-2.6% on a same store basis), as a result of rolling over FY17 sales promotion activity as well as the opening two new stores in Christchurch in that year.

Australian Operations

In \$NZ terms, the Australian business (operating the KFC brand) contributed total sales of \$NZ151.8 million, store EBITDA of \$NZ22.0 million and EBIT of \$NZ9.8 million. These results are all significantly up on the prior year, because of the acquisition of this business having taken place in April 2016, part way through FY17 as well as additional store acquisitions during FY18.

KFC Australia

\$Am	2018	2017	Change (\$)	Change (%)
Sales	139.5	92.5	+47.1	+50.9
Store Numbers	61	42		
EBITDA	20.2	14.2	+6.0	+42.1
EBITDA as a % of Sales	14.5	15.4		

In \$A terms, total sales for the KFC business in Australia were \$A139.5 million, up A\$47.1 million (or +50.9%) on last year. This was a function of both the full impact of the acquisition of QSR Pty Limited which only became effective partway through FY17 and increased store numbers following the acquisition of the business assets of five stores at the start of this financial year and a further 13 stores in the second half of FY18. Same store sales increased +4.9%.

Store EBITDA of \$A20.2 million (14.5% of sales) was up \$A6.0 million or +42.1% on last year.

As part of the Australian market expansion strategy, over the FY18 year Restaurant Brands acquired the business assets of 18 KFC stores in New South Wales at a total price of \$A46.5 million. Five stores were acquired in March 2017 and the remainder were acquired between October 2017 and January 2018. With the successful completion of these transactions, together with the opening of one new store early in the third quarter, the company-owned KFC store network in Australia totalled 61 stores at balance date.

Hawaii Operations

RBD acquired PIR in Hawaii effective 7 March 2017 and the reported trading results are from that date. The Hawaiian business (which also includes operations in Guam) operates 82 stores under the Taco Bell and Pizza Hut brands.

In \$NZ terms, the newly-acquired Hawaiian operations contributed \$NZ167.5 million in revenues, \$NZ24.1 million in brand EBITDA and an EBIT of \$NZ9.7 million since acquisition.

Total sales in Hawaii in the period since acquisition were \$US119.8 million with store level EBITDA of \$US17.2 million. Taco Bell performed ahead of expectations at the time of purchase with Pizza Hut running slightly below expectations.

Taco Bell Hawaii

<i>\$USm.</i>	2018	2017	Change (\$)	Change (%)
Sales	68.3	-	+68.3	n/a
Store Numbers	37	-		
EBITDA	13.9	-	+13.9	n/a
EBITDA as a % of Sales	20.3	-	-	-

Taco Bell is a new brand for the company and is performing very well with total sales to date of \$US68.3 million and store-level EBITDA of \$US13.9 million (20.3% of sales). A strong promotional pipeline has helped drive a solid sales performance.

Restaurant Brands has embarked on a store rebuild and refurbishment strategy for these stores following the same successful programme as undertaken for the KFC business in New Zealand. The one store that has been transformed to date has delivered same store sales growth of +60%, with a further three stores scheduled for major refurbishment over the next 18 months.

Pizza Hut Hawaii

<i>\$USm</i>	2018	2017	Change (\$)	Change (%)
Sales	51.5	-	+51.5	n/a
Store Numbers	45	-		
Store EBITDA	3.3	-	+3.3	n/a
EBITDA as a % of Sales	6.5	-		

The Pizza Hut business in Hawaii has integrated well into the Group's operations.

Total sales were \$US51.5 million with store-level EBITDA of \$US3.3 million (6.5% of sales). There has been some margin pressure from participating in US-wide value-led marketing promotions together with some higher commodity costs and rising direct labour expense.

As with Taco Bell, an asset refurbishment program is planned for the Pizza Hut brand. This will see a move away from the larger style restaurants into smaller, more cost-effective delivery and carry out (delco) units. One new delco unit was opened at Pearl City in Honolulu just after balance date and this is trading ahead of expectations.

Corporate & Other

General and administration (G&A) costs were \$34.1 million, up \$13.7 million from last year. The increase in the G&A cost base was due to the Hawaiian acquisition (\$7.5 million), the full impact of Australian operations (purchased part way through FY17 (\$1.2 million)), and the new corporate structure established during the period to meet the demands arising from the changes in size and geography of the Group's operations. G&A as a % of total revenue was 4.4%, up from 3.9% in the FY17 year.

Depreciation charges of \$28.7 million for FY18 were \$6.5 million higher than the prior year, of which the Hawaiian business accounted for \$5.9 million.

Financing costs of \$5.6 million were up \$3.3 million on prior year reflecting the higher borrowings required to fund the Hawaiian and Australian acquisitions.

Tax expense was \$16.7 million, up \$5.6 million on the prior year due to higher reported profit levels. The effective tax rate of 32.0% reflects the increased proportion of profits that were generated off-shore, and the (one off) impact of non-trading items, with the average tax rate on earnings (excluding non-trading items) at 29.1%.

Non-trading Items

Non-trading expenditure for the year was \$4.8 million, a similar level to the prior year. The FY18 figure included transaction costs on the PIR acquisition and acquisitions in Australia, listing fees and legal costs relating to the listing of the company on the Australian Securities Exchange (ASX) and an impairment (primarily to goodwill) to Carl's Jr. carrying value in New Zealand. These costs were partially offset by a realised FX gain arising from the forward contracts used in the PIR Hawaiian acquisition and a gain on sale of assets in relation to the sale of New Zealand Pizza Hut businesses to independent franchisees and the sale and leaseback of a KFC store.

Cash Flow & Balance Sheet

The composition of the Group's balance sheet has been impacted by two significant transactions over the year; the completion of the acquisition of PIR in Hawaii on 7 March 2017, together with the significant additional Australian KFC store acquisitions. These transactions, for a total purchase price of \$NZ149.9 million and \$NZ51.2 million respectively (before settlement adjustments), were funded primarily through cash raised from the issue of shares by a renounceable entitlement offer and private placement carried out in FY17, together with additional debt facilities.

Bank debt at the end of the year was consequently up to \$166.8 million compared to \$46.5 million at the previous year end. As at balance date, the Group had bank debt facilities totalling \$253 million in place.

Operating cash flows were up \$19.9 million to \$67.8 million reflecting the Group's increased profitability.

Net investing cash outflows at \$173.3 million (versus \$79.0 million last year) primarily reflected the impact of the Hawaii and Australian acquisitions with a cash impact of \$147.5 million (net of bank loans assumed as part of the transaction). Investing cash inflows for the period were due to \$3.8 million received from the sale of two Pizza Hut stores and the sale and leaseback of a KFC store.

Dividend

Directors have declared a fully imputed final dividend of NZ18.0 cents per ordinary share (prior year NZ13.5 cents), payable on 22 June 2018 to all shareholders on the register on 1 June 2018. A supplementary dividend of NZ3.17645 cents per share will be paid to all overseas shareholders at the same time.

"Directors continue to have considerable confidence in the company's ability to grow both profit and cash flow and want to reward shareholders for what has been a very good year for Restaurant Brands," says Chairman Ted van Arkel.

The dividend reinvestment plan will apply to this dividend. For those participating in the plan, shares will be issued in lieu of dividend at a discount of 1.5% to the pre-closing 7 day NZX volume-weighted-average price (VWAP).

Listing on the Australian Securities Exchange

In September 2017 Restaurant Brands dual-listed on the Australian Securities Exchange (ASX) under the ticker code RBD. This listing has allowed the Company to better engage with its Australian investors and also provides opportunities to access additional pools of capital that may be required as part of future acquisition strategies.

Outlook

The full effects of two major acquisitions is evident in this year's financial results with sales almost doubling over the last two years and NPAT (excluding non-trading items) increasing from \$24.2 million to \$40.4 million over the same period. The new management team structure established has created a strong leadership platform from which Restaurant Brands is well positioned to pursue further international growth opportunities.

From a sound, established position in both the Australian and US (Hawaii) markets the company now has significant scope to expand further in both these geographies through acquisition, store refurbishments and organic growth. At the same time, organic growth opportunities within the New Zealand business will be pursued.

The company is not anticipating any significant change in the economic and competitive environment or unusual costs in the new financial year. With a consistent performance from the existing store network and the full year effect of the additional stores acquired in Australia in the second half of the 2018 financial year,

directors expect the company will deliver a NPAT (excluding non-trading items) result for the new financial year of at least 10% above current year's results. Further details will be provided at the Annual Shareholders' Meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held in Wellington, New Zealand on Thursday 21 June 2018. For further information please contact:

Russel Creedy
Group CEO
Phone: 525 8010

Grant Ellis
Group CFO/Company Secretary
Phone: 525 8700

ENDS

About Restaurant Brands:

Restaurant Brands New Zealand Limited operates the KFC, Pizza Hut, Carl's Jr. and Starbucks Coffee brands in New Zealand, the KFC brand in Australia and the Taco Bell and Pizza Hut brands in Hawaii and Guam. These brands - five of the world's most famous - are distinguished for their product, ambience, service and for the total experience they deliver to their customers in New Zealand and around the world.

Consolidated Income Statement
For the 52 week period ended 26 February 2018

	26 February 2018 52 weeks		vs Prior %	27 February 2017 52 weeks	
\$NZ000's					
Sales					
KFC	319,598		7.8	296,465	
Pizza Hut	41,111		1.5	40,492	
Starbucks Coffee	25,818		(3.3)	26,694	
Carl's Jr.	34,921		(3.9)	36,347	
Total New Zealand sales	421,448		5.4	399,998	
KFC	151,844		56.2	97,181	
Total Australia sales	151,844		56.2	97,181	
Taco Bell	95,487		n/a	-	
Pizza Hut	71,997		n/a	-	
Total Hawaii sales	167,484		n/a	-	
Total sales	740,776		49.0	497,179	
Other revenue	25,513		25.2	20,370	
Total operating revenue	766,289		48.1	517,549	
Cost of goods sold	(626,701)		48.6	(421,872)	
Gross margin	139,588		45.9	95,677	
Distribution expenses	(2,895)		4.7	(2,764)	
Marketing expenses	(40,095)		42.7	(28,107)	
General and administration expenses	(34,090)		67.4	(20,364)	
EBIT before non-trading items	62,508		40.7	44,442	
Non-trading items	(4,755)		(6.1)	(5,063)	
EBIT	57,753		46.7	39,379	
Interest expense	(5,604)		144.6	(2,291)	
Net profit before taxation	52,149		40.6	37,088	
Taxation expense	(16,683)		49.9	(11,133)	
Total profit after taxation (NPAT)	35,466		36.6	25,955	
Total NPAT excluding non-trading	40,361		32.0	30,567	
Concept EBITDA before G&A		% sales			% sales
KFC	65,954	20.6	7.4	61,419	20.7
Pizza Hut	3,060	7.4	(24.6)	4,058	10.0
Starbucks Coffee	4,815	18.6	1.1	4,760	17.8
Carl's Jr.	1,993	5.7	105.7	969	2.7
Total New Zealand	75,822	18.0	6.5	71,206	17.8
KFC	22,026	14.5	47.2	14,964	15.4
Total Australia	22,026	14.5	47.2	14,964	15.4
Taco Bell	19,420	20.3	n/a	-	
Pizza Hut	4,681	6.5	n/a	-	
Total Hawaii	24,101	14.4	n/a	-	
Total concept EBITDA before G&A	121,949	16.5	41.5	86,170	17.3
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(36.1)			87.7	

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.

Non-GAAP Financial Measures
For the 52 week period ended 26 February 2018

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, Tax, Depreciation and Amortisation (“EBITDA”) before G&A (general and administration expenses) by taking net profit before taxation and adding back (or deducting) 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 seven operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Starbucks Coffee and Carl’s Jr.), KFC Australia and the two Hawaii divisions (Taco Bell and Pizza Hut). 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) 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 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*	2018	2017
EBITDA before G&A	1	121,949	86,170
Depreciation		(28,683)	(22,152)
Loss on sale of property, plant and equipment (included in depreciation)		23	(32)
Amortisation (included in cost of sales)		(3,233)	(2,342)
General and administration costs - area managers, general managers and support centre		(27,548)	(17,202)
EBIT before non-trading	2	62,508	44,442
Non-trading items **	3	(4,755)	(5,063)
EBIT after non-trading items	4	57,753	39,379
Financing costs		(5,604)	(2,291)
Net profit before taxation		52,149	37,088
Income tax expense		(16,683)	(11,133)
Net profit after taxation		35,466	25,955
Add back non-trading items		4,755	5,063
Income tax on non-trading items		140	(451)
Net profit after taxation excluding non-trading items	5	40,361	30,567

* Refers to the list of non-GAAP measures as listed above.

** Refer to Note 2 of the financial statements for an analysis of non-trading items

Restaurant Brands New Zealand Limited

2018 Financial Statements

Restaurant Brands is pleased to present its financial statements.

Note disclosures are grouped into five sections which the Directors consider most relevant when evaluating the financial performance of Restaurant Brands.

Section	Note Reference
Performance	1-5
Funding and equity	6-9
Working capital	10-13
Long term assets	14-15
Other notes	16-28

Significant accounting policies which are relevant to an understanding of the financial statements and summarise the measurement basis used are provided throughout the notes and are denoted by the highlighted text surrounding them.

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Restaurant Brands New Zealand Limited
Directors' statement
For the 52 week period ended 26 February 2018

The Directors of Restaurant Brands New Zealand Limited (Restaurant Brands) are pleased to present the financial statements for Restaurant Brands and its subsidiaries (together the Group) for the 52 week period ended 26 February 2018 contained on pages 3 to 34.

Financial statements for each financial year fairly present the financial position of the Group and its financial performance and cash flows for that period and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and all relevant financial reporting and accounting standards have been followed.

Proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

Adequate steps have been taken to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Directors hereby approve and authorise for issue the financial statements for the 52 week period ended 26 February 2018.

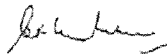
For and on behalf of the Board:

E K van Arkel

Chairman

Date

17 April 2018



H W Stevens

Director

Date

17 April 2018



Restaurant Brands New Zealand Limited
Consolidated statement of comprehensive income
For the 52 week period ended 26 February 2018

SNZ000's	Note	2018	2017
Store sales revenue	1	740,776	497,179
Other revenue	1	25,513	20,370
Total operating revenue		766,289	517,549
Cost of goods sold		(626,701)	(421,872)
Gross profit		139,588	95,677
Distribution expenses		(2,895)	(2,764)
Marketing expenses		(40,095)	(28,107)
General and administration expenses		(34,090)	(20,364)
EBIT before non-trading		62,508	44,442
Non-trading	2	(4,755)	(5,063)
Earnings before interest and taxation (EBIT)	1	57,753	39,379
Financing expenses	6	(5,604)	(2,291)
Profit before taxation		52,149	37,088
Taxation expense	16	(16,683)	(11,133)
Profit after taxation attributable to shareholders		35,466	25,955
Other comprehensive income:			
Exchange differences on translating foreign operations		(3,538)	(2,575)
Share option reserve		34	0
Derivative hedging reserve		1,651	(1,303)
Income tax relating to components of other comprehensive income		(303)	367
Other comprehensive income for the full year, net of tax		(2,156)	(3,511)
Total comprehensive income for the full year attributable to shareholders		33,310	22,444
Basic earnings per share from total operations (cents)	4	28.83	24.08
Diluted earnings per share from total operations (cents)	4	28.83	24.08

Restaurant Brands New Zealand Limited
Consolidated statement of changes in equity
For the 52 week period ended 26 February 2018

SNZ000's	Note	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 52 week period ended 27 February 2017							
Balance at the beginning of the period		26,756	-	53	(238)	49,046	75,617
Comprehensive income							
Profit after taxation attributable to shareholders		-	-	-	-	25,955	25,955
Other comprehensive income							
Movement in foreign currency translation reserve		-	-	(2,575)	-	-	(2,575)
Movement in derivative hedging reserve		-	-	-	(936)	-	(936)
Total other comprehensive income		-	-	(2,575)	(936)	-	(3,511)
Total comprehensive income		-	-	(2,575)	(936)	25,955	22,444
Transactions with owners							
Shares issued		119,369	-	-	-	-	119,369
Shares issued costs		(2,739)	-	-	-	-	(2,739)
Net dividends distributed	5	-	-	-	-	(22,632)	(22,632)
Total transactions with owners		116,630	-	-	-	(22,632)	93,998
Balance at the end of the period	9	143,386	-	(2,522)	(1,174)	52,369	192,059
For the 52 week period ended 26 February 2018							
Balance at the beginning of the period		143,386	-	(2,522)	(1,174)	52,369	192,059
Comprehensive income							
Profit after taxation attributable to shareholders		-	-	-	-	35,466	35,466
Other comprehensive income							
Movement in share option reserve		-	34	-	-	-	34
Movement in foreign currency translation reserve		-	-	(3,538)	-	-	(3,538)
Movement in derivative hedging reserve		-	-	-	1,348	-	1,348
Total other comprehensive income for the year		-	34	(3,538)	1,348	-	(2,156)
Total comprehensive income		-	34	(3,538)	1,348	35,466	33,310
Transactions with owners							
Shares issued		5,168	-	-	-	-	5,168
Share issue costs		(63)	-	-	-	-	(63)
Net dividends distributed	5	-	-	-	-	(28,866)	(28,866)
Total transactions with owners		5,105	-	-	-	(28,866)	(23,761)
Balance at the end of the period	9	148,491	34	(6,060)	174	58,969	201,608

Restaurant Brands New Zealand Limited
Consolidated statement of financial position
As at 26 February 2018

\$NZ000's	Note	2018	2017
Non-current assets			
Property, plant and equipment	14	157,211	124,379
Intangible assets	15	246,257	84,361
Deferred tax asset	16	14,955	10,325
Total non-current assets		418,423	219,065
Current assets			
Inventories	10	12,634	8,659
Trade and other receivables	11	8,819	4,273
Cash and cash equivalents	12	10,140	70,390
Derivative financial instruments	7	28	-
Assets classified as held for sale		2,396	-
Total current assets		34,017	83,322
Total assets		452,440	302,387
Equity attributable to shareholders			
Share capital	9	148,491	143,386
Reserves		(5,852)	(3,696)
Retained earnings		58,969	52,369
Total equity attributable to shareholders		201,608	192,059
Non-current liabilities			
Provision for employee entitlements	17	813	676
Deferred income	18	8,876	5,153
Loans	6	166,815	46,482
Total non-current liabilities		176,504	52,311
Current liabilities			
Income tax payable		4,167	3,647
Creditors and accruals	13	67,548	50,370
Provision for employee entitlements	17	1,683	1,301
Deferred income	18	930	1,065
Derivative financial instruments	7	-	1,634
Total current liabilities		74,328	58,017
Total liabilities		250,832	110,328
Total equity and liabilities		452,440	302,387

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows
For the 52 week period ended 26 February 2018

\$NZ000's	Note	2018	2017
Cash flows from operating activities			
Cash was provided by / (applied to):			
Receipts from customers		763,573	515,257
Payments to suppliers and employees		(674,371)	(451,560)
Interest paid		(5,625)	(2,318)
Payment of income tax		(15,809)	(13,471)
Net cash from operating activities		67,768	47,908
Cash flows from investing activities			
Cash was (applied to) / provided by:			
Acquisition of business	23	(147,502)	(63,905)
Payment for intangibles		(4,772)	(3,658)
Purchase of property, plant and equipment		(26,353)	(16,628)
Proceeds from disposal of property, plant and equipment		4,064	4,220
Landlord contributions received		1,222	961
Net cash used in investing activities		(173,341)	(79,010)
Cash flows from financing activities			
Cash was provided by / (applied to):			
Proceeds from non-current loans		451,716	446,116
Repayment of non-current loans		(387,024)	(415,365)
Share capital raised		-	93,869
Dividends paid to shareholders	5	(23,700)	(22,632)
Share issue costs		(63)	(2,739)
Net cash from financing activities		40,929	99,249
Net (decrease) / increase in cash and cash equivalents		(64,644)	68,147
Cash and cash equivalents at beginning of the period		70,390	1,093
Opening cash balances acquired on acquisition	23	4,621	1,457
Foreign exchange movements		(227)	(307)
Cash and cash equivalents at the end of the period		10,140	70,390
Cash and cash equivalents comprise:			
Cash on hand		513	310
Cash at bank		9,627	70,080
		10,140	70,390

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows (continued)
For the 52 week period ended 26 February 2018

Reconciliation of profit after taxation with net cash from operating activities

SNZ000's	2018	2017
Total profit after taxation attributable to shareholders	35,466	25,955
Add items classified as investing / financing activities:		
Gain on disposal of property, plant and equipment	(648)	(1,607)
FX gain on investing	(873)	-
	(1,521)	(1,607)
Add / (less) non-cash items:		
Depreciation	29,599	22,152
Disposal of goodwill	-	306
(Decrease) / increase in provisions	(797)	526
Amortisation of intangible assets	5,144	2,923
Impairment on property, plant and equipment	(60)	672
Impairment of Goodwill	1,217	-
Net increase in deferred tax asset	(394)	(2,035)
	34,709	24,544
Add / (less) movement in working capital:		
(Increase) / decrease in inventories	(3,864)	336
Increase in trade and other receivables	(4,309)	(1,091)
Increase in trade creditors and other payables	5,723	88
Increase / (decrease) in income tax payable	1,564	(317)
	(886)	(984)
Net cash from operating activities	67,768	47,908
 Reconciliation of movement in term loans		
Balance as at 27 February 2017	46,482	
Net cash flow movement	64,692	
Acquisitions	58,890	
Foreign exchange movement	(3,249)	
Balance as at 26 February 2018	166,815	

Restaurant Brands New Zealand Limited
Basis of preparation
For the 52 week period ended 26 February 2018

1. Reporting entity

The reporting entity is the consolidated group (the "Group") comprising the economic entity Restaurant Brands New Zealand Limited (the "Company") and its subsidiaries. Restaurant Brands New Zealand is a limited liability company incorporated and domiciled in New Zealand. The principal activity of the Group is the operation of quick service and takeaway restaurant concepts in New Zealand, Australia, Hawaii, Saipan and Guam.

