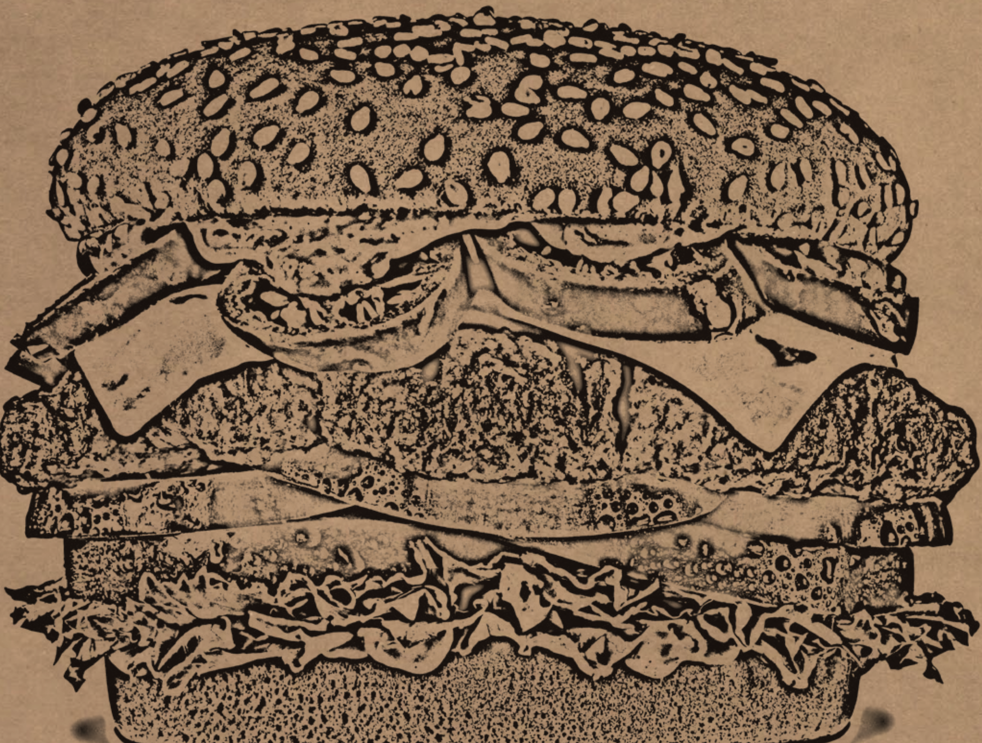

2014
Restaurant Brands
Interim Report

BELIEF IN THE BEEF

CARL'S JR. SETTING THE PACE



KEY POINTS

- NET PROFIT AFTER TAX (EXCLUDING NON-TRADING ITEMS) FOR THE 28 WEEKS ENDED 9 SEPTEMBER 2013 (1H 2014) WAS $8.8 MILLION (9.0 CENTS PER SHARE), THE SAME AS THE PRIOR PERIOD (1H 2013). REPORTED PROFIT (INCLUDING NON-TRADING ITEMS) WAS $9.7 MILLION (9.9 CENTS PER SHARE), UP $2.8 MILLION OR 41.4% ON THE PRIOR PERIOD.
- TOTAL REVENUES OF $176.0 MILLION WERE UP 5.3% ON THE PREVIOUS HALF YEAR, MAINLY BECAUSE OF THE CONTRIBUTION FROM THE NEW CARL'S JR. BRAND. SAME STORE SALES WERE UP 2.9% FOR THE HALF YEAR, DRIVEN BY ONGOING IMPROVEMENT IN PIZZA HUT WHICH WAS UP 19.3%.
- TOTAL BRAND EBITDA WAS UP $0.2 MILLION TO $27.2 MILLION, WITH A VERY STRONG PERFORMANCE BY PIZZA HUT, PARTLY OFFSET BY LOWER EARNINGS FROM KFC AND NEW STORE ESTABLISHMENT COSTS IN CARL'S JR.
- NON-TRADING ITEMS MADE A POSITIVE PRE-TAX CONTRIBUTION OF $1.1 MILLION, MAINLY ARISING FROM THE SUCCESSFUL SALE AND LEASEBACK OF TWO KFC STORES IN LOWER HUTT AND GREENLANE.
- DIRECTORS HAVE DECLARED A FULLY IMPUTED INTERIM DIVIDEND PAYABLE ON 22 NOVEMBER 2013 OF 6.5 CENTS PER ORDINARY SHARE, CONSISTENT WITH LAST YEAR.

GROUP OPERATING RESULTS

	1H 2014	1H 2013	Change ($)	Change (%)
Total Group Revenue ($m)	176.0	167.2	+8.9	+5.3
Group Net Profit after Tax* ($m)	8.8	8.8	–	+0.9
Dividend (cps)	6.5	6.5	–	–

**Excluding non-trading items*

Restaurant Brands' unaudited net profit after tax (excluding non-trading items) for the 28 weeks ended 9 September 2013 (1H 2014) was $8.8 million or 9.0 cents per share, in line with prior year (1H 2013). Reported profit was $9.7 million (9.9 cents per share), up 41.4% on prior year due to a positive contribution from non-trading items.

Total operating revenue at $176.0 million was up $8.9 million (or 5.3%) on the prior year, primarily driven by $6.6 million in sales from the new Carl's Jr. brand. Same store sales were also positive at 2.9% because of a very strong performance by Pizza Hut.

