

28 February 2020
NZX/ASX

RESTAURANT BRANDS ANNOUNCES ANNUAL PROFIT RESULT

\$NZm	Dec 2019 (44 weeks)	Feb 2019 (52 weeks)	Change (\$)	Change (%)
Total Sales	705.5	794.0	-88.5	-11.1
Net Profit After Tax	30.1	35.7	-5.6	-15.8

Note: With the change in balance date announced last year, these reported results are for the 44 weeks ended 31 December 2019 (Dec 2019) whereas the prior year comparisons are for the 52 weeks ended 25 February 2019. A comparable unaudited "gross up" summary is annexed to this report.

Key Points

- Following the announcement of a change in balance date for the company in October 2019, the trading results for the December 2019 period are for only 44 weeks (10 months) vs 52 weeks (12 months) for the February 2019 period previously reported.
- Total sales for the 10 month period were \$705.5 million, down against the previous 12 month period, but positive on a same store basis across all three operating divisions. On an equivalent 12 month basis sales were up over 5%.
- Reported net profit after tax of \$30.1 million for the 10 month period was adversely impacted by the shorter reporting period and the adoption of NZ IFRS 16.
- Combined store EBITDA¹ (pre NZ IFRS 16) for the 10 months was \$116.0 million, down 10.3% on the previous 12 month period; however on an equivalent 12 month basis, EBITDA is up over 6% at \$137.1 million.
- The Taco Bell brand was successfully launched in New Zealand and Australia (New South Wales) with the first three stores opening in the last quarter of the December 2019 year.
- The company has entered into a conditional agreement to acquire 70 KFC and Taco Bell stores in California to be settled in the first half of the December 2020 financial year.

Overview

Restaurant Brands (RBD) changed its balance date from February to 31 December during the year. Hence the financial results for the reporting period to December 2019 (FY Dec 19) are for 44 weeks compared with 52 weeks in the prior year (FY Feb 19). The company also saw the first full period impact of the adoption of leasing standard NZ IFRS 16 on the financial results, resulting in a reported Net Profit After Tax of \$30.1 million, down \$5.6 million on the 52 week result of \$35.7 million last year.

When excluding the negative impact of NZ IFRS 16 leases, the shorter accounting period and (for the previous year) the impact of some significant one-off costs, the normalised NPAT is \$45.7 million, up 8.3% on the prior year equivalent. This was primarily driven through the aggressive capital investment programme and continued positive trading momentum across the key brands.

Taco Bell was successfully launched in New Zealand and New South Wales Australia with three stores opened during the last quarter of the year. The introduction of Taco Bell in New Zealand and New South Wales had a minimal impact on this year's results. However, more than ten stores are forecast to open during the next financial year with significant growth expected in sales as the brand builds towards an initial target of sixty stores by 2024.

Group Operating Results

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.

Directors are pleased to report that Restaurant Brands has produced a net profit after tax (NPAT) for the period ended 31 December 2019 (FY Dec 19) of \$30.1 million, down 15.8% on the reported NPAT of \$35.7 million for the prior year. As previously noted this year's reported NPAT is for 44 weeks compared to 52 weeks in the prior year and includes the impact of the introduction of NZ IFRS 16 (the new lease accounting standard).

\$NZm after tax	Dec 2019	Feb 2019	Change (\$)	Change (%)
Reported NPAT	30.1	35.7	-5.6	-15.8%
Impact of NZIFRS 16	4.5	-	4.5	-
Other Income & Expenses	4.0	6.5	-2.5	-38.5%
Change of Balance Date*	7.1	-	7.1	-
Comparable Trading NPAT	45.7	42.2	3.5	8.3%

*Estimated (unaudited) NPAT over the eight weeks to February 2020, prorata'd from the 44 weeks to December 2019

The above table sets out a like-for-like comparison of the current year's 10 month result versus the prior year 12 months' normalised trading (detail of which is attached to this report). After adjusting for the negative impact of the new lease standard (\$4.5 million) and the shorter trading period (estimated at \$7.1 million), together with the positive impact of lower net income and expenses unrelated to normal trading (\$2.5 million), the underlying trading profit is estimated at \$45.7 million (up 8.3% on the prior equivalent year).

Total brand sales for the Group were \$705.5 million, down \$88.5 million when compared with the 52 week comparison; however on a like-for-like annualised footing they are up approximately 5% and are positive on a same store basis in all three divisions.

Combined store EBITDA (pre-NZ IFRS 16) of \$116.0 million was down \$13.3 million or -10.3% on prior year, although on an annualised basis the results were up over 6% due to strong performances primarily from KFC in NZ and Australia and Taco Bell in Hawaii. EBITDA margins (as a % of sales) improved from 16.3% to 16.4%.

Due to the difficulty for direct comparisons between reporting periods resulting from the change in balance date the divisional analysis will focus more on same store sales and EBITDA margin as a % of sales as these operational performance measures are not affected by the change in reporting period or the lease standard.

Restaurant Brands' store numbers total 287, comprising 148 in New Zealand, 74 in Hawaii and 65 stores in Australia.

New Zealand Operations

New Zealand operating revenue for the 44 weeks ended 31 December was \$395.5 million, down \$56.3 million on the 52 week FY Feb 2019 year, including a \$16.0 million reduction in sales due to the disposal of the Starbucks Coffee business during the prior year.

Total store sales were \$367.5 million, a decrease of \$52.2 million on last year. However, when normalised for 12 months New Zealand sales were up 3.5% and same store sales were strongly up 5.0%.

The New Zealand business delivered EBITDA of \$67.9 million, an \$8.5 million reduction on FY Feb 2019. Overall the New Zealand operations achieved a concept EBITDA before G&A of 18.5%, up from 18.2% last year, however on an annualised basis the result is up 5% up on the prior year. Once again this was largely driven by the continued strong performance of the KFC brand.

KFC New Zealand

\$NZm	Dec 2019	Feb 2019	Change (\$)	Change (%)
Network sales	325.8	356.9	-31.1	-8.7
Network store numbers	106	100		
RBD sales	308.4	336.5	-28.1	-8.4
RBD store numbers	100	94		
RBD EBITDA	66.1	70.4	-4.3	-6.1
EBITDA as a % of sales	21.4	20.9		

KFC New Zealand continues to underpin the overall performance of the New Zealand operations with another excellent year. Although reported sales were down 8.4% to \$308.4 million due to the 44 week reporting year, same store sales were up 5.2% and total full year equivalent sales up 8.3%.

The KFC sales growth was driven by sound marketing programmes, a further roll out of KFC delivery to a more than forty stores, six new store openings, some very strong new product releases and continued positive impact from the sponsorship of Super Rugby.

Whilst there remain input cost pressures, the EBITDA margin strengthened to 21.4% of sales. In dollar terms, EBITDA for the 44 weeks totalled \$66.1 million, down 6.1% on last year's (52 week) result, but on a 52 year equivalent basis was up 10.9% to \$78.1 million.

The brand continued delivering investment in store assets with 10 major renovations completed during the year, along with the opening of up to six new stores.

Pizza Hut New Zealand

\$NZm	Dec 2019	Feb 2019	Change (\$)	Change (%)
Network sales	85.2	101.0	-15.8	-15.6
Network store numbers	101	98		
RBD sales	28.5	35.4	-6.9	-19.3
RBD store numbers	29	30		
RBD EBITDA	0.9	2.0	-1.1	-56.1
EBITDA as a % of Sales	3.1	5.7		

Transformation of the Pizza Hut network in New Zealand to a master franchise model continues on plan with the sale of two stores to franchisees during FY Dec 19. The company remains on target to reduce the number of company stores to 15 by the end of the next financial year.

Company owned store numbers decreased by one to 29, whilst the number of independent franchisee stores has increased to 73, bringing the total Pizza Hut network to 102 stores. During the period two stores were closed and six new stores were opened with two further stores expected to be opened in the first quarter of this year.

In company owned stores, total sales were down to \$28.5 million, which is due to the reduced reporting period, less stores and lower same store sales. On an annual equivalent basis they were \$33.7 million, down 4.7%. Same store sales declined by 4.1% over the period

Restaurant Brands' Pizza Hut store EBITDA was \$0.9 million (3.1% of sales), reflecting continued margin pressures with labour rates and ingredient costs increases.

Carl's Jr. New Zealand

\$NZm	Dec 2019	Feb 2019	Change (\$)	Change (%)
Sales	29.9	31.9	-2.0	-6.1
Store numbers	18	18		
EBITDA (\$m)	1.3	0.9	+0.4	+41.0
EBITDA as a % of sales	4.4	2.9		

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

Reported sales were down 6.1% due to the reduced reporting period although on an annualised basis sales were up 11.0%. The introduction of a delivery service in February 2019 continues to have a positive impact with strong same store sales growth of 11.3% helping drive profitability into the brand. Store numbers remained stable at 18.

EBITDA was \$1.3 million (4.4% of sales vs 2.9% last year), an increase of \$0.4m on the prior year despite the reduced reporting period.

Taco Bell New Zealand

In November the first Taco Bell was opened in New Lynn Mall, Auckland. The store opened with a first week's sales of over \$150,000 and delivered over \$0.7 million in sales in its first two months trading, significantly up on expectations. With establishment costs, the business incurred a small loss of \$0.3 million for the year. The next store in Shortland Street, Auckland is expected to open in the first quarter of 2020 with five further stores forecast to be opened during the 2020 year.

Australian operations

In \$NZ terms, the Australian business (operating the KFC and Taco Bell brands) contributed total sales of \$NZ169.1 million, store EBITDA of \$NZ25.2 million and EBIT of \$NZ8.6 million. On an annualised basis both sales and store EBITDA are well up on the prior year.

Store EBITDA was impacted by costs of \$NZ0.7 million relating to the initial launch of the first two Taco Bell stores in December 2019.

KFC Australia

\$Am	Dec 2019	Feb 2019	Change (\$)	Change (%)
Sales	159.6	178.3	-18.7	-10.5
Store numbers	63	61		
Store EBITDA	24.5	27.0	-2.5	-9.3
EBITDA as a % of sales	15.4	15.2		

In \$A terms, total sales for the KFC business in Australia were \$A159.6 million, down \$A18.7 million (or 10.5%) on last year due to the reduced reporting period. Same store sales continue to remain strong, up 5.1% on last year. On a full year equivalent basis sales were up 5.8% or \$A10.3 million.

Store EBITDA of \$A24.5 million was down \$A2.5 million or -9.3% on last year due to the reduced reporting period. Full year equivalent EBITDA however was \$A29.0 million, up over 7.4%. Store EBITDA as a percentage of sales is 15.4%, up from 15.2%, with good operating controls.

The company-owned KFC store network totalled 63 stores as at balance date. One store was opened in the last quarter of the year along with one store acquired in December 2019. The business has continued to invest in the store upgrade programme with 14 stores completed in the financial year.

Taco Bell Australia

In December the first two Taco Bell stores were opened in Jesmond and Blacktown in New South Wales with initial sales exceeding expectations to a total of \$A0.6 million. As with the New Zealand Taco Bell business initial set up costs have resulted in a small EBITDA loss of \$A0.7 million. A further seven stores are forecast to open in 2020.

Hawaii operations

In \$NZ terms, the Hawaiian operations contributed \$NZ168.9 million in revenues, \$NZ22.9 million in brand EBITDA (pre-NZ IFRS 16) and an EBIT of \$NZ8.1 million for the FY Dec 19.

Total sales in Hawaii were \$US110.6 million, with store level EBITDA of \$US15.0 million. Once again Taco Bell had a very strong result with sales and margins well ahead of expectations. Whilst Pizza Hut continues to be challenged, facing increased margin pressures, the results this period were much improved. Same store sales in Hawaii were up 9.1% overall.

Taco Bell Hawaii

\$USm	Dec 2019	Feb 2019	Change (\$)	Change (%)
Sales	66.5	72.3	-5.8	-8.0
Store numbers	37	36		
Store EBITDA	13.5	14.3	-0.8	-5.6
EBITDA as a % of sales	20.2	19.8		

Taco Bell continues to perform very well with total sales of \$US66.5 million and store-level EBITDA of \$US13.5 million (20.2% of sales). Full year equivalent sales and EBITDA are \$US78.6 million (+8.7%) and \$US15.9 million (+11.2%) respectively. A full promotional programme including both new product releases and the re-introduction of previously successful products, together with initial returns from refurbished stores all helped to drive the strong sales growth which resulted in same store sales of +13.7%.

Pizza Hut Hawaii

<i>\$USm</i>	Dec 2019	Feb 2019	Change (\$)	Change (%)
Sales	44.1	52.4	-8.3	-15.8
Store numbers	37	44		
Store EBITDA	1.6	1.9	-0.3	-15.8
EBITDA as a % of sales	3.4	3.6		

Total sales were \$US44.1 million, up 3.0% on a same store basis. Store-level EBITDA was \$US1.6 million, down only \$0.3 million despite the shorter reporting period. Margin pressure from participating in US-wide value-led marketing promotions together with higher commodity and direct labour expenses continue meaning EBITDA as a percentage of sales remained similar to prior period at 3.4%.

There has been a review and realignment of the store network resulting in 7 stores closing during the period. This is in line with our refurbishment strategy that will see a move away from the larger restaurants into smaller, more cost-effective delivery and carry out (delco) units.

A new franchise agreement has been agreed in principle with Yum!, providing certainty for the brand going forward.

Corporate & Other

General and administration (G&A) costs were \$33.3 million, down \$2.5 million from last year due to the reduced reporting period, but were up \$3.6 million on a normalised annual basis. G&A as a % of total revenue was 4.5% which is consistent with FY Feb 2019.

Depreciation charges of \$47.6 million for FY Dec 19 was \$17.3 million higher than the prior year primarily due to the impact of depreciation of \$22.4 million on the right of use assets created under NZ IFRS 16. Excluding the effect of NZ IFRS 16 depreciation was \$25.4 million down \$5.2 million due to the change in reporting period.

Financing costs of \$21.5 million were up \$14.7 million on prior year once again reflecting the impact of NZ IFRS 16 with lease interest of \$16.4 million. Interest on debt for the period ended 31 December 2019 was \$5.4 million, down \$1.4 million on last year reflecting the shorter reporting period.

Tax expense was \$12.8 million, down \$0.9 million on the prior year with an effective tax rate of 29.9% (27.7% for FY Feb 19) without the one off benefit of non-assessable income in the prior year.

Other items

Other net income and expense of \$4.6 million is down from \$9.0 million for the prior year. This primarily relates to continued costs for refurbishment and relocation of stores of \$3.2 million.

The FY Feb 19 figure included \$3.5 million leave remediation costs and an impairment charge of \$3.5 million relating to Carl's Jr. asset-carrying value in New Zealand, partially offset by a gain on the sale of the Starbucks Coffee business. These were not repeated in the current FY Dec 2019 year.

Cash Flow & Balance Sheet

The composition of the Group's balance sheet is significantly affected by the introduction of NZ IFRS 16. Its introduction has increased the total assets of the Group by \$374.6 million primarily due to the inclusion of \$356.1 million in right of use assets associated with the Group leased property and the deferred tax asset created from the adoption of the standard. Equally there has been an increase of \$426.5 million in liabilities reflecting the future discounted lease liability on these leased stores.

Other than the impact of NZ IFRS 16 the balance sheet is largely unchanged with the exception of net debt (loans less cash holdings) which has reduced by \$11.5 million to \$119.4 million reflecting the build-up in cash from not paying an interim dividend in preparation for the acquisition in California. The company's New Zealand and Australian banking facilities expire in October 2020 therefore \$101.6 million was included in current liabilities. Subsequent to year end new facility agreements were signed with Westpac Banking Corporation, Bank of China, Rabobank and JP Morgan for a new facility for approximately \$370 million for refinancing existing debt together with funding of the new California acquisition.

Operating cash flows were up \$16.4 million to \$87.6 million due once again to the impact of NZ IFRS 16 with \$16.0 million of lease payments classified as financing activities (as payments of lease principal). After adjusting for NZ IFRS 16, the operating cash flows are up \$0.3 million to \$71.6 million (despite the change in the reporting period) reflecting continuing strong profitability (and some working capital movements).

Net investing cash outflows were \$59.7 million (versus \$26.7 million last year) with payments for fixed assets and intangibles of \$59.7 million up from \$36.9 million including the scrape and rebuild of three Taco Bells in Hawaii, building three new Taco Bell stores in New Zealand and Australia and significant KFC refurbishment expenditure in both those markets. Last year's net investing cash flows also included \$10.2 million received from the sale of nine Pizza Hut stores and the Starbucks Coffee business.