Restaurant Brands New Zealand Limited is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is Level 3, Building 7, Central Park, 666 Great South Road, Penrose, Auckland.

The Company is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX") and is an issuer in terms of the Financial Reporting Act 2013. The Group is designated as a for-profit entity for financial reporting purposes.

Subsidiaries of the Company are as follows:

<i>Name</i>	<i>Nature</i>
Restaurant Brands Limited	Restaurant operating
Restaurant Brands Australia Pty Limited	Restaurant operating
QSR Pty Limited	Restaurant operating
Taco Aloha Inc.	Restaurant operating
Hawaii Pizza Hut Inc.	Restaurant operating
Pizza Hut of Guam, Inc.	Restaurant operating
Pizza Hut of Saipan, Inc.	Restaurant operating
TB Guam Inc.	Restaurant operating
Restaurant Brands Hawaii Limited	Investment holding
Pacific Island Restaurants Inc.	Investment holding
TD Food Group Inc.	Investment holding
RB Holdings Limited	Investment holding
RBP Holdings Limited	Investment holding
RBDNZ Holdings Limited	Investment holding
RBN Holdings Limited	Investment holding
Restaurant Brands Australia Holdings Pty Limited	Investment holding
Restaurant Brands Properties Limited	Property holding
Restaurant Brands Nominees Limited	Employee share option plan trustee
Restaurant Brands Pizza Limited	Non-trading

2. Basis of preparation

The financial statements of the Group have been prepared in accordance with:

- New Zealand Generally Accepted Accounting Practice ("NZ GAAP")
- Part 7 of the Financial Markets Conduct Act 2013
- NZX Main Board Listing Rules

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 a for-profit entity. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments as identified in the accompanying notes. 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 2018 full year results are for 52 weeks (2017: 52 weeks).

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes where an accounting policy choice is provided by NZ IFRS, is new or has changed, is specific to the Group's operations or is significant or material.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These audited consolidated financial statements were authorised for issue on 17 April 2018 by the Board of Directors who do not have the power to amend after issue.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements
For the 52 week period ended 26 February 2018

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Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

Performance

1. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. A new organisation structure was approved by the Board in March 2017, with the Group split into three geographically distinct operating divisions; New Zealand, Australia, and Hawaii. Leading these three geographic divisions is a new corporate support function consisting of Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO), who are focussed on assessing and driving global growth strategies. They are supported by a small corporate team. Each geographic division operates on a stand-alone basis, with each country's CEO reporting to the Group CEO. The organisation restructure announced in March 2017 has resulted in a change in the chief operating decision maker, which affects the Group's segment reporting disclosure. Under the new structure the chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group CEO and Group CFO. The chief operating decision makers considers the performance of the business from a geographic perspective, being New Zealand, Australia and Hawaii (including Guam and Saipan) while the performance of the corporate support function is assessed separately.

The Group is therefore organised into three operating segments, depicting the three geographic regions the Group operates in and the corporate support function located in New Zealand. All segments operate quick service and takeaway restaurant concepts. All operating revenue is from external customers. Prior year comparatives have been aligned to the geographic operating segments.

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

Segment assets include items directly attributable to the segment (i.e. property, plant and equipment, intangible assets and inventories). 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 makers evaluates performance and allocates resources purely on the basis of aggregated Group liabilities.

2018 NZ\$000's	New Zealand	Australia	Hawaii	Corporate support function	TOTAL
Business segments					
Store sales revenue	421,448	151,844	167,484	-	740,776
Other revenue	25,325	-	188	-	25,513
Total operating revenue	446,773	151,844	167,672	-	766,289
EBITDA before general and administration expenses	75,822	22,026	24,101	-	121,949
General & administration expenses	(12,800)	(5,346)	(7,762)	(1,640)	(27,548)
EBITDA after general and administration expenses	63,022	16,680	16,339	(1,640)	94,401
Depreciation	(16,152)	(6,562)	(5,946)	-	(28,660)
Amortisation (included in cost of sales)	(2,182)	(333)	(718)	-	(3,233)
Segment result (EBIT) before non-trading items	44,688	9,785	9,675	(1,640)	62,508
Other non-trading items					(4,755)
Operating profit (EBIT) after non-trading items					57,753
Current assets	19,140	7,377	7,500	-	34,017
Non-current assets	115,552	148,063	154,808	-	418,423
Total assets	134,692	155,440	162,308	-	452,440
Capital expenditure including intangibles	19,907	5,198	6,298	-	31,403

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

Performance

1. Segmental reporting (continued)

2017 NZ\$000's	New Zealand	Australia	Hawaii	Corporate support function	TOTAL
Business segments					
Store sales revenue	399,998	97,181	-	-	497,179
Other revenue	20,370	-	-	-	20,370
Total operating revenue	420,368	97,181	-	-	517,549
 EBITDA before general and administration expenses	 71,206	 14,964	 -	 -	 86,170
General & administration expenses	(13,742)	(3,460)	-	-	(17,202)
EBITDA after general and administration expenses	57,464	11,504	-	-	68,968
Depreciation	(17,597)	(4,587)	-	-	(22,184)
Amortisation (included in cost of sales)	(2,186)	(156)	-	-	(2,342)
Segment result (EBIT) before non-trading items	37,681	6,761	-	-	44,442
Other non-trading items					(5,063)
Operating profit (EBIT) after non-trading					39,379
 Current assets	 78,100	 5,222	 -	 -	 83,322
Non-current assets	121,524	97,541	-	-	219,065
Total assets	199,624	102,763	-	-	302,387
 Capital expenditure including intangibles	 16,803	 2,456	 -	 -	 19,259

1.1 Reconciliation between EBIT after non-trading items and net profit after tax

\$NZ000's	2018	2017
EBIT after non-trading items	57,753	39,379
Financing costs	(5,604)	(2,291)
Net profit before taxation	52,149	37,088
Income tax expense	(16,683)	(11,133)
Net profit after taxation	35,466	25,955
Add back non-trading items	4,755	5,063
Income tax on non-trading items	140	(451)
Net profit after taxation excluding non-trading items	40,361	30,567

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

2. Non-trading items

SNZ000's	2018	2017
Non-trading items		
Gain on sale of stores		
Net sale proceeds	588	1,555
Property, plant and equipment disposed of	(95)	(631)
Goodwill disposed of	-	(231)
	493	693
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR) and Pacific Island Restaurants Inc. (PIR)	(1,911)	(580)
Acquisition costs	(1,598)	(3,864)
Store closure costs	(325)	(1,687)
ASX listing-related costs	(608)	-
FEC Exchange gains	873	-
Impairment of assets	(879)	-
Impairment of goodwill	(1,217)	-
Store relocation and refurbishment (including insurance proceeds)	-	(63)
Gain on store sale and leaseback	417	438
Total non-trading items	(4,755)	(5,063)
Acquisition costs comprise the following:		
QSR acquisition costs		
Stamp duty	-	(2,105)
Other	-	(241)
	-	(2,346)
PIR acquisition costs	(334)	(1,518)
Other acquisition costs	(1,264)	-
Total acquisition costs	(1,598)	(3,864)

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 statement of comprehensive income and notes to the financial statements.

3. Revenue and expenses

Operating revenue

Store sales revenue

Revenue from store sales of goods is measured at the fair value of the consideration received, net of returns, discounts and excluding GST. Retail sales of goods are recognised at point of sale.

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 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.

Operating expenses

Royalties paid

SNZ000's	2018	2017
Royalties paid	43,830	29,152

Royalties are recognised as an expense as revenue is earned.

Wages and salaries

SNZ000's	2018	2017
Wages and salaries	211,327	130,727
Increase in liability for long service leave	189	74
	211,516	130,801

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

4. Earnings per share

	2018	2017
Basic earnings per share		
Profit after taxation attributable to the shareholders (SNZ000's)	35,466	25,955
Weighted average number of shares on issue (000's)	123,032	107,797
Basic earnings per share (cents)	28.83	24.08
Diluted earnings per share		
Profit after taxation attributable to the shareholders (SNZ000's)	35,466	25,955
Weighted average number of shares on issue (000's)	123,032	107,797
Diluted earnings per share (cents)	28.83	24.08

Basic earning per share (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 reflects any commitments the Company has to issue shares in the future that would decrease EPS.

5. Dividend distributions

SNZ000's	2018	2017
Final dividend of 13.5 cents per share paid for the 52 week period ended 27 February 2018 (2017: 12.5 cents per share)	16,584	12,859
Interim dividend 10.0 cents per share paid for the 52 week period ended 26 February 2018 (2017: 9.5 cents per share)	12,282	9,773
	<u>28,866</u>	<u>22,632</u>

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

Funding and equity

6. Loans

SNZ000's	2018	2017
Secured bank loans denominated in:		
NZD	28,750	5,000
AUD	85,755	41,482
USD	52,310	-
Secured bank loans	166,815	46,482

Facilities

On 12 October 2017 the existing Westpac bank loan facility was renewed on similar terms for a further three years, expiring on 12 October 2020. The total loan facility with Westpac bank is \$125 million.

On 12 October 2017 a new loan facility agreement for AU\$50 million was entered into with The Bank of Tokyo-Mitsubishi UFJ, Ltd. for a term of three years, expiring on 12 October 2020.

On 7 March 2017 as part of the acquisition of Pacific Island Restaurants Inc. The Group acquired a US\$54.2 million loan facility with First Hawaiian Bank, of which \$13 million expires on 1 August 2019 with the remainder expiring 16 December 2023.

Interest rate swaps

On 16 April 2014 the Group entered into an interest rate swap to fix the interest rate on \$5.0 million of NZD bank loans for five years. At balance date the interest rate applicable was 5.6% (2017: 5.5%) inclusive of bank margin. The swap matures on 16 April 2019.

On 22 January 2017 the Group entered into an interest rate swap to fix the interest rate on \$10.0 million of NZD bank loans for 5 years. At balance date the interest rate applicable was 4.0% inclusive of bank margin. The swap matures on 28 January 2022.

On 25 January 2017 the Group entered into an interest rate swap to fix the interest rate on AU\$15 million of AUD bank loans for five years. At balance date the interest rate applicable was 3.4% (2017: 3.4%) inclusive of bank margin. The swap matures on 25 January 2022.

On 14 November 2017 the Group entered into an interest rate swap to fix the interest rate on \$20.0 million of AUD bank loans for 5 years. At balance date the interest rate applicable was 3.2% inclusive of bank margin. The swap matures on 14 November 2022.

On 22 May 2017 the Group entered into an interest rate swap to fix the interest rate on \$10.0 million of USD bank loans for 5 years. At balance date the interest rate applicable was 3.8% inclusive of bank margin. The swap matures on 1 June 2022.

On 29 June 2017 the Group entered into an interest rate swap to fix the interest rate on \$10.0 million of USD bank loans for 5 years. At balance date the interest rate applicable was 3.8% inclusive of bank margin. The swap matures on 1 July 2022.

Security

As security over the AUD and NZD loans, 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.

As security over the USD debt facility, the bank holds guarantees and security over the Hawaii business.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

6. Loans (continued)

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

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
- debt coverage ratio (i.e. net borrowings to EBITDA), and
- Interest cover ratio (i.e. EBITDA to interest), 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 (2017: no breaches).

The carrying value equates to fair value.

For more information about the Group's exposure to interest rate and foreign currency risk see Note 8.

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 profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Financing costs

\$NZ000's	2018	2017
Interest expense	5,604	2,291

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 profit or loss in the statement of comprehensive income; unwinding of the discount on provisions and impairment losses on financial assets.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

7. Derivatives and hedge accounting

SNZ000's	2018 (Assets) / liabilities	2017 Liabilities
Current		
Fair value of interest rate swaps	(28)	426
Fair value of forward exchange contracts	-	1,208
	(28)	1,634

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

There were no transfers between fair value levels during the period (2017: Nil). The fair values are classified as level two.

The fixed interest rates of the swaps used to hedge range between 2.02% and 4.69% (2017: 1.7% to 2.93%) and the variable rates of the loans are between 0.78% and 1.75% above the applicable bank bill rates.

Financial assets

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

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 trade receivables, other debtors and cash and cash equivalents in the statement 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. Any impairment losses are recognised in profit or loss in the statement of comprehensive income.

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 receivables and other debtors, 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.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

Financial assets and financial liabilities by category

SNZ000's	2018	2017
Loans and receivables		
Trade receivables	556	621
Other debtors	4,461	1,355
Cash and cash equivalents	10,140	70,390
	<u>15,157</u>	<u>72,366</u>
Derivatives used for hedging		
Derivative financial instruments - (assets) / liabilities	(28)	1,634
	<u>(28)</u>	<u>1,634</u>
Financial liabilities at amortised cost		
Loans - non current	166,815	46,482
Creditors and accruals (excluding indirect and other taxes and employee benefits)	46,524	34,722
	<u>213,339</u>	<u>81,204</u>

8. Financial risk management

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 Australian dollars and US 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 foreign currency risk on its assets and liabilities that are denominated in Australian and US dollars as part of its Australian and US investments.

(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 7 discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in Note 6, the Group has an interest rate swap in place to fix the interest rate on \$AU35 million of Australian denominated bank loans to 2022 (2017: \$AU15 million), \$NZ5 million of New Zealand denominated bank loans to 2019, \$NZ10 million to 2022 (2017: \$NZ5 million to 2019) and \$US20 million to 2022. 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.

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(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.

SNZ000's	Effective interest rate	Total	12 months or less	12 months or more
2018				
Cash on hand	-	513	513	-
Cash at bank	0.73%	9,627	9,627	-
Bank term loan - principal	3.90%	(28,750)	-	(28,750)
Bank term loan - principal	2.93%	(85,755)	-	(85,755)
Bank term loan - principal	3.25%	(52,310)	-	(52,310)
Bank term loan - expected interest	3.27%	(20,258)	(5,458)	(14,800)
Derivative financial instruments	-	28	28	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(46,524)	(46,524)	-
		(223,429)	(41,814)	(181,615)
2017				
Cash on hand	-	310	310	-
Cash at bank	0.41%	5,135	5,135	-
Short term deposits	1.70%	64,945	64,945	-
Bank term loan - principal	2.58%	(41,482)	-	(41,482)
Bank term loan - principal	5.51%	(5,000)	-	(5,000)
Bank term loan - expected interest	3.29%	(3,301)	(1,531)	(1,770)
Derivative financial instruments	-	(1,634)	(1,634)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(34,722)	(34,722)	-
		(15,749)	32,503	(48,252)

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 \$253 million (2017: \$125 million) available at variable rates. The amount undrawn at balance date was \$86 million (2017: \$79 million).

The Group has fixed the interest rate on \$NZ15 million of NZD bank loans, \$AU35 million of AUD bank loans and \$US20 million of USD bank loans with the balance at a floating interest rate. The bank loans are 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.

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 (2017: 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.

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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 26 February 2018 it is estimated that a general increase of one percentage point in interest rates would decrease the Group profit before income tax and equity by approximately \$1.6 million (2017: \$0.3 million). A one percentage point decrease in interest rates would increase the Group profit before income tax and equity by approximately \$1.6 million (2017: \$0.3 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.

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.

9. Equity and reserves

Share capital

	2018 number	2018 \$NZ000's	2017 number	2017 \$NZ000's
Balance at beginning of year	122,843,191	143,386	97,871,090	26,756
Shares issued April 2016	-	-	5,000,000	25,500
Shares issued November 2016	-	-	19,972,101	93,869
Share issue costs	-	(63)	-	(2,739)
Shares issued November 2017	786,152	5,168	-	-
Balance at end of year	123,629,343	148,491	122,843,191	143,386

The issued capital of the Company represents ordinary fully paid up shares. The par value is nil (2017: 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.

The shares issued in November 2017 were in relation to the company's dividend reinvestment plan.

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

Foreign currency translation reserve

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

Derivative hedging reserve

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

Working capital

10. Inventories

\$NZ000's	2018	2017
Raw materials and consumables	12,634	8,659

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. The cost of inventories consumed is recognised as an expense and included in cost of goods sold in profit or loss in the statement of comprehensive income.

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11. Trade and other receivables

\$NZ000's	2018	2017
Trade receivables	556	621
Prepayments	3,802	2,297
Other debtors	4,461	1,355
	<u>8,819</u>	<u>4,273</u>

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

NZD	5,066	3,834
USD	2,742	-
AUD	1,011	439
	<u>8,819</u>	<u>4,273</u>

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.

Receivables are initially recognised at fair value. They are subsequently adjusted for impairment losses. Discounting is not applied to receivables where collection is expected to occur with the next twelve months.

12. Cash and cash equivalents

\$NZ000's	2018	2017
Cash on hand	513	310
Cash at bank	9,627	5,135
Short term deposits	-	64,945
	<u>10,140</u>	<u>70,390</u>

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

NZD	953	65,989
USD	3,420	-
AUD	5,767	4,401
	<u>10,140</u>	<u>70,390</u>

13. Creditors and accruals

\$NZ000's	2018	2017
Trade creditors	28,873	24,332
Other creditors and accruals	17,651	10,390
Employee benefits	14,767	10,109
Indirect and other taxes	6,257	5,539
	<u>67,548</u>	<u>50,370</u>

The carrying amount of the Group's creditors and accruals are denominated in the following currencies:

NZD	43,353	40,546
AUD	13,999	9,266
USD	10,196	551
GBP	-	7
	<u>67,548</u>	<u>50,370</u>

The carrying value of creditors and accruals approximates fair value.