Brand EBITDA at $27.2 million was $0.2 million up on prior year. KFC earnings were down by $1.1 million (4.4%), but this was more than offset by a $1.5 million or 88.3% increase in Pizza Hut EBITDA. Starbucks Coffee was in line with prior year. Carl's Jr. had a small loss of $0.2 million as new store opening costs were incurred as expected.

The ongoing challenges in the retail environment have continued to suppress margins, but directors are pleased the company has been able to hold total brand EBITDA slightly above last year's levels.

A profit in non-trading items of $1.1 million, compared with a $2.9 million loss in the previous half year, largely arose from the successful sale and leaseback of two KFC stores.

Store numbers totalled 174 at the end of the half, eight down on prior year. Increases in numbers of KFC and Carl's Jr. stores with new builds were more than offset by Pizza Hut disposals and Starbucks Coffee closures.

KFC

	1H 2014	1H 2013	Change ($)	Change (%)
Sales ($m)	129.3	127.4	+1.8	+1.4
EBITDA ($m)	22.8	23.9	-1.1	-4.4
EBITDA as a % of Sales	*17.7*	*18.7*	–	–

KFC's total sales were $129.3 million, up 1.4% or $1.8 million on prior year. Same store sales were flat at -0.1%. Strong competition, a soft marketplace and in particular the impact of value campaigns all kept pressure on same store sales growth. Total sales growth was assisted by the new and transformed stores completed in the back half of the previous financial year, including a new store at Silverdale and one acquired from an independent franchisee in Cambridge.

KFC launched a number of successful promotions over the quarter including the return of *Hot 'n Spicy*, a new *Double Down* variant and the *Kentucky Burger*.

Despite continuing operating efficiencies, margins were adversely impacted by the need to introduce a value strategy to meet the market. The $1,2,3 menu range was successful in generating sales, but had an adverse effect on margin with a resultant 4.4% decrease in EBITDA on prior year to $22.8 million (17.7% of sales).

The transformation process was slowed over this half with only one major transformation being completed (Otahuhu), bringing a total of 69 out of 89 KFC stores now new or fully transformed. In addition the brand has begun undertaking several five year upgrades of stores previously transformed.

PIZZA HUT

	1H 2014	1H 2013	Change ($)	Change (%)
Sales ($m)	**26.6**	**25.9**	**+0.7**	**+2.7**
EBITDA ($m)	**3.1**	**1.7**	**+1.5**	**+88.3**
EBITDA as a % of Sales	***11.8***	***6.4***	**–**	**–**

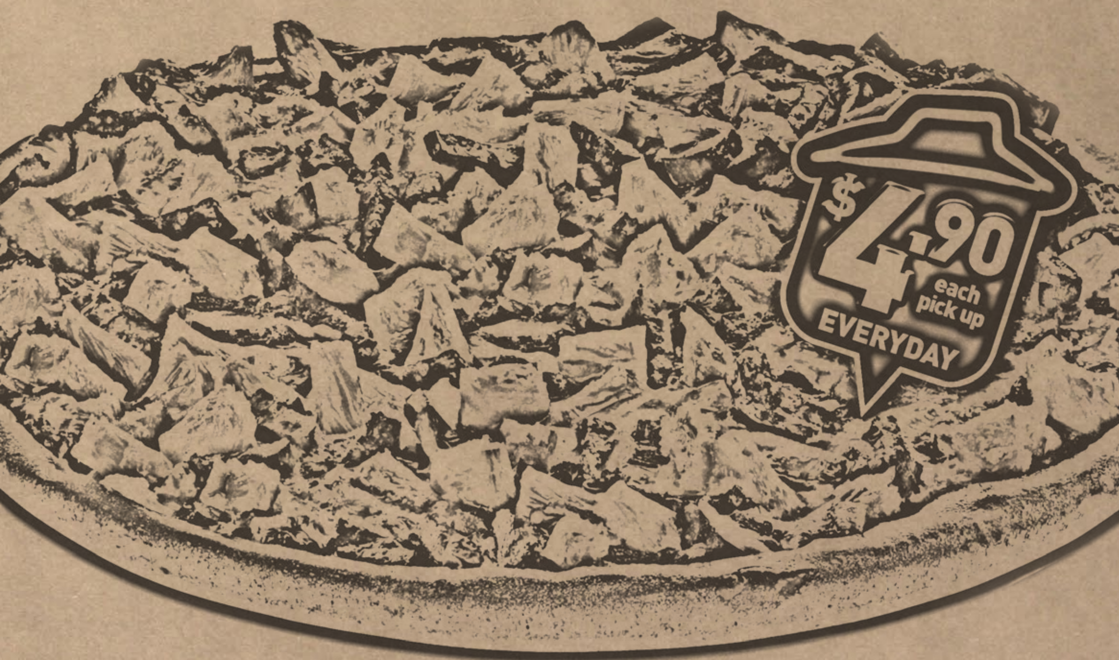
Pizza Hut continued to deliver strong improvements in sales and margin over the half year on the back of its strong everyday value offers.

Same store sales continued to show strong growth, delivering a 19.3% increase for the half year, rolling over a 19.5% increase in the previous year. Total sales were also up by 2.7% to $26.6 million, despite a 17.5% (11 store) reduction in store numbers with the sell down programme.