US Expansion

On 23 December the company announced that it had entered into a conditional agreement to acquire 59 KFC and 11 joint KFC/Taco Bell stores in California, USA for \$US73 million. The business generates an annual turnover of \$US95 million and has a 12 month trailing store EBITDA of in excess of \$US12 million.

This initiative, which has been well signalled to the market is a sound strategic move, providing immediate critical mass in two very strong brands. It also provides significant growth potential for further expansion into mainland USA.

The transaction is contingent upon Yum! approval and satisfactory assignment of leases and other critical contracts for the business. It is expected to be completed by March-April this year.

Outlook

Following the introduction of the Taco Bell brand to New Zealand and Australia (New South Wales) at the end of FY Dec 19, the focus remains on investing to build brand presence with more than ten stores expected to open in FY Dec 20. While we do not forecast the brand to be margin positive, it is not expected to have a material effect on the result in FY Dec 20.

The conditional acquisition of 59 KFC and 11 joint KFC/Taco Bell stores in California will have a considerable impact on the balance sheet and earnings profile once completed. Once the acquisition is finalised (provisionally March-April 2020) further details as to the financial impact on the company's results will be provided.

The company is not anticipating any significant change in the economic and competitive environment or unusual costs in the 2020 financial year.

Further updates will be provided at the annual meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held in Auckland, New Zealand on Thursday 28 May 2020. For further information please contact:

Russel Creedy
Group CEO
Phone: 525 8710

Grant Ellis
Group CFO/Company Secretary
Phone: 525 8710

ENDS

About Restaurant Brands:

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

Consolidated Income Statement
For the 44 week period ended 31 December 2019

	31 Dec 2019 44 weeks	vs Prior %	25 Feb 2019 52 weeks
\$NZ000's			
Sales			
KFC	308,357	(8.4)	336,534
Pizza Hut	28,515	(19.3)	35,350
Starbucks Coffee	-	(100.0)	16,022
Carl's Jr.	29,920	(6.1)	31,864
Taco Bell	729	n/a	-
Total New Zealand sales	367,521	(12.4)	419,770
KFC	168,532	(12.0)	191,547
Taco Bell	573	n/a	-
Total Australia sales	169,105	(11.7)	191,547
Taco Bell	101,586	(4.2)	106,004
Pizza Hut	67,329	(12.2)	76,725
Total Hawaii sales	168,915	(7.6)	182,729
Total sales	705,541	(11.1)	794,046
Other revenue	28,125	(13.1)	32,357
Total operating revenue	733,666	(11.2)	826,403
Cost of goods sold	(587,874)	13.2	(677,185)
Gross margin	145,792	(2.3)	149,218
Distribution expenses	(3,976)	(9.6)	(3,629)
Marketing expenses	(39,524)	11.3	(44,542)
General and administration expenses	(33,306)	7.0	(35,818)
Other items	(4,616)	48.7	(8,997)
Operating profit (EBIT)	64,370	14.5	56,232
Financing expenses	(21,464)	(215.8)	(6,797)
Net profit before taxation	42,906	(13.2)	49,435
Taxation expense	(12,815)	6.4	(13,694)
Net profit after taxation (NPAT)	30,091	(15.8)	35,741
	% sales		% sales
Concept EBITDA before G&A			
KFC	66,065	21.4	70,384
Pizza Hut	885	3.1	2,017
Starbucks Coffee	-	n/a	3,110
Carl's Jr.	1,302	4.4	923
Taco Bell	(345)	(47.3)	-
Total New Zealand	67,907	18.5	76,434
KFC	25,902	15.4	29,064
Taco Bell	(700)	(122.1)	-
Total Australia	25,202	14.9	29,064
Taco Bell	20,546	20.2	20,968
Pizza Hut	2,319	3.4	2,781
Total Hawaii	22,865	13.5	23,749
Total concept EBITDA before G&A	115,974	16.4	129,247
Ratios			
Net tangible assets per security (net tangible assets divided by number of shares) in cents	9.9		(19.6)

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 order centre, advertising and local store marketing expenses.

General and administration expenses (G&A) are non-store related overheads.

Non-GAAP Financial Measures
For the 44 week period ended 31 December 2019

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 and other items.** 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 and other items**. This measure provides the results of the Group’s core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.

The term **Concept** refers to the Group’s seven operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Taco Bell and Carl’s Jr.), two Australia divisions (KFC and Taco Bell) and the two Hawaii divisions (Taco Bell and Pizza Hut). The term **G&A** represents non-store related overheads.
2. **Total NPAT excluding the impact of NZ IFRS 16.** Total Net Profit After Taxation (“NPAT”) excluding the impact of NZ IFRS 16 is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with the adoption of NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.
3. **Capital expenditure including intangibles.** Capital expenditure including intangibles represents additions to property, plant and equipment and intangible assets. This measure represents the amount of reinvestment in the business and is therefore a useful measure to assist the financial position of the Group.

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*	31 Dec 2019	25 Feb 2019
EBITDA before G&A, NZ IFRS 16 and other items	1	115,974	129,247
Depreciation		(25,250)	(30,163)
Loss on sale of property, plant and equipment (included in depreciation)		(106)	(146)
Lease depreciation		(22,395)	-
Add back lease costs		32,369	-
Amortisation (included in cost of sales)		(2,178)	(3,112)
General and administration costs - area managers, general managers and support centre		(29,428)	(30,597)
Other income		722	3,034
Other expenses		(5,338)	(12,031)
EBIT		64,370	56,232
Financing expenses		(21,464)	(6,797)
Net profit before taxation		42,906	49,435
Taxation expense		(12,815)	(13,694)
Net profit after taxation		30,091	35,741
Add back IFRS 16 impact		6,076	-
Taxation expense on IFRS 16 impact		(1,547)	-
Net profit after taxation excluding NZ IFRS 16	2	34,620	35,741

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

Consolidated Income Statement
For the period ended 31 December 2019
Annualised unaudited results for 52 weeks - based on audited 44 week period results

\$NZ000's	Reported 31 Dec 2019 44 weeks	Annualised 31 Dec 2019 52 weeks	Annualised % change	Reported 25 Feb 2019 52 weeks
Sales				
KFC	308,357	364,422	8.3%	336,534
Pizza Hut	28,515	33,700	(4.7%)	35,350
Starbucks Coffee	-	-	n/a	16,022
Carl's Jr.	29,920	35,360	11.0%	31,864
Taco Bell	729	861	n/a	-
Total New Zealand sales	367,521	434,343	3.5%	419,770
KFC	168,532	199,174	4.0%	191,547
Taco Bell	573	677	n/a	-
Total Australia sales	169,105	199,852	4.3%	191,547
Taco Bell	101,586	120,056	13.3%	106,004
Pizza Hut	67,329	79,570	3.7%	76,725
Total Hawaii sales	168,915	199,626	9.2%	182,729
Total sales	705,541	833,821	5.0%	794,046
Other revenue	28,125	33,239	2.7%	32,357
Total operating revenue	733,666	867,060	4.9%	826,403
Cost of goods sold	(587,874)	(694,760)	(2.6%)	(677,185)
Gross margin	145,793	172,300	15.5%	149,218
Distribution expenses	(3,976)	(4,699)	(29.5%)	(3,629)
Marketing expenses	(39,524)	(46,710)	(4.9%)	(44,542)
General and administration expenses	(33,309)	(39,365)	(9.9%)	(35,818)
Other items	(4,616)	(5,455)	39.4%	(8,997)
Operating profit (EBIT)	64,370	76,072	35.3%	56,232
Financing expenses	(21,464)	(25,367)	(273.2%)	(6,797)
Net profit before taxation	42,906	48,343	(2.2%)	49,435
Taxation expense	(12,815)	(15,145)	(10.6%)	(13,694)
Net profit after taxation (NPAT)	30,091	35,562	(0.5%)	35,741
Concept EBITDA before G&A				
KFC	66,065	78,076	10.9%	70,384
Pizza Hut	885	1,046	(48.1%)	2,017
Starbucks Coffee	-	-	n/a	3,110
Carl's Jr.	1,302	1,538	66.6%	923
Taco Bell	(345)	(408)	n/a	-
Total New Zealand	67,907	80,253	5.0%	76,434
KFC	25,902	30,611	5.3%	29,064
Taco Bell	(700)	(827)	n/a	-
Total Australia	25,202	29,784	2.5%	29,064
Taco Bell	20,546	24,282	15.8%	20,968
Pizza Hut	2,319	2,740	(1.5%)	2,781
Total Hawaii	22,865	27,023	13.8%	23,749
Total concept EBITDA before G&A	115,974	137,060	6.0%	129,247

The annualised December 2019 figures are an arithmetic calculation grossing up the 44 week audited results to reflect the equivalent 52 week period. This has been done for illustrative purposes only.

Restaurant Brands New Zealand Limited

2019 Financial Statements

Restaurant Brands is pleased to present its financial statements.

The results for the period ended 31 December 2019 are for 44 weeks as compared to the period ended 25 February which covers 52 weeks

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	1-3
Funding and equity	4-7
Working capital	8-12
Long term assets	13-20
Other notes	21-31

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 44 week period ended 31 December 2019

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 period ended 31 December 2019 contained on pages 3 to 37.

Financial statements for each financial period 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 period ended 31 December 2019.

For and on behalf of the Board:



José Parés Gutiérrez
Chairman

Date 28 February 2020



Emilio Fullaondo Botella
Director

Date 28 February 2020

Restaurant Brands New Zealand Limited
Consolidated statement of comprehensive income
For the 44 week period ended 31 December 2019

SNZ000's	Note	31 Dec 2019	25 Feb 2019
Store sales revenue	1,2	705,541	794,046
Other revenue	1,2	28,125	32,357
Total operating revenue		733,666	826,403
Cost of goods sold		(587,874)	(677,185)
Gross profit		145,792	149,218
Distribution expenses		(3,976)	(3,629)
Marketing expenses		(39,524)	(44,542)
General and administration expenses		(33,306)	(35,818)
Other income	2	722	3,034
Other expenses	2	(5,338)	(12,031)
Operating profit (EBIT)	1	64,370	56,232
Financing expenses	4	(21,464)	(6,797)
Profit before taxation		42,906	49,435
Taxation expense	21	(12,815)	(13,694)
Profit after taxation attributable to shareholders		30,091	35,741
Other comprehensive income:			
Exchange differences on translating foreign operations		1,707	4,189
Share option reserve		-	(34)
Derivative hedging reserve		(1,473)	(836)
Income tax relating to components of other comprehensive income		217	182
Other comprehensive income for the period, net of tax		451	3,501
Total comprehensive income for the period attributable to shareholders		30,542	39,242
Basic earnings per share from total operations (cents)	3	24.12	28.77
Diluted earnings per share from total operations (cents)	3	24.12	28.77

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

Restaurant Brands New Zealand Limited
Consolidated statement of changes in equity
For the 44 week period ended 31 December 2019

\$NZ000's	Note	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 52 week period ended 25 February 2019							
Balance at the beginning of the period		148,491	34	(6,060)	174	58,969	201,608
Comprehensive income							
Profit after taxation attributable to shareholders		-	-	-	-	35,741	35,741
Other comprehensive income							
Movement in share option reserve		-	(34)	-	-	-	(34)
Movement in foreign currency translation reserve		-	-	4,189	-	-	4,189
Movement in derivative hedging reserve		-	-	-	(654)	-	(654)
Total other comprehensive income		-	(34)	4,189	(654)	-	3,501
Total comprehensive income		-	(34)	4,189	(654)	35,741	39,242
Transactions with owners							
Shares issued		6,132	-	-	-	-	6,132
Share issue costs		(58)	-	-	-	-	(58)
Net dividends distributed		-	-	-	-	(22,254)	(22,254)
Total transactions with owners		6,074	-	-	-	(22,254)	(16,180)
Balance at the end of the period	7	154,565	-	(1,871)	(480)	72,456	224,670
For the 44 week period ended 31 December 2019							
Balance at the beginning of the period		154,565	-	(1,871)	(480)	72,456	224,670
Adoption of NZ IFRS 16	16	-	-	-	-	(47,218)	(47,218)
Restated balance at the beginning of the period		154,565	-	(1,871)	(480)	25,238	177,452
Comprehensive income							
Profit after taxation attributable to shareholders		-	-	-	-	30,091	30,091
Other comprehensive income							
Movement in foreign currency translation reserve		-	-	1,707	-	-	1,707
Movement in derivative hedging reserve		-	-	-	(1,256)	-	(1,256)
Total other comprehensive income		-	-	1,707	(1,256)	-	451
Total comprehensive income		-	-	1,707	(1,256)	30,091	30,542
Balance at the end of the period	7	154,565	-	(164)	(1,736)	55,329	207,994

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

Restaurant Brands New Zealand Limited
Consolidated statement of financial position
As at 31 December 2019

SNZ000's	Note	31 Dec 2019	25 Feb 2019
Non-current assets			
Property, plant and equipment	13	175,781	153,400
Right of use assets	14	356,132	-
Sub-lease receivable		1,029	-
Intangible assets	20	249,140	249,093
Deferred tax asset	21	36,353	16,304
Derivative financial instruments	5	-	339
Total non-current assets		818,435	419,136
Current assets			
Inventories	8	12,415	10,226
Trade and other receivables	9	9,528	12,109
Income tax receivable		1,546	2,734
Cash and cash equivalents	10	34,965	15,034
New stores developed for sale	11	3,015	1,038
Total current assets		61,469	41,141
Total assets		879,904	460,277
Equity attributable to shareholders			
Share capital	7	154,565	154,565
Reserves	7	(1,900)	(2,351)
Retained earnings		55,329	72,456
Total equity attributable to shareholders		207,994	224,670
Non-current liabilities			
Provision for employee entitlements	22	676	782
Deferred income	23	328	7,852
Loans	4	52,748	145,491
Lease liabilities	18	409,309	-
Derivative financial instruments	5	2,217	1,100
Total non-current liabilities		465,278	155,225
Current liabilities			
Loans	4	101,578	362
Income tax payable		3,563	4,275
Trade and other payables	12	78,791	73,386
Provision for employee entitlements	22	1,584	1,567
Lease liabilities	18	21,039	-
Deferred income	23	77	792
Total current liabilities		206,632	80,382
Total liabilities		671,910	235,607
Total equity and liabilities		879,904	460,277

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

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows
For the 44 week period ended 31 December 2019

SNZ000's	Note	31 Dec 2019	25 Feb 2019
Cash flows from operating activities			
Cash was provided by / (applied to):			
Receipts from customers		734,263	825,540
Payments to suppliers and employees		(609,579)	(731,317)
Interest paid		(5,370)	(6,801)
Interest paid on leases	19	(16,351)	-
Payment of income tax		(15,338)	(16,159)
Net cash from operating activities		87,625	71,263
Cash flows from investing activities			
Cash was (applied to) / provided by:			
Acquisition of business	20	(647)	-
Payment for intangibles		(4,911)	(3,820)
Purchase of property, plant and equipment		(54,772)	(33,114)
Proceeds from disposal of property, plant and equipment		555	10,159
Landlord contributions received		105	46
Net cash used in investing activities		(59,670)	(26,729)
Cash flows from financing activities			
Cash was provided by / (applied to):			
Proceeds from loans		265,345	336,535
Repayment of loans		(257,521)	(358,487)
Dividends paid to shareholders		-	(17,700)
Payments for lease principal	19	(16,019)	-
Share issue costs		-	(58)
Net cash used in financing activities		(8,195)	(39,710)
Net increase in cash and cash equivalents		19,760	4,824
Cash and cash equivalents at beginning of the period		15,034	10,140
Opening cash balances acquired on acquisition		3	-
Foreign exchange movements		168	70
Cash and cash equivalents at the end of the period		34,965	15,034
Cash and cash equivalents comprise:			
Cash on hand	10	1,680	446
Cash at bank	10	33,285	14,588
		34,965	15,034

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

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows (continued)
For the 44 week period ended 31 December 2019

Reconciliation of profit after taxation with net cash from operating activities

SNZ000's	31 Dec 2019	25 Feb 2019
Total profit after taxation attributable to shareholders	30,091	35,741
Add items classified as investing / financing activities:		
Loss / (gain) on disposal of property, plant and equipment	3,590	(2,946)
	3,590	(2,946)
Add / (less) non-cash items:		
Depreciation	47,646	30,309
Lease termination	(301)	-
Share option amortisation	-	258
(Decrease) / Increase in provisions	(67)	90
Amortisation of intangible assets	3,959	5,147
Impairment on property, plant and equipment	(660)	3,290
Net increase in deferred tax asset	(3,187)	(1,432)
	47,390	37,662
Add / (less) movement in working capital:		
(Increase) / decrease in inventories	(2,166)	1,732
Decrease / (increase) in trade and other receivables	645	(3,540)
Increase in trade and other payables	7,629	3,601
Increase / (decrease) in income tax payable	446	(987)
	6,554	806
Net cash from operating activities	87,625	71,263
Reconciliation of movement in term loans		
Opening balance	145,853	166,815
Net cash flow from financing activities	7,824	(21,952)
Foreign exchange movement	649	990
Closing balance	154,326	145,853

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

Restaurant Brands New Zealand Limited
Basis of preparation
For the 44 week period ended 31 December 2019

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 FMC reporting entity and subject to the Financial Markets conduct Act 2013 legislative provisions. 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 31 December 2019 results are for 44 weeks (Feb 2019: 52 weeks) due to a change in balance date to align with Global Valar S.L. our majority shareholder. Therefore the current period is not directly comparable to the prior period.