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

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Long term assets

14. Property, plant and equipment

SNZ000's	Note	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
COST								
Balance as at 29 February 2016		1,843	133,606	67,192	954	258	8,661	212,514
Additions		1,680	-	1,410	452	-	12,057	15,599
Acquisition of business		-	24,181	10,571	413	-	89	35,254
Transfers from work in progress		-	12,430	6,559	-	-	(18,989)	-
Disposals		(485)	(4,870)	(3,574)	(264)	-	-	(9,193)
Movement in exchange rates		-	(1,222)	(538)	(20)	-	(5)	(1,785)
Balance as at 27 February 2017		3,038	164,125	81,620	1,535	258	1,813	252,389
Additions		-	5,461	3,834	384	-	16,905	26,584
Acquisition of business	23	-	28,702	12,580	42	-	-	41,324
Transfers from work in progress		-	7,077	7,263	226	-	(14,566)	-
Disposals		(2,380)	(2,456)	(3,297)	(283)	-	-	(8,416)
Movement in exchange rates		-	(898)	(459)	-	-	(25)	(1,382)
Balance as at 26 February 2018		658	202,011	101,541	1,904	258	4,127	310,499
ACCUMULATED DEPRECIATION								
Balance as at 29 February 2016		-	(65,860)	(44,017)	(700)	(251)	-	(110,828)
Charge		-	(13,988)	(7,912)	(245)	(7)	-	(22,152)
Disposals		-	3,204	3,287	235	-	-	6,726
Movement in exchange rates		-	(59)	21	(1)	-	-	(39)
Balance as at 27 February 2017		-	(76,703)	(48,621)	(711)	(258)	-	(126,293)
Charge		-	(16,688)	(12,567)	(344)	-	-	(29,599)
Disposals		-	1,365	2,092	215	-	-	3,672
Movement in exchange rates		-	92	75	1	-	-	168
Balance as at 26 February 2018		-	(91,934)	(59,021)	(839)	(258)	-	(152,052)
IMPAIRMENT PROVISION								
Balance as at 29 February 2016		-	(941)	(104)	-	-	-	(1,045)
Charge		-	(605)	(67)	-	-	-	(672)
Balance as at 27 February 2017		-	(1,546)	(171)	-	-	-	(1,717)
Charge		-	841	98	-	-	-	939
Utilised/disposed		-	(430)	(28)	-	-	-	(458)
Balance as at 26 February 2018		-	(1,135)	(101)	-	-	-	(1,236)

The impairment charge / reversal recognised during the year 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 items in the statement of comprehensive income (refer Note 8).

CARRYING AMOUNTS

Balance as at 29 February 2016		1,843	66,805	23,071	254	7	8,661	100,641
Balance as at 27 February 2017		3,038	85,876	32,828	824	-	1,813	124,379
Balance as at 26 February 2018		658	108,942	42,419	1,065	-	4,127	157,211

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14. Property, plant and equipment (continued)

Depreciation expense

SNZ000's	2018	2017
Depreciation expense	28,683	22,152

Sale of property, plant and equipment

Net Gain / (loss) on disposal of property, plant and equipment (included in depreciation expense)	23	(32)
Net gain on disposal of property, plant and equipment (included in non-trading costs)	671	1,639

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation 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.

Depreciation expense is included in profit or loss in the statement of comprehensive income.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss in the statement of comprehensive income.

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15. Intangibles

SNZ000's	Note	Goodwill	Franchise fees	Favourable leases	Concept development costs	Software costs	Total
COST							
Balance as at 29 February 2016		15,401	9,025	-	1,650	6,046	32,122
Additions		-	1,295	-	-	2,365	3,660
Acquisition of business		63,488	3,382	-	-	-	66,870
Disposals		(306)	(1,547)	-	-	(172)	(2,025)
Movement in exchange rates		(3,221)	(350)	-	-	-	(3,571)
Balance as at 27 February 2017		75,362	11,805	-	1,650	8,239	97,056
Additions		-	2,446	-	693	1,680	4,819
Acquisition of business	23	153,177	13,849	4,297	-	-	171,323
Impairment		(1,217)	-	-	-	-	(1,217)
Disposals		(290)	(1,572)	-	(825)	(189)	(2,876)
Movement in exchange rates		(5,275)	(544)	-	-	(1)	(5,820)
Balance as at 26 February 2018		221,757	25,984	4,297	1,518	9,729	263,285
ACCUMULATED AMORTISATION							
Balance as at 29 February 2016		(831)	(6,065)	-	(1,027)	(3,650)	(11,573)
Charge		-	(1,577)	-	(86)	(1,260)	(2,923)
Disposals		-	1,489	-	-	151	1,640
Movement in exchange rates		-	161	-	-	-	161
Balance as at 27 February 2017		(831)	(5,992)	-	(1,113)	(4,759)	(12,695)
Charge		-	(3,028)	(718)	-	(1,398)	(5,144)
Disposals		-	766	-	55	123	944
Movement in exchange rates		-	(133)	-	-	-	(133)
Balance as at 26 February 2018		(831)	(8,387)	(718)	(1,058)	(6,034)	(17,028)

Impairment charges are recognised in non-trading in the statement of comprehensive income.

CARRYING AMOUNTS

Balance as at 29 February 2016	14,570	2,960	-	623	2,396	20,549
Balance as at 27 February 2017	74,531	5,813	-	537	3,480	84,361
Balance as at 26 February 2018	220,926	17,597	3,579	460	3,695	246,257

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.

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15. Intangibles (continued)

Amortisation

Amortisation charge is recognised in cost of sales and non-trading items in the statement of comprehensive income.

\$NZ000's	2018	2017
Amortisation of intangibles	5,144	2,923

Significant judgments and estimates - impairment testing

Impairment testing is an area where estimates and judgments have a significant risk of causing a material adjustment to the carrying amount of the Group's goodwill balances.

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

\$NZ000's	2018	2017
KFC Australia	97,340	60,267
KFC New Zealand	3,799	3,799
Pizza Hut New Zealand	8,958	8,958
Carl's Jr. New Zealand	-	1,507
Taco Bell and Pizza Hut Hawaii	110,829	-
	220,926	74,531

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the brand. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors.

The key assumptions used for the value in use calculation are as follows:

Brand	2018	2018	2018	2017	2017	2017
	Sales growth	EBITDA	EBITDA	Sales growth	EBITDA	EBITDA
	2019-2021	margin	margin	2018-2020	margin	margin
	%	2019-2021	terminal year	%	2018-2020	terminal year
		%	%		%	%
KFC New Zealand	3.0 - 3.5	20.0 - 20.7	20.0	2.2 - 7.6	20.0 - 20.2	20.0
Pizza Hut New Zealand	3.0 - 3.5	9.4 - 10.5	12.5	1.0 - 2.5	10.0 - 10.5	10.0
Carl's Jr New Zealand	2.0	7.5 - 8.5	9.8	1.7 - 3.5	5.0 - 9.0	11.5
KFC Australia	4.0 - 4.5	15.7	16.0	2.2 - 5.1	15.7	15.0
Taco Bell and Pizza Hut Hawaii	3.0 - 5.0	6.8 - 20.0	10.5 - 20.0	N/A	N/A	N/A

The terminal year sales growth is calculated based on the 2021 year and assumes a continuous sales growth of a minimum of projected inflation estimates of 2.5% (2017: 2.5%).

The discount rate applied to future cash flows for Carl's Jr. NZ is based on a 10.9% weighted average post-tax cost of capital (2017: 9.1%) applicable to a standalone CGU within the New Zealand segment. The discount rate for the remaining New Zealand Brands was 8.9% weighted average post-tax cost of capital (2017: 9.1%). The discount rate applied to future cash flows for the KFC business in Australia is based on a 8.7% weighted average post-tax cost of capital (2017: 10.2%). The discount rate applied to future cash flows for the Taco Bell and Pizza Hut business in Hawaii is based on a 8.8% weighted average post-tax cost of capital.

The weighted average cost of capital calculation was reviewed in 2018 based on CAPM methodology using current market inputs.

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).

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15. Intangibles (continued)

The closure of a store under the Public Works Act and the revision of certain key assumptions in relation to the Carl's Jr. CGU including sales growth, EBITDA margin improvement and the WACC rate, a recoverable value of \$16.3 million was arrived at, resulting in a \$1.2 million impairment of goodwill (2017: nil). Carl's Jr. forms part of the New Zealand operating segment.

In respect of the New Zealand brands of KFC, Starbucks and Pizza Hut, any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

In respect of the Hawaii brands of Taco Bell and Pizza Hut, any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

In respect of the Australian KFC brand, any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

In respect of the Carl's Jr. CGU, a reduction of more than 100 basis points in any of the key assumptions, taken in isolation, could result in recoverable value being less than the book value of the specific assets of the CGU.

Other notes

16. Taxation

Taxation – statement of comprehensive income

The total taxation charge is analysed as follows:

\$NZ000's	Note	2018	2017
Total profit before income tax for the period	1	52,149	37,088
Total income tax expense	1	(16,683)	(11,133)
Net profit after income tax		35,466	25,955
Income tax using the Company's domestic tax rate		(28.0%) (14,602)	(28.0%) (10,385)
(Non-deductible expenses) and non-assessable income		(2.0%) (1,051)	(2.6%) (976)
Tax losses recognised		- -	0.8% 283
Adjustments due to different rate in different jurisdictions		(2.0%) (1,030)	(0.1%) (55)
		(32.0%) (16,683)	(30.0%) (11,133)
Income tax expense comprises:			
Current tax expense		(17,077)	(13,168)
Deferred tax credit		394	2,035
Net tax expense		(16,683)	(11,133)

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16. Taxation (continued)

Imputation credits

\$NZ000's	2018	2017
Imputation credits available for subsequent reporting periods	20,209	18,859

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 be utilised 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% for New Zealand, 30% for Australia and 21% USA (2017: 28% New Zealand and 30% Australia). The deferred tax balances in these financial statements have been measured using the 28% tax rate for New Zealand, 30% for Australia and 21% for the USA (2017: 28% New Zealand and 30% Australia).

Taxation – balance sheet

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior year:

\$NZ000's	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	7,317	4,735	-	-	7,317	4,735
Inventory	44	33	-	-	44	33
Debtors	-	-	(18)	(18)	(18)	(18)
Provisions	4,129	3,462	-	-	4,129	3,462
Intangibles	192	1,361	33	-	225	1,361
Other	1,993	461	-	(2)	1,993	459
Tax losses	1,265	293	-	-	1,265	293
	14,940	10,345	15	(20)	14,955	10,325

\$NZ000's	Balance	Opening	Recognised		Foreign	Balance
	29 February	balances on	in income	Recognised	currency	27 February
	2016	acquisition	statement	in equity	translation	2017
Property, plant and equipment	2,951	11	1,766	-	7	4,735
Inventory	33	-	-	-	-	33
Debtors	-	(26)	7	-	1	(18)
Provisions	2,795	786	(82)	-	(37)	3,462
Intangibles	124	1,248	53	-	(64)	1,361
Other	91	-	-	367	1	459
Tax losses	-	-	291	-	2	293
	5,994	2,019	2,035	367	(90)	10,325

\$NZ000's	Balance	Opening	Recognised		Foreign	Balance
	27 February	balances on	in income	Recognised	currency	26 February
	2017	acquisitions	statement	in equity	translation	2018
Property, plant and equipment	4,735	2,400	184	-	(2)	7,317
Inventory	33	-	11	-	-	44
Debtors	(18)	-	-	-	-	(18)
Provisions	3,462	668	(251)	-	250	4,129
Intangibles	1,361	(2,553)	1,097	-	320	225
Other	459	2,355	(422)	(337)	(62)	1,993
Tax losses	293	1,225	(225)	-	(28)	1,265
	10,325	4,095	394	(337)	478	14,955

16. Taxation (continued)

Current and deferred taxation are calculated on the basis of tax rates enacted or substantially enacted at reporting date, and are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income taxation is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are only recognised to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences.

Tax returns for the Group and the detailed calculations that are required for filing tax returns are not prepared until after the financial statements are prepared. Estimates of these calculations are made for the purpose of calculating income tax expense, current tax and deferred tax balances. Any difference between the final tax outcomes and the estimations made in previous years will affect current year balances.

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

17. Provision for employee entitlements

\$NZ000's	
Balance at 27 February 2017	1,977
Opening balance acquired on acquisition	511
Created during the period	527
Used during the period	(375)
Released during the period	(149)
Foreign exchange movements	5
Balance at 26 February 2018	2,496
2018	
Non-current	813
Current	1,683
Total	2,496

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.

18. Deferred income

\$NZ000's	
Balance at 27 February 2017	6,218
Opening balance acquired on acquisition	4,598
Created during the period	1,222
Used during the period	(2,053)
Foreign exchange movements	(179)
Balance at 26 February 2018	9,806
2018	
Non-current	8,876
Current	930
Total	9,806

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

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

19. Leases

Lease payments

\$NZ000's	2018	2017
Operating rental expenses	40,452	27,054

Rent expenses reported in these financial statements relates to non-cancellable operating lease rentals. The future commitments on these leases are as follows:

\$NZ000's	2018	2017
Not later than one year	39,199	26,707
Later than one year but not later than two years	32,905	23,599
Later than two years but not later than five years	62,439	43,522
Later than five years	66,166	30,990
	200,709	124,818

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	
	2018	2017	2018	2017
Number of leases expiring:				
Not later than one year	38	14	24	6
Later than one year but not later than two years	62	28	23	15
Later than two years but not later than five years	56	78	27	21
Later than five years	73	59	32	9

Operating leases

Payments made under operating leases are recognised in profit or loss in the statement 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.

20. Related party transactions

Parent and ultimate controlling party

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

Transactions with entities with key management or entities related to them

During the period the Group made the following:

- Citywest Corp Pty Ltd of which Company director Stephen Copulos is a director, received rental payments of \$74,000 (2017: \$431,000) from the Group, under an agreement to lease premises in Alexandria and Tamworth South, New South Wales, Australia to Restaurant Brands Australia Pty Ltd and QSR Pty Ltd respectively. The Alexandria premises was sold to an unrelated party in May 2017.
- Acquired services totalling \$30,239 (2017: \$25,000) fromASUREQuality Limited, a company of which Company director Hamish Stevens is a director. There was \$517 owed at balance date (2017: \$1,000 owing).

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

Key management and director compensation

Key management personnel comprises the Group CEO, Group CFO and the three divisional CEO's.

\$NZ000's	2018	2017
Key management - total benefits	2,499	3,329
Directors' fees	398	357

The comparative figure has been adjusted to reflect the new divisional reporting structure. Included in 2017 was the \$1.5 million bonus payment to the Chief Executive Officer relating to the long term incentive scheme as disclosed in the 2016 financial statements.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

20. Related party transactions (continued)

Total Group CEO remuneration

\$NZ000's	Salary	Short term incentives	Long term incentives	Total Remuneration
2018	900	-	-	900
2017	768	185	1,493	2,446

Short term incentive scheme

A short term incentive scheme is in place for all support office employees. The incentive is based on achieving in excess of planned results for the specific financial year. Any bonus payment to employees is at the discretion of the Appointments and Remuneration committee. The maximum that can be received by the CEO is 50% of base salary.

Long term incentive scheme

On 14 August 2017, the Group established a Performance Rights Plan for the Group CEO, Russel Creedy, and Group CFO, Grant Ellis ("the executives").

Under the terms of the Plan if, in the five year period from the issue date of the performance rights, the Restaurant Brands closing share price is at or exceeds \$NZ10.00 for 40 consecutive trading days the executives will be issued Restaurant Brands ordinary shares on a one-for-one basis on each performance right with no payment due to the Company. The executives must remain employed by Restaurant Brands until the share price target is achieved for the performance rights to vest.

The number of performance rights issued under the Plan are as follows:

	Number of performance rights
Russel Creedy	252,000
Grant Ellis	126,000
	378,000

The fair value of the performance rights at grant date is measured using the Monte Carlo valuation model, and on this basis each performance right is valued at \$0.77.

Details of the long term incentive payment made in 2017 was disclosed in the 2016 financial statements.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

21. Commitments

Capital commitments

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

\$NZ000's	2018	2017
Store development	4,293	955

22. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (2017: nil).

23. Business combinations

On 7 March 2017 the Group acquired 100% of the shares of Pacific Island Restaurants Inc. ("PIR") for consideration of US\$105 million. PIR is the largest operator of quick service restaurants across Hawaii and also operates in Guam and Saipan. The business has 82 stores and operates under the Taco Bell and Pizza Hut brands.

The acquisition was a strategic move into the Hawaii market, buying a well run profitable company which will provide a solid base for future expansion opportunities.

The US\$105 million purchase price was partially funded through the issue of shares by a renounceable entitlement offer and private placement which was undertaken in the previous financial year, with the remainder funded through bank debt.

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

\$NZ000's	
Purchase price	149,936
Less bank loans assumed	(58,890)
Plus settlement adjustment	4,859
Total net consideration	95,905
Net consideration made up as follows:	
Cash paid	97,101
Completion refund due	(1,196)
Total net consideration	95,905
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	27,320
Intangibles	17,140
Deferred tax asset	4,095
Stock	890
Cash	4,562
Other receivables	284
Bank loans	(58,890)
Current liabilities	(10,539)
Term liabilities	(4,598)
Other liabilities	(54)
Total identifiable assets and liabilities	(19,790)
Goodwill	115,695

The valuation of intangibles is an area where estimates and judgments have a significant risk of causing a material adjustment to the fair value of the recognised amounts of identifiable assets acquired and liabilities assumed. The Group have engaged a third party to value the intangible assets related to the franchise agreement and favourable leases. The valuation was determined based on discounted cash flow models. The Group have prepared the cash flows both with and without the existing franchise agreement factored into the model to assess the value attributable to the existing franchise agreement.

PIR contributed \$167.5 million in sales revenue and \$3.9 million in profit after taxation attributable to shareholders in the period ended 26 February 2018. Had PIR been consolidated for the 52 week period ended 26 February 2018, PIR would have contributed \$170.4 million in sales revenue and profit after taxation attributable to shareholders of \$4.1 million.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

23. Business combinations (continued)

On 21 March 2017 the Group acquired the business assets of five KFC stores located in New South Wales, Australia. Two KFC stores were purchased from Samesa Pty Limited for a total purchase price of \$AU2.2 million, while the other three KFC stores were purchased from Oshamma Pty Limited for a total purchase price of \$AU6.4 million. The stores contributed \$11.8 million in sales revenue and \$0.5 million in profit after taxation attributable to shareholders in the period ended 26 February 2018. Had they been consolidated for the 52 week period ended 26 February 2018, they would have contributed \$12.7 million in sales revenue and profit after taxation attributable to shareholders of \$0.5 million.

On 17 July 2017 the Group entered into a conditional agreement with Vida Rica Pty Limited to acquire the business assets of three KFC stores located in Sydney, Australia for a total purchase price of \$AU10.4 million. Two stores settled on 13 November 2017 and one store on 15 January 2018. The stores contributed \$2.1 million in sales revenue and \$0.2 million in profit after taxation attributable to shareholders in the period ended 26 February 2018. Had they been consolidated for the 52 week period ended 26 February 2018, they would have contributed \$9.3 million in sales revenue and profit after taxation attributable to shareholders of \$0.7 million.

On 28 August 2017 the Group entered into three conditional agreements with Kentucky Fried Chicken Pty Limited, a subsidiary of Yum! Restaurants International, to acquire the assets of ten KFC stores located in New South Wales, Australia for a total purchase price of \$AU27.5 million. Seven stores settled on 16 October, one store settled on 23 October 2017 and the final two stores settled on 30 November and 5 December 2017 respectively. The stores contributed \$11.3 million in sales revenue and \$0.9 million in profit after taxation attributable to shareholders in the period ended 26 February 2018. Had they been consolidated for the 52 week period ended 26 February 2018, they would have contributed \$32.4 million in sales revenue and profit after taxation attributable to shareholders of \$2.6 million.

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

\$NZ000's

Purchase price	51,223
Plus settlement adjustment	374
Total net consideration	51,597
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	14,004
Intangibles	1,006
Deferred Tax	223
Other receivables	83
Stock	232
Cash	59
Other liabilities	(1,492)
Total identifiable assets	14,115
Goodwill	37,482

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

24. Subsequent events

Dividends

The directors have declared a fully imputed final dividend of 18.0 cents per share for the 52 week period ended 26 February 2018 (2017: 13.5 cents).

There are no other subsequent events that would have a material effect on these accounts.

25. 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 16 Leases (effective for periods beginning on or after 1 January 2019) replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The Group intends to adopt NZ IFRS 16 on its effective date being for the year ended February 2020, and has yet to assess its full impact. However based on preliminary assessments the Group has determined that NZ IFRS 16 will have a significant impact on the Group's balance sheet and income statement disclosures. The balance sheet will be impacted by the recognition of a right to use asset and a corresponding lease liability. The income statement will be impacted by the recognition of an interest expense and amortisation expense and the removal of the current rental expense. The full impact on these statements has yet to be finalised.
- NZ IFRS 15 Revenue from contracts with customers (effective from periods beginning on or after 1 January 2018) 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 it is not expected to significantly impact the Group as all store sales revenue is settled in cash at the point of sale.
- 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. The Group intends to adopt NZ IFRS 9 on its effective date and it is not expected to materially impact the Group.

