Restaurant Brands New Zealand Limited
Annual Report 2019

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MORE

Much more_

MORE STRONG LEADERSHIP MORE BRANDS MORE GROWTH MORE INTERNATIONAL REACH MORE SUCCESS LOTS MORE JOY

There's been a lot more going on at Restaurant Brands this past year, and there's much more to come too. We have a new majority shareholder in Finaccess Capital, a new board, and we've a new brand for New Zealand and Australia on our horizon.

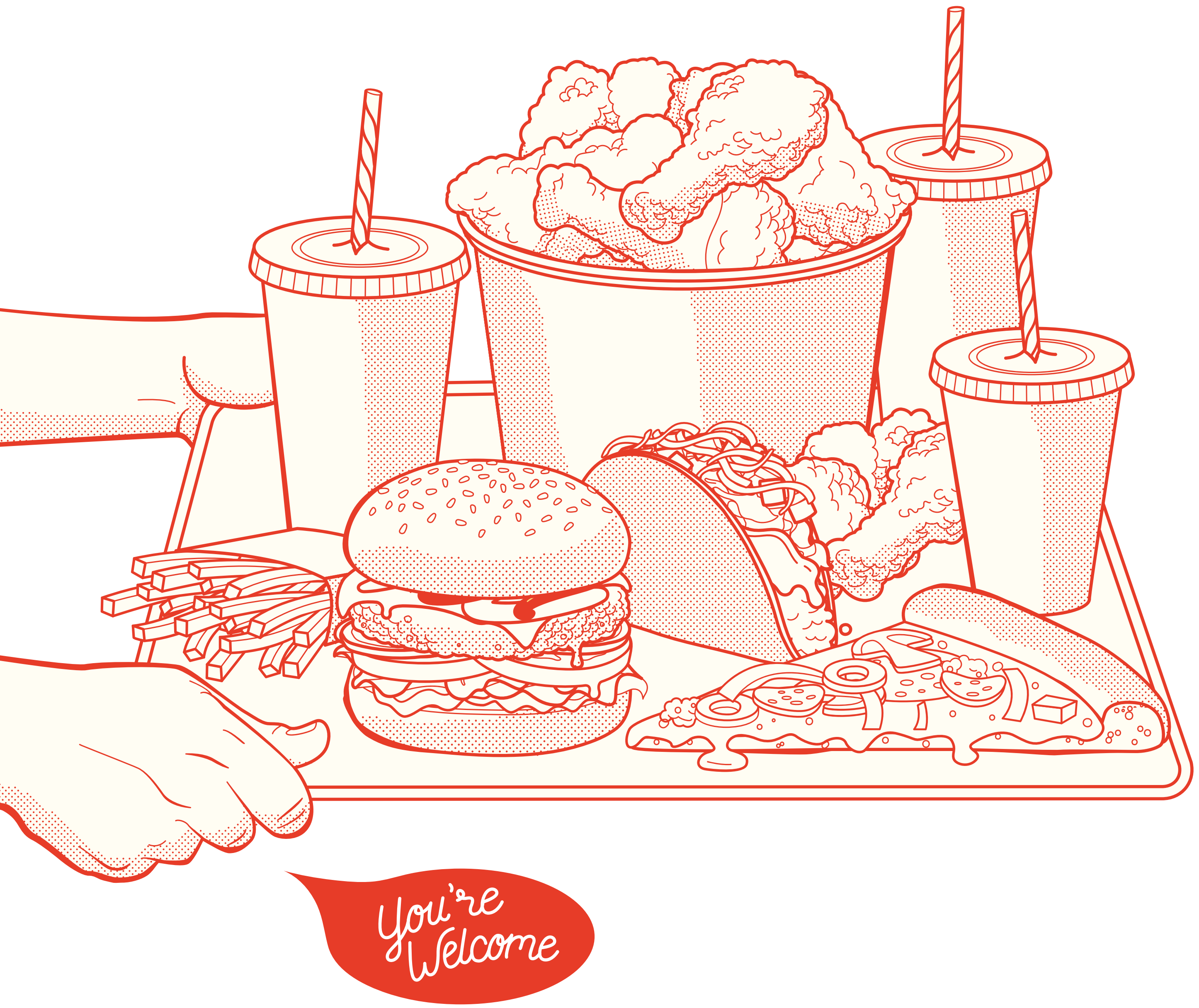
Our performance domestically and internationally continues to take our growth yet further, higher, stronger, and well on the way towards our billion-dollar revenue goal.

It all adds up to more for our investors. Finaccess not only supports the company's international growth strategy, but its proactive approach to its investments promises to add considerable impetus to our ambitions.

And 'more' extends to a new brand we're bringing to New Zealand and Australia.

Taco Bell, which we operate successfully in Hawaii, will be an exciting addition to our stable and a totally new proposition for New Zealanders and Australians in the popular Mexican food segment.

The good times for Restaurant Brands investors are set to continue.



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

Financial highlights_

Historical summary

All figures in $NZ millions unless stated	2015	2016	2017	2018	2019
Financial performance					
Sales*					
KFC	265.0	282.5	296.5	319.6	**336.5**
Pizza Hut	48.4	44.9	40.5	41.1	**35.4**
Starbucks Coffee	26.1	26.8	26.7	25.8	**16.0**
Carl's Jr.	20.1	33.4	36.3	34.9	**31.9**
Total New Zealand sales	**359.5**	**387.6**	**400.0**	**421.4**	**419.8**
KFC	–	–	97.2	151.8	**191.5**
Total Australia sales	**–**	**–**	**97.2**	**151.8**	**191.5**
Taco Bell	–	–	–	95.5	**106.0**
Pizza Hut	–	–	–	72.0	**76.7**
Total Hawaii sales	–	–	–	167.5	**182.7**
Total sales	**359.5**	**387.6**	**497.2**	**740.8**	**794.0**
Concept EBITDA before G&A*					
KFC	50.8	57.2	61.4	66.5	**70.4**
Pizza Hut	6.4	4.9	4.1	3.2	**2.0**
Starbucks Coffee	4.3	4.4	4.8	4.8	**3.1**
Carl's Jr.	0.2	0.4	1.0	2.0	**0.9**
Total concept EBITDA New Zealand	**61.5**	**66.9**	**71.2**	**76.5**	**76.4**
KFC	–	–	15.0	22.0	**29.1**
Total concept EBITDA Australia	**–**	**–**	**15.0**	**22.0**	**29.1**
Taco Bell	–	–	–	19.4	**21.0**
Pizza Hut	–	–	–	4.7	**2.8**
Total concept EBITDA Hawaii	**–**	**–**	**–**	**24.1**	**23.7**
Total concept EBITDA	**61.5**	**66.9**	**86.2**	**122.6**	**129.2**
EBIT	33.4	34.1	39.4	57.8	**56.2**
NPAT (reported)	23.8	24.1	26.0	35.5	**35.7**
NPAT (excluding non-trading items)	22.5	24.2	30.6	40.8	**42.2**
Financial position/cash flow					
Share capital	26.8	26.8	143.4	148.5	**154.6**
Total equity	71.2	75.6	192.1	201.6	**224.7**
Total assets	144.6	139.8	302.4	453.0	**460.3**
Operating cash flows	36.5	44.3	47.9	67.8	**71.3**
Shares					
Shares on issue (year end)	97,871,090	97,871,090	122,843,191	123,629,343	**124,758,523**
Number of shareholders (year end)	6,019	6,018	6,294	7,005	**7,127**
Basic earnings per share (full year reported)	24.3c	24.6c	24.1c	28.8c	**28.8c**
Ordinary dividend per share	19.0c	21.0c	23.0c	28.0c	**0c**
Other					
Number of stores (year end)					
KFC	91	91	92	94	**94**
Pizza Hut	46	39	35	36	**30**
Starbucks Coffee	26	25	24	22	**–**
Carl's Jr.	18	18	19	19	**18**
Total stores – New Zealand	**181**	**173**	**170**	**171**	**142**
KFC	–	–	42	61	**61**
Total stores – Australia	**–**	**–**	**42**	**61**	**61**
Taco Bell	–	–	–	37	**36**
Pizza Hut	–	–	–	45	**44**
Total stores – Hawaii	**–**	**–**	**–**	**82**	**80**
Total stores	**181**	**173**	**212**	**314**	**283**
Employees – New Zealand	3,912	3,363	3,422	3,596	**3,484**
Employees – Australia	–	–	2,354	3,275	**3,360**
Employees – Hawaii	–	–	–	2,185	**2,007**
Total employees	**3,912**	**3,363**	**5,776**	**9,056**	**8,851**

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

More growth_

$794,000,000

Total sales

Up from $740.8m

$42,181,000

NPAT

(Excluding non-trading items)

Up from $40.8m

$71,263,000

Operating cash flows

Up from $67.8m

$460,277,000

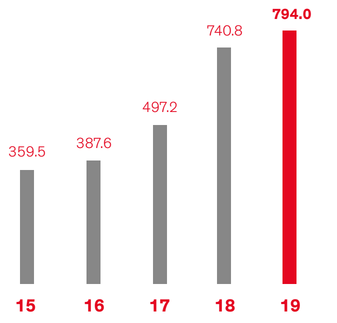
Total assets

Up from $453.0m

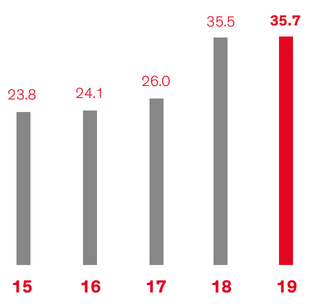
Year in review_

Restaurant Brands has delivered a new high in terms of trading results for the year.