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes including where an accounting policy choice is provided by NZ IFRS, is new or has changed refer (note 28), is specific to the Group's operations or is significant or material.

These policies have been consistently applied to all the periods presented, unless otherwise stated. See Note 2 and 23 for details regarding the corrections made.

To ensure consistency with the current period, comparative figures have been restated where appropriate. Previously, the Group presented certain items as non-trading in the consolidated statement of comprehensive income. To ensure consistency and comparability with the current period, the transactions previously included as non-trading items have been split between other income and other expenses.

These audited consolidated financial statements were authorised for issue on 28 February 2020 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 44 week period ended 31 December 2019

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Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

Performance

1. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group is split into three geographically distinct operating divisions; New Zealand, Australia, and USA (Hawaii). The chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO). The chief operating decision makers consider 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.

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 other items. EBITDA refers to earnings before interest, taxation, depreciation and amortisation. EBIT refers to earnings before interest and taxation. Operating revenue is from external customers.

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 evaluate performance and allocate resources purely on the basis of aggregated Group liabilities.

31 December 2019 NZ\$000's	New Zealand	Australia	Hawaii	Corporate support function	TOTAL
Business segments					
Store sales revenue	367,521	169,105	168,915	-	705,541
Other revenue	27,976	-	149	-	28,125
Total operating revenue	395,497	169,105	169,064	-	733,666
EBITDA before general and administration expenses, NZ IFRS 16 and other items	67,907	25,202	22,865	-	115,974
General and administration expenses	(11,923)	(6,786)	(7,694)	(3,024)	(29,427)
EBITDA before NZ IFRS 16 and other items	55,984	18,416	15,171	(3,024)	86,547
Depreciation	(13,241)	(6,849)	(5,257)	(9)	(25,356)
Amortisation	(1,830)	(325)	(23)	-	(2,178)
Segment result (EBIT) before NZ IFRS 16 and other items	40,913	11,242	9,891	(3,033)	59,013
Other items					
Other income	100	321	-	-	421
Other expenses	(62)	(2,965)	(1,832)	(479)	(5,338)
Operating profit (EBIT) before NZ IFRS 16	40,951	8,598	8,059	(3,512)	54,096
Adjustment for NZ IFRS 16	6,647	2,323	1,304	-	10,274
Operating profit (EBIT)	47,598	10,921	9,363	(3,512)	64,370
Current assets	40,455	10,712	10,302	-	61,469
Non-current assets	114,319	157,763	169,513	-	441,595
Non-current lease assets (including lease deferred tax)	195,805	114,607	66,428	-	376,840
Total assets	350,579	283,082	246,243	-	879,904
Capital expenditure including intangibles	23,079	21,749	14,328	-	59,156

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

Performance

1. Segmental reporting (continued)

25 February 2019 NZ\$000's	New Zealand	Australia	Hawaii	Corporate support function	TOTAL
Business segments					
Store sales revenue	419,770	191,547	182,729	-	794,046
Other revenue	32,044	-	313	-	32,357
Total operating revenue	451,814	191,547	183,042	-	826,403
EBITDA before general and administration expenses and other items	76,434	29,064	23,749	-	129,247
General & administration expenses	(12,683)	(6,905)	(8,839)	(2,170)	(30,597)
EBITDA after general and administration expenses	63,751	22,159	14,910	(2,170)	98,650
Depreciation	(16,567)	(7,679)	(6,045)	(18)	(30,309)
Amortisation (included in cost of sales)	(1,846)	(444)	(822)	-	(3,112)
Segment result (EBIT) before other items	45,338	14,036	8,043	(2,188)	65,229
Other items					
Other income	3,034	-	-	-	3,034
Other expense	(6,480)	(2,322)	(3,009)	(219)	(12,031)
Operating profit (EBIT)	41,892	11,714	5,034	(2,407)	56,232
Current assets	20,464	7,340	13,337	-	41,141
Non-current assets	110,637	145,620	162,879	-	419,136
Total assets	131,101	152,960	176,216	-	460,277
Capital expenditure including intangibles	18,295	12,263	6,880	-	37,438

1.1 Reconciliation between EBIT after other items and NZ IFRS 16 and net profit after tax

\$NZ000's	31 Dec 2019	25 Feb 2019
EBIT	64,370	56,232
Financing costs	(21,464)	(6,797)
Net profit before taxation	42,906	49,435
Taxation expense	(12,815)	(13,694)
Net profit after taxation	30,091	35,741
Add back net financing impact of NZ IFRS 16	6,076	-
Less taxation expense of NZ IFRS 16	(1,547)	-
Net profit after taxation excluding NZ IFRS 16	34,620	35,741
Add back other income	(421)	(3,034)
Add back other expenses	5,338	12,031
Less income tax on other items	(883)	(2,557)
Net profit after taxation excluding non-operating items and NZ IFRS 16	38,654	42,181

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

2. Revenue and expenses

Operating revenue

Store sales revenue

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

Other revenue

Other revenue includes sale of goods and services to independent franchisees. Sale of goods, including cost of freight, are recognised similar to store sales revenue. Sale of services is recognised over time as the independent franchisee simultaneously receives and consumes the benefit provided by the Group. Royalties received are based on the revenue generated by the independent franchisees, recognised over time.

Also included in other revenue is revenue related to the sale of new stores developed and constructed under contract to franchisees. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of stores is therefore recognised over time on a cost-to-cost method, i.e. based on the portion of the contracted costs incurred for work performed to date relative to the estimated total cost. Previously, the Group netted royalties received from independent franchisees as an off-set with the royalties paid to the master franchisor. During the period ended 25 February 2019, the Group became the master franchisee for the Pizza Hut brand in New Zealand and as a result the royalties received and paid should have been recognised separately. Comparatives have been corrected to align with this treatment amounting to \$1.5m. Royalties received are included within other income with the royalties paid included within cost of goods sold.

Operating expenses

Royalties paid

\$NZ000's	31 Dec 2019	25 Feb 2019
Royalties paid	42,069	47,312

Royalties are recognised as an expense as revenue is earned.

Wages and salaries

\$NZ000's	31 Dec 2019	25 Feb 2019
Wages and salaries	204,306	229,489
Decrease in liability for long service leave	(89)	(147)
	<u>204,217</u>	<u>229,342</u>

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.

Lease expenses

\$NZ000's	31 Dec 2019	25 Feb 2019
Lease expense	3,953	44,510

This relates to short term and variable lease costs included in the statement of comprehensive income not included in NZ IFRS 16 costs.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

2. Revenue and expenses (continued)

\$NZ000's	31 Dec 2019	25 Feb 2019
Other income		
Net gain on sale of stores	100	1,848
Gain on the sale of Starbucks Coffee	-	1,186
Lease termination	301	-
Lease surrender gain	321	-
Total other income	722	3,034
Other expenses		
Recurring		
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR) and Pacific Island Restaurants Inc. (PIR)	(1,781)	(2,035)
Relocation and refurbishment	(3,209)	(1,021)
Non-recurring		
Acquisition costs	(631)	(345)
Hawaii workers compensation	-	(1,625)
Leave remediation	(361)	(3,466)
Calendar realignment costs	(16)	-
Impairment of assets	-	(3,539)
Utilisation of depreciation provision	660	-
Total other expenses	(5,338)	(12,031)

Lease termination

This is the gain related to the termination of a lease contract prior to its maturity.

Leave remediation

The Group identified a payroll calculation discrepancy in regards to entitlements under the Holidays Act 2003 which, over time, have resulted in staff receiving incorrect payments. The specific areas that require remediation date back to 2012, and primarily relate to the payment rates for annual leave. Included in other expenses above is a \$0.4 million (Feb 2019: \$3.5 million) expense relating to leave remediation. The expense in the 31 December 2019 period relates to costs associated with making the payments to the affected employees.

Utilisation of depreciation provision

This is the correction of depreciation charged on assets that were impaired in previous periods, refer note 13.

Gain on the sale of Starbucks Coffee

During October 2018 the Group sold the Starbucks Coffee business in New Zealand for \$4.4 million (including stock). The net gain on the sale was \$1.2 million.

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 other income and other expenses and are separately disclosed in the statement of comprehensive income and notes to the financial statements.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

3. Earnings per share

	31 Dec 2019	25 Feb 2019
Basic earnings per share		
Profit after taxation attributable to the shareholders (\$NZ000's)	30,091	35,741
Weighted average number of shares on issue (000's)	124,759	124,230
Basic earnings per share (cents)	24.12	28.77
Diluted earnings per share		
Profit after taxation attributable to the shareholders (\$NZ000's)	30,091	35,741
Weighted average number of shares on issue (000's)	124,759	124,230
Diluted earnings per share (cents)	24.12	28.77

Basic earnings 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.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

Funding and equity

4. Loans

\$NZ000's	31 Dec 2019	25 Feb 2019
Secured bank loans denominated in:		
NZD	10,000	12,200
AUD	87,521	77,921
USD	56,805	55,732
Secured bank loans	154,326	145,853
A loan is classified as current if it is due for repayment within 12 months of the Group's year end.		
Current	101,578	362
Term	52,748	145,491
Secured bank loans	154,326	145,853

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 \$A50 million was entered into with MUFG Bank, 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 loan facility with First Hawaiian Bank. The facility is currently \$US1.2 million. There are principal payments of \$US0.3 million per month commencing on 1 February 2020 with the remainder of the facility expiring 16 December 2023.

On 24 February 2020 the Group announced a new debt facility, refer note 27 for details.

Interest rate swaps

The table below summarises the Group's current interest rate swaps. The effective interest rate is inclusive of the swap margin and the maturity date of the swaps coincides with the maturity date of the loans.

Date entered	Face value	Maturity date	Interest rate paid	Interest rate received	Swap fair value
22 January 2017	\$NZ10 million	28 January 2022	3.0%	1.1%	(394)
25 January 2017	\$A15 million	25 January 2022	2.5%	0.9%	(565)
14 November 2017	\$A20 million	14 November 2022	2.4%	0.9%	(884)
22 May 2017	\$US10 million	1 June 2022	2.1%	1.7%	(198)
29 June 2017	\$US10 million	1 July 2022	2.0%	1.7%	(176)
Total					(2,217)

Security

As security over the AUD and NZD loans, banks holds a negative pledge deed between Restaurant Brands New Zealand Limited and all its Australasian 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.

The Group also has indemnity guarantees of \$1.9 million across various properties leased in New Zealand and Australia and a standby letter of credit in Hawaii of \$0.5 million.

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4. 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, and
- Non-guaranteeing Group EBIT excluding Restaurant Brands Hawaii to consolidated EBIT.

The covenants are reported to the bank on a six monthly basis for New Zealand and Australia and quarterly in Hawaii. The board reviews covenant compliance on a monthly basis.

There have been no breaches of the covenants during the period (Feb 2019: 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 6.

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 expense

SNZ000's	31 Dec 2019	25 Feb 2019
Financing expenses	21,464	6,797

Included within the period ended 31 December 2019 was \$16.4 million of interest relating to lease recognised due to the implementation of NZ IFRS 16 (Feb 2019: Nil)

Financing expenses comprise: interest payable on borrowings calculated using the effective interest rate method; interest received on funds invested calculated using the effective interest rate method; lease interest (note 14); 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.

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5. Derivatives and hedge accounting

	31 Dec 2019	25 Feb 2019
	Liabilities	Liabilities / asset
\$NZ000's		
Term		
Fair value of interest rate swaps	2,217	761
	2,217	761
Change in fair value of interest rate swaps	(1,455)	(789)
Change in value of hedged item used to determine hedge effectiveness	1,455	789

The above table shows the Group's financial derivative holdings at period end and the change in fair value of the hedge and the underlying item being hedged. The interest rate swaps hedge ratio was 1:1 for both periods as the change in fair value of the interest rate swap mirrored the change in the fair value of the hedged item used to determine hedge effectiveness.

There were no transfers between fair value levels during the period (Feb 2019: Nil). The fair values are classified as level two.

The fixed interest rates of the swaps used to hedge range between 2.02% and 3.03% (Feb 2019: 2.02% to 4.69%) and the variable rates of the loans are between 0.88% and 1.71% above the applicable bank bill rates. Refer note 4 for the interest rate swaps face values, maturity dates, currencies and interest rate ranges.

The Group's current hedge relationships are cash flow hedges. Under NZ IFRS 9 the hedged risk is designated as being changes in the variable interest rate, with changes in the full fair value of the interest rate swaps being accounted for through other comprehensive income (to the extent the hedge is effective).

Financial assets

The Group classifies its financial assets as those to be measured at amortised cost (loans, receivables and non-derivative financial instruments), and those to be measured subsequently at fair value either through OCI or through profit or loss (derivative financial instruments).

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.

5. Derivatives and hedge accounting (continued)

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 trade and other payables 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.

Financial assets and financial liabilities by category

\$NZ000's	31 Dec 2019	25 Feb 2019
Loans and receivables		
Trade receivables	2,454	595
Other receivables	2,599	6,193
Cash and cash equivalents	34,965	15,034
	40,018	21,822
Derivatives used for hedging		
Derivative financial instruments - liabilities	2,217	761
	2,217	761
Financial liabilities at amortised cost		
Loans	154,326	145,853
Trade and other payables (excluding indirect and other taxes and employee benefits)	53,981	52,728
	208,307	198,581

6. 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.

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6. Financial risk management (continued)

(b) Interest rate risk

The Group's main interest rate risk arises from bank loans. 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 is guidelines as to the minimum prescribed level of hedging set out by the board, however the board reviews all swaps before they are entered into.

Note 5 discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in note 4, the Group has an interest rate swap in place to fix the interest rate on \$A35 million of Australian denominated bank loans to 2022 (Feb 2019: \$A35 million), \$NZ10 million to 2022 (Feb 2019: \$NZ5 million to 2019 and \$NZ10 million to 2022) and \$US20 million to 2022 (Feb 2019: \$US20 million). 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.

(c) Liquidity risk

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

\$NZ000's	Effective interest rate	Total	12 months or less	12 months or more
31 Dec 2019				
Cash on hand	-	1,680	1,680	-
Cash at bank	0.50%	17,385	17,385	-
Money market deposit	0.95%	15,900	15,900	-
Bank term loan - principal	7.74%	(10,000)	(10,000)	-
Bank term loan - principal	3.22%	(87,521)	(87,521)	-
Bank term loan - principal	4.31%	(56,804)	(4,056)	(52,748)
Bank term loan - expected interest	3.91%	(9,939)	(2,180)	(7,759)
Derivative financial instruments	-	(1,940)	(751)	(1,189)
Trade and other payables (excluding indirect and other taxes and employee benefits)	-	(53,235)	(53,235)	-
		(184,474)	(122,778)	(61,696)
25 Feb 2019				
Cash on hand	-	446	446	-
Cash at bank	0.37%	14,588	14,588	-
Bank term loan - principal	4.51%	(12,200)	-	(12,200)
Bank term loan - principal	3.19%	(77,921)	-	(77,921)
Bank term loan - principal	4.13%	(55,732)	(362)	(55,370)
Bank term loan - expected interest	3.73%	(16,432)	(5,436)	(10,996)
Derivative financial instruments	-	(378)	(10)	(368)
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(52,728)	(52,728)	-
		(200,357)	(43,502)	(156,855)

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 (Feb 2019: \$252 million) available at variable rates. The amount undrawn at balance date was \$99 million Feb 2019: \$106 million). On 24 February 2020 the Group announced a new debt facility, refer note 27 for details.

The Group has fixed the interest rate on \$NZ10 million of NZD bank loans, \$A35 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.

6. Financial risk management (continued)

d) Credit risk

Credit risk arises from cash deposits with banks and financial institutions and outstanding trade and other 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 past due nor impaired at balance date (Feb 2019: 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 statement of financial position.