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 1 March 2017 that had a material impact on the financial statements.

26. Fees paid to auditor

\$NZ000's	2018	2017
Audit of financial statements		
Audit and review of financial statements - PwC	405	228
Other services - Performed by PwC		
Specified procedures on landlord certificates	4	1
Review of Starbucks coffee division report and Yum! Advertising Co-operative report	7	8
ASX listing assurance	18	-
Executive remuneration benchmarking	71	23
Total other services	100	32
Total fees paid to auditor	505	260

27. Donations

\$NZ000's	2018	2017
Donations	244	115

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

28. Deed of Cross Guarantee

Pursuant to the Australian Securities and Investment Commission (ASIC) Class Order 98/1418, the wholly owed subsidiary, QSR Pty Limited (QSR), is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that Restaurant Brands New Zealand Limited (RBNZ) and QSR enter into a Deed of Cross Guarantee (Deed). On 9 February 2017 a Deed was executed between RBNZ, QSR, Restaurant Brands Australia Pty Limited and Restaurant Brands Australia Holdings Pty Limited under which each company guarantees the debts of the others.

Set out below is the consolidated information for the 52 week period ended 26 February 2018 of the closed group consisting of RBNZ, QSR, Restaurant Brands Australia Holdings Pty Limited and Restaurant Brands Australia Pty Limited.

\$NZ000's	2018	2017
Financial information in relation to:		
(i) Statement of profit and loss and other comprehensive income		
Operating revenue	180,713	119,813
Earnings before interest and taxation (EBIT)	35,896	26,708
Financial expenses	(3,744)	(2,285)
Profit before income tax	32,152	24,423
Income tax	(1,744)	(1,097)
Profit after income tax	30,408	23,326
<i>Items that may be reclassified subsequently to the statement of comprehensive income:</i>		
Exchange differences on translating foreign operations	388	(2,575)
Share option reserve	34	-
Derivative hedge reserve	(83)	(95)
Income tax relating to components of other comprehensive income	24	28
Other comprehensive income net of tax	363	(2,642)
Total comprehensive income	30,771	20,684
(ii) Summary of movements in retained earnings		
Retained earnings at the beginning of the period	70,475	(44,207)
Total comprehensive income	30,771	20,684
Net dividends	(28,868)	(22,632)
Share capital issued	5,105	116,630
Retained earnings at the end of the year	77,483	70,475

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 52 week period ended 26 February 2018

28. Deed of Cross Guarantee (continued)

\$NZ000's	2018	2017
(iii) Statement of financial position		
Non-current assets		
Property, plant and equipment	43,298	31,067
Intangible assets	100,168	62,861
Deferred tax asset	4,596	3,614
Investment in subsidiaries	231,790	150,396
Total non-current assets	379,852	247,938
Current assets		
Inventories	769	468
Trade and other receivables	17,092	434
Cash and cash equivalents	5,988	68,757
Total current assets	23,849	69,659
Total assets	403,701	317,597
Equity attributable to shareholders		
Share capital	148,491	143,386
Reserves	(2,467)	(2,829)
Retained earnings	(68,541)	(70,082)
Total equity attributable to shareholders	77,483	70,475
Non-current liabilities		
Provision for employee entitlements	274	221
Amounts payable to subsidiaries	44,522	44,522
Loans	114,505	46,482
Total non-current liabilities	159,301	91,225
Current liabilities		
Income tax payable	360	861
Creditors and accruals	14,261	8,925
Provision for employee entitlements	1,322	939
Amounts payable to subsidiaries	150,464	144,745
Derivative financial instruments	510	427
Total current liabilities	166,917	155,897
Total liabilities	326,218	247,122
Total equity and liabilities	403,701	317,597



Independent auditor's report

To the shareholders of Restaurant Brands New Zealand Limited

The financial statements comprise:

- the consolidated statement of comprehensive income for the 52 week period ended 26 February 2018;
- the consolidated statement of changes in equity for the 52 week period ended 26 February 2018;
- the consolidated statement of financial position as at 26 February 2018;
- the consolidated statement of cash flows for the 52 week period ended 26 February 2018;
- the basis of preparation; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the financial statements of Restaurant Brands New Zealand Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 26 February 2018, its financial performance and its cash flows for the 52 week period ending 26 February 2018 in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

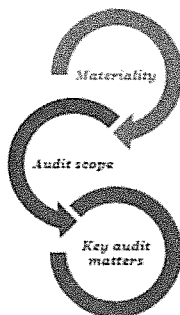
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of specified procedures on landlord certificates, review of Yum! Advertising Co-operative report and Starbucks coffee division report, ASX listing assurance, and executive remuneration benchmarking. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: \$2.7 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there are two key audit matters:

- Carrying value of Carl's Jr. assets
- Valuation of identifiable intangible assets arising from the acquisition of Pacific Island Restaurants Inc.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. Audits at each location are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

The operating segments, as defined in note one of the financial statements, were subject to audit procedures that were considered appropriate for the size and nature of those segments.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Carrying value of Carl's Jr. assets</i></p> <p>As disclosed in note 15 of the financial statements, management has performed an impairment assessment of the carrying value of the assets of the Carl's Jr. cash generating unit (CGU). An impairment charge of \$1.2 million has been recognised against the Carl's Jr goodwill. Our audit has focused on the assets associated with the Carl's Jr. CGU as there is an impairment risk associated with the CGU, given the sensitivity of the judgements made and the closure of a store under the Public Works Act. Management assesses impairment annually by performing a value in use assessment using a discounted future cash flow model based on forecast future performance. The recoverability of the assets is therefore dependent on achieving sufficient future cash flows. The preparation of forecast future cash flows requires the application of significant judgement over key assumptions such as sales growth, EBITDA margins and WACC. Management has performed sensitivity analysis over these assumptions.</p>	<p>We performed the following audit procedures in relation to the Carl's Jr. impairment assessment:</p> <ul style="list-style-type: none"> • Held discussions with management and understood the process undertaken and basis for determining the key assumptions in preparing forecasted future performance; • Engaged our auditor's valuation expert to assist us in evaluating the assumptions, and methodology used; and • Challenged management on key assumptions, including the sales growth, EBITDA margins and WACC. <p>In relation to the forecast performance, we performed the following procedures:</p> <ul style="list-style-type: none"> • Tested the arithmetical accuracy of the discounted cash flow model used to determine the value in use of the cash generating unit; • Reviewed historical years' actual performance for Carls Jr. against the original budgeted performance to determine the reliability of the budgeting process; • Assessed forecast cash flows and key assumptions against historical trading performance; • Performed sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of assets; and • Reviewed the financial statements to ensure appropriate identification and disclosure of key assumptions and the sensitivity of the value in use to those assumptions. <p>We assessed the impairment recognised against the procedures we performed and concluded the impairment charge fell within the possible outcomes we considered. The related disclosures in the financial statements are appropriate.</p>

Valuation of identifiable intangible assets arising from the acquisition of Pacific Island Restaurants Inc.

As disclosed in note 23 of the financial statements, the Group acquired 100% of the shares of Pacific Island Restaurants Inc. (PIR), on 7 March 2017, for net consideration of NZ\$96 million.

The purchase price included identifiable tangible and intangible assets acquired and liabilities assumed. Management undertook a process to identify and determine the fair value these assets and liabilities.

Identifiable intangible assets relating to franchise rights and favourable leases held by PIR were identified and valued at a total of \$17.1 million by third parties.

Our audit focused on this area because significant judgements and assumptions are involved in determining fair value of the identifiable intangible assets.

In responding to the significant judgements involved in identifying and valuing the identifiable intangible assets our audit procedures included:

- We met with management and obtained an understanding of the business process undertaken to identify and value the assets acquired and liabilities assumed;
- Reviewed the sale and purchase agreement and other key contracts and documents related to the acquisition to identify intangible assets that had been acquired;
- Considered whether identification and recognition of intangible assets was consistent with the requirements of the accounting standards;
- Challenged key assumptions used in the valuation models; and
- Considered whether the relevant disclosures were appropriate.

The results of our audit procedures were consistent with management's calculations and conclusion.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Skilton.

For and on behalf of:

A handwritten signature in dark ink, appearing to read 'Jonathan Skilton', written over the printed name 'Jonathan Skilton'.

Chartered Accountants
17 April 2018

Auckland

Restaurant Brands New Zealand Limited	
Results for announcement to the market	
Reporting Period	52 week period ended 26 February 2018
Previous Reporting Period	52 week period ended 27 February 2017

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$766,289	48.1%
Profit from ordinary activities after tax attributable to security holder.	NZ\$35,466	36.6%
Net profit attributable to security holders.	NZ\$35,466	36.6%

Interim/Final Dividend	Amount per share	Imputed amount per share
Final	NZ 18 cents	NZ 7.0 cents

Record Date	1 June 2018
Dividend Payment Date	22 June 2018

Comments:	Refer to attached report
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This report is based on accounts which have been audited. The report is provided with the accounts which accompany this announcement.

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.
For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant
details on additional pages)

1

Full name of Issuer **Restaurant Brands New Zealand Limited**

Name of officer authorised to
make this notice

G R Ellis

Authority for event,
e.g. Directors' resolution

Director's Resolution

Contact phone
number

09 525 8723

Contact fax
number

09 525 8711

Date

11 / 4 / 2018

Nature of event
Tick as appropriate

Bonus
Issue

☐

If ticked,
state whether:

Taxable

☐

/ Non Taxable

☐

Conversion

☐

Interest

☐

Rights Issue
Renounceable

☐

Rights Issue
non-renounceable

☐

Capital
change

☐

Call

☐

Dividend

☒

If ticked, state
whether:

☒

Interim

☐

Full
Year

☒

Special

☐

DRP Applies

☒**EXISTING securities affected by this**

If more than one security is affected by the event, use a separate form.

Description of the
class of securities

Ordinary Shares

ISIN

NZRBDE0001S1

If unknown, contact NZX

Details of securities issued pursuant to this event

If more than one class of security is to be issued, use a separate form for each class.

Description of the
class of securities

ISIN

If unknown, contact NZX

Number of Securities to
be issued following event

Minimum
Entitlement

Ratio, e.g.
① for ②

for

Conversion, Maturity, Call
Payable or Exercise Date

N/A

Treatment of Fractions

Enter N/A if not
applicable

Tick if
pari passu

☐

OR

provide an
explanation
of the
ranking

Strike price per security for any issue in lieu or date
Strike Price available.

Monies Associated with Event

Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.

In dollars and cents

Amount per security
(does not include any excluded income)

\$0.180000

Source of
Payment

Retained Earnings

Excluded income per security
(only applicable to listed PIEs)

Currency

NZD

Supplementary
dividend
details -
NZSX Listing Rule 7.12.7

Amount per security
in dollars and cents

\$0.031765

Total monies

\$19.781 Million

Date Payable

22 June, 2018

Taxation

Amount per Security in Dollars and cents to six decimal places

In the case of a taxable bonus
issue state strike price

Resident
Withholding Tax

\$0.012500

Imputation Credits
(Give details)

\$0.070000

Foreign
Withholding Tax

FWP Credits
(Give details)

Timing

(Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm

For calculation of entitlements -

1 June 2018

Application Date

Also, Call Payable, Dividend /
Interest Payable, Exercise Date,
Conversion Date. In the case
of applications this must be the
last business day of the week.

22 June 2018

Notice Date

Entitlement letters, call notices,
conversion notices mailed

Allotment Date

For the issue of new securities.
Must be within 5 business days
of application closing date.

22 June 2018

OFFICE USE ONLY

Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:



New
horizons,

new growth.



Restaurant Brands NZ Limited

2018 Full Year Results Presentation

Russel Creedy - Group CEO
Grant Ellis – Group CFO
Hamish Stevens - Director

17 April 2018

Presentation Outline

- Highlights
- Results Overview
- New Zealand Operations
- Australia Operations
- Hawaii Operations
- Growth Opportunities
- Outlook
- Questions
- Summary

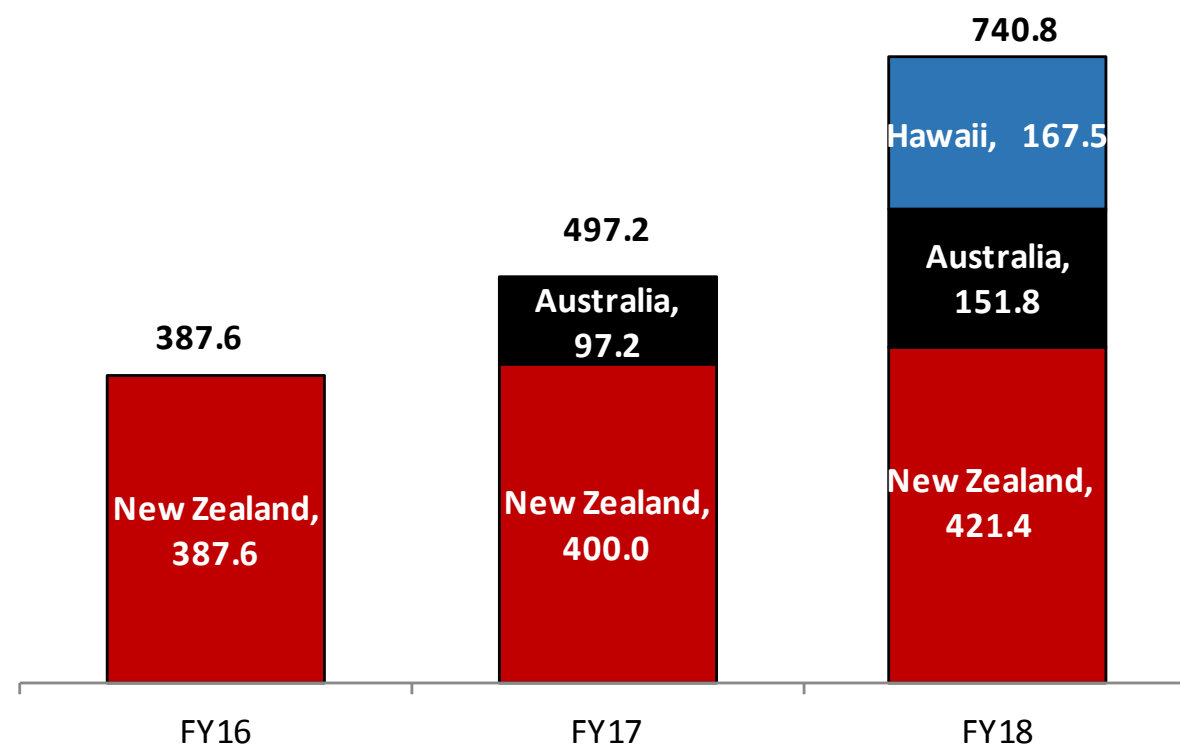
Highlights

Commentary (FY18 vs FY17)	FY16	FY17	FY18
• Group Sales +49.0%	\$387.6m	\$497.2m	\$740.8m
• Reported NPAT (including non-trading) +36.6%	\$24.1m	\$26.0m	\$35.5m
• NPAT (excluding non-trading) +32.0%	\$24.2m	\$30.6m	\$40.4m
• Brand EBITDA +41.5% driven by PIR Hawaii	\$66.9m	\$86.2m	\$121.9m
• Fully imputed 18.0cps final dividend bring full year to 28.0 cps (+21.7%)	21.0cps	23.0cps	28.0cps
• Hawaiian expansion with settlement of PIR acquisition			
• Purchase of 18 KFC stores in Australia			

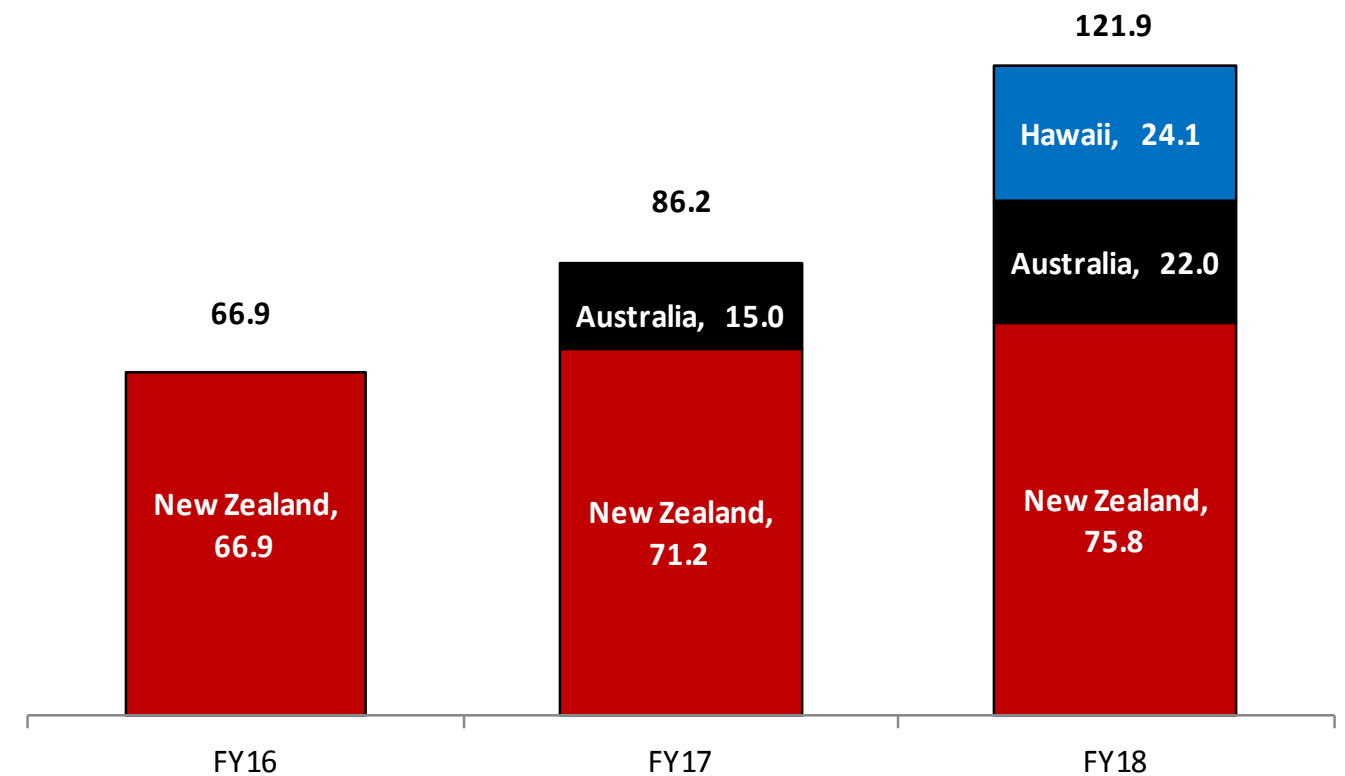
RESULTS OVERVIEW

Australia (QSR) and Hawaii (PIR) added strongly to store sales and margin growth

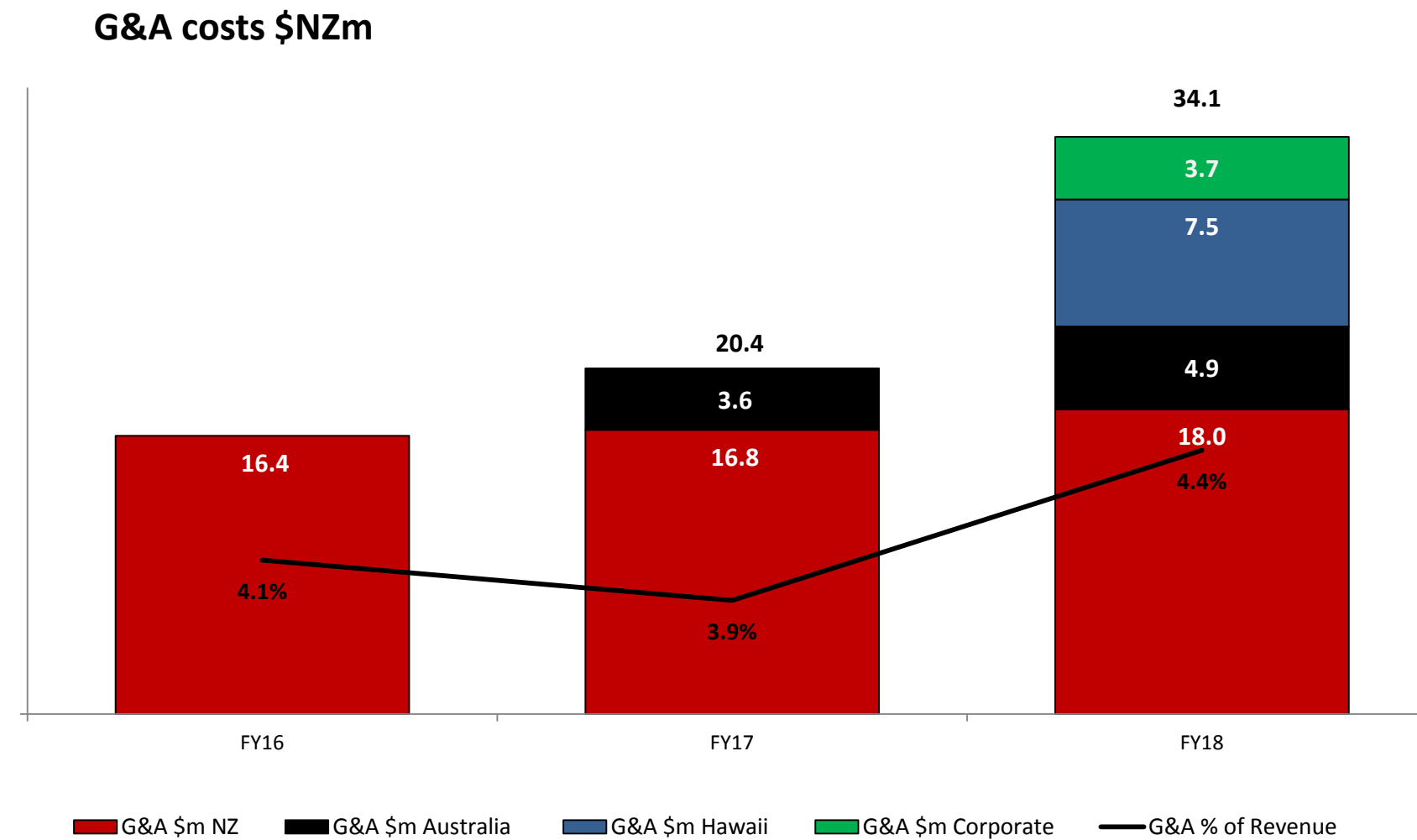
Sales Contribution (\$NZm)