Continuing sales leverage and tight operational controls saw Pizza Hut EBITDA increase $1.5 million (88.3%) to $3.1 million for the half year. EBITDA margin also improved from 6.4% of sales to 11.8%.

Pizza Hut finished the half with 52 stores, 11 less than the prior year with 31 stores now sold to independents (five in this half year).

The sales of lower volume and regional stores to independent franchisees will continue with further stores expected to be sold by the end of the financial year.



STARBUCKS COFFEE

	1H 2014	1H 2013	Change ($)	Change (%)
Sales ($m)	13.0	13.4	-0.4	-2.9
EBITDA ($m)	1.4	1.4	–	-1.6
EBITDA as a % of Sales	*10.9*	*10.7*	–	–

Although there was a small reduction in total sales of 2.9% because of having five stores less than the prior year, the Starbucks Coffee brand enjoyed solid same store sales growth of 4.0% for the half year to $13.0 million.

Margins held for the brand resulting in an EBITDA flat to prior year of $1.4 million (10.9% of sales).

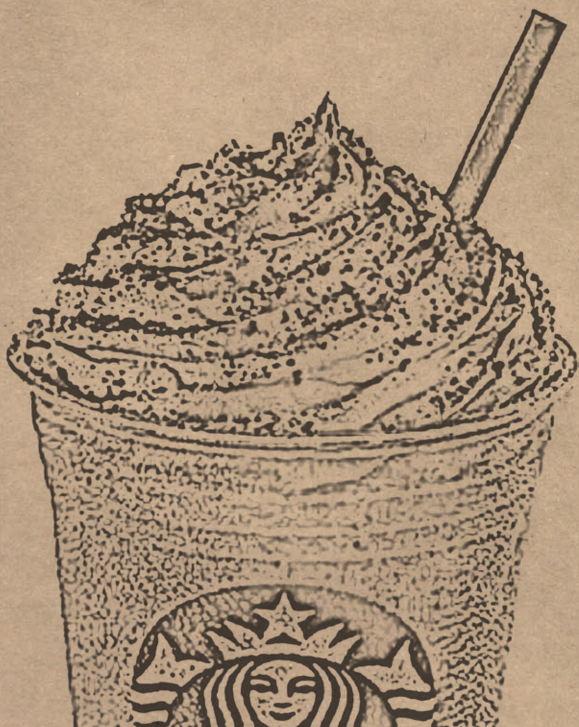
Store numbers were 28 at balance date, five down on the prior year with one store (Mt Maunganui) closing during the half.

CARL'S JR.

	1H 2014	1H 2013	Change ($)	Change (%)
Sales ($m)	6.6	–	+6.6	–
EBITDA ($m)	-0.2	–	-0.2	–
EBITDA as a % of Sales	*-2.6*	–	–	–

The Carl's Jr. brand began to gain momentum with a further three stores opening over the half year in Auckland Central, Frankton and Rotorua to bring total store numbers to five. All stores have opened with very strong initial sales and have settled back to sales volumes at levels slightly higher than KFC.

The brand produced a small EBITDA loss for the half of $0.2 million, reflecting as expected the impact of pre-opening costs such as staff training, together with settling in costs post-opening.



CORPORATE AND OTHER

General and administration (G&A) costs at $7.2 million were flat compared to the prior half year and ran at 4.1% of sales, marginally over the 4.0% target.

Depreciation charges of $7.6 million for the half year were marginally up on the prior year with KFC and Carl's Jr. showing an increase as a result of their transformation and new store capital expenditure and Starbucks Coffee and Pizza Hut showing corresponding reductions with store closures and sales to independent franchisees.

Amortisation charges also rose by $0.2 million, mainly as a result of Carl's Jr. franchise fees and some software development costs.

Funding costs remained flat at $0.4 million with similar interest rates and debt levels.

Tax expense was $1.2 million up on the prior year with higher reported profit levels. The effective tax rate of 26.9% is slightly higher than prior year's 25.8% with higher effective non-deductible items.

NON-TRADING ITEMS

Non-trading items showed a positive balance of $1.1 million, a significant change on the $2.9 million loss in the previous half year. The sale and leaseback of the KFC stores in Greenlane and Lower Hutt produced a gain on disposal of $1.5 million, with Pizza Hut store divestments producing another $0.1 million gain on book value. The gains were partly offset by write-offs as a result of store closure provisions and KFC transformations.

CASH FLOW AND BALANCE SHEET

Total assets of $110.9 million were similar to the last year end. Property, plant and equipment was down to $80.4 million versus $85.7 million at year end from Pizza Hut store disposals, but current assets were up to $8.8 million from $4.8 million with higher inventory levels and the Carl's Jr. Frankton site (at $2.5 million) being classified as held for sale.

Total liabilities at $50.1 million were down $1.3 million on the previous year end with total borrowings reduced by $4.6 million to $10.2 million, partly offset by an increase in current liabilities with creditors and accruals increasing by $5.2 million compared to prior year end.

Operating cash flows were $17.0 million, $2.8 million down on the previous half year mainly because of higher tax payments ($1.9 million) and the fact that the prior period had included the receipt of significant business interruption insurance proceeds from the Christchurch earthquake.