(e) Fair values

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

Sensitivity analysis

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

At 31 December 2019 it is estimated that a general increase of one percentage point in interest rates would decrease the Group profit before income tax by approximately \$0.8 million (Feb 2019: \$1.5 million) however equity would increase \$0.7 million. A one percentage point decrease in interest rates would increase the Group profit before income tax by approximately \$0.8 million (Feb 2019: \$1.5 million), however equity would reduce by \$0.6 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.

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7. Equity and reserves

Share capital

	31 Dec 2019 number	31 Dec 2019 \$NZ000's	25 Feb 2019 number	25 Feb 2019 \$NZ000's
Balance at beginning of year	124,758,523	154,565	123,629,343	148,491
Share issue costs	-	-	-	(58)
Shares issued June 2018	-	-	751,180	5,841
Shares issued December 2018	-	-	378,000	291
Balance at end of year	124,758,523	154,565	124,758,523	154,565

The issued and authorised capital of the Company represents ordinary fully paid up shares. The par value is nil (Feb 2019: 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 June 2018 were in relation to the company's dividend reinvestment plan.

The shares issued in December 2018 were in relation to shares issued to the Group CEO and Group CFO under the Performance Rights Plan upon the vesting criteria being satisfied.

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

Foreign currency translation reserve

\$NZ000's	31 Dec 2019	25 Feb 2019
	(164)	(1,871)

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

Derivative hedging reserve

\$NZ000's	31 Dec 2019	25 Feb 2019
	(1,736)	(480)

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

Working capital

8. Inventories

\$NZ000's	31 Dec 2019	25 Feb 2019
Raw materials and consumables	12,415	10,226

Inventories recognised as expenses during the period ended 31 December 2019 amounted to \$178.8 million (Feb 2019: \$205.8 million). These are included in cost of sales.

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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9. Trade and other receivables

\$NZ000's	31 Dec 2019	25 Feb 2019
Trade receivables	2,454	595
Prepayments	4,475	5,321
Other receivables	2,599	6,193
	9,528	12,109

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

NZD	6,461	7,609
AUD	2,230	1,114
USD	837	3,386
	9,528	12,109

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.

10. Cash and cash equivalents

\$NZ000's	31 Dec 2019	25 Feb 2019
Cash on hand	1,680	446
Cash at bank	33,285	14,588
	34,965	15,034

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

NZD	20,698	3,053
AUD	7,092	5,619
USD	7,175	6,362
	34,965	15,034

11. New stores developed for sale

\$NZ000's	31 Dec 2019	25 Feb 2019
New stores developed for sale	3,015	1,038

This relates to new Pizza Hut stores developed for sale in New Zealand which are being actively marketed for sale and are expected to be sold within the next 12 months.

12. Trade and other payables

\$NZ000's	31 Dec 2019	25 Feb 2019
Trade payables	31,404	25,524
Other payables and accruals	22,577	27,017
Employee benefits	16,948	14,986
Indirect and other taxes	7,862	5,859
	78,791	73,386

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

NZD	49,652	44,570
AUD	16,254	15,674
USD	12,885	13,142
	78,791	73,386

The carrying value of trade payables 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

13. Property, plant and equipment

SNZ000's	Note	Land	Leaschold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
COST								
Balance as at 26 February 2018		658	202,011	101,541	1,904	258	4,127	310,499
Additions		-	4,239	4,374	249	-	24,756	33,618
Transfers from work in progress		-	12,773	6,165	303	-	(19,241)	-
Disposals		-	(12,669)	(9,735)	(516)	(62)	-	(22,982)
Reclassification		-	812	(783)	(35)	-	6	-
Movement in exchange rates		-	1	325	(23)	-	(19)	284
Balance as at 25 February 2019		658	207,167	101,887	1,882	196	9,629	321,419
Additions		3,774	3,556	1,571	-	-	45,344	54,245
Acquisition of business		-	39	113	-	-	-	152
Transfers from work in progress		-	27,532	12,829	181	-	(40,542)	-
Disposals		-	(12,513)	(6,762)	(193)	-	320	(19,148)
Movement in exchange rates		(57)	60	197	-	-	(46)	154
Balance as at 31 December 2019		4,375	225,841	109,835	1,870	196	14,705	356,822
ACCUMULATED DEPRECIATION								
Balance as at 26 February 2018		-	(91,934)	(59,021)	(839)	(258)	-	(152,052)
Charge		-	(18,841)	(10,920)	(361)	-	-	(30,122)
Disposals		-	10,296	7,830	331	62	-	18,519
Reclassification		-	377	(377)	-	-	-	-
Movement in exchange rates		-	179	(136)	5	-	-	48
Balance as at 25 February 2019		-	(99,923)	(62,624)	(864)	(196)	-	(163,607)
Charge		-	(15,650)	(9,042)	(306)	-	-	(24,998)
Disposals		-	6,412	4,857	176	-	-	11,445
Movement in exchange rates		-	(8)	(64)	2	-	-	(70)
Balance as at 31 December 2019		-	(109,169)	(66,873)	(992)	(196)	-	(177,230)
IMPAIRMENT PROVISION								
Balance as at 26 February 2018		-	(1,135)	(101)	-	-	-	(1,236)
Charge		-	(2,991)	(334)	-	-	-	(3,325)
Utilised/disposed		-	133	16	-	-	-	149
Balance as at 25 February 2019		-	(3,993)	(419)	-	-	-	(4,412)
Charge		-	(40)	(212)	-	-	-	(252)
Utilised/disposed		-	136	717	-	-	-	853
Balance as at 31 December 2019		-	(3,897)	86	-	-	-	(3,811)
CARRYING AMOUNTS								
Balance as at 26 February 2018		658	108,942	42,419	1,065	-	4,127	157,211
Balance as at 25 February 2019		658	103,251	38,844	1,018	-	9,629	153,400
Balance as at 31 December 2019		4,375	112,775	43,048	878	-	14,705	175,781

13. Property, plant and equipment (continued)

Depreciation expense

\$NZ000's	31 Dec 2019	25 Feb 2019
Depreciation expense	25,250	30,163

Sale of property, plant and equipment

Net (loss) on disposal of property, plant and equipment (included in depreciation expense)	(106)	(146)
Net (loss) gain on disposal of property, plant and equipment (included in other costs)	(3,209)	3,092

Property, plant and equipment is 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.

Significant judgments and estimates - impairment testing of Carl's Jr property, plant and equipment

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 tangible asset balances. Estimates of future cash flows are highly subjective judgements and can be significantly impacted by changes in the business or economic conditions.

Property, plant and equipment and intangible assets are reviewed for impairment semi-annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows; a restaurant's assets is the relevant cash generating unit. If, in a subsequent period, the amount of the impairment loss decreases and it can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

The value in use calculation evaluates recoverability based on the restaurant's forecasted discounted cash flows, which incorporate estimated sales growth and margin improvement based upon current plans for the store and actual results at comparable restaurants.

Key assumptions in the determination of recoverable amount are:

- the estimate of future cash flows of the restaurant incorporating reasonable sales growth and margin improvement
- the discount rate incorporating the rates of return based on the risk and uncertainty inherent in the forecast cash flows
- the terminal year sales growth is calculated based on continuous sales growth of a minimum of projected inflation estimated at 2.5%.

During the 25 February 2019 period the Group reviewed its tangible assets for signs of impairment, eight Carl's Jr. stores were identified as having possible impairments. Four stores had their assets fully impaired. A discounted cash flow model was prepared for the remaining four stores using the following assumptions.

	Discount rate 2020-2022 %	Sales growth 2020-2022 %	EBITDA margin 2020-2022 %	EBITDA margin terminal year %
Key assumptions February 2019	10.9	1.0-3.5	1.0-4.1	2.5-4.1

The discount rate applied represents the weighted average post-tax cost of capital being an applicable rate for a standalone restaurant within the New Zealand segment.

Following the impairment assessment in the 25 February 2019 period, an impairment of \$3.3 million was included in other expense items (refer note 2) and as part of the impairment provision within property, plant and equipment. The \$0.6m other expense disclosed in note 2 relates to a correction of depreciation charged on assets that were impaired in previous periods.

Following a review of store performance and consideration of other impairment indicators, the Group has determined that no indicators of impairment exist at 31 December 2019 which would require impairment testing to be performed, or a further write down in the associated store assets.

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14. Adoption of NZ IFRS 16 - Leases

The group has adopted NZ IFRS 16 retrospectively from 26 February 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 26 February 2019.

The associated right of use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments, lease incentives, onerous or favourable leases recognised in the balance sheet as at 26 February 2019. The recognised right of use assets are all property leases.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 26 February 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 26 February 2019 was 4.8%.

On transition, the Group applied the following practical expedients:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 26 February 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Key estimates and judgements

In the process of adopting NZ IFRS 16, a number of judgements and estimates have been made. These include:

- incremental borrowing rate at the time of adoption. The Group engaged an independent valuation expert to establish the incremental borrowing rates
- lease terms, including any rights of renewal expected to be exercised. The Group has assumed that all rights of renewal are expected to be exercised which is consistent with the Group's strategy and previous leases. This judgement has been applied unless a store closure or a decision to relocate a store is known at the time of adoption
- foreign exchange conversion rates
- application of practical expedients and recognition exemptions allowed by the new standards, including in respect of low value assets and short-term lease exemptions.

\$NZ000's	Property
Right of use asset at adoption date 26 February 2019	346,487
Depreciation	(22,396)
Lease modifications	11,179
Lease additions	18,721
FX movement	2,141
Right of use asset at period end	356,132

Sensitivity

The effect on the opening consolidated balance sheet as at 26 February 2019 from an increase or decrease of 0.5% in the incremental borrowing rate would result in a change of approximately \$18.3 million.

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14. Adoption of NZ IFRS 16 - Leases (continued)

The Group leases relate to buildings which were all classified as operating leases until 25 February 2019. Payments made under operating leases (net of any incentives received from the lessor) were previously charged to profit and loss on a straight line basis over the period of the lease. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 26 February 2019, leases are recognised as a right of use asset and a corresponding liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments and known fixed lease increases, less any lease incentives receivable.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability or right of use asset until they take effect.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the amount of the initial measurement of lease liability and any restoration costs. These assets are subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

15. Impact of NZ IFRS 16 on segmental results and earnings per share

The following table shows the adjustments to the segmental reporting as a result of adoption of NZ IFRS 16.

31 December 2019	Pre NZ		Post NZ
\$NZ'000's	IFRS 16	Adjustments	IFRS 16
EBITDA before general and administration expenses	115,974	31,511	147,485
General & administration expenses	(29,427)	857	(28,570)
EBITDA after general and administration expenses	86,547	32,368	118,915
Depreciation	(25,356)	(22,395)	(47,751)
Amortisation (included in cost of sales)	(2,178)	-	(2,178)
Segment result (EBIT) before other items	59,013	9,973	68,986
Other items			
Other income	421	301	722
Other expense	(5,338)	-	(5,338)
Operating profit (EBIT)	54,096	10,274	64,370
Current assets	61,469	-	61,469
Non-current assets	443,880	374,555	818,435
Total assets	505,349	374,555	879,904
Earnings per share attributable to shareholders			
Basic / diluted earnings per share	27.35	(3.23)	24.12

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16. Impact of NZ IFRS 16 adoption

At 25 February 2019 the Group had lease commitments of \$196.5 million and lease liabilities of \$1.9 million in relation to lease incentives received on operating leases and NZ IAS 17 accruals. The commitments included all building leases. The following table shows adjustments made to the balance sheet on adoption of NZ IFRS 16 on 26 February 2019.

\$NZ000's	Total
Right of use asset	346,487
Intangible assets - favourable leases	(2,980)
Sub-lease receivable	315
Deferred tax asset	16,896
Total assets	360,718
Current lease incentives	780
Current lease liability	(19,575)
Trade and other payables	1,294
Non-current lease incentives	1,079
Non-current lease liabilities	(391,514)
Total liabilities	(407,936)
Net liabilities	(47,218)
Retained earnings adjustment on adoption of NZ IFRS 16	(47,218)

17. Reconciliation of lease commitments to lease liabilities

\$NZ000's	Total
Operating lease commitments disclosed as at 25 February 2019	196,522
As at 26 February 2019	
Discounted at the incremental borrowing rate at the date of initial application	156,048
Value of future lease options expected to be exercised at the date of initial application	255,041
Net present value of future lease liability	411,089
Current lease liability	19,575
Non-current lease liability	391,514
Total future lease liabilities as at 26 February 2019	411,089

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18. Impact of NZ IFRS 16 on the balance sheet

Assets and liabilities have both increased as a result of the change in accounting policy in relation to leases. At 31 December 2019 the balance sheet accounts affected by the change are detailed below:

31 December 2019 \$NZ000's	Pre NZ IFRS 16	Adjustments	Post NZ IFRS 16
Right of use assets	-	356,132	356,132
Intangibles	251,425	(2,285)	249,140
Sub-lease receivable	-	1,029	1,029
Deferred tax assets	16,674	19,679	36,353
Impact on total assets	268,099	374,555	642,654
Current lease incentives	780	(780)	-
Current lease liability	-	21,039	21,039
Trade and other payables	80,976	(2,185)	78,791
Non-current lease incentives	1,081	(1,081)	-
Non-current lease liabilities	-	409,309	409,309
Impact on total liabilities	82,837	426,302	509,139
Impact on net liabilities		51,747	

19. Impact of NZ IFRS 16 on the statement of cash flows

Cash outflows from leases for the period ended 31 December 2019 are detailed in the table below. For the period ended 31 December 2019 the equivalent cash outflow was included in cash flows from operating activities as payments to suppliers and employees.

31 December 2019 \$NZ000's	Total
For the period ending 31 December 2019	
Interest paid on leases (operating activities)	(16,351)
Payments for lease liabilities principal (financing activities)	(16,019)
Total cash outflows from leases	(32,370)

Included in payments to suppliers and employees is \$4.0 million of lease payments relating to short term and variable leases.

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20. Intangibles

\$NZ000's	Note	Goodwill	Franchise fees	Favourable leases	Concept development costs	Acquired software costs	Total
COST							
Balance as at 26 February 2018		222,044	25,931	4,297	1,290	9,723	263,285
Additions		-	2,341	101	-	1,378	3,820
Disposals		-	(2,072)	-	-	(262)	(2,334)
Movement in exchange rates		4,275	792	148	-	(5)	5,210
Balance as at 25 February 2019		226,319	26,992	4,546	1,290	10,834	269,981
Additions		-	2,903	-	-	2,008	4,911
Acquisition of business		405	77	-	-	-	482
Disposals		(106)	(73)	-	-	(613)	(792)
Opening balance adjustment NZ IFRS 16		-	-	(4,546)	-	-	(4,546)
Movement in exchange rates		2,054	220	-	-	(1)	2,273
Balance as at 31 December 2019		228,672	30,119	-	1,290	12,228	272,309
ACCUMULATED AMORTISATION							
Balance as at 26 February 2018		(831)	(8,387)	(718)	(1,058)	(6,034)	(17,028)
Charge		-	(2,676)	(822)	(99)	(1,551)	(5,148)
Disposals		-	1,073	-	-	264	1,337
Movement in exchange rates		-	(25)	(26)	-	2	(49)
Balance as at 25 February 2019		(831)	(10,015)	(1,566)	(1,157)	(7,319)	(20,888)
Charge		-	(2,668)	-	(63)	(1,228)	(3,959)
Disposals		-	61	-	-	62	123
Opening balance adjustment NZ IFRS 16		-	-	1,566	-	-	1,566
Movement in exchange rates		-	(11)	-	-	-	(11)
Balance as at 31 December 2019		(831)	(12,633)	-	(1,220)	(8,485)	(23,169)

Impairment charges are recognised in other expenses in the statement of comprehensive income.

CARRYING AMOUNTS

Balance as at 26 February 2018	221,213	17,544	3,579	232	3,689	246,257
Balance as at 25 February 2019	225,488	16,977	2,980	133	3,515	249,093
Balance as at 31 December 2019	227,841	17,486	-	70	3,743	249,140

During December 2019 the Group acquired a KFC store in Australia for \$0.6 million giving rise to goodwill on acquisition of \$0.4 million.

Goodwill

Goodwill arises on the acquisition of subsidiaries and business combinations. Goodwill is measured at cost less accumulated impairment losses and has an indefinite useful life. 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 fees

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.

Favourable leases

Favourable leases arise on acquisition of subsidiaries and business combinations. The terms of the lease were compared to market prices at the date of acquisition, to determine whether an intangible asset or liability should be recognised. If the terms of an acquired contract are favourable relative to market prices, an intangible asset is recognised. If the terms of the acquired contract are unfavourable relative to market prices, a liability is recognised. This is then amortised over the length of the lease. Following the introduction of NZ IFRS 16 these are now included as part of the right of use asset value.