EBITDA Contribution (\$NZm)



G&A costs were up to 4.4% of revenues with new acquisitions but will revert to targeted longer term norm of 4.0%

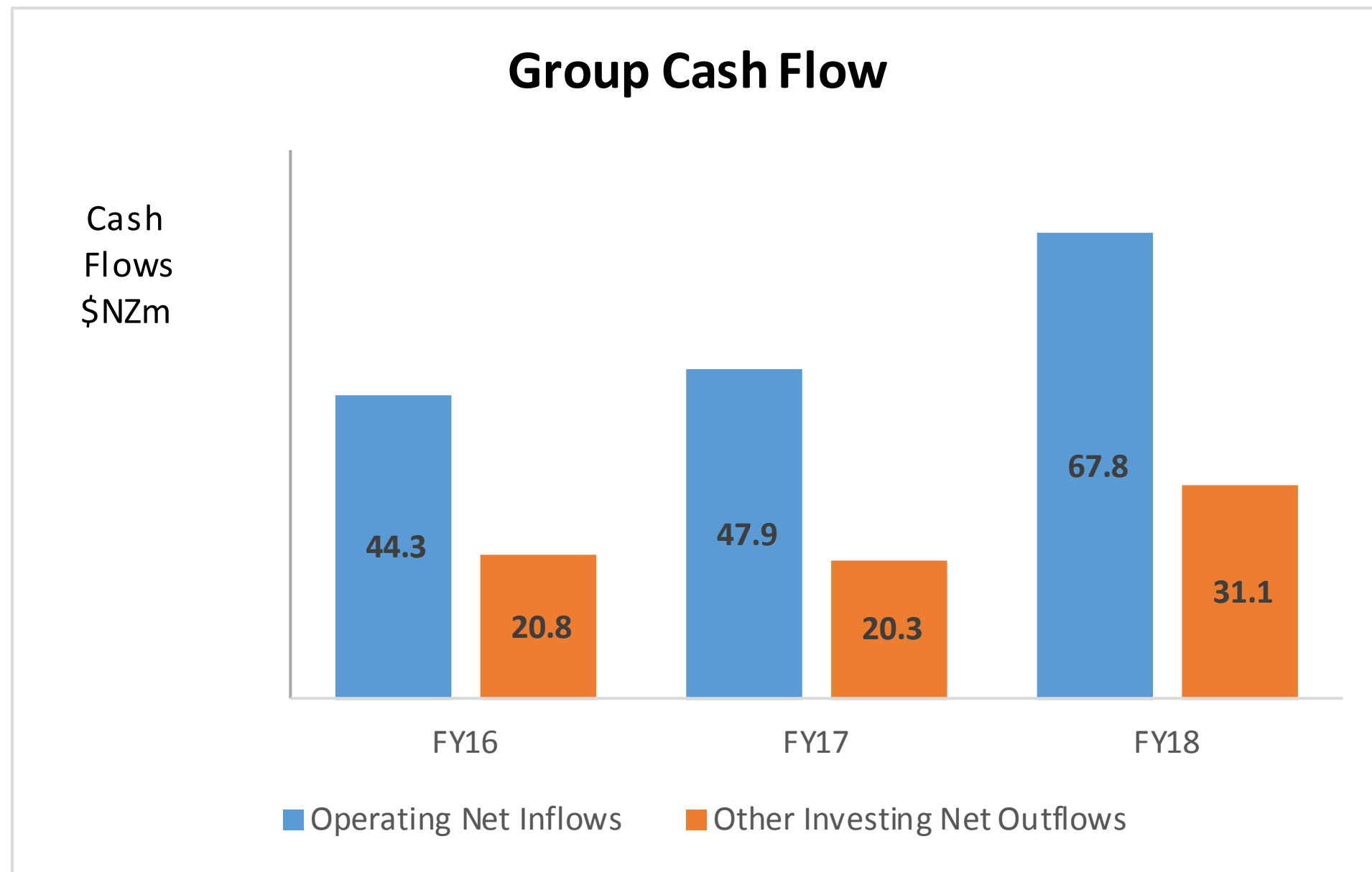


Non-trading item costs similar to prior year

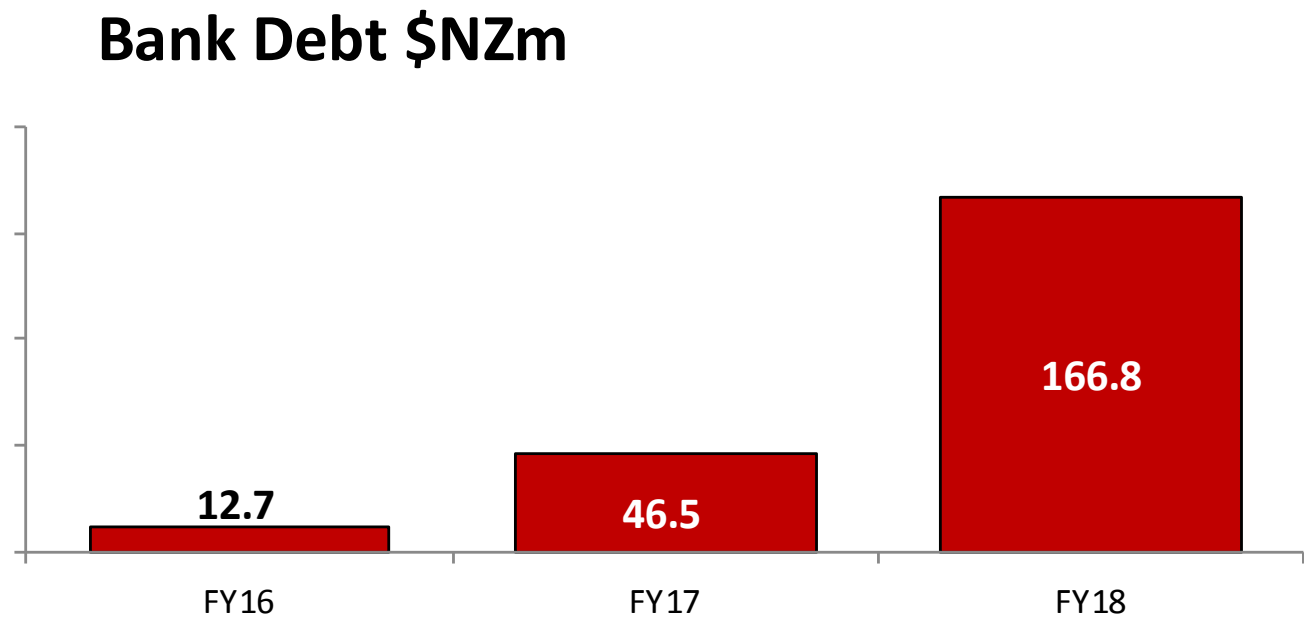
<i>Non-trading items</i>	FY17	FY18	B/(W)
	\$m	\$m	Δ\$m
Net gain on sale of Pizza Hut stores	(0.7)	(0.5)	(0.2)
Gain on sale and leaseback	(0.4)	(0.4)	-
Acquisition costs	3.9	1.6	2.3
Store closure costs	1.7	0.3	1.4
ASX listing costs	-	0.6	(0.6)
Franchise rights amortisation	0.6	1.9	(1.3)
Impairment of goodwill	-	1.2	(1.2)
Impairment of assets	-	0.9	(0.9)
FX Gain on acquisitions	-	(0.8)	0.8
	5.1	4.8	0.3

Operating cash flows up 42% in line with profitability

Investing cash flows (excluding acquisitions and divestments) in line with larger asset base



Borrowings were up following acquisitions but well within facility levels (\$253 million)



<i>Ratios</i>	FY16	FY17	FY18
Net Debt: EBITDA	0.2	0.6	1.7
Gearing (D:D+E)	13%	19%	44%

Full year dividend up 21.7% to 28.0 cents per share commensurate with profitability (fully imputed at 28%)

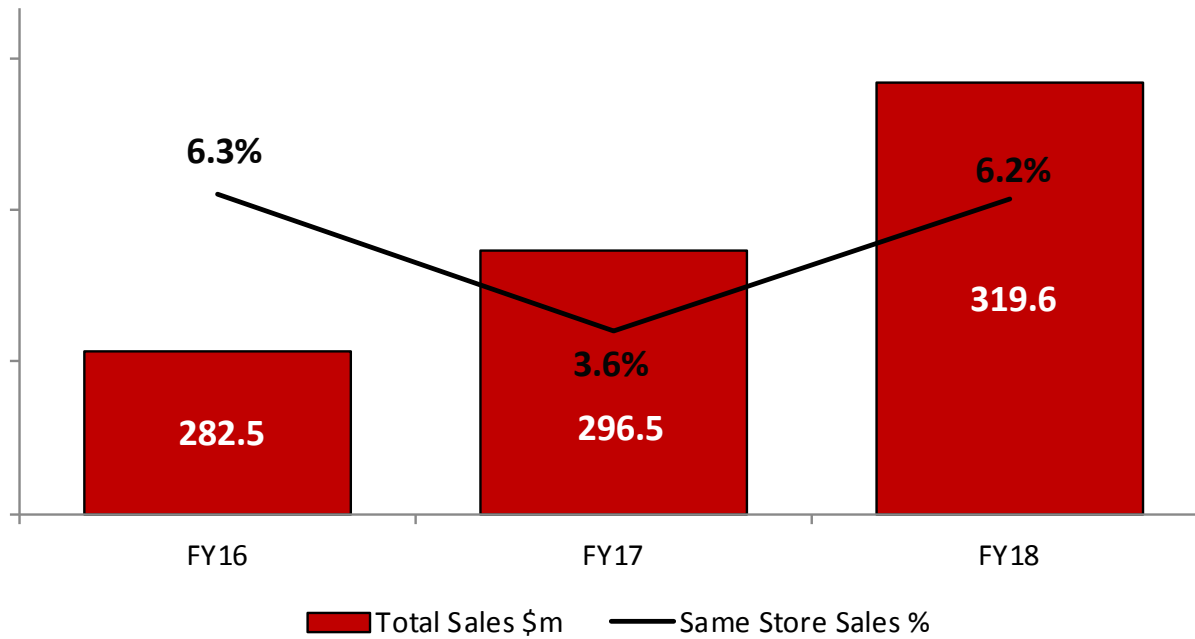
		FY16	FY17	FY18
Earnings per share (excluding non-trading)	cps	24.7	28.4	32.8
Total dividend	cps	21.0	23.0	28.0
Payout ratio of NPAT (excluding non-trading)	%	85%	81%	85%