Cash outflows from investing activities of $3.0 million were similar overall to the prior half year. Investing payments in this half were $12.2 million (compared with $5.2 million in the prior year), reflecting incremental Carl's Jr. capital expenditure. Investing receipts were also strongly up to $9.2 million (versus $2.1 million in the prior year). This largely arose from final earthquake material damage insurance receipts and the impact of the sale and leaseback of the two KFC stores.

With $14.0 million in free cash flow for the half year, debt was reduced by $4.6 million reducing total borrowings to $10.2 million.

DIVIDEND

Given that the financial performance for the first half is anticipated to continue for the balance of the year, the relatively low levels of debt and measured approach to capital expenditure requirements to bring the Carl's Jr. stores progressively to market, the board has declared an interim dividend of 6.5 cents per share, the same as the prior year.

The interim dividend will be fully imputed and payable on 22 November 2013 to all shareholders on the register on 8 November 2013. A supplementary dividend of 1.1471 cents per share will be paid to all overseas shareholders at the same time.

Directors have elected to continue to suspend the dividend reinvestment plan for the time being, but will review this again prior to the declaration of a final dividend.

OUTLOOK

Whilst there has been some improvement, trading conditions remain challenging and the QSR market continues to see heavy price discounting. All four brands have continued to build internal efficiencies around current pricing pressures and will be well positioned to benefit from any upside when the market stabilises.

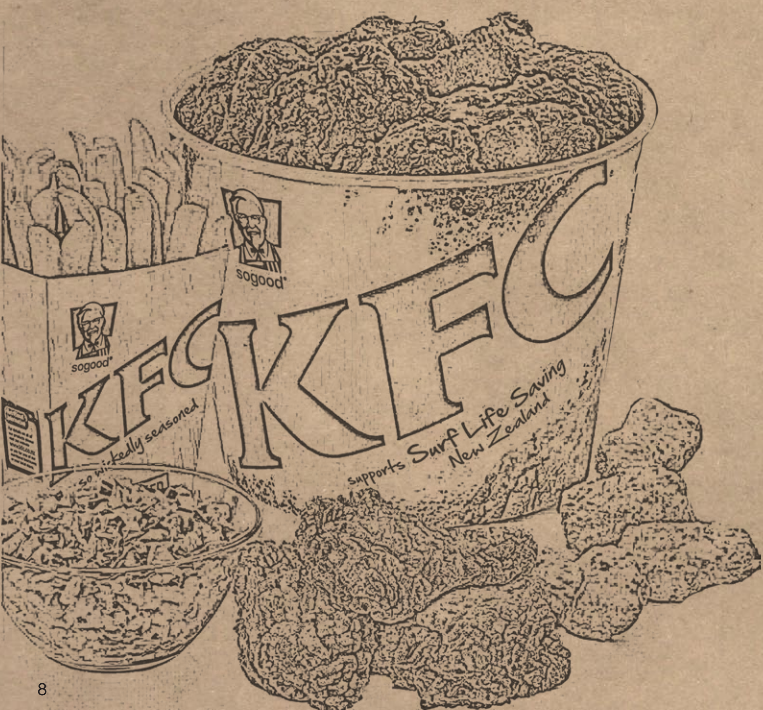
KFC is expected to maintain positive sales growth and, market circumstances permitting, bring some margin improvement in the second half.

Pizza Hut has continued to hold the sales gains made last year and is expected to maintain current margins, while continuing the store sell down programme.

Starbucks Coffee will hold sales and margin.

Carl's Jr. will see a continuation of store roll out with a further three stores scheduled for opening in the second half of the year. The brand is expected to begin returning positive EBITDA margins in the second half.

Directors therefore anticipate an improvement in profit in the second half to a full year NPAT (excluding non-trading items) in the vicinity of $18-19 million.



CONSOLIDATED INCOME STATEMENT

For the 28 week period ended 9 September 2013 (2014 half year)

Group $NZ000's	1st half 2014 28 weeks to 9 Sep 2013 Unaudited	vs Prior %	1st half 2013 28 weeks to 10 Sep 2012 Unaudited
Sales			
KFC	129,264	*1.4*	127,443
Pizza Hut	26,577	*2.7*	25,884
Starbucks Coffee	12,975	*(2.9)*	13,369
Carl's Jr.	6,628	*n/a*	–
Total sales	**175,444**	*5.2*	**166,696**
Other revenue	576	*23.9*	465
Total operating revenue	**176,020**	*5.3*	**167,161**
Cost of goods sold	(147,199)	*(6.7)*	(137,905)
Gross margin	**28,821**	*(1.5)*	**29,256**
Distribution expenses	(1,407)	*8.0*	(1,529)
Marketing expenses	(7,676)	*3.1*	(7,921)
General and administration expenses	(7,205)	–	(7,204)
EBIT before non-trading	**12,533**	*(0.5)*	**12,602**
Non-trading	1,130	*138.6*	(2,924)
EBIT	**13,663**	*41.2*	**9,678**
Net financing expenses	(396)	*8.3*	(432)
Net profit before tax	**13,267**	*43.5*	**9,246**
Taxation expense	(3,573)	*(49.6)*	(2,388)
Total profit after tax (NPAT)	**9,694**	*41.4*	**6,858**
Total NPAT excluding non-trading	**8,837**	*0.9*	**8,762**

		% sales			% sales
EBITDA before G&A					
KFC	22,826	*17.7*	*(4.4)*	23,877	*18.7*
Pizza Hut	3,129	*11.8*	*88.3*	1,662	*6.4*
Starbucks Coffee	1,410	*10.9*	*(1.6)*	1,433	*10.7*
Carl's Jr.	(170)	*(2.6)*	*n/a*	–	*n/a*
Total	**27,195**	*15.5*	*0.8*	**26,972**	*16.2*

Ratios

Net tangible assets per security (net tangible assets divided by number of shares) in cents	43.3c	40.0c

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads.