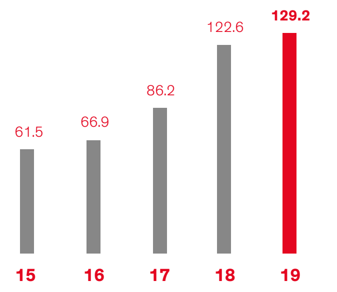
TOTAL SALES ($NZ M)



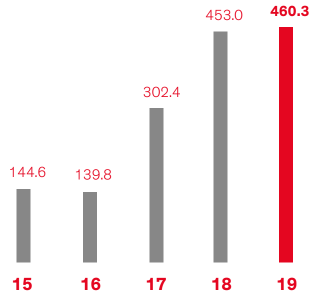
NPAT (REPORTED) ($NZ M)

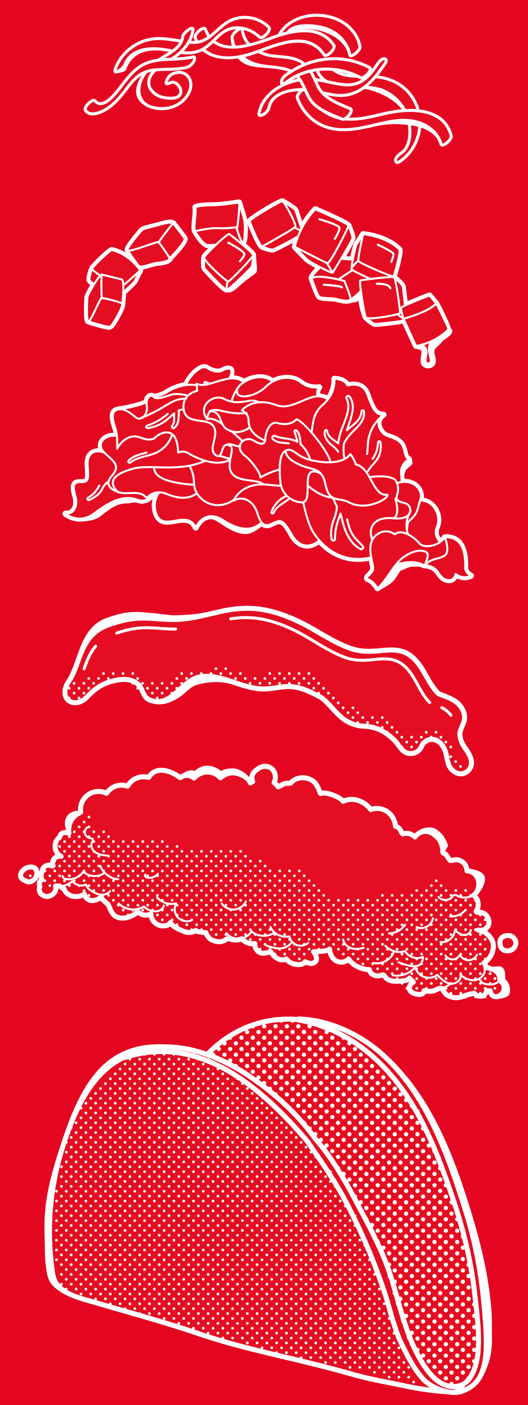


TOTAL CONCEPT EBITDA ($NZ M)



TOTAL ASSETS ($NZ M)





Total sales_
Total sales of $794.0 million, up 7.2%, with the bulk of this $53.2 million increase attributable to the full year impact of Australian stores acquired during FY18.

Net profit after taxation_
Reported net profit after tax of $35.7 million, up 0.8%. Net profit after tax (excluding non-trading items) reaches a new high of $42.2 million, up 3.3%.

Taco Bell_
Rights acquired for the Taco Bell brand in New Zealand and Australia (New South Wales and ACT) with the first stores expected to open during the 2019 calendar year.

Total concept EBITDA_
Combined brand EBITDA up 5.4% to a new high of $129.2 million, primarily driven by the full year impact of the Australian stores acquired during FY18.

Starbucks Coffee_
Starbucks Coffee business disposed of in October 2018, as part of a brand portfolio rationalisation.

Takeover by Finaccess Capital_
Successful 75% takeover of the company by Finaccess Capital, S.A. de C.V at a price of $9.45 a share.

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Chairman's letter

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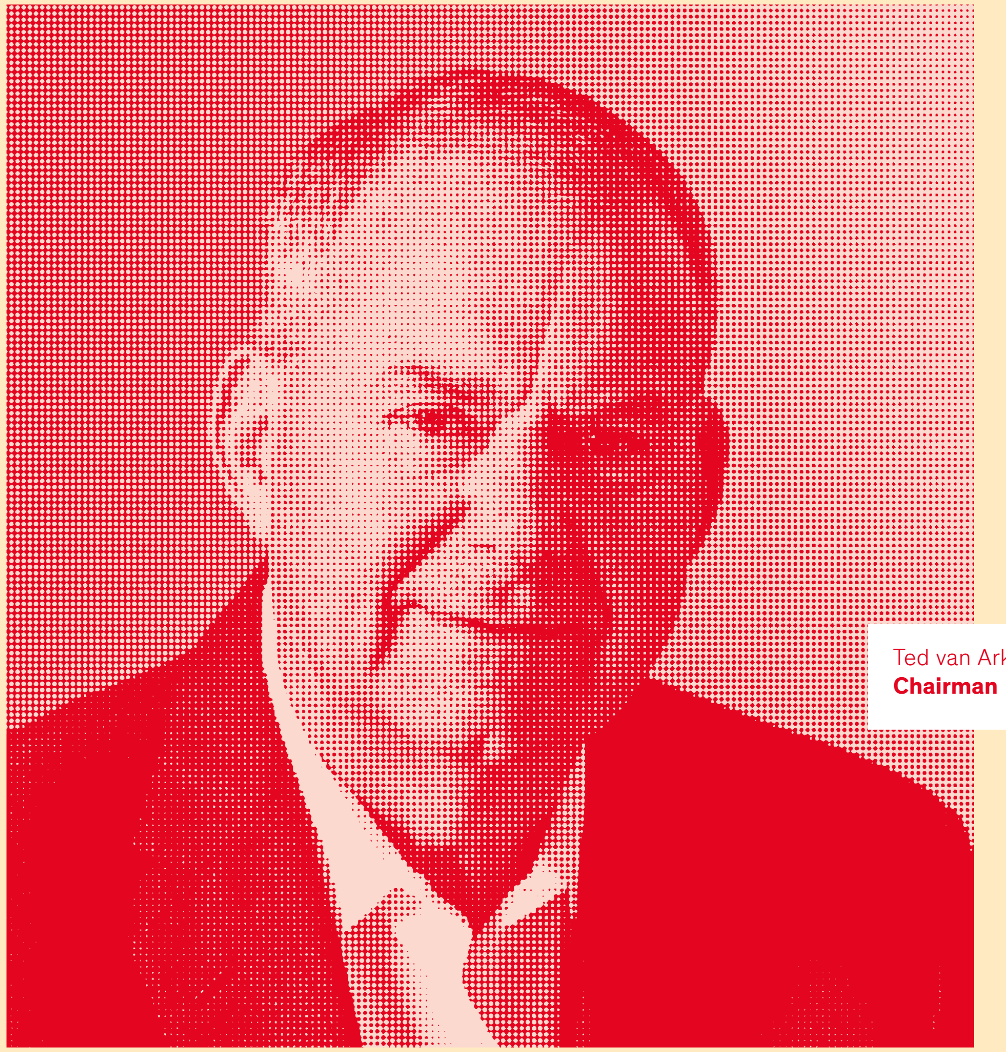

Ted van Arkel_
Chairman

Dear shareholders_

It is with a sense of some pride that I report to you for the thirteenth and final time on the results of the company for the past 12 months, having served as the Chairman of your board since July 2006. Over that time Restaurant Brands has seen many changes, but the fundamental nature of its business; that of providing an unmatched food experience to its customers remains unchanged.

Looking back, Restaurant Brands has come a long way since that first year of my chairmanship. That year the company produced a NPAT (excluding non-trading) of $6.5 million and a reported loss of $3.6 million. The share price at the time languished at 60 cents per share.

This year the annual profit (excluding non-trading) was $42.2 million, a 549% increase on the 2007 result and, with the recent takeover offer price of $9.45 a share, investors have seen a 1,475% increase in their nominal share price since July 2006.

The company has also seen a growth in total sales to nearly $800 million from just over $300 million in 2007 and, of course, now operates profitably in not only New Zealand but two offshore locations.

Acknowledgements

This all could not have been achieved of course without an effective board and to that end I want to acknowledge my fellow directors over that time: Sue Suckling, Danny Diab, David Pilkington and Shawn Beck were all instrumental in helping improve the business during the early years of my tenure.

More recently, I have appreciated the support and guidance of my current fellow board members Hamish Stevens, Vicky Taylor, Stephen Copulos and David Beguely who are standing down following the Finaccess takeover, but have all contributed to the strong growth of the company in more recent times.

However, this substantial change in the company's fortunes would not have occurred without the drive, enthusiasm and expertise of the company's Chief Executive, Russel Creedy and his management team. Russel was also appointed to the role of Chief Executive in 2006 and he and I have worked closely together over that time to drive the improved business performance.

Trading results

Restaurant Brands has seen a period of consolidation over the past financial year, integrating the operations acquired in Hawaii and Australia and rationalising its New Zealand operations. There has been considerable investment in store refurbishment programs in all three divisions with over $33 million in capital expenditure, providing a solid base for future sales growth within existing markets.

Total sales were up 7.2% to $794 million, primarily as a result of the full year's trading of 13 KFC stores acquired in Australia in the second half of last year.

The company's three key businesses all performed strongly with Taco Bell Hawaii producing same store sales of +5.1%, KFC New Zealand +4.3% and KFC Australia +4.7%.

The strong performance of Taco Bell in Hawaii was especially pleasing, particularly given the successful negotiation of development rights for this brand in Australia and New Zealand during the year.

The continued growth in overseas markets has resulted in almost half of the Group's sales produced outside of New Zealand.

Restaurant Brands has also delivered a new high in terms of a profit result for the year with a NPAT (excluding non-trading items) of $42.2 million up $1.4 million or 3.3% on the prior year.

Finaccess Capital, S.A. de C.V

On 1 April 2019 the partial takeover offer from Finaccess Capital was successfully completed with Finaccess taking a 75% shareholding in the Group through acquiring shares from existing shareholders at a price of $9.45 a share. Finaccess Capital has a successful track record of investing in QSR businesses including a major shareholding in AmRest Holdings S.E, a large European QSR operation. They are strongly supportive of both current management and the continuation of the company's growth strategies.