Concept development costs

Concept development costs 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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20. Intangibles (continued)

Amortisation

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

\$NZ000's	31 Dec 2019	25 Feb 2019
Amortisation of intangibles	3,959	5,148

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.

Allocation of goodwill by cash-generating unit:

\$NZ000's	31 Dec 2019	25 Feb 2019
KFC Australia	94,552	94,365
KFC New Zealand	3,818	3,818
Pizza Hut New Zealand	9,119	9,224
Taco Bell and Pizza Hut Hawaii	120,352	118,081
	227,841	225,488

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	31 Dec 2019	31 Dec 2019	31 Dec 2019	25 Feb 2019	25 Feb 2019	25 Feb 2019
	Sales growth	EBITDA	EBITDA	Sales growth	EBITDA	EBITDA
	2021-2023	margin	margin	2020-2022	margin	margin
	%	2021-2023	terminal year	%	2020-2022	terminal year
	%	%	%	%	%	%
KFC New Zealand	4.1	20.8	20.8	4.0	20.2 - 20.5	20.5
Pizza Hut New Zealand	1.1	4.4	4.4	3.7	9.0 - 10.6	10.6
KFC Australia	4.3	15.3	15.3	3.4	15.2 - 15.7	15.7
Taco Bell and Pizza Hut Hawaii	0.9 - 4.7	4.3 - 19.8	4.3 - 19.8	0.4 - 5.0	6.0 - 19.7	9.0 - 19.7

The terminal year sales growth is calculated based on the 2023 year and assumes a continuous sales growth of a minimum of projected inflation estimates of 2.5% (Feb 2019: 2.5%).

The discount rate for New Zealand KFC was 8.9% weighted average post-tax cost of capital (Feb 2019: 8.9%). The discount rate for New Zealand Pizza Hut was 11% (Feb 2019: 8.9%). 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 (Feb 2019: 8.7%). The discount rate applied to future cash flows for the Taco Bell and Pizza Hut business in Hawaii is based on an 8.8% (Feb 2019: 8.8%) weighted average post-tax cost of capital.

The analysis has been completed excluding the lease assets as the inclusion of the lease assets along with the adjusted discount rate should have no impact on the underlying calculations. The adjusted discount rates including lease assets would be for New Zealand KFC was 8.5% weighted average post-tax cost of capital. The discount rate for New Zealand Pizza Hut was 9.9%. The discount rate applied to future cash flows for the KFC business in Australia is based on a 7.7% weighted average post-tax cost of capital. The discount rate applied to future cash flows for the Taco Bell and Pizza Hut business in Hawaii is based on an 7.1% weighted average post-tax cost of capital.

The weighted average cost of capital calculation was reviewed in 2019 based on capital asset pricing model (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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20. Intangibles (continued)

In respect of the New Zealand 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 New Zealand Pizza Hut brand the Group has included a small business risk premium which increased the discount rate to 11.0%. The relevant changes to key assumptions which would result in reducing the recoverable amount to equal its carrying value are as follows:

- terminal year sales growth: 53 basis points or 21% reduction
- discount rate: 65 basis points or 6% increase
- EBITDA as a % of sales: 43 basis points or 10% reduction
- sales growth: 62 Basis points or 56% reduction

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.

Other notes

21. Taxation

Taxation – statement of comprehensive income

The total taxation expense is analysed as follows:

\$NZ000's	Note	31 Dec 2019	25 Feb 2019
Total profit before taxation for the period	1	42,906	49,435
Taxation expense	1	(12,815)	(13,694)
Net profit after income tax		30,091	35,741
Taxation expense using the Company's domestic tax rate		(28.0%) (12,014)	(28.0%) (13,842)
(Non-deductible expenses) and non-assessable income		(2.4%) (1,020)	0.2% 98
Adjustments due to different rate in different jurisdictions		0.5% 219	0.1% 50
		(29.9%) (12,815)	(27.7%) (13,694)
Taxation expense comprises:			
Current tax expense		(16,002)	(15,126)
Deferred tax credit		3,187	1,432
Net tax expense		(12,815)	(13,694)

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21. Taxation (continued)

Imputation credits

\$NZ000's	31 Dec 2019	25 Feb 2019
Imputation credits available for subsequent reporting periods	11,790	-

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 prior period imputation credits balance is nil due to the loss of shareholder continuity following the change of control with Global Valar S.L. acquiring 75% shareholding in the Group effective on 1 April 2019.

The current income tax for the period was calculated using the rate of 28% for New Zealand, 30% for Australia and 21% for USA (Feb 2019: 28% New Zealand, 30% Australia and USA changed to 21% during the period). 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 USA (Feb 2019: 28% New Zealand, 30% Australia and 21% USA).

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	
	31 Dec 2019	25 Feb 2019	31 Dec 2019	25 Feb 2019	31 Dec 2019	25 Feb 2019
Property, plant and equipment	10,766	9,497	-	-	10,766	9,497
Inventory	51	32	-	-	51	32
Debtors	-	-	(172)	(161)	(172)	(161)
Provisions	4,463	5,042	-	-	4,463	5,042
Intangibles	1,889	1,718	(2,393)	(2,421)	(504)	(703)
Other	2,070	2,597	-	-	2,070	2,597
Leases	19,679	-	-	-	19,679	-
	38,918	18,886	(2,565)	(2,582)	36,353	16,304

\$NZ000's	Balance 26 February 2018	Opening balances on acquisitions	Recognised in income statement	Recognised in equity	Foreign currency translation	Balance 25 February 2019
Property, plant and equipment	7,317	-	2,151	-	29	9,497
Inventory	44	-	(12)	-	-	32
Debtors	(18)	-	(165)	-	22	(161)
Provisions	4,129	-	1,111	(185)	(13)	5,042
Intangibles	225	-	(796)	-	(132)	(703)
Other	1,993	-	498	-	106	2,597
Tax losses	1,265	-	(1,355)	-	90	-
	14,955	-	1,432	(185)	102	16,304

\$NZ000's	Balance 25 February 2019	Opening balances adjustment NZ IFRS 16	Recognised in income statement	Recognised in equity	Foreign currency translation	Balance 31 December 2019
Property, plant and equipment	9,497	-	1,260	-	9	10,766
Inventory	32	-	20	-	(1)	51
Debtors	(161)	-	(12)	-	1	(172)
Provisions	5,042	(1,286)	705	-	2	4,463
Intangibles	(703)	-	254	-	(55)	(504)
Other	2,597	-	(587)	-	60	2,070
Leases	-	18,182	1,547	-	(50)	19,679
	16,304	16,896	3,187	-	(34)	36,353

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21. 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.

22. Provision for employee entitlements

\$NZ000's

Balance at 25 February 2019	2,349
Created during the period	313
Used during the period	(353)
Released during the period	(46)
Foreign exchange movements	(3)
Balance at 31 December 2019	2,260
31 December 2019	
Non-current	676
Current	1,584
Total	2,260

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.

23. Deferred income

\$NZ000's

Balance at 25 February 2019	8,644
Created during the period	51
Landlord contribution - NZ IFRS 16 adjustment	(4,617)
Used during the period	(3,829)
Foreign exchange movements	156
Balance at 31 December 2019	405
31 December 2019	
Non-current	328
Current	77
Total	405

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

Deferred income used within the period includes a correction of \$3.2m relating to landlord contributions that were incorrectly considered to be lease incentives as defined by SIC 15. Given that these amounts relate to reimbursements for landlord's assets, amounts should've instead been recognised as other income in the period they were received. Accordingly, these reimbursements have been reversed out of deferred income and property, plant and equipment. For the current reporting period there is no impact on profit or loss or EPS.

24. Related party transactions

Parent and ultimate controlling party

The immediate parent of the Group is Global Valar S.L. and the ultimate parent company is Grupo Finaccess SAPI de CV.

Transactions with entities with key management or entities related to them

During the period the Group received a reimbursement payment of \$4.3 million from Finaccess Capital, S.A de C.V, a subsidiary of Grupo Finaccess, in regards to acquisition costs incurred as part of the partial takeover process, which resulted in Finaccess owning 75% of the company.

This transaction was at arm's length and performed on normal commercial terms.

Key management and director compensation

Key management personnel comprises the Group CEO and his direct reports, the Group CFO and the three Divisional CEO's, and the Group Chief People Officer.

\$NZ000's	31 Dec 2019	25 Feb 2019
Key management - total benefits	2,679	3,090
Directors' fees	360	458

In addition to the amounts paid to key management included in the table above, is the value of shares conditionally vested in December 2018 to the Group CEO and Group CFO under the long term incentive plan. The shares fully vested to the Group CEO and Group CFO on 1 April 2019, upon completion of the Finaccess 75% share offer. The value of the shares on vesting date was \$3.6 million (Group CEO \$2.4 million, Group CFO \$1.2 million).

Total Group CEO remuneration

\$NZ000's	Salary	Short term incentives	Long term incentives	Total remuneration
31 December 2019	806	-	-	806
25 February 2019	921	116	-	1,037

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 4 December 2018 the vesting criteria for the Performance Rights Plan for the Group CEO, Russel Creedy, and Group CFO, Grant Ellis ("the executives") issued on 14 August 2017 was satisfied. The outstanding conditions were:

The shares were issued under the following conditions:

- The shares were not to be sold, transferred or disposed of prior to the completion of the takeover offer, except to accept Global Valar S.L's takeover offer.
- If Global Valar S.L's takeover offer was not completed or the executives cease employment prior to completion of the takeover offer then their relevant shares must be transferred back to the Company for no consideration.

The Global Valar S.L takeover was completed effective 1 April 2019. The associated expense of the shares issued was \$0.3 million was recognised within the statement of comprehensive income in the period ended 25 February 2019.

A condition of the shares vesting to the Group CEO and Group CFO was that the shares were required to be included in the Finaccess 75% share offer. Based on the Finaccess share offer price the value of the shares received by the Group CEO was \$2.4 million. This has not been included in the table above.

25. Commitments

Capital commitments

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

\$NZ000's	31 Dec 2019	25 Feb 2019
Store development	9,267	9,259

26. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (Feb 2019: nil).

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27. Subsequent events

Purchase of KFC and Taco Bell business assets in Southern California

On 24 December 2019 the Group entered into a conditional agreement with a KFC US franchisee to acquire the assets of 70 stores in Southern California, USA. The purchase comprises 59 KFC stores and 11 combined KFC Taco Bell stores, together with a head office facility. The purchase is conditional on Yum! approval and the assignment of property leases.

The Group continues to work with Yum!, to obtain its approval for the acquisition, and also work with various property owners on lease assignments to allow the acquisition to proceed.

Bank facilities

On 24 February 2020 the Group announced they had entered into a new loan facility agreement for \$370 million. The agreement has been reached with the following banks; Westpac Banking Corporation, JPMorgan, Rabobank and Bank of China. The facilities are split between NZD, USD and AUD tranches and are provided on similar terms to the Group's previous banking arrangements. Most of the tranches are for three year terms with the remainder expiring in four years.

The events disclosed above are non-adjusting events therefore the financial impact has not been recognised in the financial statements for the period ended 31 December 2019.

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

28. 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.

There are various standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. Other than NZ IFRS 16 leases, there are no other NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial period beginning on 26 February 2019 that had a material impact on the financial statements.

NZ IFRS 16 leases is effective for the period ending 31 December 2019, refer notes 14 through 19 for the impact on these financial statements.

29. Fees paid to auditor

\$NZ000's	31 Dec 2019	25 Feb 2019
Audit of financial statements		
Audit and review of financial statements - PwC	515	553
Other services - Performed by PwC		
Executive rewards services	-	14
Specified procedures on landlord certificates	2	4
Review of Yum! Advertising Co-operative report	6	5
Total other services	8	23
Total fees paid to auditor	523	576

Included in the 25 February 2019 period end audit and review of financial statements fee is \$0.1 million relating to additional fees incurred in the completion of the FY18 audit.

30. Donations

\$NZ000's	31 Dec 2019	25 Feb 2019
Donations	310	251

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31. Deed of Cross Guarantee

Pursuant to the Australian Securities and Investment Commission (ASIC) Class Order 98/1418, the wholly owned 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 44 week period ended 31 December 2019 of the closed group consisting of RBNZ, QSR, Restaurant Brands Australia Holdings Pty Limited and Restaurant Brands Australia Pty Limited.

SNZ000's		31 Dec 2019	25 Feb 2019
Financial information in relation to:			
(i)	Statement of profit and loss and other comprehensive income		
	Operating revenue	169,105	213,800
	Earnings before interest and taxation (EBIT)	7,410	76,007
	Financing expenses	(7,570)	(3,328)
	Profit before taxation	(160)	72,679
	Taxation expense	(415)	(2,462)
	Profit after taxation	(575)	70,217
	<i>Items that may be reclassified subsequently to the statement of comprehensive income:</i>		
	Exchange differences on translating foreign operations	(217)	(1,822)
	Share option reserve	-	(34)
	Derivative hedge reserve	(725)	(606)
	Taxation expense relating to components of other comprehensive income	217	182
	Other comprehensive income net of tax	(725)	(2,280)
	Total comprehensive income	(1,300)	67,937
(ii)	Summary of movements in retained earnings		
	Retained earnings at the beginning of the period	129,241	77,483
	NZ IFRS opening balance adjustment	(5,812)	-
	Total comprehensive income	(1,300)	67,937
	Net dividends	-	(22,254)
	Share capital issued	-	6,075
	Retained earnings at the end of the year	122,129	129,241

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the 44 week period ended 31 December 2019

31. Deed of Cross Guarantee (continued)

SNZ000's	31 Dec 2019	25 Feb 2019
(iii) Statement of financial position		
Non-current assets		
Property, plant and equipment	54,884	44,006
Lease right of use assets	111,226	-
Intangible assets	97,291	97,021
Deferred tax asset	9,199	4,593
Investment in subsidiaries	231,790	231,790
Total non-current assets	504,390	377,410
Current assets		
Inventories	1,082	607
Trade and other receivables	2,666	2,627
Income tax receivable	1,119	-
Amounts receivable from subsidiaries	16,181	15,714
Cash and cash equivalents	23,068	5,838
Total current assets	44,116	24,786
Total assets	548,506	402,196
Equity attributable to shareholders		
Share capital	154,565	154,565
Reserves	(5,472)	(4,747)
Retained earnings	(26,964)	(20,577)
Total equity attributable to shareholders	122,129	129,241
Non-current liabilities		
Provision for deferred income and employee entitlements	274	560
Lease liability	116,152	-
Loans	-	90,121
Derivative financial instruments	1,842	1,100
Total non-current liabilities	118,268	91,781
Current liabilities		
Income tax payable	-	55
Trade and other payables	17,120	15,989
Provision for employee entitlements	1,889	1,160
Loans	97,522	-
Lease liability	7,920	-
Amounts payable to subsidiaries	183,658	163,970
Total current liabilities	308,109	181,174
Total liabilities	426,377	272,955
Total equity and liabilities	548,506	402,196



Independent auditor's report

To the shareholders of Restaurant Brands New Zealand Limited

We have audited the financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the 44 week period then ended;
- the consolidated statement of changes in equity for the 44 week period then ended;
- the consolidated statement of cash flows for the 44 week period then ended;
- the basis of preparation; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying 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 31 December 2019, its financial performance and its cash flows for the 44 week period then ended 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 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 and review of Yum! Advertising Co-operative report. 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: \$2.2 million, which represents approximately 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 Pizza Hut New Zealand assets
- Adoption of the accounting standard NZ IFRS 16 *Leases*

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 1 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 44 week period. 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

Carrying value of Pizza Hut New Zealand assets may not be recoverable

As disclosed in Note 20 there is goodwill of \$9.1 million relating to the acquisition of Pizza Hut New Zealand.

Management performed an annual impairment assessment using a discounted cash flow model to determine whether the carrying value of assets held by the Pizza Hut New Zealand cash generating unit (CGU) exceeds the recoverable amount which is based on the value in use. This involves the application of judgement about future business performance which includes certain key assumptions such as sales growth, earnings before interest, tax, depreciation and amortisation (EBITDA) margin, terminal year sales growth and the discount rate, which has increased from the prior period as a result of applying a small business risk premium.

The impairment assessment completed by management at 31 December 2019 calculated the value in use of the Pizza Hut New Zealand CGU as higher than the carrying value of applicable net assets. No impairment charge has been recorded against these assets in the current financial year.

Reasonably possible changes in key assumptions relating to terminal year sales growth, discount rate, EBITDA as a percentage of sales and sales growth were identified as resulting in impairment which has been disclosed in Note 20.

This matter is significant to our audit because of the sensitivity of the impairment model to key assumptions.