Distribution expenses are costs of distributing product from store.

Marketing expenses are call centre, advertising and local store marketing expenses.

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

STATEMENT OF COMPREHENSIVE INCOME

For the 28 week period ended 9 September 2013 (2014 half year)

Group $NZ000's	Note	2014 half year (28 weeks) Unaudited	2013 half year (28 weeks) Unaudited	2013 full year (52 weeks) Audited
Store sales revenue		175,444	166,696	311,901
Other revenue		576	465	912
Total operating revenue		**176,020**	**167,161**	**312,813**
Cost of goods sold		(147,199)	(137,905)	(258,081)
Gross profit		**28,821**	**29,256**	**54,732**
Distribution expenses		(1,407)	(1,529)	(2,672)
Marketing expenses		(7,676)	(7,921)	(13,716)
General and administration expenses		(7,205)	(7,204)	(13,203)
EBIT before non-trading		**12,533**	**12,602**	**25,141**
Non-trading	1	1,130	(2,924)	(2,405)
Earnings before interest and taxation (EBIT)		**13,663**	**9,678**	**22,736**
Interest revenue		17	6	13
Interest expense		(413)	(438)	(851)
Net financing expenses		**(396)**	**(432)**	**(838)**
Profit before taxation		**13,267**	**9,246**	**21,898**
Taxation expense		(3,573)	(2,388)	(5,739)
Total profit after taxation attributable to shareholders		**9,694**	**6,858**	**16,159**
Items that may be reclassified subsequently to the Statement of Comprehensive Income				
Derivative hedging reserve		–	(14)	–
Income tax relating to components of other comprehensive income		–	4	–
Other comprehensive income / (loss) for the half year, net of tax		**–**	**(10)**	**–**
Total comprehensive income for the half year attributable to shareholders		**9,694**	**6,848**	**16,159**
Basic earnings per share (cents)	4	**9.91**	**7.01**	**16.52**
Diluted earnings per share (cents)	4	**9.90**	**7.01**	**16.51**

STATEMENT OF CHANGES IN EQUITY

For the 28 week period ended 9 September 2013 (2014 half year)

Group $NZ000's	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 52 week period ended 28 February 2013						
Balance at the beginning of the period	**26,648**	**28**	**53**	**–**	**33,024**	**59,753**
Comprehensive income						
Total profit after taxation attributable to shareholders	–	–	–	–	6,858	6,858
Other comprehensive income						
Movement in derivative hedging reserve	–	–	–	(10)	–	(10)
Total other comprehensive income	**–**	**–**	**–**	**(10)**	**–**	**(10)**
Total comprehensive income	**–**	**–**	**–**	**(10)**	**6,858**	**6,848**
Transactions with owners						
Shares issued on exercise of options	67	–	–	–	–	67
Net dividends distributed	–	–	–	–	(9,293)	(9,293)
Total transactions with owners	**67**	**–**	**–**	**–**	**(9,293)**	**(9,226)**
Unaudited balance as at 10 September 2012	**26,715**	**28**	**53**	**(10)**	**30,589**	**57,375**
Comprehensive income						
Total profit after taxation attributable to shareholders	–	–	–	–	9,301	9,301
Other comprehensive income						
Movement in derivative hedging reserve	–	–	–	10	–	10
Total other comprehensive income	**–**	**–**	**–**	**10**	**–**	**10**
Total comprehensive income	**–**	**–**	**–**	**10**	**9,301**	**9,311**
Transactions with owners						
Shares issued on exercise of options	8	(2)	–	–	–	6
Net dividends distributed	–	–	–	–	(6,360)	(6,360)
Total transactions with owners	**8**	**(2)**	**–**	**–**	**(6,360)**	**(6,354)**
Audited balance at the end of the period	**26,723**	**26**	**53**	**–**	**33,530**	**60,332**
For the 28 week period ended 9 September 2013						
Balance at the beginning of the period	**26,723**	**26**	**53**	**–**	**33,530**	**60,332**
Comprehensive income						
Total profit after taxation attributable to shareholders	–	–	–	–	9,694	9,694
Total comprehensive income	**–**	**–**	**–**	**–**	**9,694**	**9,694**
Transactions with owners						
Shares issued on exercise of options	33	(5)	–	–	–	28
Net dividends distributed	–	–	–	–	(9,297)	(9,297)
Total transactions with owners	**33**	**(5)**	**–**	**–**	**(9,297)**	**(9,269)**
Unaudited balance at the end of the period	**26,756**	**21**	**53**	**–**	**33,927**	**60,757**

STATEMENT OF FINANCIAL POSITION

As at 9 September 2013 (2014 half year)