Directors

Following completion of the takeover, Vicky Taylor, David Beguely and Stephen Copulos resigned from the board on 1 April and José Parés Gutiérrez and Emilio Fullaondo Botella were appointed as new directors on that date. Hamish Stevens and I are remaining on the board until the Annual Shareholders' Meeting of the company on 10 July.

The board and company acknowledge the contributions made by the three retiring directors and welcome José (representing Finaccess) and Emilio (independent director) to the board.

+ 7.2%
Total sales

+ 3.3%
NPAT (excluding non-trading items)

+ 25.7%
Capital expenditure

+ 5.4%
Concept EBITDA before G&A

Dividend

As its growth strategy begins to accelerate, Restaurant Brands is facing substantial demands on its capital resources. In particular the planned new store build programme (including the intention of opening 60 Taco Bell stores in New Zealand and Australia over the next five years, together with accelerated levels of KFC store builds in both those markets) will see levels of capital expenditure at record levels. Overlaying this are significant potential acquisition opportunities in both the US and Australian markets.

While some of this store development and acquisition growth can be funded from increased borrowings, directors believe that it is in the best interests of the Group to retain cash in order to provide funding flexibility. Directors have therefore resolved to not pay a final dividend for the FY19 year.

NZ IFRS 16

The Group has adopted the new lease accounting standard (NZ IFRS 16) with effect from the new financial year. The effect of this standard on the company's balance sheet will create a lease liability, reflecting future lease payments and a "right of use" asset for its lease contracts.

The Group leases all its premises, therefore the initial balance sheet impact will be substantial, increasing assets by an estimated $383 million, liabilities by $432 million and reducing equity by $49 million.

Furthermore the standard will impact on the Group's future income statements by removing operating lease expenses and replacing them with an interest expense pertaining to the future lease payment obligations and a depreciation charge against the "right of use" asset in the balance sheet. The net effect of these changes will have a minimal overall impact on the income statement over time, but because of timing differences will have an estimated adverse impact in the first year of adoption of $5.9 million before tax.

Outlook

With stable operations in all three of its markets and the takeover activity of the past 12 months now complete, Restaurant Brands will be looking to expand further through acquisition, store refurbishments and new store roll outs.

Although the introduction of the Taco Bell brand to New Zealand and Australia (New South Wales and ACT) is not expected to have a material effect on the Group's result in FY20 it is another important step forward in the Group's overall expansion strategy for the region.

With a consistent performance from the existing store network, the benefit of new store builds and a stable economic environment, directors expect the Group will deliver a NPAT (excluding non-trading items) result for the new financial year of 10% above current year's results (after adjusting for the disposal of the Starbucks Coffee business in FY19 or any major new acquisitions during the year and the adverse impact of adopting the new lease accounting standard). Further details will be provided at the Annual Shareholders' Meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held in Auckland, New Zealand on Wednesday 10 July 2019. I look forward to farewelling our loyal shareholders in person at this meeting.

Ted van Arkel
Chairman of the Board

20 April 2019

More insight_

Chairman-elect's letter

About Finaccess
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José Parés Gutiérrez_
Chairman-elect

Dear fellow shareholders_

It is with great pleasure that I write to introduce myself and Finaccess, the new majority shareholder of Restaurant Brands. It is my privilege to have the opportunity to chair the company's Board of Directors and I look forward to contributing to maximise the company's great potential.

About Finaccess

Finaccess Capital, S.A. de C.V. is a subsidiary of Grupo Finaccess, a Mexican investment company founded and principally owned by Carlos Fernandez Gonzalez. Grupo Finaccess was formed in 2012 after Carlos and associated family interests sold their share in Mexico's Grupo Modelo, the seventh largest brewery in the world.

Finaccess Capital is one of five divisions of Grupo Finaccess and is a growing investment company focused on acquiring businesses with a proven track record in operating strong brands in attractive end-markets. It has a strong presence in the casual dining and quick service restaurant sector, as well as real estate in Europe and Asia. The company currently has major investments in publicly traded companies such as:

- A 67.1% stake in AmRest Holdings SE, a European fast food and casual dining operator with over 2,000 restaurants in 26 countries. AmRest is listed on the Polish and Spanish stock exchanges and has a market capitalisation of approximately $US2.4 billion.
- A 16.5% stake in Inmobiliaria Colonial, a Spanish real estate business, listed on the Spanish stock exchange (market capitalisation of approximately $US5.5 billion).

Finaccess Capital aims to be a long term investor, supporting local management and leveraging the substantial consumer retail experience of its senior leadership, many of whom (including myself) were formerly employed in the beer business at Grupo Modelo.

History of the takeover

Finaccess has been a shareholder in AmRest for nearly four years. There, we not only developed an understanding and appreciation of the restaurant business, but also contributed to defining a growth strategy to substantially increasing the size of the business.

We invest throughout the world and are constantly looking for new acquisition opportunities. Whilst relatively small by world standards, the achievements of Restaurant Brands over recent years stood out strongly amongst its peers. We began actively monitoring the performance of the company over a two year period, before approaching the board and senior management in early 2018.

After extensive negotiations spanning several months we were able to agree a price that the board felt comfortable presenting to shareholders and Finaccess made a formal bid for a 75% stake in Restaurant Brands on 18 October 2018 at a price of $9.45 a share. This represented a 24.3% premium to the last close price before the takeover announcement and was well in excess of the Grant Samuel valuation in their independent advisor's report of between $8.15 and $8.92 a share.

We are delighted to say that 91.4% of shares were offered up for purchase, which resulted in a scaling back to the 75% level and we settled the purchase on 1 April 2019 acquiring 93,568,919 of the 124.2 million shares on issue.

Current plans

As I said, Restaurant Brands has achieved admirable growth over recent years through both organic store roll outs, as well as significant offshore value-add acquisitions in both Australia and Hawaii. It is precisely this growth and the appealing future opportunities that have attracted us to the company and it is our intention to support both the growth strategy and the management team that made it happen.

Management have clearly articulated to us and the investment community where they see this growth continuing.

We are convinced that there are attractive opportunities to accelerate growth with the roll out of KFC and Taco Bell stores in New Zealand and Australia. Additionally, there are further potential acquisitions of independent KFC franchisee stores in Australia and acquisitions of KFC or Taco Bell businesses in mainland US.

These represent exciting growth prospects for both Finaccess and all minority shareholders in Restaurant Brands and we are looking forward to maintaining the momentum of growth.

Funding

As previously mentioned, Restaurant Brands is poised for a phase of significantly greater growth than hitherto seen. Thus, the Board of Directors believes that Restaurant Brands should be using its strong cash flows to reinvest in the significant growth opportunities identified. Dividends will be paid again once the growth strategy has been implemented.

Furthermore, as the company is currently relatively conservatively geared it is our intention that debt funding on top of retained earnings should be the primary source of funds for growth in the first instance.

New board

Following the completion of the takeover, both Emilio Fullaonda Botella and I joined the board and Vicky Taylor, David Beguely and Stephen Copulos retired. Ted van Arkel and Hamish Stevens both kindly agreed to stay on (as Chairman and Chair of the Audit Committee respectively) until the Annual Shareholders Meeting on 10 July in order to ensure a smooth changeover.

I would like to acknowledge the previous board for their diligence and integrity over the period of takeover negotiations.

At the forthcoming Annual Shareholders' Meeting on 10 July, Ted and Hamish will be retiring and we will seek shareholder approval to appoint Carlos Fernandez Gonzalez and Luis Miguel Alverez Perez as two further Finaccess director appointments.

We will also seek shareholder approval to elect two New Zealand resident independent directors, bringing the number on the board to six.

Conclusion

I look forward to being a part of taking the company to a new era of growth for the benefit of all shareholders. Finaccess has acquired a holding in a very sound, high performing business with a very strong management team. Together we will maintain the momentum achieved in building the business over the last few years and set the path on which we will reach new goals. I am honoured to be part of the team writing the next chapters in the successful history of Restaurant Brands.

José Parés Gutiérrez
CEO, Finaccess Capital S.A. de C.V.

20 April 2019

"The achievements of Restaurant Brands over recent years stood out strongly amongst its peers."

More insight_

Group Chief Executive Officer's report

Russel Creedy_
Group CEO

Group operating results_

Restaurant Brands produced a net profit after tax (NPAT) for the period ended 25 February 2019 (FY19) of $35.7 million, up 0.8% on the reported NPAT of $35.5 million for the prior year. After allowing for the impact of non-trading items, the underlying NPAT was $42.2 million, up $1.4 million or +3.3% on prior year.

	2019 $NZm	2018 $NZm	Change $NZm	Change %
Total Group sales	**794.0**	740.8	+53.2	+7.2
Group NPAT (reported)	**35.7**	35.5	+0.2	+0.8
Group NPAT (excl. non-trading)	**42.2**	40.8	+1.4	+3.3

52 weeks ended 25 February 2019

Total sales for the Group were a record $794.0 million, up $53.2 million or +7.2% on FY18 with the full year benefit of $40.9 million from the acquisition of 18 stores in Australia during FY18. Hawaii's sales were also up $15.2 million with a strong performance from the Taco Bell brand. The New Zealand business saw record sales from the KFC business, although Carl's Jr. and Pizza Hut showed negative growth. Other revenue (primarily sales to independent franchisees) totalled $30.9 million, bringing total operating revenue to $824.9 million, up $58.6 million on prior year.

Combined brand EBITDA of $129.2 million was up $6.6 million or +5.4% on prior year, with a $7.0 million incremental contribution from the Australian operations.

Restaurant Brands' store numbers now total 283, comprising 142 in New Zealand, 80 in Hawaii and 61 stores in Australia.

$794.0m

Total Group sales

$129.2m

Combined brand EBITDA before G&A

New Zealand operations_

New Zealand operating revenue was $450.3 million, up $3.6 million on FY18 despite the $9.8 million reduction in sales with the divestment of the Starbucks Coffee business. Excluding Starbucks Coffee sales the underlying New Zealand operations revenue was $13.3 million or 3.2% higher than FY18.