New Zealand Operations

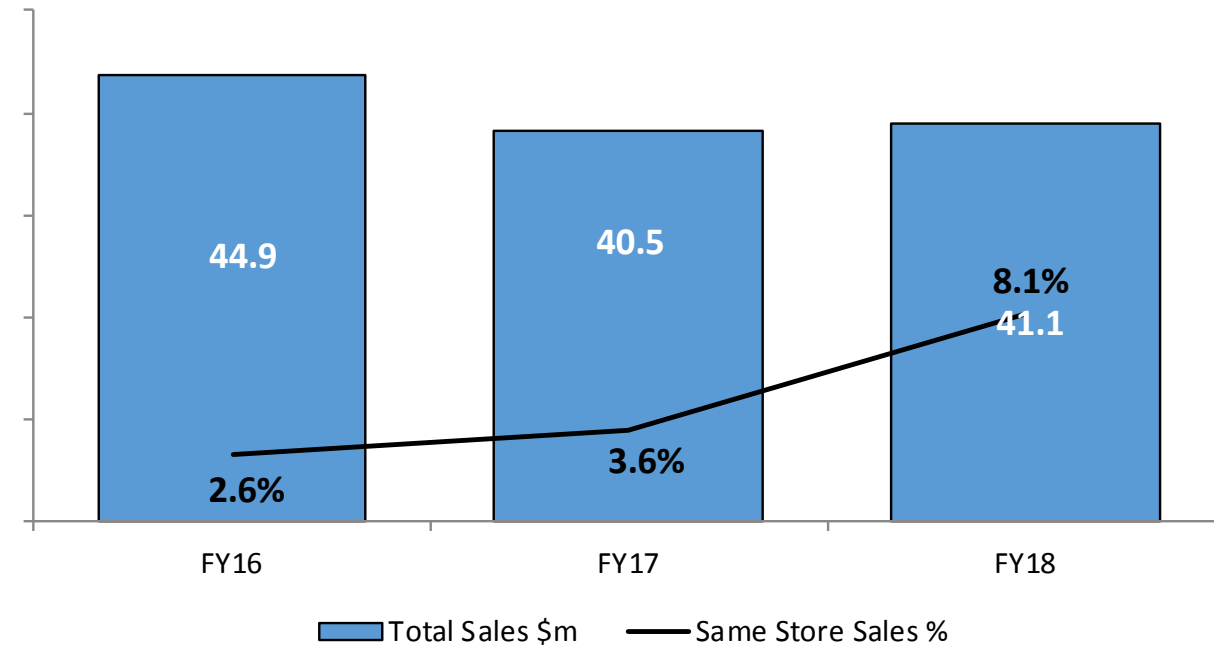


New Zealand total sales of \$421.4m (+5.4%) led by KFC

KFC Sales



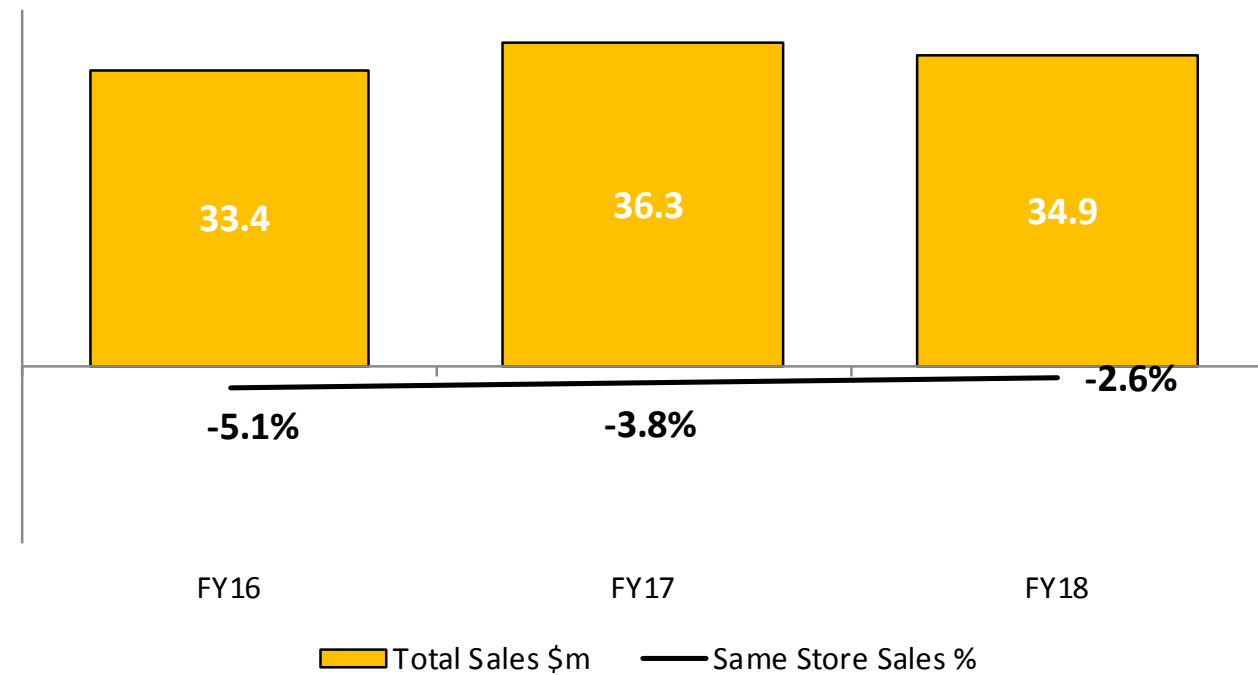
Pizza Hut Sales



Starbucks Sales

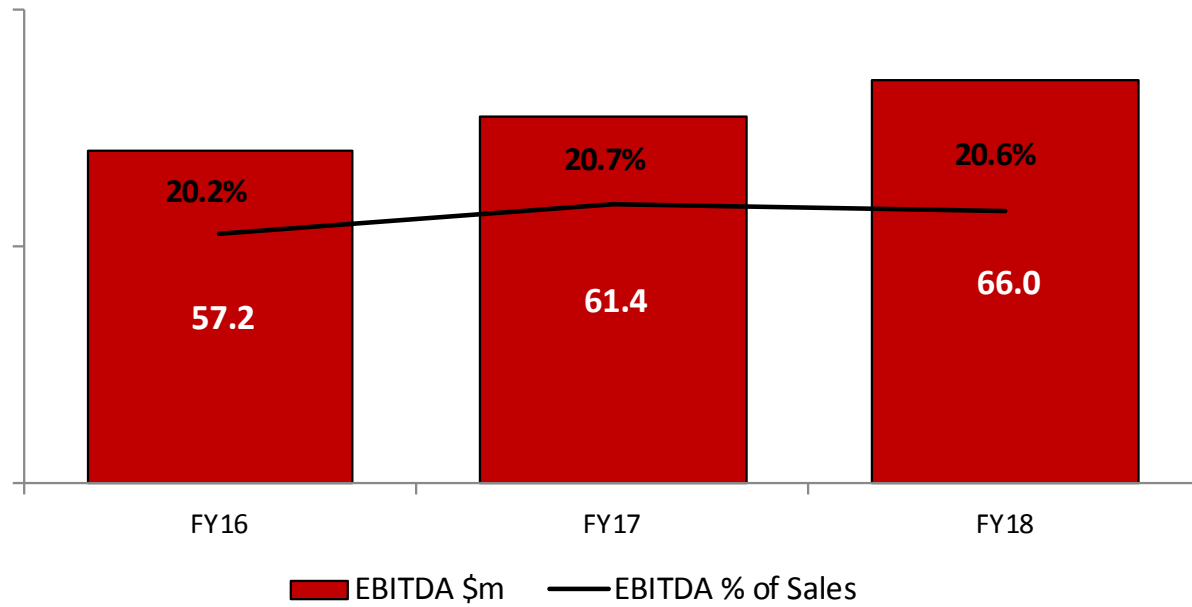


Carl's Jr. Sales

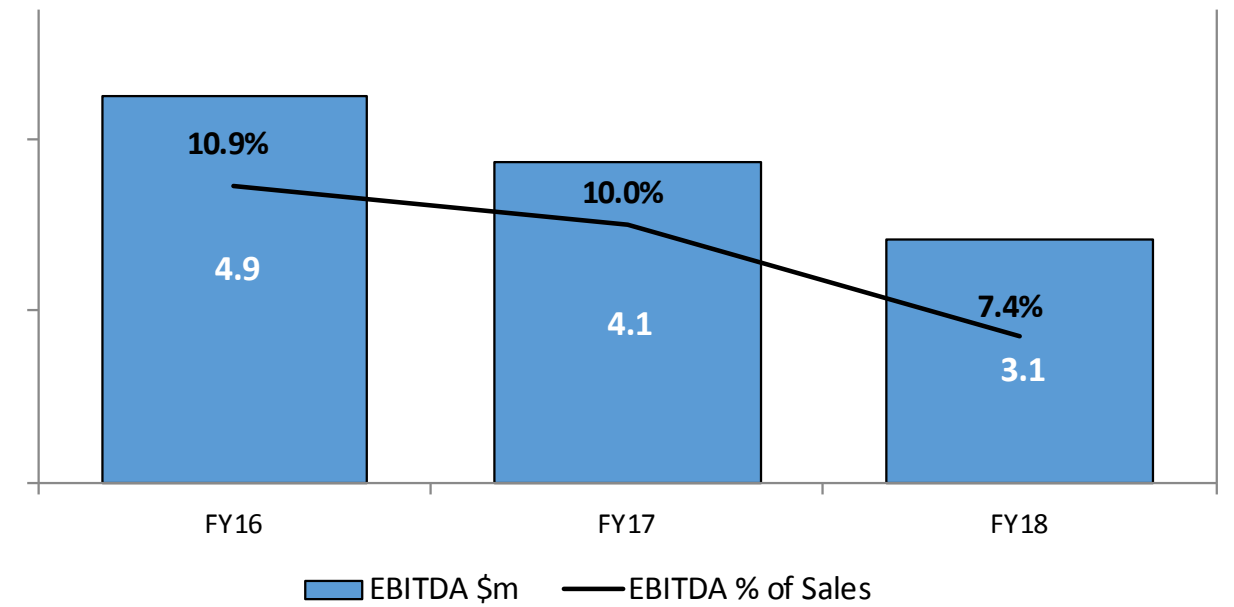


New Zealand earnings up similarly (+6.5%)

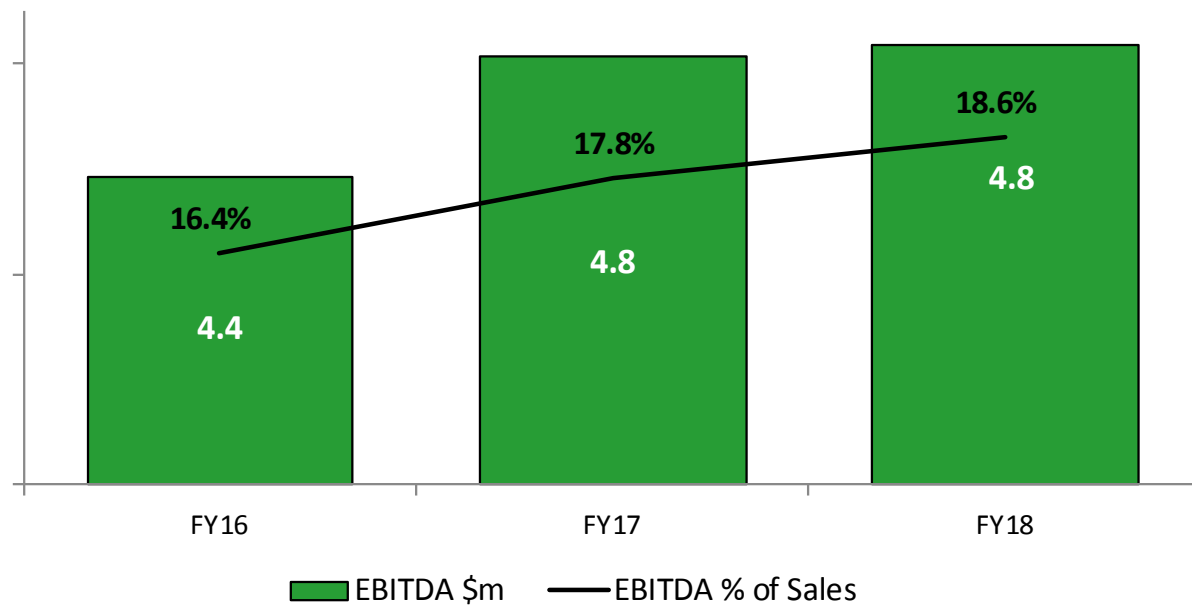
KFC EBITDA



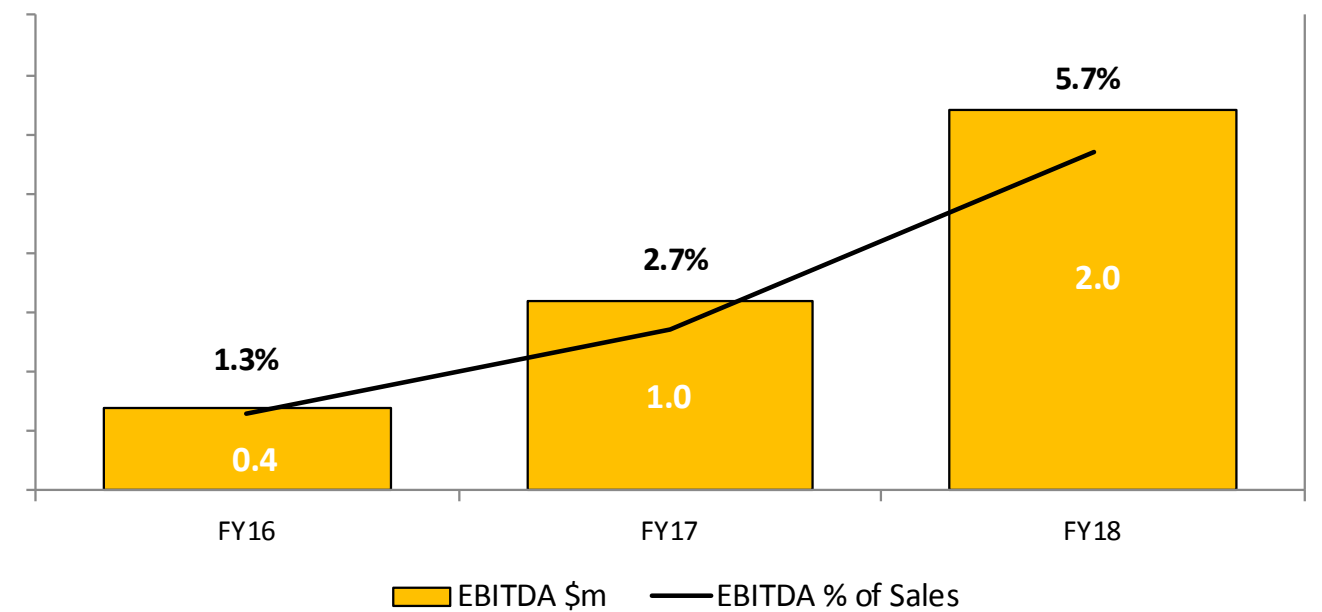
Pizza Hut EBITDA



Starbucks EBITDA

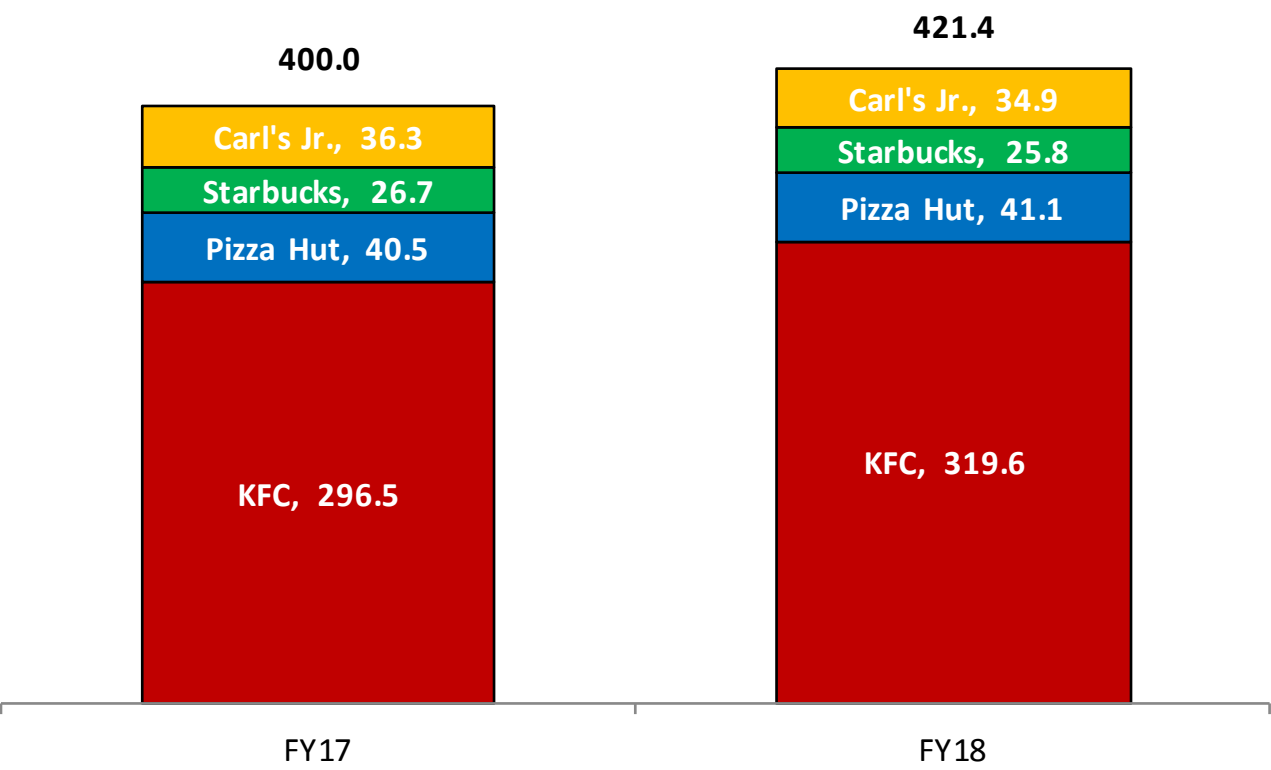


Carl's Jr. EBITDA

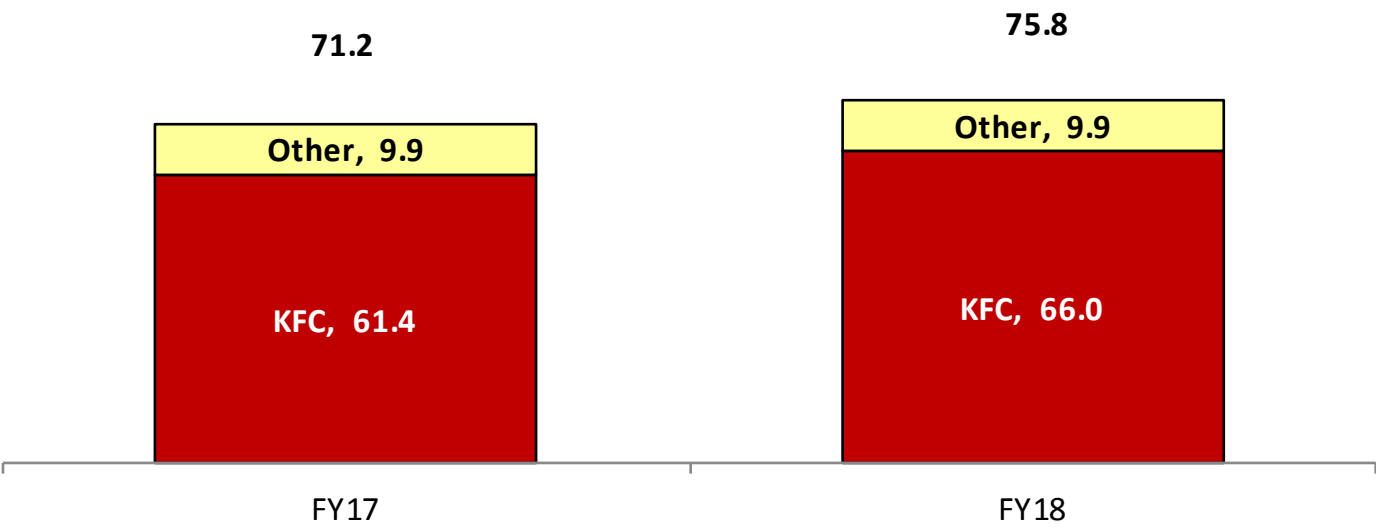


KFC performance remains pivotal to NZ operations

NZ Sales \$m



NZ EBITDA \$m



KFC new store builds maintain momentum with 100th store opened in FY18

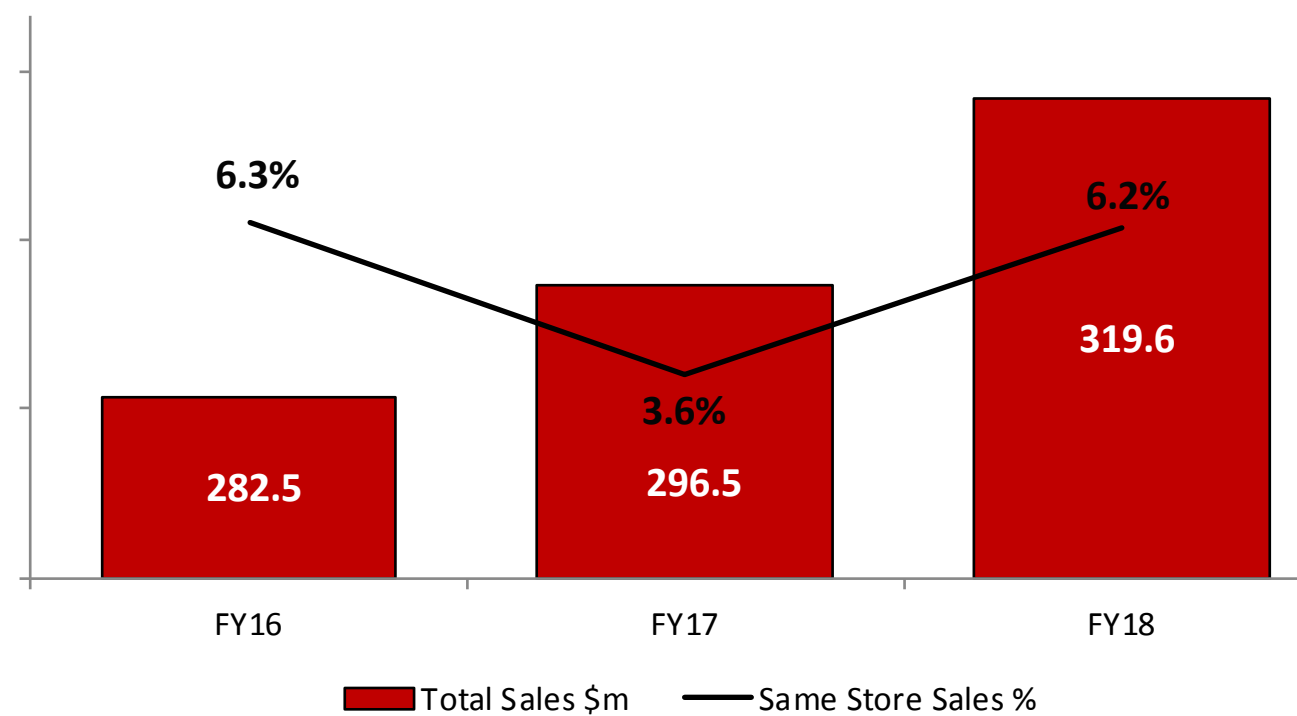
	FY17		FY18		FY19
RBD	92	Fort St*	94	Wellington Central *	96
		Christchurch Airport		Bombay	
Independent Franchisees	6		6		6
	98		100		102

* Urban design (CBD)

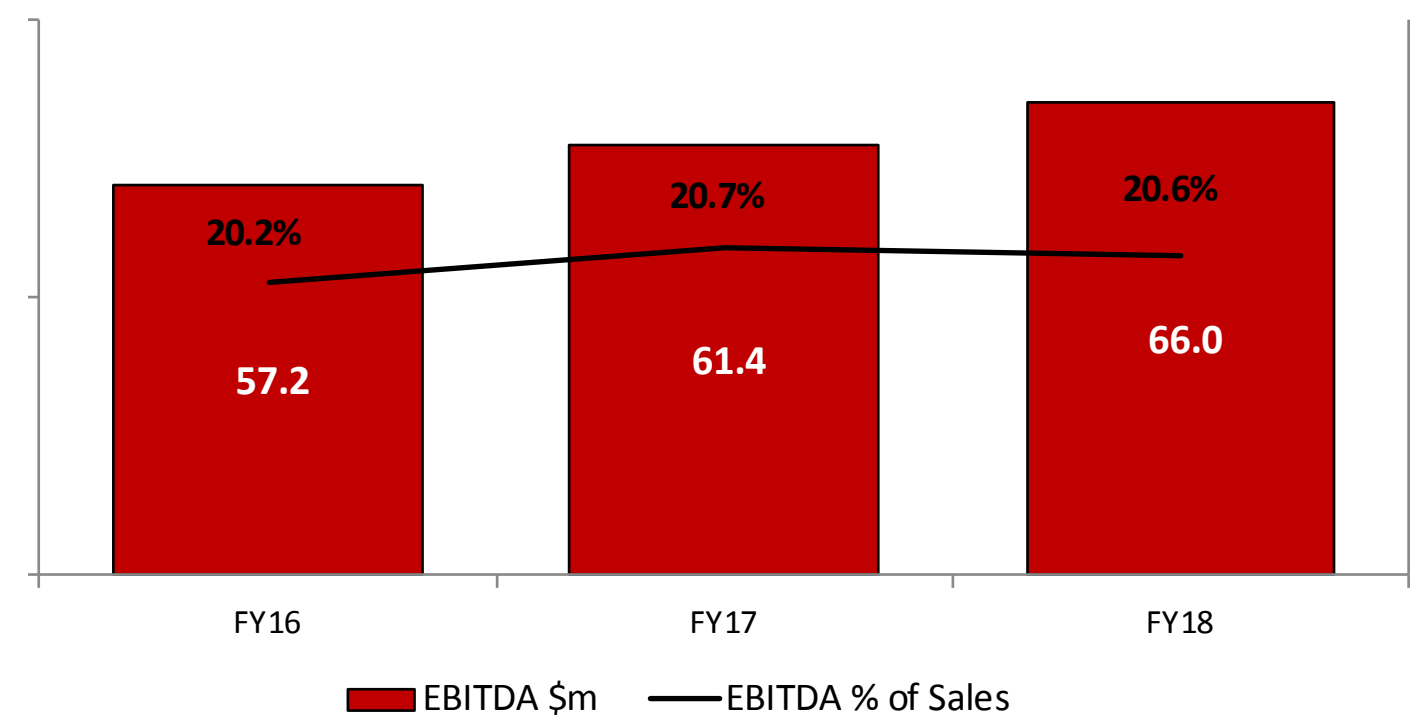


KFC sales up 7.8% on steady same store growth. Margins remain stable at upper end of range