Group $NZ000's	Note	2014 half year Unaudited	2013 half year Unaudited	2013 full year Audited
Non-current assets				
Property, plant and equipment		80,361	76,589	85,651
Intangible assets		18,333	18,242	18,785
Deferred tax asset		3,338	2,684	2,570
Total non-current assets		**102,032**	**97,515**	**107,006**
Current assets				
Inventories		2,838	1,912	1,776
Other receivables		2,866	3,237	2,180
Cash and cash equivalents		639	709	798
Assets classified as held for sale	5	2,504	–	–
Total current assets		**8,847**	**5,858**	**4,754**
Total assets		**110,879**	**103,373**	**111,760**
Equity attributable to shareholders				
Share capital		26,756	26,715	26,723
Reserves		74	71	79
Retained earnings		33,927	30,589	33,530
Total equity attributable to shareholders		**60,757**	**57,375**	**60,332**
Non-current liabilities				
Provisions and deferred income		4,047	5,570	4,754
Loans and finance leases		10,174	6,411	14,783
Total non-current liabilities		**14,221**	**11,981**	**19,537**
Current liabilities				
Income tax payable		1,527	1,383	2,475
Loans and finance leases		141	155	116
Creditors and accruals		32,241	30,413	27,078
Provisions and deferred income		1,913	1,812	2,036
Derivative financial instruments		79	254	186
Total current liabilities		**35,901**	**34,017**	**31,891**
Total liabilities		**50,122**	**45,998**	**51,428**
Total equity and liabilities		**110,879**	**103,373**	**111,760**

STATEMENT OF CASH FLOWS

For the 28 week period ended 9 September 2013 (2014 half year)

Group $NZ000's	2014 half year (28 weeks) Unaudited	2013 half year (28 weeks) Unaudited	2013 full year (52 weeks) Audited
Cash flows from operating activities			
Cash was provided by / (applied to):			
Receipts from customers	176,020	168,129	312,813
Payments to suppliers and employees	(153,394)	(144,562)	(271,923)
Interest paid (net)	(626)	(576)	(886)
Payment of income tax	(5,031)	(3,181)	(5,239)
Net cash from operating activities	**16,969**	**19,810**	**34,765**
Cash flows from investing activities			
Cash was (applied to) / provided by:			
Payment for intangibles	(770)	(301)	(1,781)
Purchase of property, plant and equipment	(11,438)	(4,882)	(22,406)
Proceeds from disposal of property, plant and equipment	9,191	2,105	4,355
Net cash used in investing activities	**(3,017)**	**(3,078)**	**(19,832)**
Cash flows from financing activities			
Cash was (applied to) / provided by:			
Cash received on the exercise of options	28	67	73
(Decrease) / increase in loans	(4,575)	(7,180)	975
(Decrease) / increase in finance leases	(9)	(93)	85
Dividends paid to shareholders	(9,297)	(9,293)	(15,653)
Supplementary dividends paid	(258)	(224)	(315)
Net cash used in financing activities	**(14,111)**	**(16,723)**	**(14,835)**
Net (decrease) / increase in cash and cash equivalents	**(159)**	**9**	**98**
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the beginning of the period:	**798**	**700**	**700**
Cash and cash equivalents at the end of the period:			
Cash on hand	197	242	249
Cash at bank	442	467	549
	639	**709**	**798**
Net (decrease) / increase in cash and cash equivalents	**(159)**	**9**	**98**

STATEMENT OF CASH FLOWS (CONTINUED)

For the 28 week period ended 9 September 2013 (2014 half year)

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

Group $NZ000's	2014 half year (28 weeks) Unaudited	2013 half year (28 weeks) Unaudited	2013 full year (52 weeks) Audited
Total profit after taxation attributable to shareholders	**9,694**	**6,858**	**16,159**
Less items classified as investing / financing activities:			
Gain on disposal of property, plant and equipment	(2,220)	(1,271)	(2,594)
	(2,220)	**(1,271)**	**(2,594)**
Add / (less) non-cash items:			
Depreciation	7,592	7,403	13,573
Disposal of goodwill	441	2,806	3,192
(Decrease) / increase in provisions	(96)	410	469
Amortisation of intangible assets	740	567	1,068
Write-off of franchise fees	41	94	144
Impairment on property, plant and equipment	325	315	239
Net increase in deferred tax asset	(768)	(1,337)	(1,223)
Change in fair value of derivative financial instruments	(107)	(11)	(79)
Increase in derivative hedging reserve	–	(14)	–
Tax effect of derivative financial instruments	–	4	–
	8,168	**10,237**	**17,383**
Add / (less) movement in working capital:			
(Increase) / decrease in inventories	(1,062)	15	151
(Increase) / decrease in other debtors and prepayments	(1,295)	(933)	340
Increase in trade creditors and other payables	4,374	4,364	1,603
(Decrease) / increase in income tax payable	(948)	316	1,408
Decrease in income tax	258	224	315
	1,327	**3,986**	**3,817**
Net cash from operating activities	**16,969**	**19,810**	**34,765**

NOTES TO THE FINANCIAL STATEMENTS

For the 28 week period ended 9 September 2013 (2014 half year)