Total store sales were $419.8 million, a decrease of $1.7 million or -0.4% on last year.

New Zealand EBITDA was $76.4 million, a $0.1 million reduction on FY18. The continued strong performance of the KFC business was partly off-set by lost earnings following the sale of the Starbucks Coffee business part way through the year.

New Zealand operations produced earnings before interest and tax (EBIT) before non-trading items of $45.3 million, which is consistent with the prior year.

KFC New Zealand

	2019 $NZm	2018 $NZm	Change $NZm	Change %
Network sales	**356.9**	339.4	+17.5	+5.2
Network store numbers	**100**	100		
RBD sales	**336.5**	319.6	+16.9	+5.3
RBD store numbers	**94**	94		
RBD EBITDA	**70.4**	66.5	+3.9	+5.9
EBITDA as a % of sales	**20.9**	20.8		

KFC New Zealand continues to be a key driver of overall performance and this brand has had another excellent year. Sales were up 5.3% to a new high of $336.5 million, with same store sales up 4.3%.

KFC record sales result included the highest single week of sales across the country (beating the previous record by 13%), as well as record sales for a single store in a week.

This success is a result of the continuing impact of increased marketing spend and a strong promotional calendar built up over the last three years.

Despite some input cost pressures, margins remained strong, with an EBITDA margin of 20.9% of sales being delivered in the period. In dollar terms, EBITDA totalled $70.4 million, up 5.9% on last year's result.

KFC continued to invest in store assets with 16 major renovations completed during the year. In addition digital self-ordering kiosks were introduced in several stores and this has seen a high uptake by customers.

The brand has a solid base for growth in the next financial year with three new stores opening in April 2019.

+ 5.9%
Concept EBITDA before G&A

Pizza Hut New Zealand

	2019 $NZm	2018 $NZm	Change $NZm	Change %
Network sales	**101.0**	100.7	+0.3	+0.2
Network store numbers	**98**	97		
RBD sales	**35.4**	41.1	-5.7	-14.0
RBD store numbers	**30**	36		
RBD EBITDA	**2.0**	3.2	-1.2	-37.5
EBITDA as a % of sales	**5.7**	7.8		

Transformation of the Pizza Hut network in New Zealand to a master franchise model continues on plan with the sale of ten stores to franchisees during FY19. This included the sale of four new turnkey stores.

This continued unit growth saw network sales climb to $101.0 million for FY19, up $0.3 million or +0.2% on prior year.

Company owned store numbers decreased by six to 30, whilst the number of independent franchisee stores has increased to 68, bringing the total Pizza Hut network to 98 stores. During the period three stores were temporarily closed and two new stores were opened at Kaitaia and Meadowbank (Auckland).

In company owned stores, sales were down $5.7 million to $35.4 million, which is a reflection of the reduced store numbers and same store sales decreasing 6.1%.

Restaurant Brands' Pizza Hut store EBITDA was $2.0 million (5.7% of sales), down $1.2 million on last year, reflecting lower company-owned store numbers and continued margin pressures, particularly in relation to increased labour rates and ingredient costs.

+ 4
New stores built

Carl's Jr. New Zealand

	2019 $NZm	2018 $NZm	Change $NZm	Change %
Sales	**31.9**	34.9	-3.0	-8.8
Store numbers	**18**	19		
EBITDA	**0.9**	2.0	-1.1	-52.9
EBITDA as a % of sales	**2.9**	5.6		

Store numbers in Carl's Jr. fell by one to 18 with the closure of the Upper Harbour store in Auckland as a result of a Public Works Act compulsory acquisition.

Store sales were down 8.8% (-3.3% on a same store basis), although the introduction of a delivery service in February 2019 has had an immediate and positive impact.

EBITDA was $0.9 million (2.9% of sales), a decrease of $1.1m on the prior year with lower sales, increasing labour rates and ingredient costs. The brand continues to operate in a very competitive marketplace.

Starbucks Coffee New Zealand

	2019 $NZm	2018 $NZm	Change $NZm	Change %
Sales	**16.0**	25.8	-9.8	-37.9
Store numbers	**–**	22		
EBITDA	**3.1**	4.8	-1.7	-35.7
EBITDA as a % of sales	**19.4**	18.7		

A strategic decision was made not to renew the Starbucks Coffee franchise agreement in order to concentrate on the other core brands within the NZ operations with the business sold in October 2018.

Australia operations_

In $NZ terms, the Australian business (operating the KFC brand) contributed total sales of $NZ191.5 million, store EBITDA of $NZ29.1 million and EBIT of $NZ14.0 million. These results are all significantly up on the prior year, as a result of stronger trading and the full year trading impact of the 18 new stores acquired during the FY18 year.

KFC Australia

	2019 $Am	2018 $Am	Change $Am	Change %
Sales	**178.3**	139.5	+38.8	+27.8
Store numbers	**61**	61		
EBITDA	**27.0**	20.2	+6.8	+33.7
EBITDA as a % of sales	**15.2**	14.5		

In $A terms, total sales for the KFC business in Australia were $A178.3 million, up $A38.8 million (or +27.8%) on last year. This was largely a function of the full year impact of the additional 18 stores acquired part way through FY18. Same store sales increased by 4.7%.

Store EBITDA was $A27.0 million (15.2% of sales) up $A6.8 million or +33.7% on last year with sales leverage and more efficient store operations.

The network totalled 61 stores as at balance date. One store was opened in the third quarter of the year, offset by one store closure in the final quarter of the year. The business has continued to invest in a major store upgrade programme with 10 store upgrades completed in the financial year.

The Australian business successfully launched and expanded its home delivery service to all 26 Sydney Metro stores during the year.

+ 27.8%

Sales

Hawaii operations_

In $NZ terms, the Hawaiian operations contributed $NZ182.7 million in revenues, $NZ23.7 million in brand EBITDA and an EBIT of $NZ8.0 million for FY19.

Total sales in Hawaii were $US124.7 million with store level EBITDA of $US16.2 million. Taco Bell had another strong year, performing ahead of expectations on strong sales generated by distinctive product offerings and pricing flexibility. Pizza Hut continued to underperform, facing increased margin pressures due to the national Pizza Hut value promotions, higher levels of competition and limited pricing power in the face of input cost increases.

Taco Bell Hawaii

	2019 $USm	2018 $USm	Change $USm	Change %
Sales	**72.3**	68.3	+4.0	+5.9
Store numbers	**36**	37		
EBITDA	**14.3**	13.9	+0.4	+2.9
EBITDA as a % of sales	**19.8**	20.3		

Taco Bell continued to perform very well with total sales of $US72.3 million and store-level EBITDA of $US14.3 million (19.8% of sales) for the year. A strong promotional pipeline has helped drive a solid sales performance with same store sales up 5.1%.

Restaurant Brands has embarked on a store rebuild and refurbishment strategy following the same successful model as undertaken by the KFC business in New Zealand. The first store transformed continues to hold the same store sales levels which were +60% against pre-transformation volumes.

However, local government construction permit approvals have delayed the roll out of transformations to further stores. The process is now gaining momentum and 2-3 major store refurbishments are expected to be completed over the next 12 months.

+ 5.1%

Same store sales

Pizza Hut Hawaii

	2019 $USm	2018 $USm	Change $USm	Change %
Sales	**52.4**	51.5	+0.9	+1.8
Store numbers	**44**	45		
EBITDA	**1.9**	3.3	-1.4	-44.1
EBITDA as a % of sales	**3.6**	6.5		

Total Pizza Hut sales were $US52.4 million with store-level EBITDA of $US1.9 million (3.6% of sales). Same store sales were down 2.1%. There continues to be margin pressure from participating in US-wide value-led marketing promotions together with higher commodity and direct labour expenses.

As with Taco Bell, an asset refurbishment program is under way for the Pizza Hut brand, which sees a move away from the larger Restaurant Based Delivery units into smaller, more cost-effective Delivery and Carry-out (Delco) units. One new Delco unit was opened at Pearl City in Honolulu during FY19 and is trading ahead of expectations.

+ 1.8%

Sales

Corporate & other

General and administration (G&A) costs were $35.8 million, up $3.9 million from last year. This is a result of the Group corporate team operating for a full year and the continued expansion of the Group's activities. G&A as a % of total revenue was 4.3% which is in line with the prior year.

Depreciation charges of $30.3 million for FY19 were $1.6 million higher than the prior year, of which the Australian business accounted for $1.1 million arising from the stores acquired during FY18.

Financing costs of $6.8 million were up $1.2 million on prior year reflecting the higher borrowings required to fund Australian acquisitions during FY18. Interest rates in both Hawaii and Australia also increased.

Tax expense was $13.7 million, down $3.0 million on the prior year due to the reduction in the corporate tax rate in Hawaii. The effective tax rate of 27.7% reflects the increased proportion of profits that were generated off-shore, and the (one-off) impact of non-trading items, with the average tax rate on earnings (excluding non-trading items) at 27.8%.

Non-trading items

Non-trading expenditure for the year was $9.0 million, $3.6 million higher than prior year. The FY19 charges included $3.5 million leave remediation costs resulting from identified payroll inconsistencies in New Zealand relating to the entitlements under the Holidays Act dating back to 2012, an impairment charge of $3.5 million relating to Carl's Jr. asset carrying value in New Zealand and an adjustment in the accounting treatment for workers compensation expenses in Hawaii of $1.6 million. These costs were partially offset by a gain on the sale of the Starbucks Coffee business and a gain on sale of assets in relation to the sale of New Zealand Pizza Hut stores to independent franchisees.

Cash flow & balance sheet

The composition of the Group's balance sheet is largely consistent with the prior year except for a drop in net debt of $25.9 million which reflects the Group's strong trading results and the decision not to pay an interim dividend. Bank debt at the end of the year was down to $145.9 million compared to $166.8 million at the previous year end. As at balance date, the Group had bank debt facilities totalling $251.7 million in place.