How our audit addressed the key audit matter

In addressing the sensitivity to judgements regarding the future performance of the Pizza Hut New Zealand business our audit procedures included:

- Gaining an understanding of the business process applied by management in determining whether there is any indication of impairment in the carrying value of the assets;
- Testing the mathematical accuracy of the discounted cash flow model used to determine the value in use of the segment;
- Reviewing historical years' actual store sales and profitability against the original budgeted performance to determine the reliability of the budgeting process;
- Agreeing forecast future performance to budgets reviewed and approved by the Board of Directors;
- Challenging key assumptions used in the value in use model in relation to sales growth and EBITDA margins and assessing whether these are reasonable by understanding strategic and operational initiatives underway, along with reviewing monthly performance trends to assess whether profitability initiatives have been successful to date;
- With the assistance of our auditor's valuation expert, assessing the appropriateness of the terminal growth and discount rates;
- Testing the calculation of the carrying value of the segment assets;
- Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill;
- Reviewing the financial statements to ensure appropriate identification and disclosure of key assumptions and the sensitivity of the value in use calculation to changes in these assumptions.

We have no matters to report.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="288 450 790 510"><i>Adoption of the accounting standard NZ IFRS 16 Leases</i></p> <p data-bbox="288 521 790 835">The Group adopted NZ IFRS 16 <i>Leases</i> on 26 February 2019. The standard requires the recognition of a right of use asset and lease liability on the balance sheet for all leases. Previously operating leases were not recognised on the balance sheet. The adoption of the standard has resulted in the recognition of a right of use asset of \$346 million and a lease liability of \$411 million.</p> <p data-bbox="288 846 790 976">As outlined in Note 14, a number of key estimates and judgements have been made by management in establishing these opening values. These comprise:</p> <ul data-bbox="347 987 790 1429" style="list-style-type: none"> • incremental borrowing rates at the time of adoption. Management engaged an independent valuation expert to establish these rates • lease terms, including any rights of renewal expected to be exercised • foreign exchange conversion rates, and • application of practical expedients in respect of low value assets and short term lease exemptions. <p data-bbox="288 1440 790 1563">This was considered an area of focus for our audit due to the complexity, number of leases and number of significant judgements inherent in the calculation.</p>	<p data-bbox="810 450 1439 483">We have performed the following audit procedures:</p> <ul data-bbox="858 495 1439 1424" style="list-style-type: none"> • held discussions with management to understand the implementation process, including the basis for key assumptions used in the calculation of opening balances and management's process including controls; • performed testing, on a sample basis, of the accuracy of information included in the calculations by comparing them to the terms in the underlying lease contract; • tested completeness of the identified lease contracts by checking that all leased stores and other major leased assets were included in the calculation; • on a sample basis, recalculated the right-of-use asset and lease liability for individual leases; • recalculated the expected deferred tax impact on date of adoption; • challenged management on renewal assumptions used to determine the lease term and assessed whether they were supported by past practice and current business plans; • reviewed the appropriateness of practical expedients applied for exclusion of low value and short term lease exemptions; and • reviewed the appropriateness of disclosures in the financial statements. <p data-bbox="810 1435 1439 1496">In relation to the incremental borrowing rates, we performed the following procedures:</p> <ul data-bbox="858 1507 1439 1805" style="list-style-type: none"> • engaged our auditor's valuation expert to assess the appropriateness of the discount rates used. This process included challenging the data sources and credit ratings and spreads for each location established by management's expert; • tested management's sensitivity analysis calculations pertaining to the incremental borrowing rate. <p data-bbox="810 1805 1439 1827">We had no matters to report.</p>

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 Pip Cameron.

For and on behalf of:

Chartered Accountants
28 February 2020

Auckland

Restaurant Brands New Zealand Limited	
Results for announcement to the market	
Reporting Period	44 week period ended 31 December 2019
Previous Reporting Period	52 week period ended 25 February 2019

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$733,666	-11.2%
Profit after taxation attributable to shareholders	NZ\$30,091	-15.8%
Total comprehensive income for the period attributable to shareholders	NZ\$30,542	-22.2%

Interim/Final Dividend	Amount per share	Imputed amount per share
Final	NA	NA

Record Date	NA
Dividend Payment Date	NA

Comments:	Please note that the reporting period is for 44 weeks compared to 52 weeks for the previous reporting period – for more details regarding the results 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.

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Restaurant Brands NZ Limited
10 Months Results to 31 December 2019
(FY 19D)

Russel Creedy - Group CEO
Grant Ellis – Group CFO
28 February 2020

Presentation Outline

- Key Points
- Results Overview
- New Zealand Operations
- Australia Operations
- Hawaii Operations
- US Acquisition
- Outlook
- Questions

Key Points

Note:

- *FY 19 = 12 months to 25 February 2019*
- *FY 19D = 10 months to 31 December 2019*
- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*

Commentary (FY 19D (R) vs. FY 19)

- Group Sales +5.0%
- Reported NPAT -0.5%
- Brand EBITDA + 6.0%

FY 18	FY 19	FY 19D	FY 19D (R)
\$740.8m	\$794.0m	\$705.5m	\$833.8m
\$35.5m	\$35.7m	\$30.1m	\$35.6m
\$122.6m	\$129.2m	\$116.0m	\$137.1m

- Launch of Taco Bell in Australia & NZ
- Agreement to acquire 70 stores in California

Results Overview

Impact of change of balance date, adoption of NZ IFRS 16 and classification of other items masks a sound trading result

\$m (after tax)	FY 19	FY 19D	Change \$	Change %
Reported NPAT	35.7	30.1	(5.6)	(15.8%)
NZ IFRS 16	-	4.5	4.5	-
Other Income and Expenses	6.5	4.0	(2.5)	(38.5%)
Change of Balance Date	-	7.1 *	7.1	-
Comparable Trading NPAT	42.2	45.7	3.5	8.3%

* Pro rata gross up 44 to 52 weeks

As previously foreshadowed, NZ IFRS 16 had a significant impact on income statement and balance sheet

Income Statement

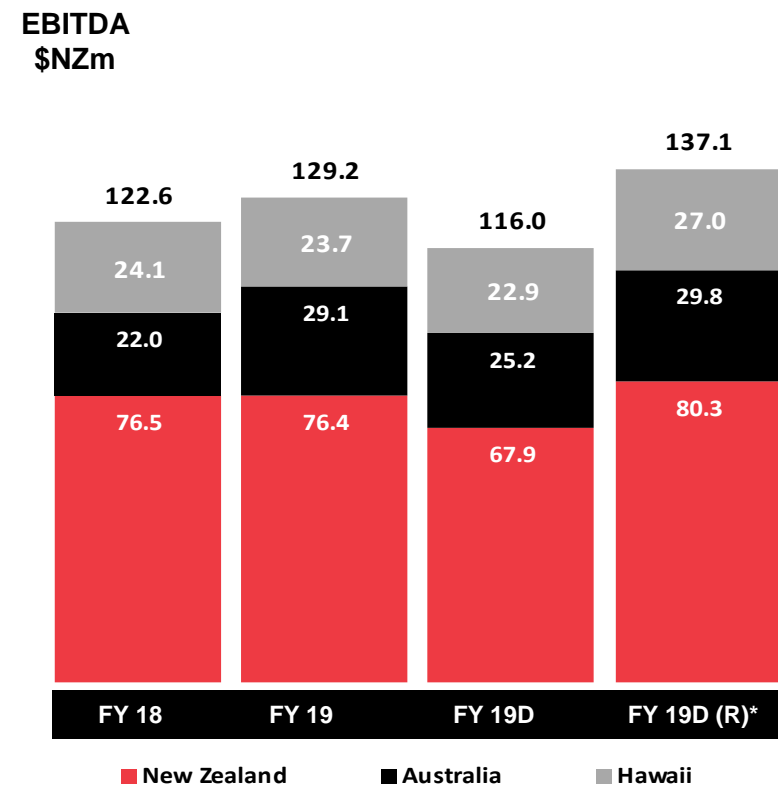
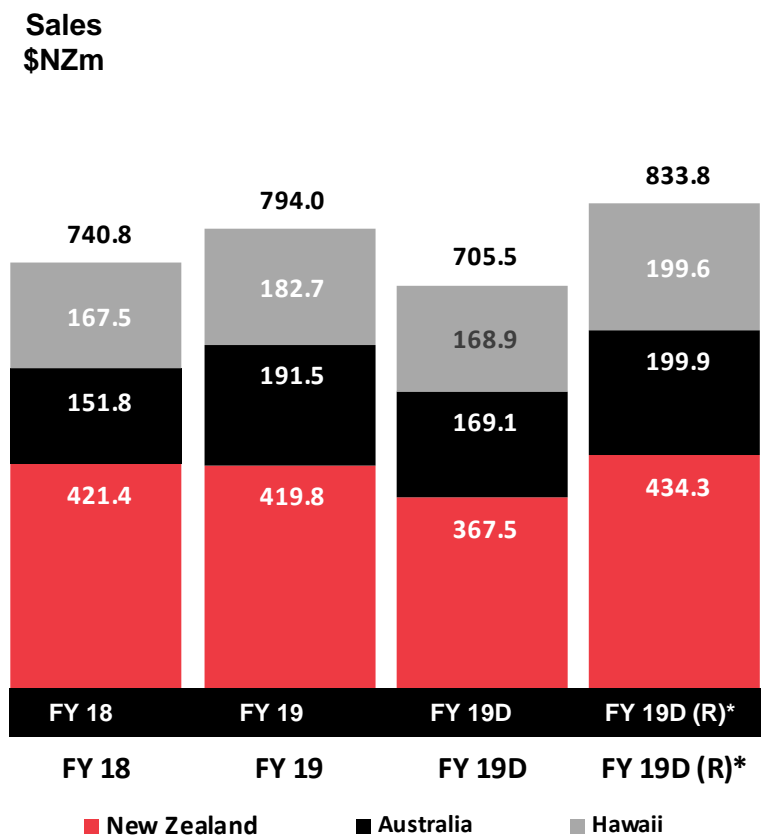
\$m	FY 19D
NPAT pre NZ IFRS 16	34.8
Lease costs	32.7
ROU depreciation	(22.4)
Lease interest	(16.4)
Taxation	1.4
NPAT impact from NZ IFRS 16	(4.7)
NPAT post NZ IFRS 16	30.1

Balance Sheet

\$m	FY 19	FY 19D
Right of use assets *	-	376
Other assets	460	504
Total assets	460	880
Lease liabilities	-	430
Other liabilities	236	242
Total liabilities	236	672

* Incl deferred tax

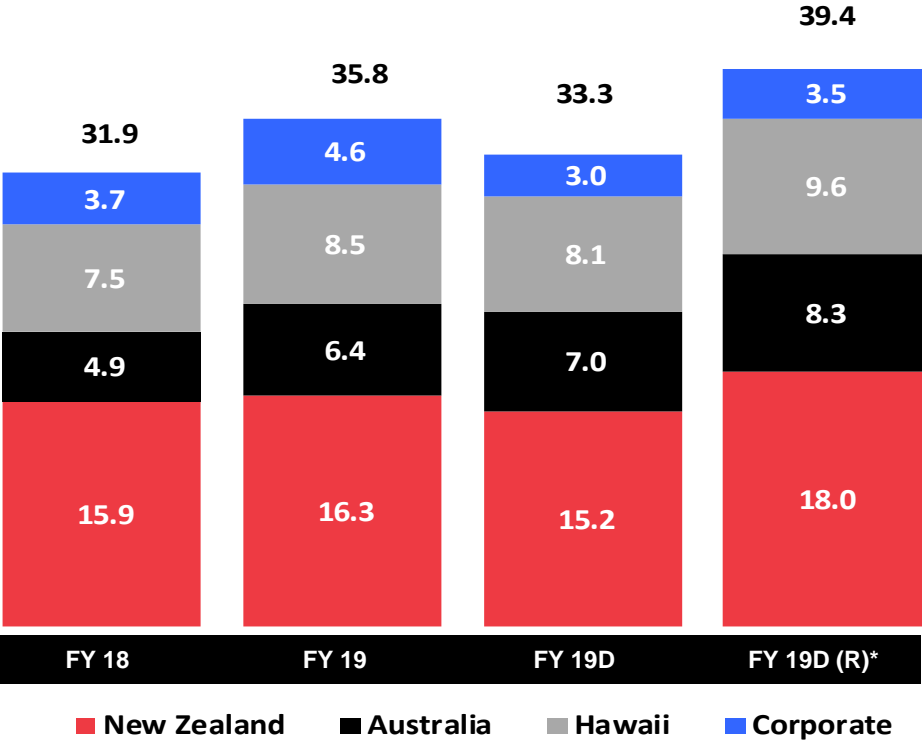
All divisions saw increased sales and profit (on a prior year equivalent basis)



* Grossed up 44 to 52 weeks

G&A costs at 4.5% of revenues with variable remuneration and initial Taco Bell staffing

G&A
\$NZm



* Grossed up 44 to 52 weeks

Other Income and Expenses (“non-trading items”) down on prior year without Carl’s Jr. impairment and leave remediation costs

\$NZm (pre tax)

	FY 19	FY 19D
Impairment of assets & goodwill	3.5	(0.7)
Lease surrender gain	-	(0.3)
Lease termination	-	(0.3)
Gain on sale Pizza Hut stores	(1.8)	(0.1)
Gain on sale of Starbucks Coffee	(1.2)	-
Hawaii workers compensation	1.6	-
Leave remediation	3.5	0.4
Acquisition costs	0.4	0.6
Franchise rights amortisation	2.0	1.8
Relocation & refurbishment	1.0	3.2
	9.0	4.6

Operating cash flow up in line with prior year despite 44 vs 52 week difference

Investing cash flow increased substantially on accelerated capex programme and no disposal proceeds

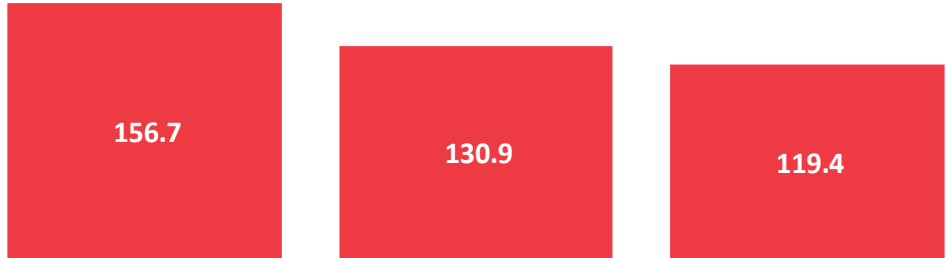
\$NZm	FY 18	FY 19	FY 19D	
Operating Cash Flow (adjusted)	67.8	71.3	71.6	**
Investing Cash Flow (adjusted)	(25.8)	(26.7)	(59.7)	
Free Cash Flow	42.0	44.6	11.9	

**Adjusted for \$147.5m acquisition of PIR and additional Australian stores*

***Adjusted for payments of lease principal of \$16.0m classified as financing activities under NZ IFRS 16*

Net borrowings reduce with strong operating cash flow and no dividend, partly offset by higher capex

Net Debt \$NZm



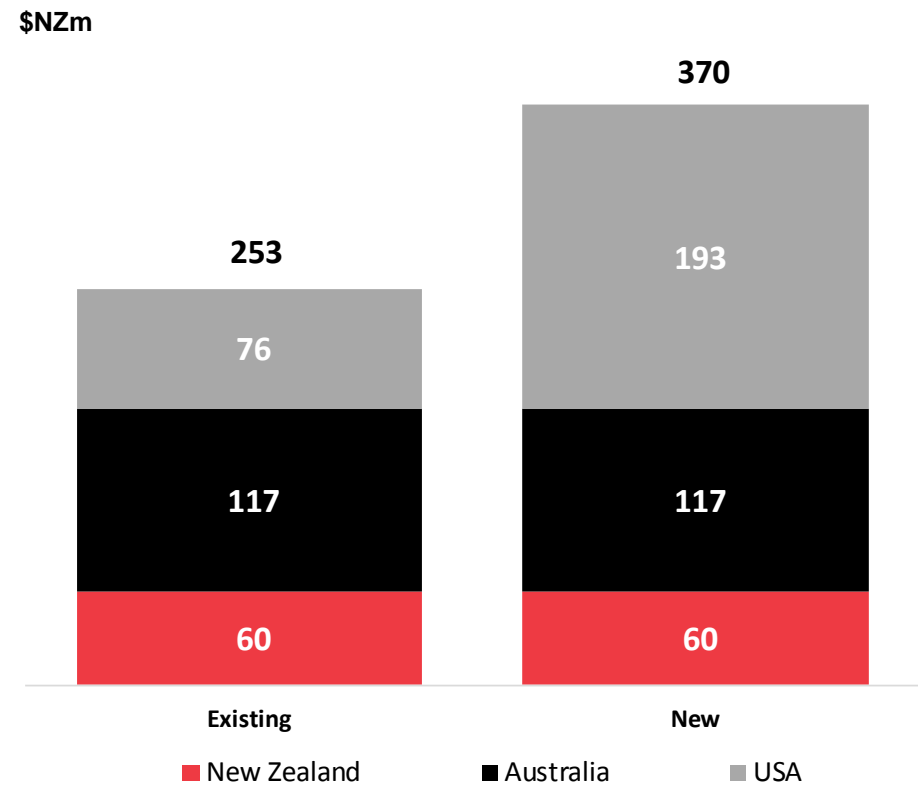
FY 18	FY 19	FY 19D
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Ratios