KFC Sales

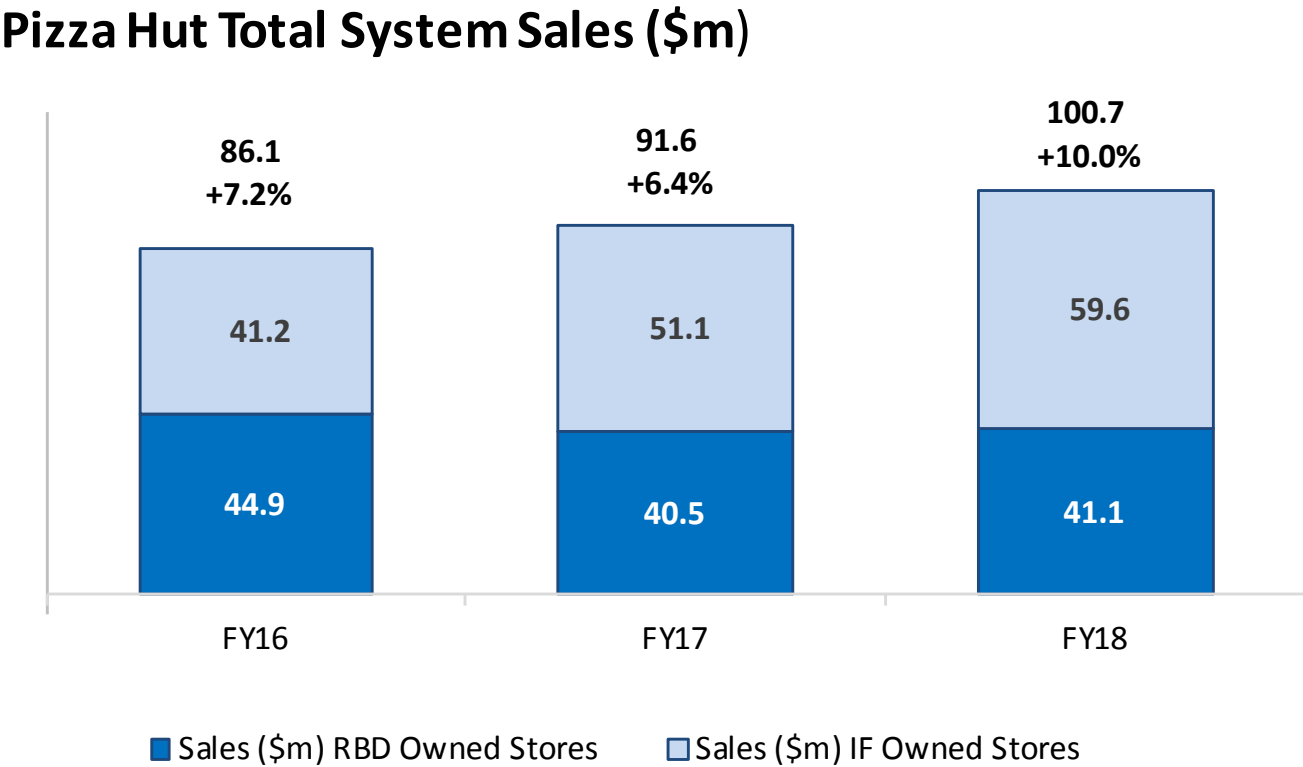
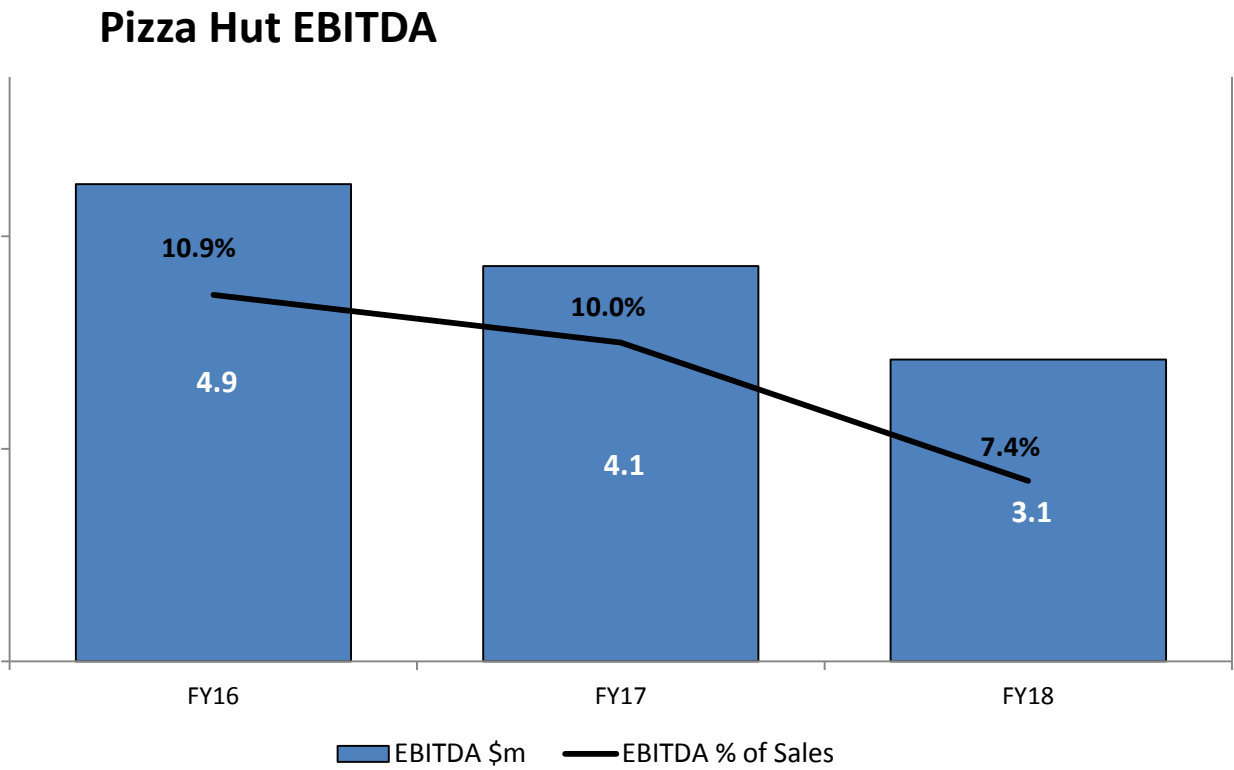


KFC EBITDA

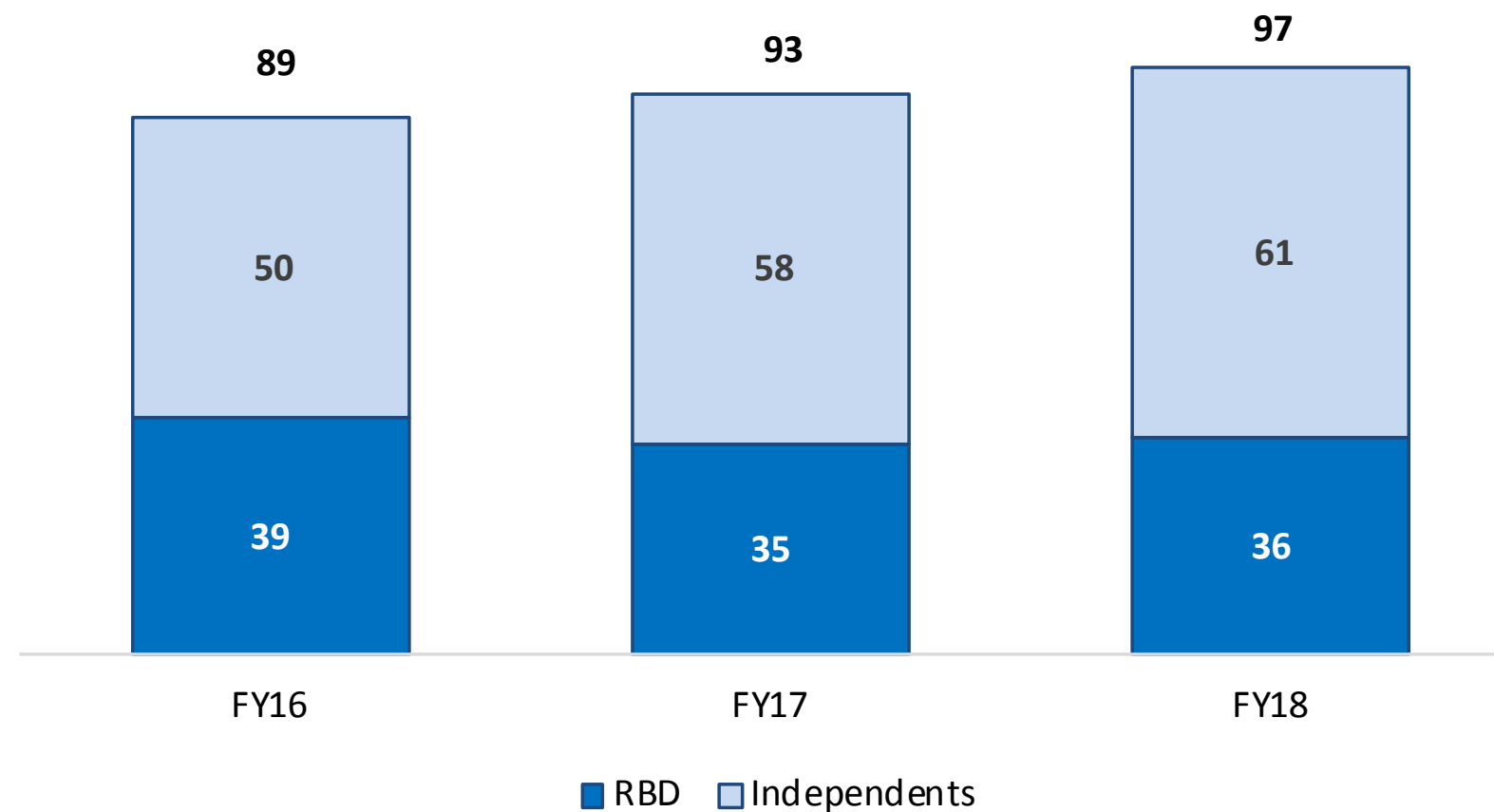


- Another year of record sales with successful promotions and increased and effective marketing spend
- EBITDA margin remains above 19-20% range assisted by sales leverage, and stable input costs, but ↑ labour and marketing expenditure

Pizza Hut system sales growth remains strong with total sales at \$100m (+10%). RBD stores SSS +8.1% but margins tight with some pressure from ingredient and labour cost increases



Sales of Pizza Hut stores to independent franchisees continues. Increased focus on new store builds. RBD on track to a concentrated core holding (c. 20 stores) with continued store growth in Pizza Hut network

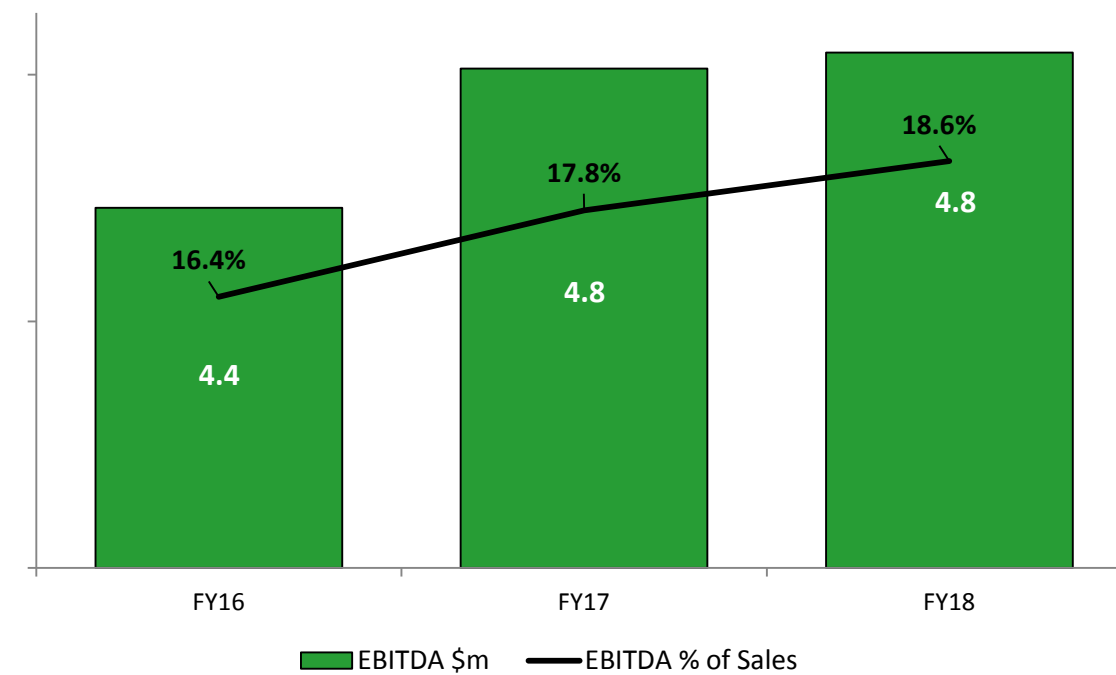


Starbucks Coffee – “cash cow”

Starbucks Sales

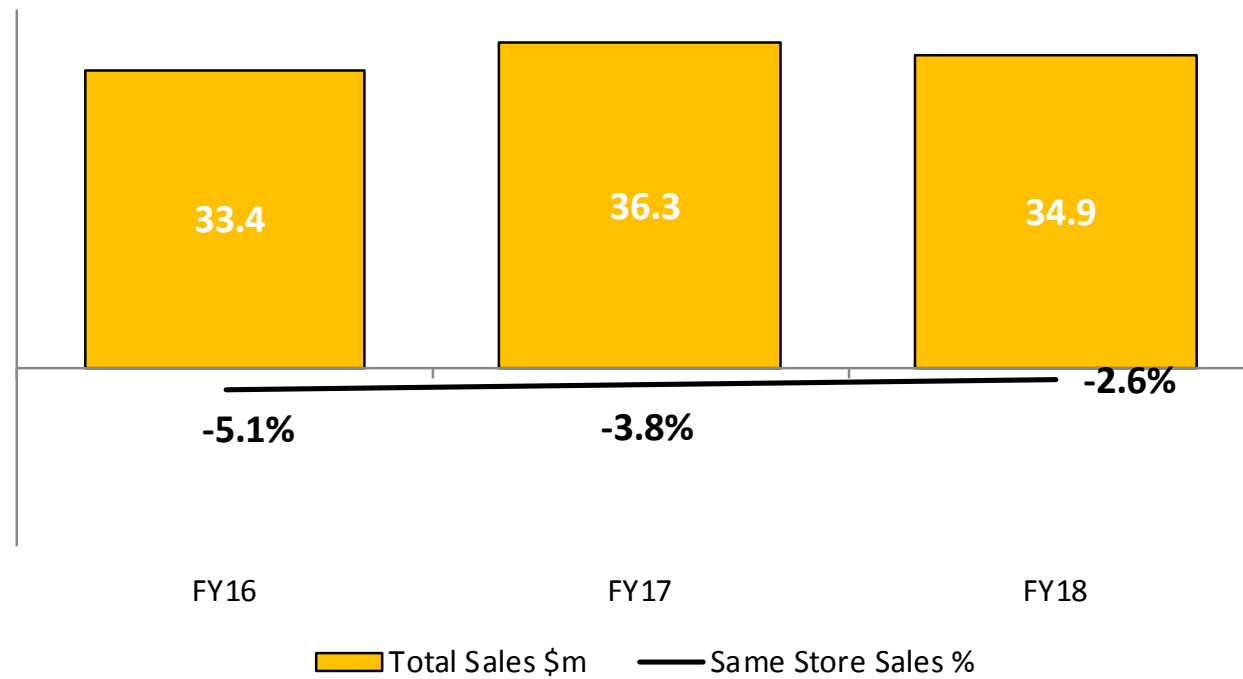


Starbucks EBITDA

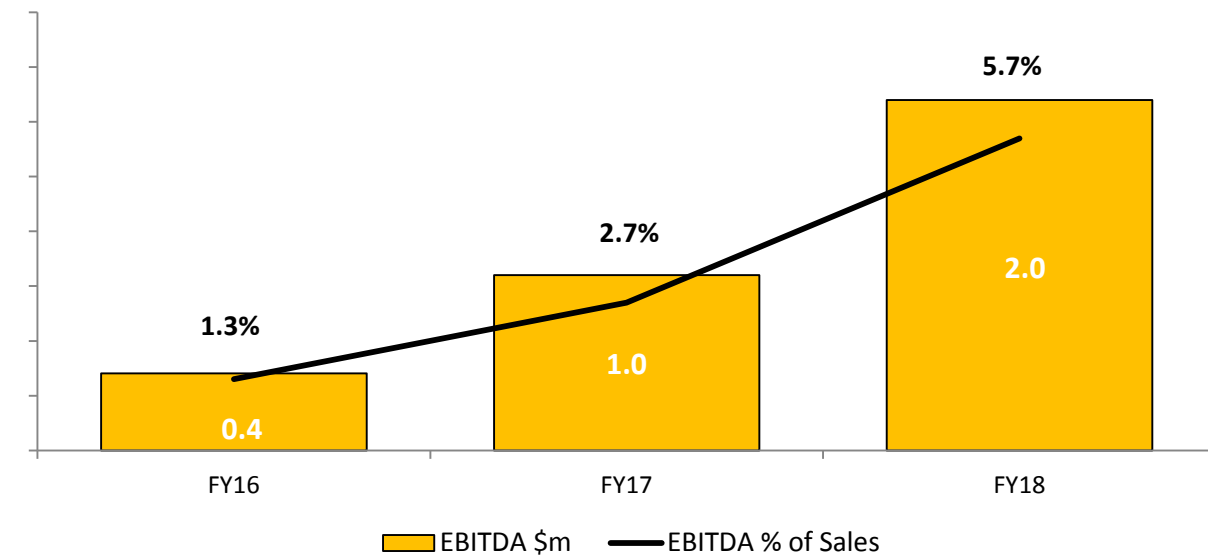


Carl's Jr. saw a focus on margin improvement this year, more than doubling earnings. Still an ongoing project

Carl's Jr. Sales



Carl's Jr. EBITDA \$NZM



Strategic Agenda – New Zealand

- Resolve Starbucks position
- Formalise master franchise for Pizza Hut
- Enhance Carl's Jr. profitability with a view to further development
- Build Pizza Hut network in NZ through independent franchisee ownership (120+ stores)
- Maintain KFC margins and sales growth over long term
- New KFC store builds (2+ pa) with wider store design options
- Introduce a further brand to NZ