The Group remains relatively unleveraged with a Net Debt: EBITDA ratio as at the end of the FY19 year of 1.3X.

Operating cash flows were up $3.5 million to $71.3 million, reflecting the Group's increased profitability.

Net investing cash outflows were $26.7 million (versus $173.3 million last year) with the prior year reflecting the cash impact of the Hawaii and Australian acquisitions totalling $147.5 million (net of bank loans assumed as part of the transactions). Included within investing cash inflows for the period were $10.2 million received from the sale of ten Pizza Hut stores and the Starbucks Coffee business.

Finaccess takeover

The past twelve months saw the company progress through a takeover bid from Finaccess Capital, S.A. de C.V., which saw Finaccess Capital take a 75% share in the company on 1 April 2019. The company and management welcome this significant investment and look forward to strong support from our new cornerstone shareholder.

Acknowledgments

Whilst much of senior management time has been occupied with takeover activity over the year, the leadership teams in each of our three operating divisions have been keeping the business running smoothly. To them and the 9,000 staff in our stores in New Zealand, Australia and Hawaii my sincere thanks.

Russel Creedy
Group CEO

20 April 2019

"The company and management welcome this significant investment and look forward to strong support from our new cornerstone shareholder."

More on our strategy_

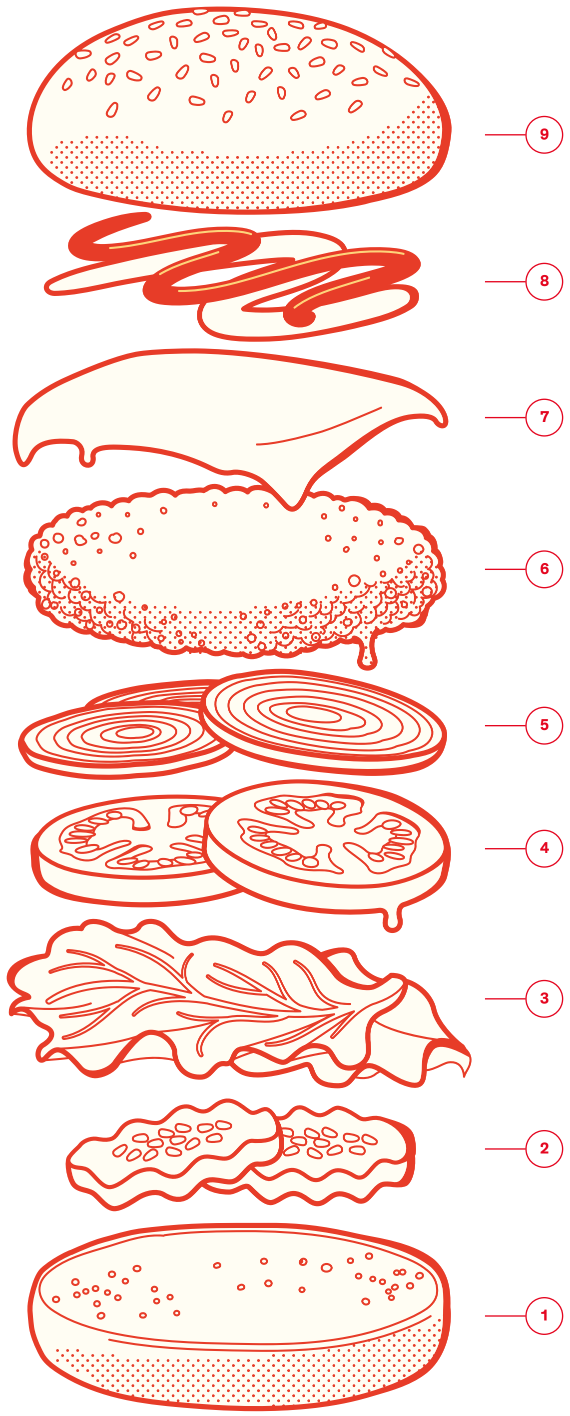
It's no secret. We aim to be a billion-dollar company in both market capitalisation and in total revenue. We've already achieved the former with our share price now well in excess of $8.00 a share.

As to our total revenue, in just over two years we're well on the way having doubled in size through international acquisitions. Now that consolidating new operations and transitioning the company to a new ownership structure are behind us, we are set to resume our aggressive expansion strategy with gusto.

In 2016 we declared our goal to transform into a billion-dollar company. We recognised our growth ambitions would be limited if we remained a New Zealand-only business. Our significant market share coupled with restricted opportunities due to market size meant we needed to look for offshore acquisitions to achieve substantial growth in a relatively short time.

While we were reviewing KFC acquisition opportunities in Australia the opportunity to acquire the Taco Bell and Pizza Hut business in Hawaii came somewhat unexpectedly. Today our international business is thriving, and with a new group management structure we can take pride in the difference our expansion strategy is making to our billion-dollar ambitions. Right now, just under half of our revenues are coming from overseas operations.

Here we reflect on our strategy, dissect the ingredients of its progress to date, and lay out what's to come – a growth strategy that's proving to deliver. Deliciously.



From the bottom up:

1

Billion-dollar challenge accepted – we'd been sitting at around $300-350 million sales for a few years with a share price fluctuating between $2 and $4. We needed to find a way to break new ground.

2

Offshore acquisition strategy developed – New Zealand was performing well but growth prospects were limited. Taking our expertise offshore to enhance already successful businesses and achieve beachheads in new markets was deemed the way to go. Familiar geographies, brands and scale of operations with proven successful management teams characterise our criteria.

3

42 KFC stores in NSW purchased – through acquiring QSR Pty Ltd. (the largest franchisee in the state). Done and dusted in short order. These stores have been performing well and been an engine of our growth. They also provide us with a strong foothold in Australia for further acquisitions.

4

37 Taco Bell and 45 Pizza Hut stores in Hawaii and Guam purchased – acquiring Pacific Island Restaurants (sole franchisee in Hawaii). A strong, well-managed business affording us the opportunity to accelerate our Taco Bell NZ plans, as well as a precursor for further acquisitions including the US mainland.

$1.0bn

Target Group sales

Building on what's been achieved, here's what you can expect over the next five years:

5

Accelerated KFC new store builds and upgrades in NZ and Australia – we're targeting 30 new stores, including inline stores similar to our successful Auckland Fort Street concept. Courtenay Place in Wellington is now open, and we've plans for another in Christchurch in 2020.

6

Acquire further Australian independent KFC franchisee stores – following the initial QSR acquisition we've been buying up smaller franchisees' stores. We've 61 KFC stores in Australia (as at balance date) and they've been a successful engine of growth for us. New acquisition opportunities are on the radar.

7

Launch and roll out Taco Bell into NZ and Australia – we've had our eye on this one for some time and our research tells us that consumers here are keen to learn when this bounty of Mexican flavours will arrive. Thanks to the experience we've gained working with Taco Bell in Hawaii, we'll confidently embark on our five-year 60+ store opening programme this year.

8

Transform Taco Bell and Pizza Hut stores in Hawaii – we did it with KFC in NZ and we'll do it again in Hawaii, this time with Taco Bell. Good news is that the first transformed Taco Bell store is still pumping at +60% of its pre-make over volumes. And the early stages of our Pizza Hut refurbishment programme has seen our new delivery unit trade well ahead of expectations. At least two major Taco Bell stores are expected to be scraped and fully rebuilt this year.

9

Establish presence in the US – expansion is expansion, and our Hawaiian beachhead working with Taco Bell coupled with our deep knowledge of KFC means acquisition opportunities in mainland US are a real prospect.

More Taco Bell

The arrival of Taco Bell in New Zealand has been much anticipated – and now it's here!

A truly international brand_

Back in 2017 we acquired 37 Taco Bell stores in Hawaii and Guam as part of the Pacific Island Restaurants deal. This very profitable acquisition for Restaurant Brands was just the beginning, and now we are excited to bring you more.

Originating in California in 1962, the Taco Bell brand now has over 7,000 restaurants in over 25 countries and generates more than $US10 billion in sales and that number is growing all the time. It is the world's largest and most successful Mexican inspired quick service restaurant – a cohesive and mature brand that enjoys widespread recognition all over the globe, including New Zealand, where it is still to be launched!

With such recognition, Taco Bell is an ideal fit for our business and sits comfortably within our family of tier one brands: KFC, Pizza Hut and Carl's Jr. – while offering a fresh and new food experience.

Restaurant Brands will launch the long-awaited iconic brand into the New Zealand and Australian (New South Wales) markets this year – the first store will open in Auckland around November, and an aggressively-paced rollout will follow, with a total of more than 60 stores planned to open across Australasia by 2024.

"Taco Bell is an innovative brand in everything it does, from its Mexican inspired food, to the way it engages with consumers and through leading in technology. The unique space that Taco Bell operates in the market is driving culture around the world and is sure to do the same here in NZ and Australia."

Russel Creedy, CEO

Loving the brand

The strong performance and growing international exposure of Taco Bell is underpinned by a compelling brand story; one which we're excited to leverage as we bring Taco Bell into the dining conversation for Kiwis and Aussies.

Taco Bell is a culture-centric lifestyle brand with craveable, affordable Mexican inspired food for all. It's a brand of choice for all ages but particularly appeals to millennials who identify with Taco Bell's sense of humour, self-expression, community and purpose, and for whom food is an experience, not simply fuel.

At the core of Taco Bell's DNA is Live Más (Live More). This is an idea that builds off the foundation founder Glen Bell created for the brand and encapsulates its philosophy of enriching the lives of customers and employees. It's an idea that should inspire our consumers, to never stop exploring, and to never be routine. It's more than the taco toppings; it's a way of life.

Taco Bell enjoys an enviable reputation as an "authentic" brand – it walks its talk. This is in part because the brand expertly leverages its communication channels – engaging directly with customers in an effortlessly cool, rebellious way.

Not surprisingly, the brand embraces digital media and technology as part of the whole Taco Bell experience. In the United States Taco Bell was the first QSR brand to launch a mobile app for both drive-through and in-store orders.

Attractive price and better flavour

When Taco Bell begins to thrill Kiwi and Australian palates later this year, it will bring a new flavour dimension to Mexican inspired food options currently available.