Net Debt: EBITDA*	1.6:1	1.3:1	1.2:1
Gearing (ND:ND+E)	44%	37%	36%

* FY 19D EBITDA grossed up 44 to 52 weeks, including lease costs

New banking facilities in place reflecting RBD’s more global outlook and will be used to repay existing debt and to fund US acquisition

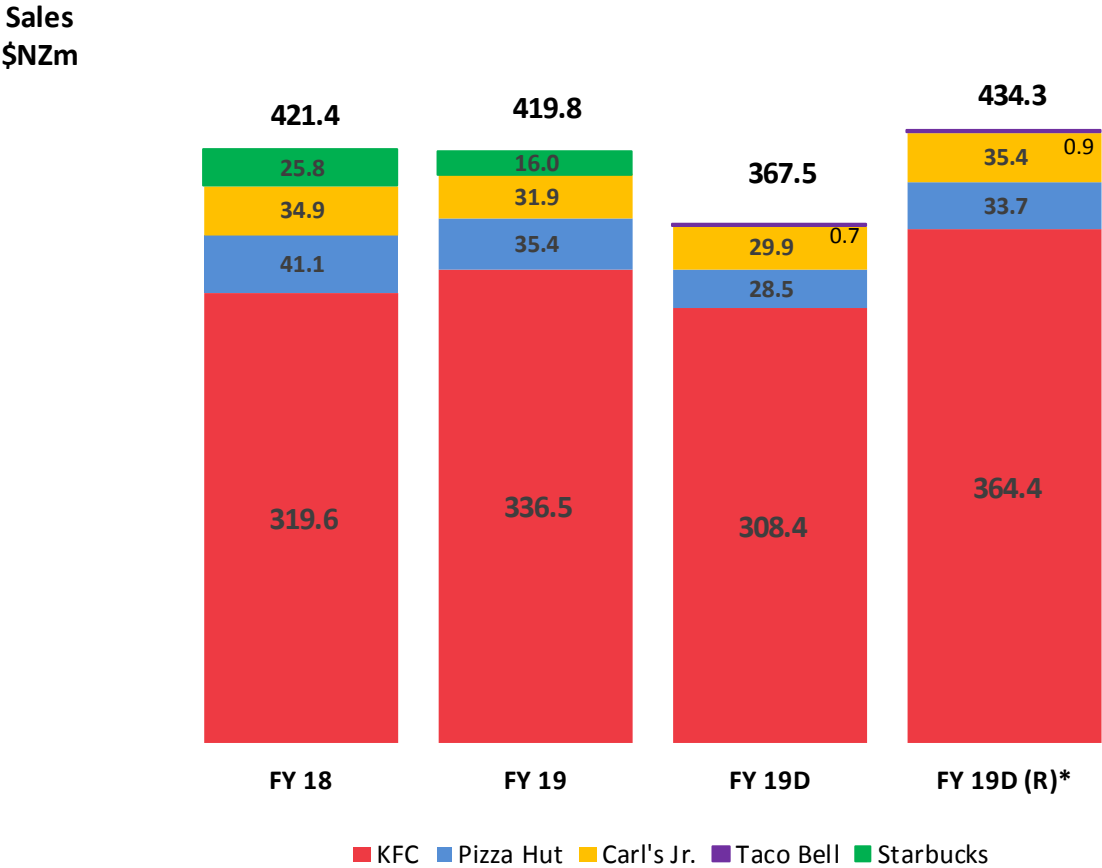


- Banks: *Westpac, Rabobank, JP Morgan, Bank of China*
- Tenor: *3 – 4 years*
- Security: *Negative Pledge Structure*
- Type: *Bilateral Facilities under a Common Terms Deed*
- Currencies: *NZD, AUD, USD*
- Facilities: *Term and Revolving*

New Zealand Operations

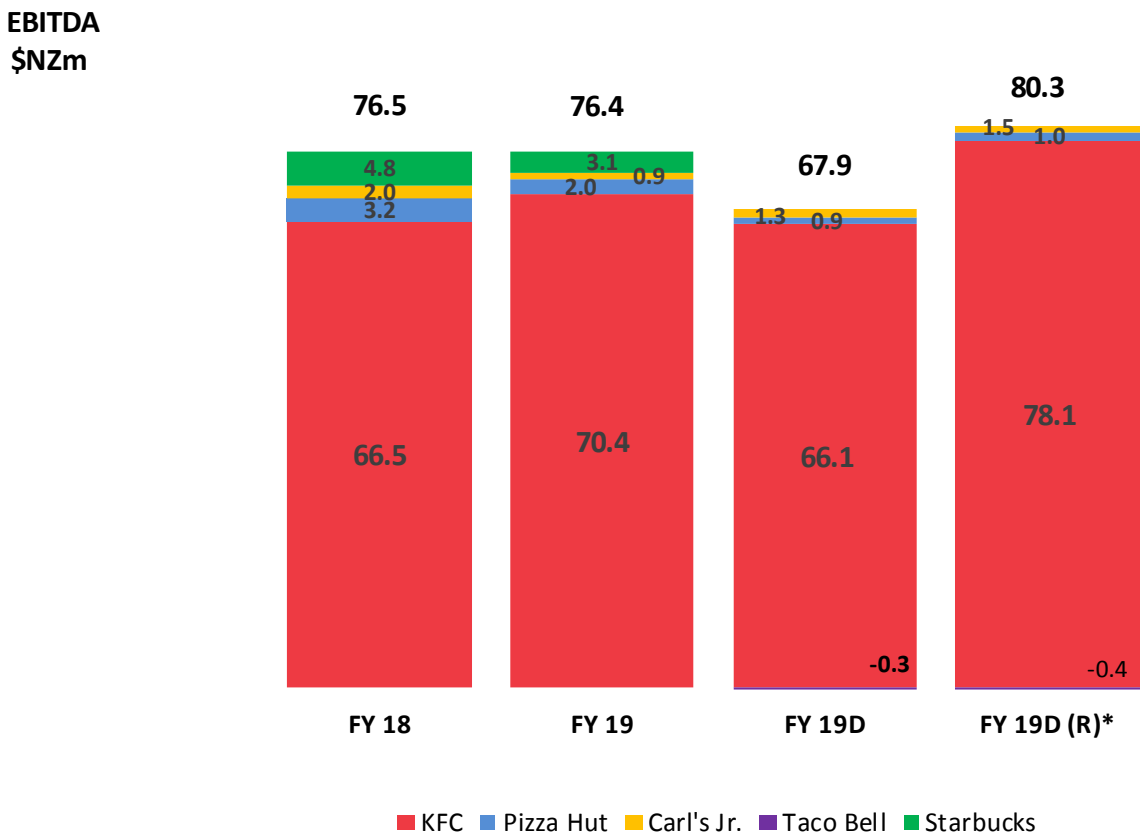


NZ total sales up on prior year with solid KFC increase



* Grossed up 44 to 52 weeks

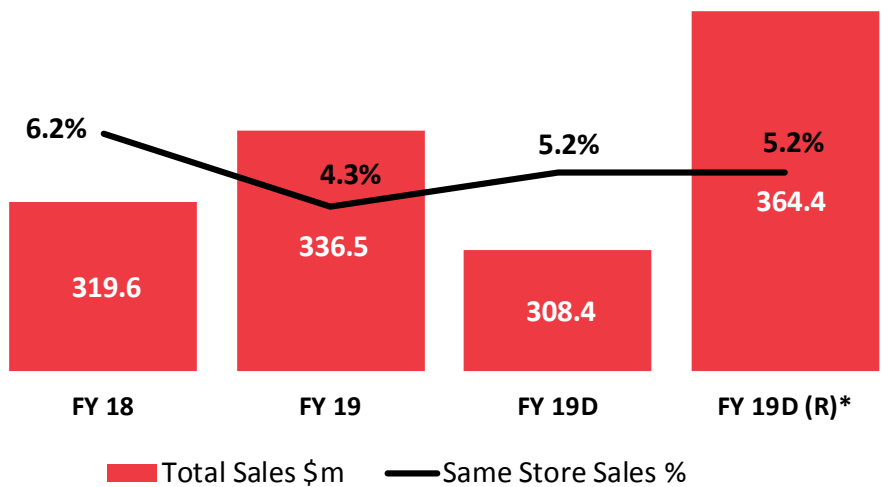
NZ EBITDA continues to climb with consistently strong performance by KFC



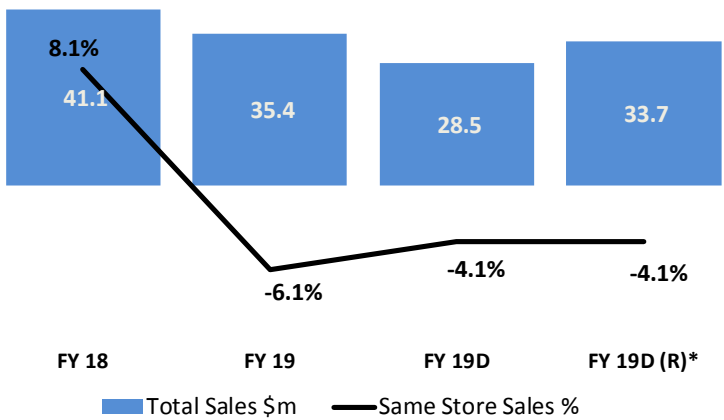
* Grossed up 44 to 52 weeks

KFC NZ maintains strong sales growth with improved performance from Carl's Jr. on delivery channel

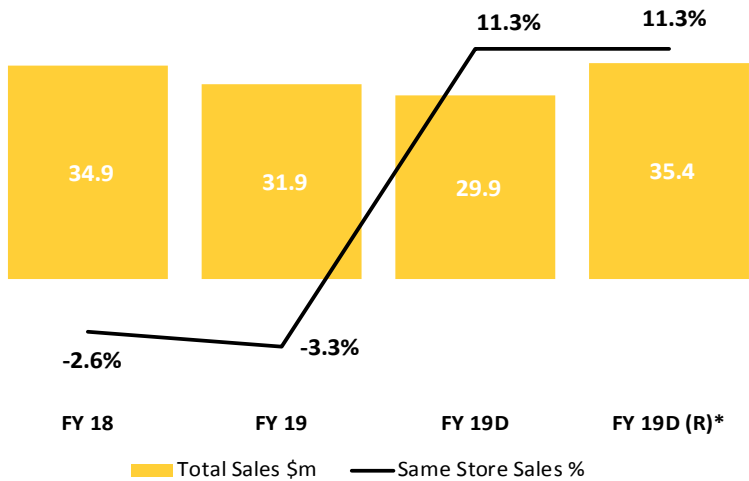
KFC Sales



RBD Pizza Hut Sales



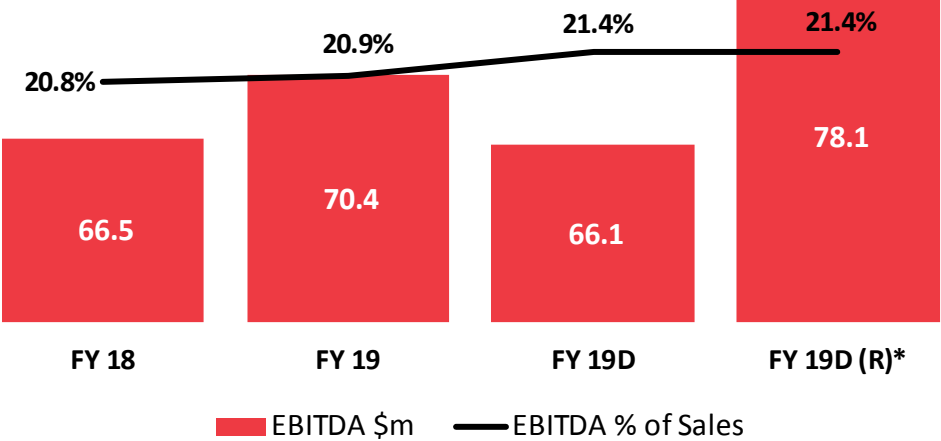
Carl's Jr. Sales



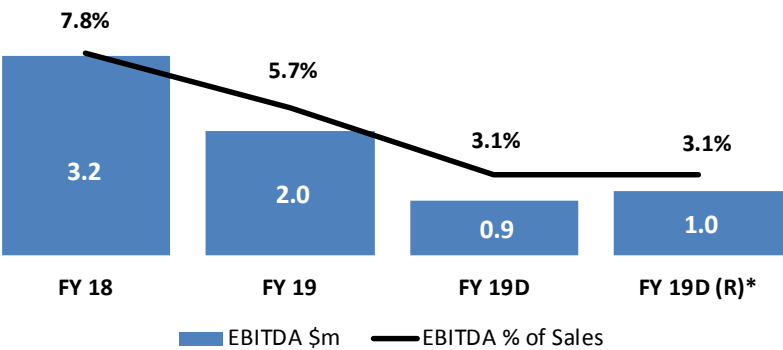
* Grossed up 44 to 52 weeks

NZ earnings dominated by KFC with continuing strong margins (despite labour cost pressures)

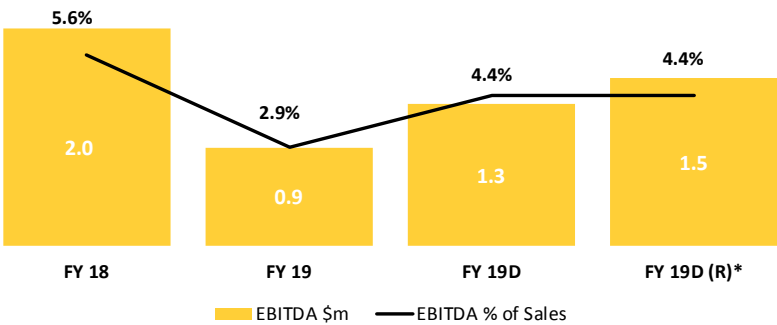
KFC EBITDA



RBD Pizza Hut EBITDA



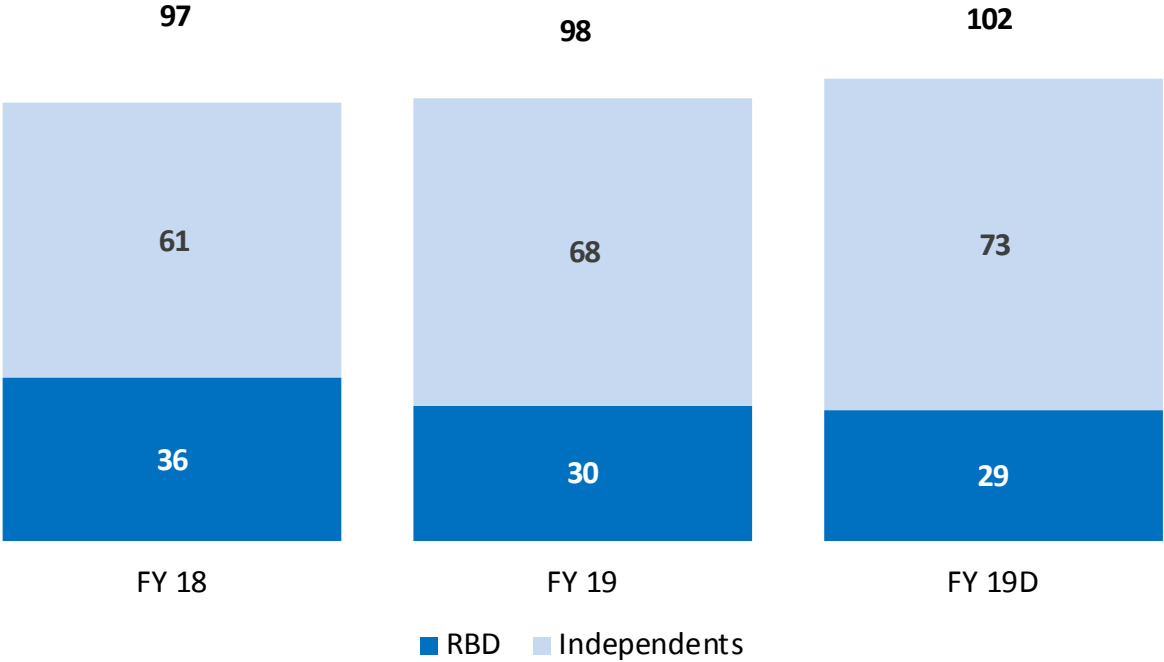
Carl's Jr. EBITDA



* Grossed up 44 to 52 weeks

Sales of Pizza Hut stores to independent franchisees continues together with increase in new store builds