1. Profit before taxation

Group $NZ000's	2014 half year (28 weeks) Unaudited	2013 half year (28 weeks) Unaudited	2013 full year (52 weeks) Audited
Profit before taxation (consolidated business)			
The profit before taxation is calculated after charging / (crediting) the following items:			
Royalties paid	10,362	9,935	18,560
Operating lease expenses	9,207	8,790	16,524
Gain on disposal of property, plant and equipment	(2,220)	(1,271)	(2,594)
Non-trading items comprise:			
(Gain) / loss on sale of stores			
Net sale proceeds	(859)	(1,541)	(2,484)
Property, plant and equipment disposed of	271	584	956
Goodwill disposed of	441	2,806	3,192
	(147)	1,849	1,664
Gain on sale and leaseback of stores	(1,470)	–	–
Other store closure costs (including franchise fees written off)	187	975	1,469
Other store closure costs – insurance proceeds	(30)	(215)	(1,263)
Other store relocation and refurbishment costs	5	–	296
Impairment on property, plant and equipment	325	315	239
Total non-trading items	**(1,130)**	**2,924**	**2,405**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 28 week period ended 9 September 2013 (2014 half year)

2. Business segments

	KFC		Pizza Hut		Starbucks Coffee	
$NZ000's	2014	2013	2014	2013	2014	2013
Store sales revenue	129,264	127,443	26,577	25,884	12,975	13,369
Other revenue	–	–	–	–	–	–
Total operating revenue **	**129,264**	**127,443**	**26,577**	**25,884**	**12,975**	**13,369**
Concept EBITDA before general and administration expenses	**22,826**	**23,877**	**3,129**	**1,662**	**1,410**	**1,433**
Depreciation	(5,699)	(5,306)	(849)	(1,163)	(524)	(649)
Loss on sale of property, plant and equipment (included in depreciation)	(34)	–	(1)	–	(8)	–
Amortisation (included in cost of sales)	(367)	(363)	(155)	(118)	(48)	(34)
G&A – area managers, general managers and support centre	(1,189)	(1,380)	(466)	(570)	(254)	(421)
Segment result (Concept EBIT) before non-trading	**15,537**	**16,828**	**1,658**	**(189)**	**576**	**329**
Impairment on property, plant and equipment	(164)	(236)	(16)	(16)	(62)	(63)
Other non-trading	1,482	(503)	133	(2,052)	(127)	(54)
Segment result (Concept EBIT) after non-trading	**16,855**	**16,089**	**1,775**	**(2,257)**	**387**	**212**
Operating profit (EBIT)						
Net financing costs						
Net profit before taxation						
Income tax expense						
Net profit after taxation						
(Deduct) / add back non-trading items						
Taxation expense / (credit) on non-trading items						
Net profit after taxation excluding non-trading						
Segment assets	64,493	70,287	16,516	18,463	4,368	5,715
Unallocated assets						
Total assets						

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

** All operating revenue is from external customers.

Carl's Jr.		All other segments *		Consolidated half year (28 weeks) Unaudited	Consolidated half year (28 weeks) Unaudited	Consolidated full year (52 weeks) Audited
2014	2013	2014	2013	2014	2013	2013
6,628	–	–	–	175,444	166,696	311,901
–	–	576	465	576	465	912
6,628	**–**	**576**	**465**	**176,020**	**167,161**	**312,813**
(170)	**–**	**–**	**–**	**27,195**	**26,972**	**51,502**
(301)	–	(219)	(285)	(7,592)	(7,403)	(13,573)
–	–	(2)	–	(45)	–	(62)
(46)	–	(124)	(52)	(740)	(567)	(1,068)
(254)	–	(4,122)	(4,029)	(6,285)	(6,400)	(11,658)
(771)	**–**	**(4,467)**	**(4,366)**	**12,533**	**12,602**	**25,141**
–	–	(83)	–	(325)	(315)	(239)
(14)	–	(19)	–	1,455	(2,609)	(2,166)
(785)	**–**	**(4,569)**	**(4,366)**	**13,663**	**9,678**	**22,736**
				13,663	**9,678**	**22,736**
				(396)	(432)	(838)
				13,267	**9,246**	**21,898**
				(3,573)	(2,388)	(5,739)
				9,694	**6,858**	**16,159**
				(1,130)	2,924	2,405
				273	(1,020)	(910)
				8,837	**8,762**	**17,654**
13,366	–	2,789	2,278	101,532	96,743	106,212
				9,347	6,630	5,548
				110,879	**103,373**	**111,760**

3. Basis of preparation

These unaudited financial statements for the 28 week period ended 9 September 2013 have been prepared in accordance with generally accepted accounting practice in New Zealand and NZ IAS 34, Interim Financial Statements, and should be read in conjunction with the financial statements published in the Annual Report for the 52 week period ended 28 February 2013 (referred to in these statements as "2013 Full Year"). These unaudited financial statements also comply with International Accounting Standard 34 Interim Financial Reporting (IAS 34). The accounting policies applied are consistent with those of the 2013 Full Year financial statements.

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

The Group divides its financial year into thirteen 4-week periods. These interim financial statements are for the first 7 periods (28 weeks) of the year ended on 9 September 2013 (2013:28 weeks ended on 10 September 2012). The second half will be for 6 periods (24 weeks). The prior full year comparative represents the 52 week period ended 28 February 2013 (2013 Full Year).

The interim financial statements presented are those of the Group. The Company is a limited liability company incorporated and domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The Group is designated as a profit oriented entity for financial reporting purposes.