Customers can expect high quality, fresh, flavoursome burritos, tacos, quesadillas, as well as the now cult classics – Crunch Wrap and Cheesy Gordita Crunch, made with quality ingredients, at an affordable and very competitive price point.

This combination of price and flavour makes Taco Bell formidable competition in the QSR market; our competitors have traditionally struggled to match the flavour profile of Taco Bell, and generally the price point for Mexican style food is expensive.

The introduction of Taco Bell will make Mexican inspired food more affordable, and the brand very appealing to a wide socio-economic audience.

Dining-in, a relaxed experience

The design of the Taco Bell stores will follow the most recent Cantina style design, restaurants will be strategically placed in urban, high density, high foot traffic areas. The restaurants themselves will have an open layout for guests to see their food being prepared and the décor and artwork will make for an instagrammable experience.

We look forward to more with the rollout of Taco Bell. More growth, more brand consolidation and more success!

"We're excited about the opportunities Taco Bell offers the company, and we believe the brand will be extremely well-received in our new markets."

Russel Creedy, CEO

More sustainability_

In the last 12 months a lot has happened on our journey to becoming a more sustainable business.

A series of workshops resulted in the development of a new sustainability framework strategy for the business that is in line with best practice sustainability reporting, following the GRI (Global Reporting Initiative) standards. This continues to be refined and aligned with our strategy for future business growth.

Broadly, the pillars of our sustainability framework are; caring about people and communities, environmental consciousness, and leading in food quality. Under each of these, we're in the process of implementing specific programmes and initiatives and working to develop the targets and KPI's by which we will measure our progress.

Our developing sustainability initiatives will have a positive impact on the business, socially, culturally, and financially. We expect to report to you often on our progress, and for you to hold us to account on the targets we set. Watch for more on sustainability as we develop these.

In this report you can read about some of our current initiatives and achievements on pages 32 and 33.

Purpose	A thriving business built on brands that our employees and customers love and trust					
Pillars	Caring about people and communities		Environmental consciousness		Leading in food quality	
Strategic theme	An inclusive and productive team focused on wellbeing	Supporting our communities	Waste management	Resource stewardship	Beyond compliance	Ethical sourcing
Programmes	Equal opportunity employment policy	Community donations	Food rescue programme for kitchen food waste	Energy efficiency programme	Food Quality and Product Safety programme and policy	Supplier audit programme
	Competitive remuneration policy	Food rescue programme for kitchen food waste	Cooking oil recycling programme	Zero air freighting policy	Artificial colours and flavours policy	Animal welfare procurement policy
	Zero tolerance policy - forced or underage labour	Growing our Youth support programme	Waste reduction programme	Low impact home delivery programme	Hormone and steroid free policy	Palm oil free policy
	Job Start programme	Staff volunteer programme	Reduced plastics policy	Sustainable fibres policy (paper and card)	Antibiotic use policy	Sustainable uniforms policy
	Staff satisfaction and wellness programmes	Local procurement policy	Waste heat recovery programme	Sustainable uniforms policy	Oil and fat policy	
	Career progression pathways and programmes				Staff food safety training programme	

More sustainability_
Key intiatives in 2019

New Zealand_

A helping hand for our women golfers
NZPWG Anita Boon Pro-Am

KFC supports the development of women's golf. We have been a major sponsor of the annual Anita Boon Pro-Am tournament since 2011, providing the KFC Golf Scholarship to further Kiwi women's golfing careers.

Phillis Meti won the 2019 KFC Scholarship, valued at $14,000.

KFC– supporting our lifesavers
Surf Life Saving New Zealand

Surf Life Saving New Zealand (SLSNZ) is the charity representing 74 surf life saving clubs in New Zealand with around 17,000 members. We're proud to have been a charity partner of Surf Life Saving New Zealand since 2012.

In the last 7 years, SLSNZ has provided 1.55 million hours of patrol, and made close to 8,000 life-saving rescues.

That's 8,000 people alive and enjoying life as a direct result of SLSNZ actions – we think that's pretty special.

KFC fully supports SLSNZ. We offer a special Surf Safe Meal on our menu, and for every one of these meals sold, KFC has made a $1 donation to the national surf life saving organisation. During the 2018/19 season KFC raised a total of $190,081 for SLSNZ.

$190,000
raised for SLSNZ

Carl's Jr.– a force for good for our youth
Supporting the Graeme Dingle Foundation

The Graeme Dingle Foundation is a child and youth charity, running several successful and proven programmes – Kiwi Can, Stars, Career Navigator, Project K and MYND.

Graeme Dingle Foundation programmes use the great outdoors, inspirational classroom leaders and world-class mentors to help our young people stay on track, develop confidence, build resilience and self-belief, set goals and contribute positively to society. The Foundation's programmes are delivered across New Zealand by licensed community trusts.

Carl's Jr. has been supporting the Foundation's STARS student mentoring programme for the past five years, donating 10 cents from every Super Star burger sold to the Foundation.

In 2018/2019 we donated $20,000 to the STARS programme.

Australia_

The KFC Youth Foundation – building confidence in young Australians

With 90% of our restaurant team members under 25, building confidence in young Aussies everywhere is a cause that's close to our heart.

The KFC Youth Foundation is our response to helping young Aussies. Founded in 2018, the Foundation gives young people the skills and support they need to thrive in the world now and in the years beyond, through mentorship, skills development and promoting mental wellbeing and overcoming adversity.

During the year all stores have participated in fund raising efforts both in-store and through off-site events. We have participated in a Rally 4 Youth event which raised a substantial amount for the Foundation.

The KFC Youth Foundation supports young Aussies through charity partnerships with Reachout.com, Streetwork, Youngcare, Whitelion and Reach.

Programmes for our people

We support our employees through their entire employment lifecycle with numerous programmes which provide personal and professional development, leadership training, goal setting, and wellness. You'll find these at **https://www.kfc.com.au/people**

Hawaii_

Book it!

Pizza Hut sponsors the worldwide BOOK IT! reading program; an incentive program for children in grades K through six. BOOK IT! motivates children to read by rewarding their reading accomplishments.

The teacher sets a reading goal for each child in the class. When children meet their monthly goal, the teacher will recognize them with a Reading Award Certificate, good for a free one-topping Personal Pan Pizza®. When a child redeems their Reading Award Certificate at Pizza Hut®, our team members celebrate right along with them.

The program is simple, flexible, fun and free for teachers to use within their classrooms. BOOK IT! was created in 1984 and currently reaches over 14 million students in 37,000 elementary schools annually.

"Our pizza boxes are 100% recycled."

Bite-sized better environmental practice

KFC
- Moved from non-recyclable PET drink, coleslaw and gravy lids to polypropylene material, which can be recycled.
- Chip packaging moved from a non-recyclable material to board.
- Packaging redesigned to remove as much raw material as possible.

Pizza Hut
- 100% recycling of "back of house" oil in place.
- Pizza boxes are now made from 100% recycled material.
- All pizza boxes are being redesigned to reduce raw material inputs by over 8% and to remove the plastic box lid supports. This will be introduced to market in August this year.
- In New Zealand we've improved energy conservation from 121,000 to 117,000Kw per $1M of sales. In Australia we've improved from 111,430 to 101,065Kw.
- In Australia we continue to participate in the Closed Loop Food recycling program. In less than a year we turned 91 tonnes of food waste into green electricity and compost.
- We've also participated in the Oz Harvest program where we have been able to supply 24,000 meal equivalents and contributed $1.5 million of food donations to foodbank.

Carl's Jr.
- We are redesigning our packaging to remove as much raw material as possible whilst maintaining its integrity and functionality.

In 2020...
- Restaurant Brands is one of 14 companies who are part of a working group tackling some of the largest issues in New Zealand's Supply Chain and Operations Management. We have committed to two projects focused on Sustainability in Logistics and the Circular Economy.
- We are working with several vendors to reduce truck traffic on NZ roads – encouraging our vendors to explore intermodal (train) freight where possible.

Operations report

New Zealand_
KFC

KFC

"KFC continues to maintain its current momentum as the new year begins."

KFC continues to go from strength to strength producing another record year of sales and profit performance. A number of successful product promotions, the ongoing benefit of store upgrades and higher levels of marketing activity all contributed to driving sales to an all-time high of $336.5 million. Same store sales growth remained very strong for the year, finishing up +4.3% (compared with +6.2% last year).

The brand successfully trialed a customer delivery service for selected KFC stores, and we expect to roll out the new service in the new financial year. Continued sponsorship of the New Zealand Super Rugby franchises also assisted in growing brand awareness and improving customer engagement.

The brand has also been successfully trialing self-order kiosks for selected stores beginning with the use of purpose built digital kiosks in our new urban designed store in Fort Street, Auckland.

We will look at rolling out the self-order kiosks across the network over the next financial year.

Profitability was also up strongly, with EBITDA increasing by $3.9 million (+5.9% on the prior year) to $70.4 million. Continued sales leverage and relatively benign ingredient price pressure assisted in driving better margins. However, some of these benefits were offset by higher labour costs as KFC reinvested in providing staff with more certainty and stability in their hours which should help improve customer experience. As a % of sales, EBITDA was 20.9%, up slightly on last year's 20.8%.

As part of the continuing reinvestment in the brand, 16 stores received major upgrades over the year.

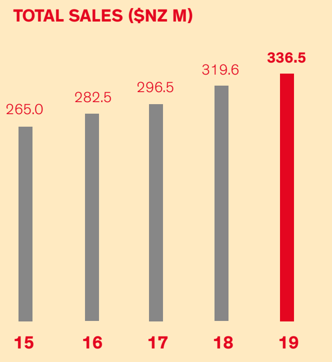
Total company owned stores remained on 94 at the end of FY19. Three new stores opened in Q1 of FY20.

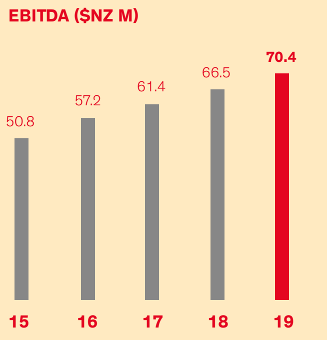
Staff turnover was 70%, down on the previous year's 75%, partly as a result of changes to rostering practices providing more stability and certainty for our workforce.