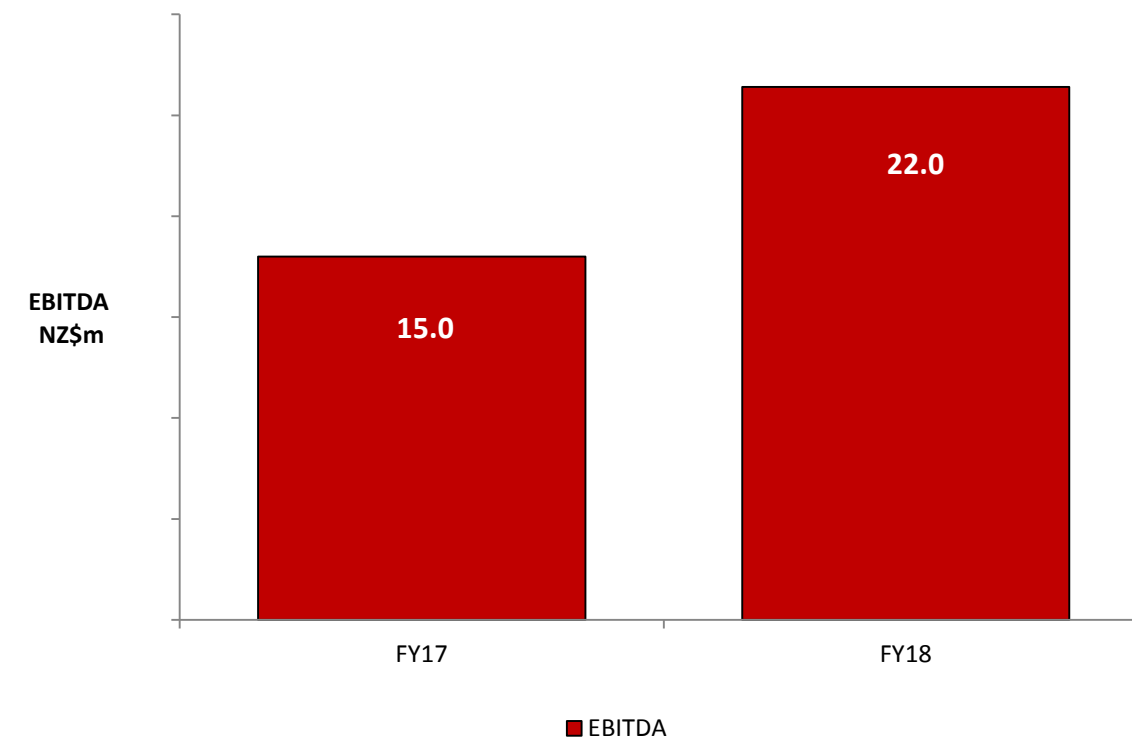
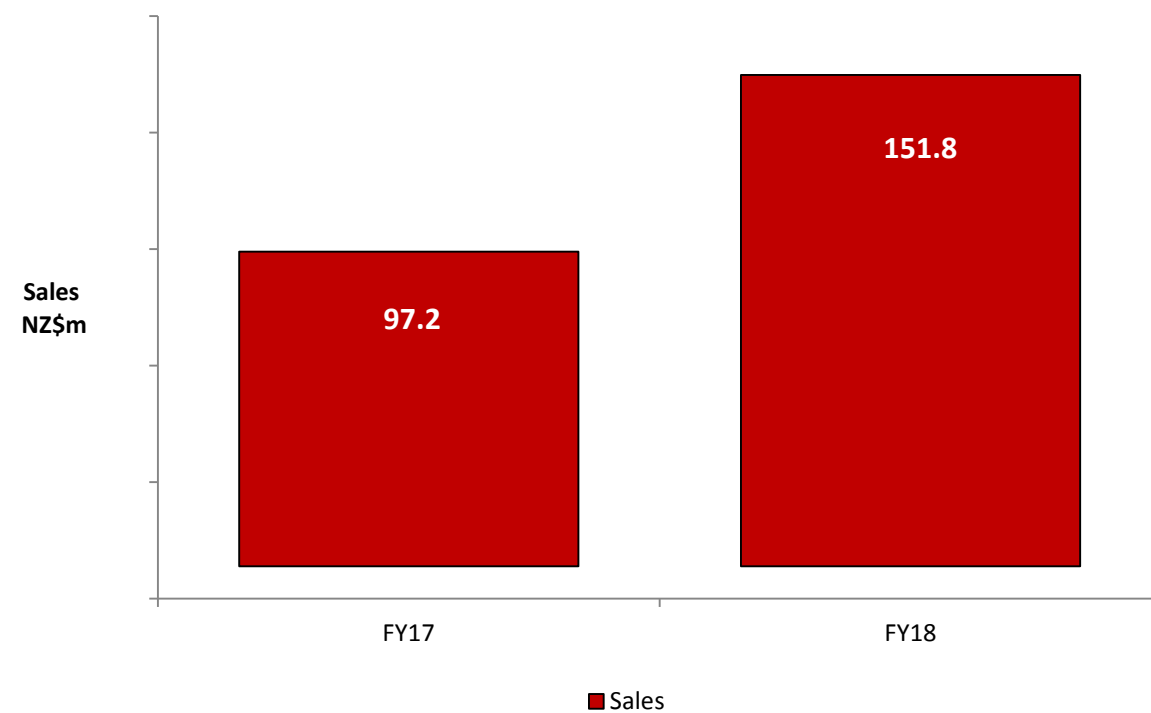
Australian Operations



KFC

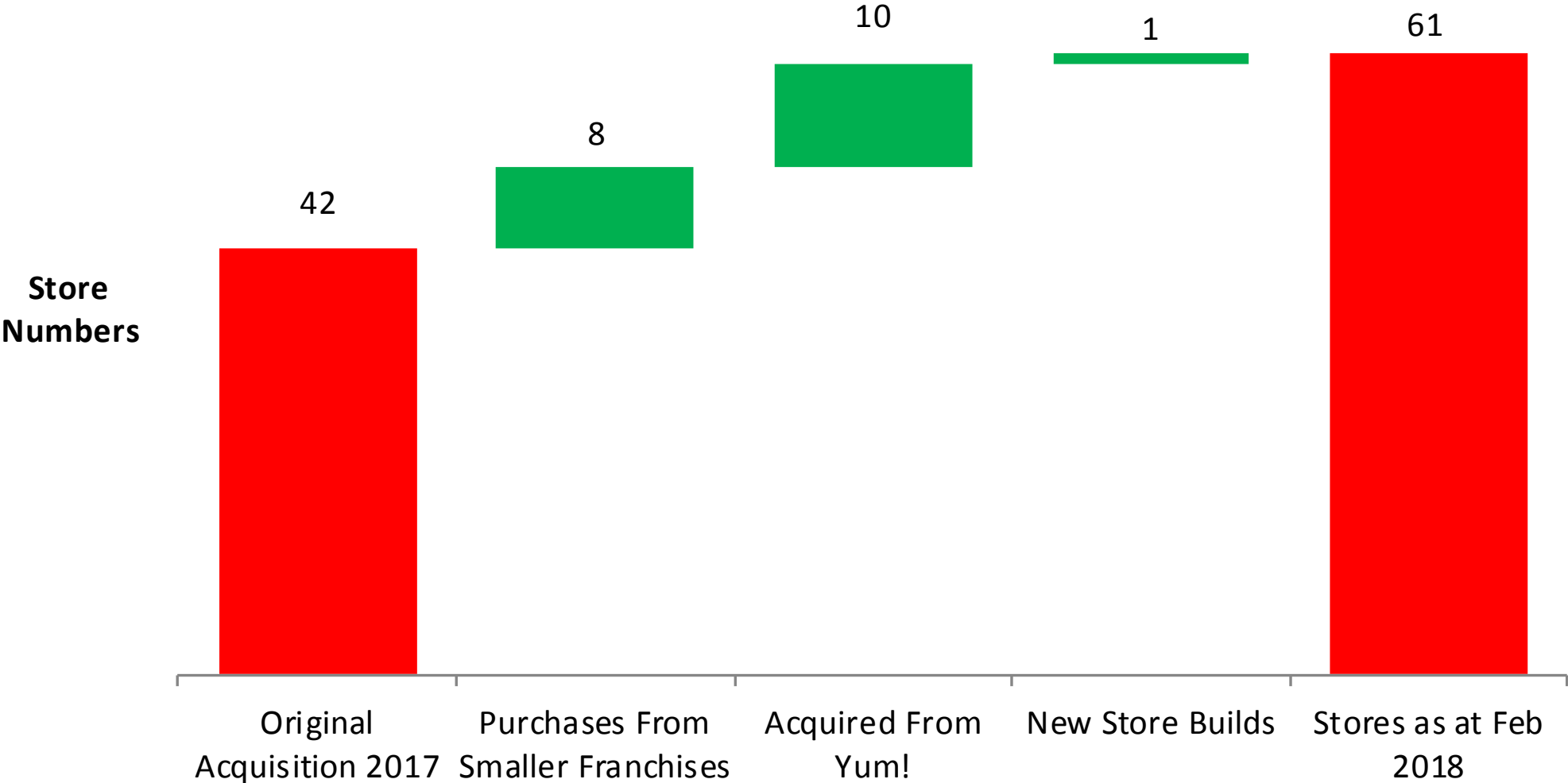
The KFC business saw solid sales and earnings growth

SSS +4.9%



- Total sales up 56% with organic growth, full year trading (vs FY17) and acquisitions
- EBITDA up 47% with some softening of margin but 15% of sales sustainable

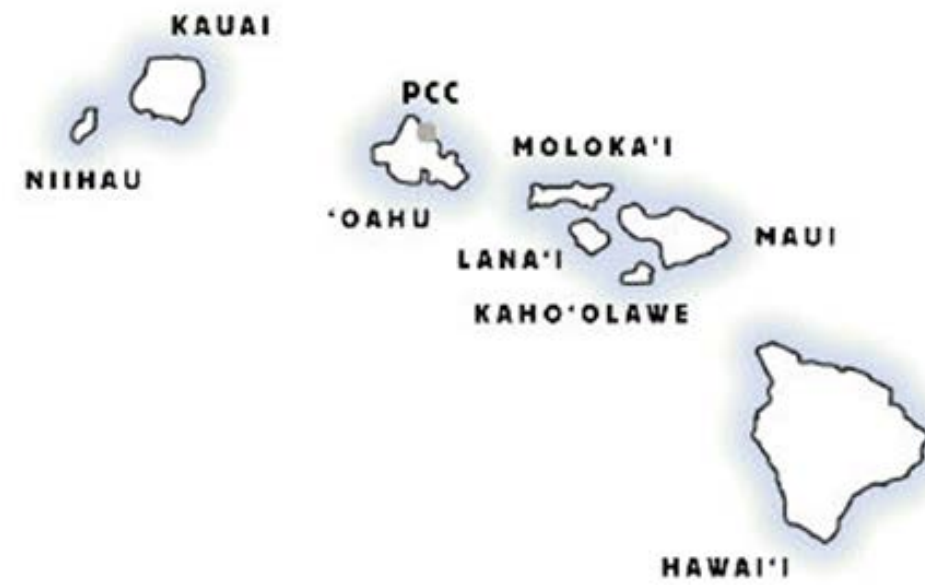
Store growth by acquisition saw store numbers up 45% by year end



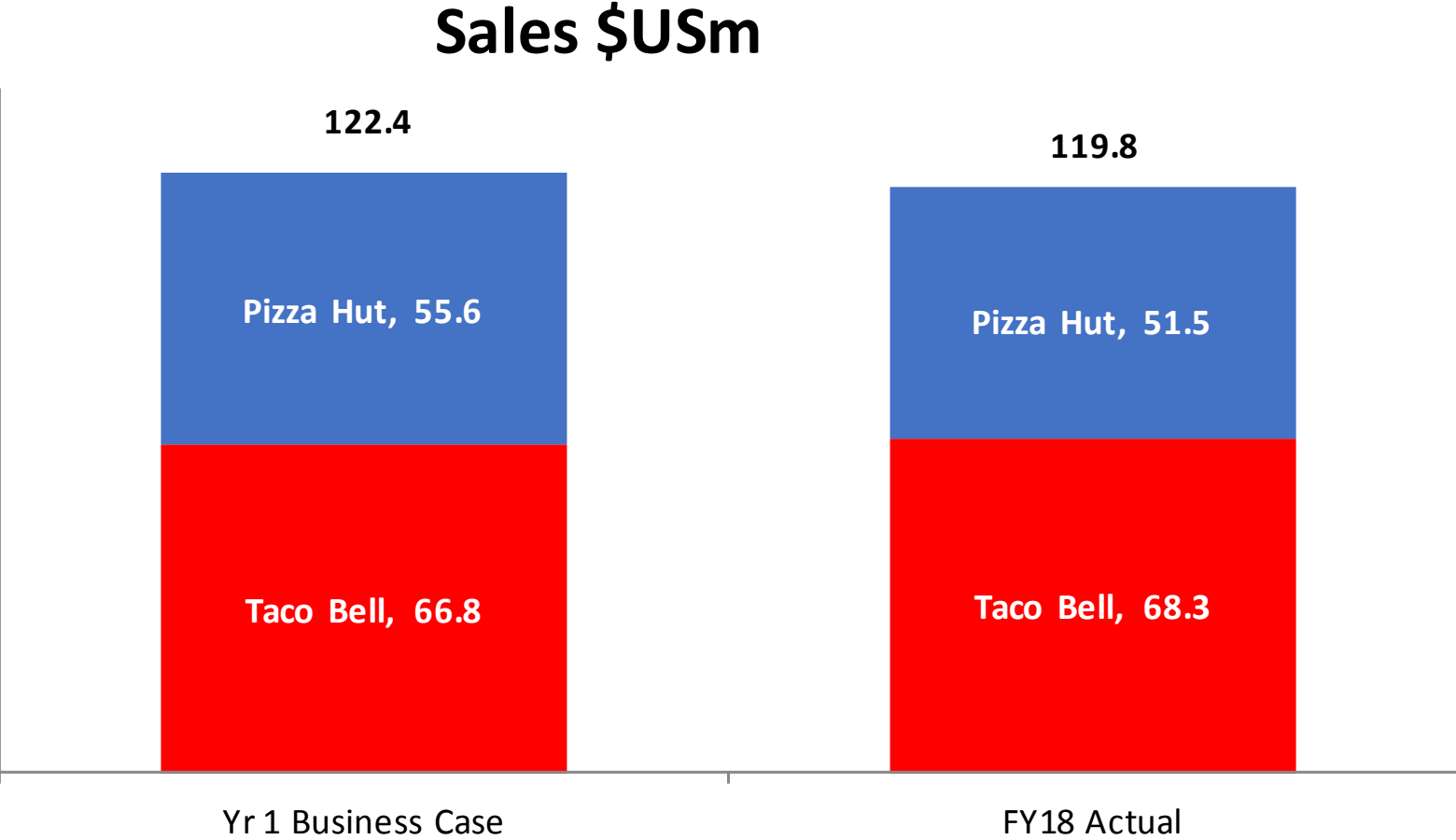
Strategic Agenda - Australia

- Consolidate recent acquisitions and above store structure
- Continue to acquire smaller independent KFC franchisees (primarily NSW)
- New store builds in growth corridors and CBD locations
- Build KFC margins above current norms
- Acquire large parcels of KFC stores as and when opportunities permit
- Introduce another brand to Australia

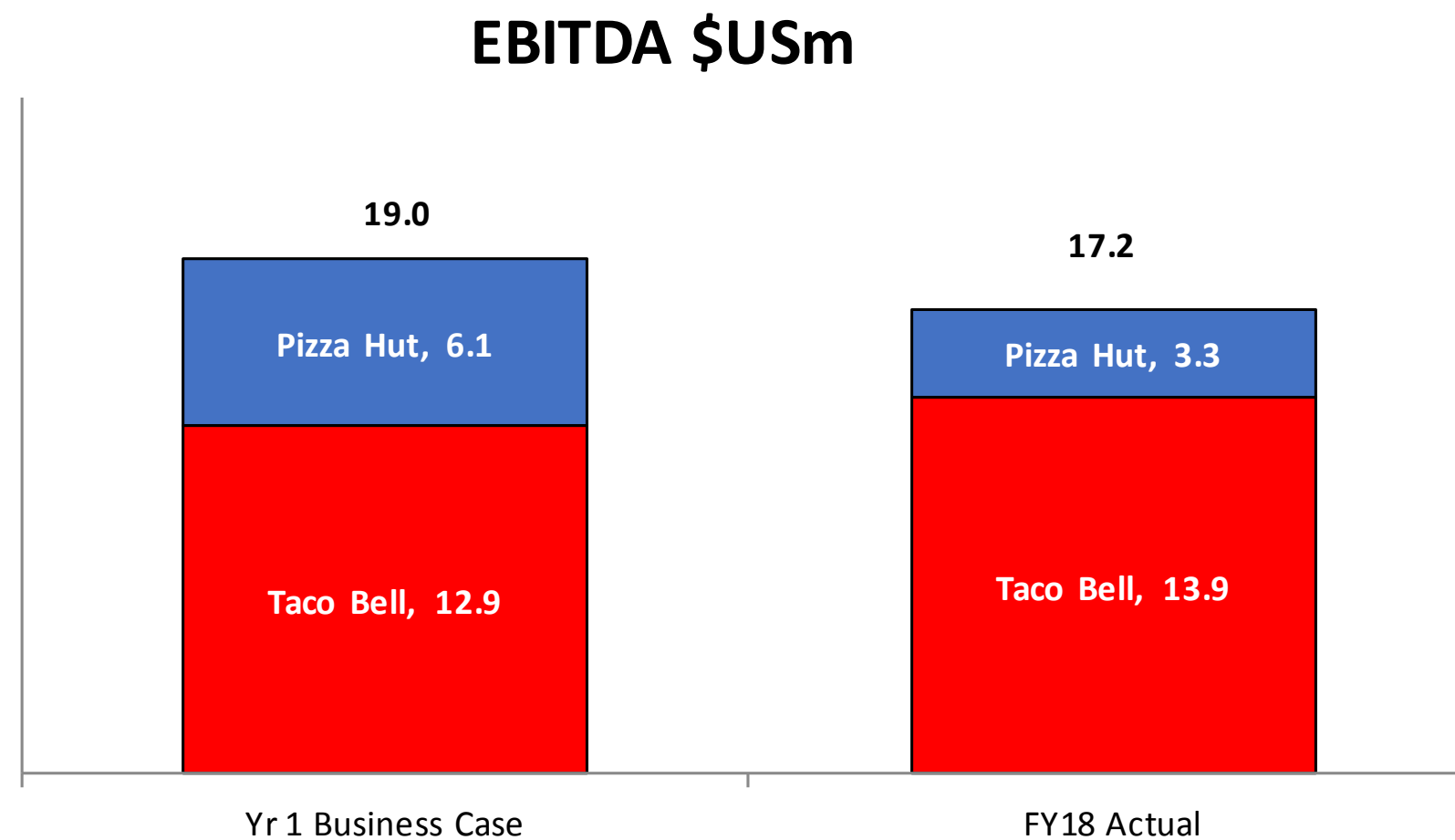
Hawaii Operations



Total sales for FY18 delivered on business case with a stronger performance by Taco Bell



Taco Bell margins strengthened while Pizza Hut was impacted by US national value campaigns and labour cost pressures



The network transformation process is underway

		FY2018	FY2019
Pizza Hut	- New Stores	1	2
	- Minor refurbishments	1	-
	- Major refurbishments	-	2
Taco Bell	- New stores	-	1
	- Minor refurbishments	2	3
	- Major refurbishments	3	4
	- Transformations	1	2






Kailua Taco Bell
YTD SSS +60%

Strategic Agenda - Hawaii

- Return Pizza Hut to positive SSS growth and margins above current levels
- Drive new store builds and transformations of Taco Bell brand
- Accelerate move out of large Pizza Hut red roof stores into smaller delcos
- Build new delcos
- KFC business in Hawaii (by acquisition or new store builds)

GROWTH OPPORTUNITIES

There are considerable network growth possibilities in existing markets; however the US mainland presents a step-change opportunity

New Zealand	Australia	Hawaii	US
 <ul style="list-style-type: none"> • Store builds 	<ul style="list-style-type: none"> • Store builds • Small franchisee acquisitions • Large acquisition 	<ul style="list-style-type: none"> • Potential acquisition • New store builds 	<ul style="list-style-type: none"> • Potential acquisition (beach head)
 <ul style="list-style-type: none"> • Store builds (network) 	-	<ul style="list-style-type: none"> • Relocations • New store builds 	
 <ul style="list-style-type: none"> • Potential entry 	<ul style="list-style-type: none"> • Potential entry 	<ul style="list-style-type: none"> • New store builds • Transformations 	<ul style="list-style-type: none"> • Potential acquisition (beach head)

OUTLOOK

Current strategies across all geographic markets are delivering positive results.

The Taco Bell and Pizza Hut brands in Hawaii have delivered a solid contribution in the first period of ownership. The opportunity there, is network enhancement through new store builds and transformations

Australian store acquisitions continue to add to growth in that market

KFC New Zealand continues to strongly underpin continuation of profit growth in that market

Absent any major changes to economic or market conditions, the Group will deliver a Net Profit after Tax (excluding non-trading items) for the FY19 year of at least 10% above current year's performance

QUESTIONS

SUMMARY

- FY18 – a record year with sales of \$741 million (+49%) and NPAT (excluding non-trading) of \$40.4m (+32%)
- Hawaiian acquisition in nearly a full year's trading performed close to expectations
- Major expansion of Australia KFC beachhead with 18 stores acquired (increase of 43%)
- NZ business continues to provide a strong base
- Final dividend of 18 cps (+33%) for a full year of 28 cps
- Potential growth opportunities in the US