No. of Stores

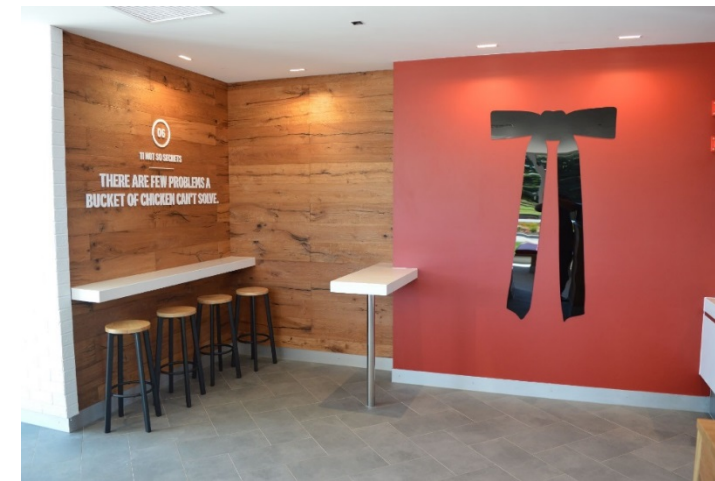


New store build is gaining momentum with 6 new KFC stores this year

KFC Tauranga Crossing



KFC Bombay



First Taco Bell store opened in Lynn Mall, Auckland to strong sales, although set up costs impact FY19D and FY20



On target to deliver up to 6 store openings for FY20



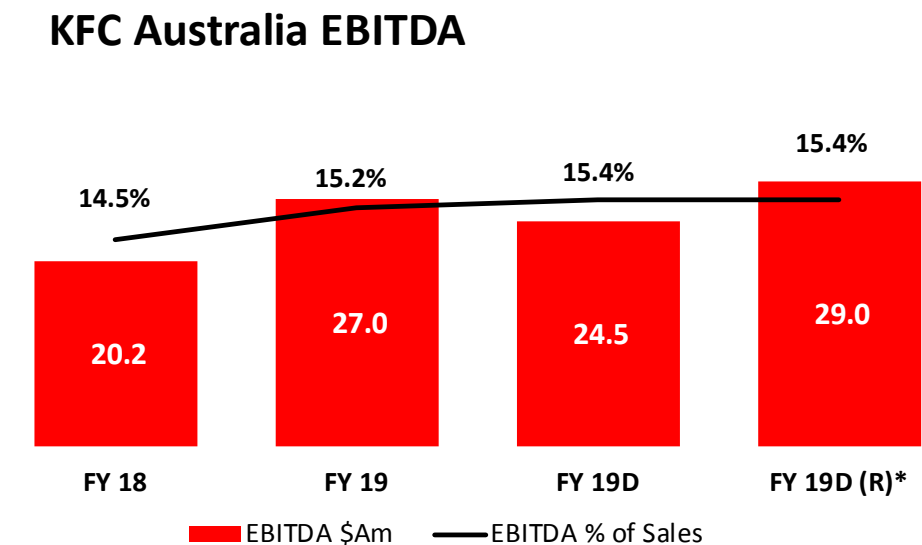
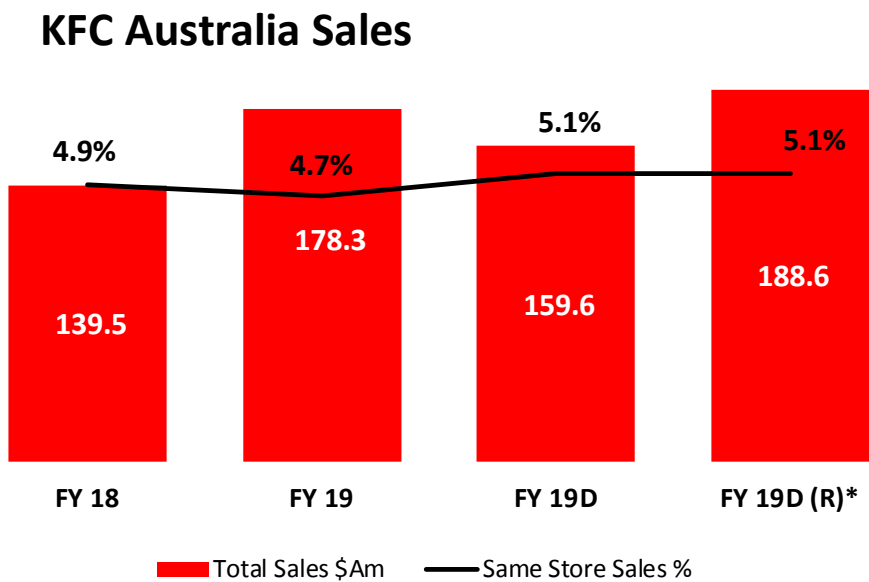
Australia Operations



KFC
FINGER LICKIN' GOOD


TACO BELL

Australia KFC business performed strongly, assisted by roll-out of delivery from 32 stores

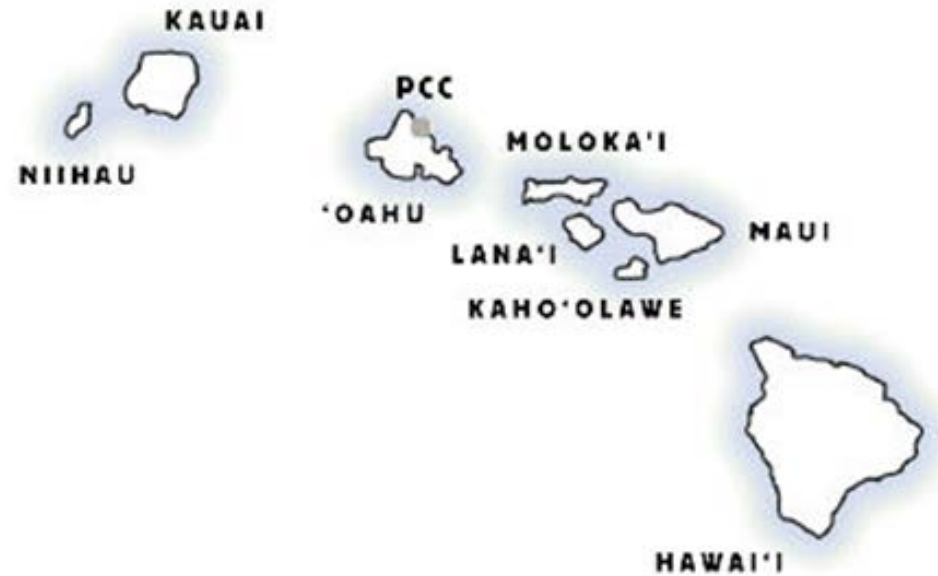


* Grossed up 44 to 52 weeks

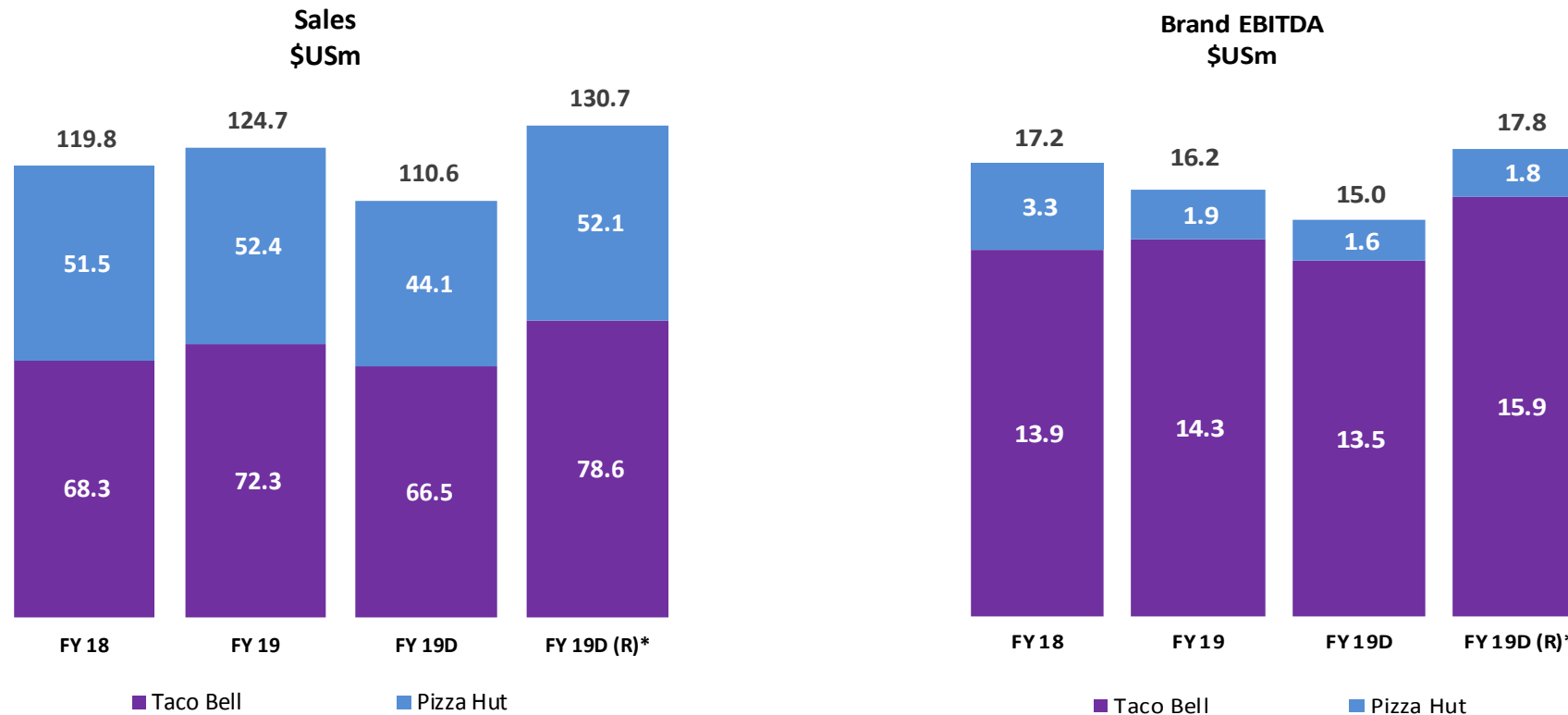
First two Taco Bell stores opened in NSW (Jesmond and Blacktown) to strong sales



Hawaii Operations



Store refurbishment programme and successful promotions for Taco Bell drove very strong sales growth, whilst Pizza Hut stabilised



* Grossed up 44 to 52 weeks

Taco Bell Moanalua



Taco Bell Nanakuli

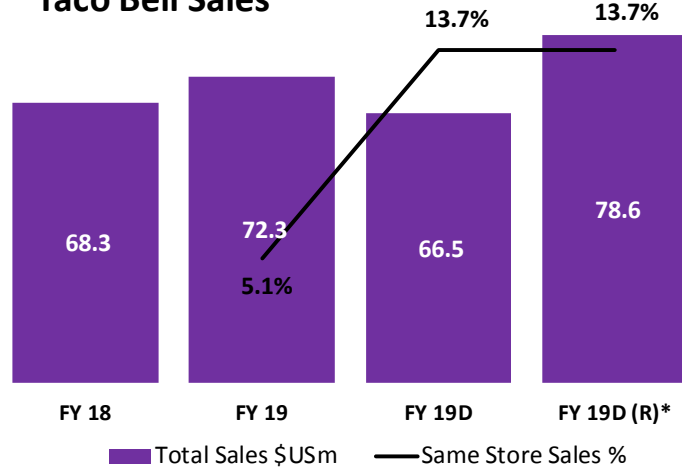


**Taco Bell Pearl City
(before and after)**

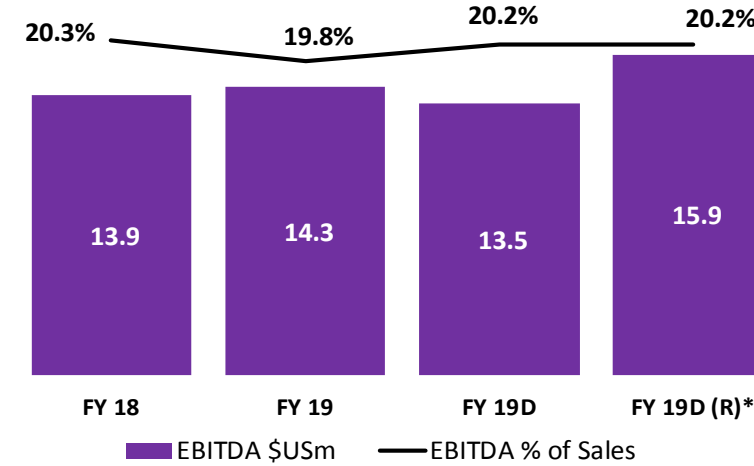


Taco Bell goes from strength to strength whilst Pizza Hut stabilised with six older format stores closed in November/December

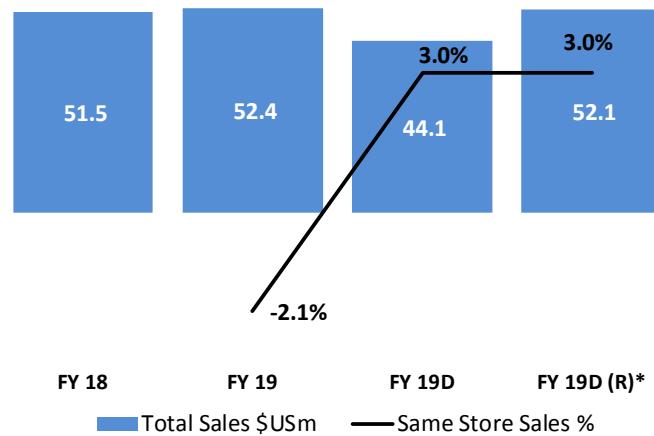
Taco Bell Sales



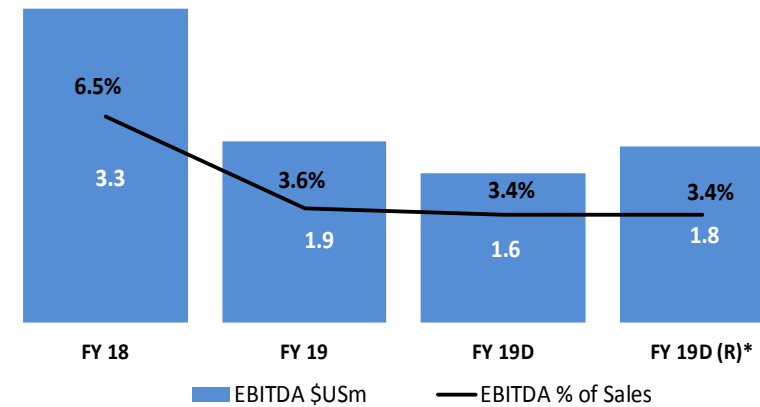
Taco Bell EBITDA



Pizza Hut Sales



Pizza Hut EBITDA



* Grossed up 44 to 52 weeks

US Acquisition

On 23 December, RBD entered into an agreement to acquire 70 stores in Southern California

- Purchase price: \$US73 million
- Annual sales: \$US95 million
- Store EBITDA: \$US12 million
- 11 KT and 59 KFC stores
- Staff: 1,500
- Conditional on:
 - Yum approval
 - Lease assignments



Outlook

With stable and growing operations in all three markets the Company is poised for further expansion through acquisition, store refurbishments and new store roll outs.

New KFC store builds will drive sales and profit enhancement in New Zealand and Australia. The Taco Bell scrape and rebuilds in Hawaii will further assist that result.

The introduction of the Taco Bell brand to New Zealand and Australia will have an immaterial adverse effect on the FY20 result (largely establishment costs) as we build brand presence in both markets.

Completion of the USA 70 store acquisition (expected March-April) will lift sales and earnings in FY20.

An update will be provided at the annual meeting.

Questions

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