The actual lost time injuries per million hours increased from 3.5 in the prior year to 4.1 per million in the current year. Although it was disappointing to see this increase, the level remains low with a continuing strong focus on staff safety.

The strong sales and margin performance of FY19 has been maintained into the beginning of FY20, as the brand continues to reap the benefits of its store refurbishments programme and high levels of marketing expenditure.

KFC remains the key driver for the Restaurant Brands New Zealand operations success which is expected to continue into FY20.





94
STORES
+6 Franchised

2,558
STAFF

Operations report

New Zealand_
Pizza Hut

Total sales from Pizza Hut stores operated by Restaurant Brands were down +14.0% over the year to $35.4 million. However, sales for the total Pizza Hut brand were up 0.2% to $101.0 million.

Restaurant Brands' store numbers decreased by six over the year with 10 stores sold to independent franchisees and four new company stores built at Kumeu, Kaitaia, Meadowbank (Auckland) and Otara (Auckland).

Same store sales for company stores fell 6.1% over the year.

Earnings from company stores were adversely impacted by the sale of stores to independent franchisees along with increases in labour and other non-food related costs. EBITDA for the year was $2.0 million, down $1.2 million on FY18. This represented 5.7% of sales versus 7.8% last year, but still within the company's expected margin range.

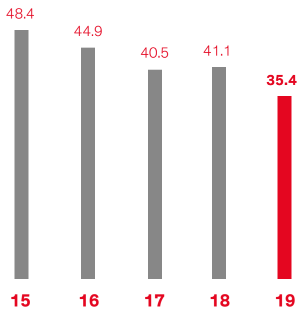
Staff turnover was 103%, including delivery drivers, with an underlying turnover rate of 71% for non-delivery staff (77% last year).

Lost time injuries per million hours worked remains steady at 4 per million hours. The level remains low with a continuing strong focus on staff safety we hope to see improvements in the upcoming year.

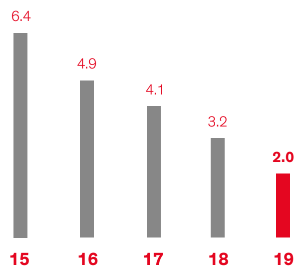
At year end, company owned store numbers had decreased to 30 (out of a total of 98 in the market) with independent franchisee owned stores up to 68. The brand has a short-term target of 100+ stores in the network with those under company ownership making up approximately 25% of that number.

Although the number of Restaurant Brands owned stores has reduced, the overall Pizza Hut business is expected to grow, as the brand network continues to expand with more independent franchisees helping to drive the brand's success.

TOTAL SALES ($NZ M)



EBITDA ($NZ M)



"The Pizza Hut business will see continued growth as Restaurant Brands continues to expand the store network."

30
STORES
+68 Franchised

427
STAFF

New Zealand_
Carl's Jr.

Carl's Jr. is still a relatively young brand and faces continued pressure to maintain revenue and profitability levels in a very competitive market. Total sales decreased to $31.9 million (-8.8%) with the closure of the store at Upper Harbour, Auckland. Same store sales were also down 3.3% on the prior year. EBITDA was down $1.1 million to $0.9 million which represented 2.9% of sales (5.6% in FY18).

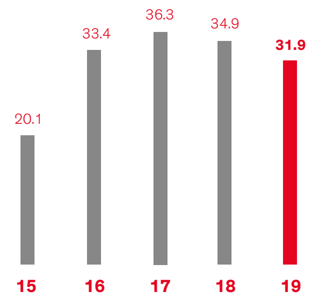
The introduction of a delivery service in February 2019 has had an immediate and positive impact on both sales and margin. This positive impact has continued into the 2020 year to date.

Store numbers were down by one for the year, with the Upper Harbour store closed under the Public Works Act, to end the year with 18 stores.

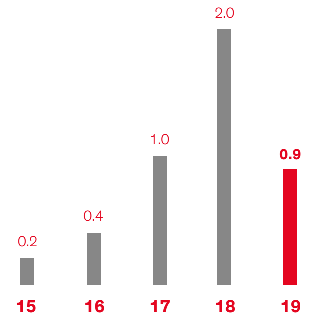
Staff turnover was 79%, up on the prior year's 77% as the brand beds in their fixed shift rosters.

Lost time injuries per million hours worked remains very low at 2.6 per million hours, this is up on last year which had no lost time injuries. There is a continuous focus on safety as the business aims to maintain this high safety level.

TOTAL SALES ($NZ M)



EBITDA ($NZ M)



"The introduction of a delivery service in February 2019 has had an immediate and positive impact on both sales and margin."

18
STORES

372
STAFF

Operations report

Australia_
KFC

KFC

"The positive results from the Australian operations are expected to continue into the new financial year."

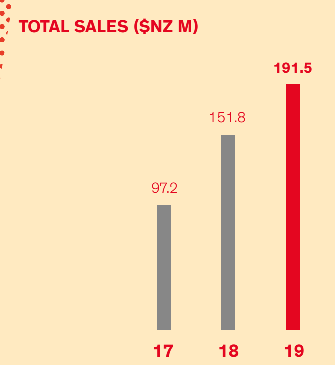
With a full year's trading from the stores acquired during the second half of FY18, sales increased by $39.7 million. Same store sales were up 4.7%. EBITDA was also up $7.0 million to $29.1 million reflecting the positive contribution from the acquisitions as well as the effect of organic growth.

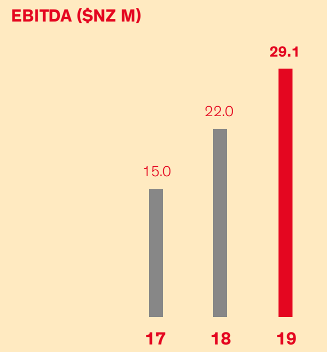
The brand successfully trialed a customer delivery service for selected stores using an external delivery service. We expect to roll out this new service to more stores during the new financial year.

Whilst the Australian business has a young workforce, it is relatively stable by market norms. Staff turnover was 44.6% in the FY19 year, a slight increase from 42.0% in the FY18 year.

The Australian business has a strong focus on accident prevention. The number of actual lost time injuries per million hours was 12 in the FY19 year, down from 13 in the FY18 year.

The positive momentum has been maintained into the new financial year. New opportunities to expand the network both through acquisitions and new store builds are being aggressively pursued.





61
STORES

3,360
STAFF

Operations report

Hawaii_
Pizza Hut

Aloha to more fresh

“We have begun a process of refreshing the brand, including a store refurbishment programme.”

Pizza Hut contributed $2.8 million to the Group's EBITDA a reduction of $1.9 million on last year. The business continues to be under margin pressure from Hawaii's rising labour costs and the required participation in US-wide value promotions.

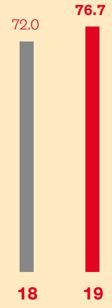
A store refurbishment programme is underway although delays in obtaining construction permits from local government has delayed the process.

One new delco unit opened during the year and is trading ahead of expectations with more expected to be completed in the new financial year.

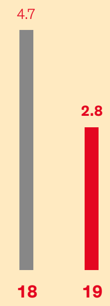
Staff turnover was 83% in the FY19 year. This reflects a very competitive labour market where retaining staff remains a key challenge.

Lost time injuries per million hours were 4.5 for the year with a total of six accidents down from 17 last year, reinforcing a good safety record for the brand.

TOTAL SALES ($NZ M)



EBITDA ($NZ M)



44
STORES

1,174
STAFF

Operations report

Hawaii_
Taco Bell

TACO BELL

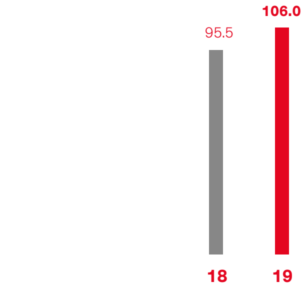
Taco Bell continues to perform well with sales up 11% and same store sales up 5.1% on last year. The brand contributed $21.0 million to the Group's EBITDA for the year, up $1.6 million on last year. There is a network refreshment strategy underway for the Taco Bell brand with a number of older stores targeted for a complete rebuild. The first store refurbishment of this nature has been delivering significant sales growth. As with Pizza Hut Hawaii there are delays in obtaining construction permit approvals from local government which has slowed the roll out of these transformations. The process is now starting to gain some momentum with two to three major refurbishments expected over the next 12 months.

Staff turnover was 63% in the FY19 year, also reflecting a very competitive labour market. The above-store management team is very stable with no significant turnover in this team in the last year.

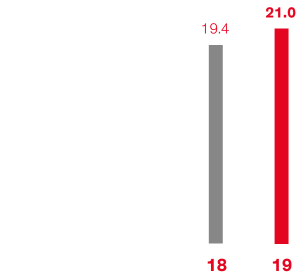
Lost time injuries per million hours were 1.5 for the year with a total of only two accidents, down from six last year, which reflects the good safety record for this brand in Hawaii.

The positive results from Taco Bell are expected to continue into the new financial year, particularly as more stores in the network are refreshed.

TOTAL SALES ($NZ M)



EBITDA ($NZ M)



"Taco Bell continues to be very successful with sales up 11% and same store sales up 5.1% on last year."

36

STORES

833

STAFF

Board of Directors_

Ted van Arkel

FNZIM

Chairman and Independent Non-Executive Director

Term of office
Appointed Director 24 September 2004 and appointed Chairman 21 July 2006. Last re-elected 2015 Annual Meeting.

Board committees
Member of the Audit and Risk Committee, Health and Safety Committee and Appointments and Remuneration Committee.

Profile
Mr van Arkel has been a professional director since retiring from the position of Managing Director of Progressive Enterprises Limited in November 2004. He is a director of the Auckland Regional Chamber of Commerce & Industry Limited. Mr van Arkel is a director of a number of private companies including Philip Yates Family Holdings Limited and Danske Mobler Limited. Mr van Arkel was previously a director and chairman of The Warehouse Group Limited and Abano Healthcare Group Limited.