To ensure consistency with current period, comparative figures have been restated where appropriate.

New standards and amendments

NZ IAS 1: Amendments to Presentation of items of Other Comprehensive Income (effective on or after 1 July 2011) was applied during the period. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 28 week period ended 9 September 2013 (2014 half year)

4. Earnings per share

The difference between weighted average number of shares used to calculate basic and diluted earnings per share represents share options.

Group	2014 half year Unaudited	2013 half year Unaudited	2013 full year Audited
Basic earnings per share			
Profit after taxation attributable to shareholders ($NZ000's)	9,694	6,858	16,159
Weighted average number of ordinary shares on issue (thousands)	97,859	97,821	97,834
Basic earnings per share (cents)	9.91	7.01	16.52
Diluted earnings per share			
Profit after taxation attributable to shareholders ($NZ000's)	9,694	6,858	16,159
Weighted average number of ordinary shares on issue (thousands)	97,882	97,841	97,878
Diluted earnings per share (cents)	9.90	7.01	16.51

Shares on issue

As at 9 September 2013, the total number of ordinary shares on issue was 97,871,090 (2013: 97,846,443).

5. Assets held for sale

Sale and leaseback

The directors approved the sale and leaseback of the Carl's Jr. Frankton property during the current financial year. The assets relating to the sale have been presented as held for sale as set out below.

Group $NZ000's	2014 half year Unaudited	2013 half year Unaudited	2013 full year Audited
Assets classified as held for sale			
Property, plant and equipment	2,504	–	–

The sale of the Carl's Jr. Frankton property was completed subsequent to balance date (refer note 10).

6. Property, plant and equipment

Acquisitions and disposals

During the half year ended 9 September 2013, the Group acquired assets with a total cost of $11.5 million (2013: $7.4 million), disposed of assets with a total cost of $9.5 million (2013: $7.3 million) and transferred $2.5 million (2013: nil) to assets classified as held for sale (refer note 5).

7. Related party transactions

Subsidiaries

During the period, the Parent received advances from its subsidiary company by way of inter-company group loans. In presenting the interim financial statements of the Group, the effect of inter-company transactions and balances have been eliminated. All inter-company group loans in the Parent are non-interest bearing and repayable on demand.

Other transactions with entities with key management or entities related to them

During the period the Group made the following:

- Stock purchases of $0.2 million (2013: $0.2 million) from Barker Fruit Processors Limited, a company of which Company director Sue Suckling is chairperson. There was nil owing at balance date (2013: nil).
- Stock purchases of $9,000 (2013: $75,000) from Nestle New Zealand Limited, a company of which Company director Ted van Arkel is a director. There was nil owing at balance date (2013: nil).
- Stock purchases of $1.4 million (2013: nil) from Hellers Limited, a company of which Company director David Alan Pilkington is Chairman. There was nil owing at balance date (2013: nil).
- The Company made rental payments of $46,000 (2013: nil) in respect of the lease of the KFC Silverdale store to Eldamos Investments Limited, a wholly owned subsidiary of The Warehouse Group Limited of which Company director Ted van Arkel is a director. On 31 May 2013 Eldamos Investments Limited sold the property to an unrelated party.

These transactions were performed on normal commercial terms.

Key management and director compensation

Key management personnel comprises members of the Senior Leadership Team. Key management personnel compensation comprised short-term benefits for the period of $1.2 million (2013: $1.2 million) and other long-term benefits of $11,000 (2013: $12,000).

Fees paid to directors for the period were $0.1 million (2013: $0.1 million).

Share options issued to key management personnel

At balance date there were no options issued under the employee share option plan (refer to 2013 Annual Report) to key management personnel outstanding (2013: 5,755 outstanding). During the period, 5,755 options were exercised (2013: 11,027). The table below summarises the movement in outstanding options during the period.

Date of issue	Exercise price	Outstanding options at 28 February 2013	Exercised during period	Outstanding options at 9 September 2013
23-Sep-03	$1.39	5,755	(5,755)	–
		5,755	(5,755)	–

8. Capital commitments

The Group had capital commitments totalling $5.9 million (2013: $5.3 million) which are not provided for in these financial statements.

9. Contingencies

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims that cannot presently be reliably measured.

10. Post balance date events

Dividends

The directors have declared an interim dividend of 6.5 cents per share (2013: 6.5 cents) or $6.4 million (2013: $6.4 million). A supplementary dividend of 1.15 cents per share will be paid to overseas shareholders when the dividend is paid.

Sale and leaseback

On 10 October 2013 the Carl's Jr. Frankton property was sold for $2.8 million resulting in a gain on sale of $0.3 million.

CORPORATE DIRECTORY

Directors

E K (Ted) van Arkel (Chairman)
Sue Helen Suckling
Danny Diab
David Alan Pilkington

Registered office

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

Share registrar

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92 119
Auckland 1142
New Zealand

Telephone: 64 9 488 8700

Auditors

PricewaterhouseCoopers

Solicitors

Bell Gully
Harmos Horton Lusk
Meredith Connell

Bankers

Westpac Banking Corporation

Contact details

Postal Address:
P O Box 22 749
Otahuhu
Auckland 1640
New Zealand

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

FINANCIAL CALENDAR

Interim dividend paid

22 November 2013

Financial year end

24 February 2014

Annual profit announcement

April 2014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