Core board skills
Governance, Strategy, Financial Acumen, Remuneration / People and Culture.

Skills related specifically to Restaurant Brands
Quick Service Restaurants, Marketing, Large Scale Procurement and Supply Chain.

Skills related to future strategy
Global Experience, Acquisition and Divestment.

Hamish Stevens

M Com (Hons), MBA, CA

Independent Non-Executive Director

Term of office
Appointed Director 8 May 2014. Last re-elected 2017 Annual Meeting.

Board committees
Chairman of the Audit and Risk Committee and Member of the Appointments and Remuneration Committee and Health and Safety Committee.

Profile
After considerable experience in a number of senior corporate roles including both operational and financial management in large companies such as DB Breweries Limited and Heinz-Watties Limited, Mr Stevens became a professional director in 2010. He is currently Chairman of East Health Services Limited and The Kennedys Limited and is the Independent Chairman of the Audit and Risk Committee of the Waikato Regional Council. Mr Stevens is a director of various other New Zealand companies including Marsden Maritime Holdings Limited, Pacific Radiology Group Limited and Counties Power Limited. A qualified chartered accountant, Mr Stevens also chairs the audit committees for a number of companies for which he serves as a director.

Core board skills
Governance, Strategy, Financial Acumen.

Skills related specifically to Restaurant Brands
Quick Service Restaurants.

Skills related to future strategy
Acquisition and Divestment.

José Parés Gutiérrez

MBA

Non-Executive Director

Term of office
Appointed Director 1 April 2019.

Board committees
Member of Appointments and Remuneration Committee, Health and Safety Committee and Audit and Risk Committee.

Profile
Mr Parés joined Restaurant Brands as a Non-Executive Director following the acquisition of 75% shareholding in RBD by Finaccess Capital, S.A de C.V, through its subsidiary Global Valar S.L. on 1 April 2019. He is the Chairman of Global Valar S.L. and CEO of its parent, Finaccess Capital. He is also the Chairman and a Proprietary Director of AmRest Holdings SE.

Previously he worked for 19 years at Grupo Modela (Mexico) in various positions, including as the Vice President of Marketing and Sales International where he oversaw the significant growth of Grupo Modelo's annual revenues.

Mr Parés graduated from Universidad Panamericana, Mexico (Business and Finance) and completed his MBA at ITAM, Mexico as well as the Business D-1 programme at IPADE, Mexico and Executive Programme at Wharton, San Francisco.

Core board skills
Governance, Strategy, Financial Acumen.

Skills related specifically to Restaurant Brands
Quick Service Restaurants, Marketing, International experience.

Skills related to future strategy
US Experience, Acquisition and Divestment.

Emilio Fullaondo Botella

MBA

Independent Non-Executive Director

Term of office
Appointed Director 1 April 2019.

Board committees
Member of Appointments and Remuneration Committee, Health and Safety Committee and Audit and Risk Committee.

Profile
Mr Fullaondo is a senior executive with over 23 years of experience in the beer industry. He worked in a number of financial roles for Grupo Modelo, including four years as CFO. Following the acquisition of Grupo Modelo by AB InBEv in 2013, Emilio oversaw significant cultural and organisational changes at AB InBev (Mexico) as Vice President, Human Resources and later as Vice President, projects until his resignation in January 2019.

Mr Fullaondo graduated from ITAM, Mexico (Public Accountant) and completed his MBA at the same institution as well as the Executive Management (AD) Program at IPADE, Mexico.

Core board skills
Financial Acumen, Strategy, People and Culture.

Skills related specifically to Restaurant Brands
International experience.

Skills related to future strategy
US Experience, Acquisition and Divestment.

Note: The Restaurant Brands board has developed a skills matrix identifying the core skills each director brings to the board. The matrix is based on directors' self-assessment of their individual skills. The assessment rated each director's skills in various areas on a one to five scale. Where the rating was four or five the director was deemed to bring those expert skills to the board. These skills are listed under each director profile.

Consolidated income statement

for the 52 week period ended 25 February 2019

$NZ000's	25 February 2019 52 weeks		vs Prior %	26 February 2018 52 weeks	
Sales					
KFC	336,534		5.3	319,598	
Pizza Hut	35,350		(14.0)	41,111	
Starbucks Coffee	16,022		(37.9)	25,818	
Carl's Jr.	31,864		(8.8)	34,921	
Total New Zealand sales	**419,770**		**(0.4)**	**421,448**	
KFC	191,547		26.1	151,844	
Total Australia sales	**191,547**		**26.1**	**151,844**	
Taco Bell	106,004		11.0	95,487	
Pizza Hut	76,725		6.6	71,997	
Total Hawaii sales	**182,729**		**9.1**	**167,484**	
Total sales	**794,046**		**7.2**	**740,776**	
Other revenue	30,869		21.0	25,513	
Total operating revenue	**824,915**		**7.7**	**766,289**	
Cost of goods sold	(675,697)		7.6	(628,169)	
Gross margin	**149,218**		**8.0**	**138,120**	
Distribution expenses	(3,629)		25.4	(2,895)	
Marketing expenses	(44,542)		11.1	(40,095)	
General and administration expenses	(35,818)		12.1	(31,948)	
EBIT before non-trading items	**65,229**		**3.2**	**63,182**	
Non-trading items	(8,997)		65.7	(5,429)	
EBIT	**56,232**		**(2.6)**	**57,753**	
Financing expenses	(6,797)		21.3	(5,604)	
Net profit before taxation	**49,435**		**(5.2)**	**52,149**	
Taxation expense	(13,694)		(17.9)	(16,683)	
Net profit after taxation (NPAT)	**35,741**		**0.8**	**35,466**	
NPAT excluding non-trading items	**42,181**		**3.3**	**40,847**	
Concept EBITDA before G&A		*% sales*			*% sales*
KFC	70,384	20.9	5.9	66,472	20.8
Pizza Hut	2,017	5.7	(37.5)	3,226	7.8
Starbucks Coffee	3,110	19.4	(35.7)	4,836	18.7
Carl's Jr.	923	2.9	(52.9)	1,962	5.6
Total New Zealand	**76,434**	**18.2**	**(0.1)**	**76,496**	**18.2**
KFC	29,064	15.2	32.0	22,026	14.5
Total Australia	**29,064**	**15.2**	**32.0**	**22,026**	**14.5**
Taco Bell	20,968	19.8	8.0	19,420	20.3
Pizza Hut	2,781	3.6	(40.6)	4,681	6.5
Total Hawaii	**23,749**	**13.0**	**(1.5)**	**24,101**	**14.4**
Total concept EBITDA before G&A	**129,247**	**16.3**	**5.4**	**122,623**	**16.6**
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(19.6)			(36.1)	

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

Non-GAAP financial measures

for the 52 week period ended 25 February 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.** The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) by taking net profit before taxation and adding back (or deducting) financing expenses, non-trading items, depreciation, amortisation and G&A. The Group also refers to this measure as **Concept EBITDA before G&A**.

   The term **Concept** refers to the Group's seven operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Starbucks Coffee and Carl's Jr.), KFC Australia and the two Hawaii divisions (Taco Bell and Pizza Hut). The term **G&A** represents non-store related overheads.
2. **EBIT before non-trading.** Earnings before interest and taxation ("EBIT") before non-trading is calculated by taking net profit before taxation and adding back (or deducting) financing expenses and non-trading items.
3. **Non-trading items.** Non-trading items represent amounts the Group considers unrelated to the day to day operational performance of the Group. Excluding non-trading items enables the Group to measure underlying trends of the business and monitor performance on a consistent basis.
4. **EBIT after non-trading items.** The Group calculates EBIT after non-trading items by taking net profit before taxation and adding back financing expenses.
5. **Total NPAT excluding non-trading.** Total Net Profit After Taxation ("NPAT") excluding non-trading items is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) non-trading items whilst also allowing for any tax impact of those items.
6. **Capital expenditure including intangibles.** Capital expenditure including intangibles represents additions to property, plant and equipment and intangible assets.

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

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

$NZ000's	Note*	2019	2018
EBITDA before G&A	1	**129,247**	**122,623**
Depreciation		(30,163)	(28,683)
Loss on sale of property, plant and equipment (included in depreciation)		(146)	23
Amortisation (included in cost of sales)		(3,112)	(3,233)
General and administration costs – area managers, general managers and support centre		(30,597)	(27,548)
EBIT before non-trading	2	**65,229**	**63,182**
Non-trading items **	3	**(8,997)**	(5,429)
EBIT after non-trading items	4	**56,232**	**57,753**
Financing costs		(6,797)	(5,604)
Net profit before taxation		**49,435**	**52,149**
Taxation expense		(13,694)	(16,683)
Net profit after taxation		**35,741**	**35,466**
Add back non-trading items		8,997	5,429
Taxation expense on non-trading items		(2,557)	(48)
Net profit after taxation excluding non-trading items	5	**42,181**	**40,847**

* Refers to the list of non-GAAP measures as listed above.
** Refer to Note 2 of the financial statements for an analysis of non-trading items.

Financial statements 2019

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Notes to and forming part of the financial statements	56

Restaurant Brands is pleased to present its financial statements.

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

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

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

Directors' statement

for the 52 week period ended 25 February 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 52 week period ended 25 February 2019 contained on pages 50 to 81.

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

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

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

The Directors hereby approve and authorise for issue the financial statements for the 52 week period ended 25 February 2019.

For and on behalf of the Board:

E K van Arkel
Chairman

H W Stevens
Director

16 April 2019

Consolidated statement of comprehensive income

for the 52 week period ended 25 February 2019

$NZ000's	Note	**2019**	2018
Store sales revenue	1	**794,046**	740,776
Other revenue	1	**30,869**	25,513
Total operating revenue		**824,915**	766,289
Cost of goods sold		**(675,697)**	(628,169)
Gross profit		**149,218**	138,120
Distribution expenses		**(3,629)**	(2,895)
Marketing expenses		**(44,542)**	(40,095)
General and administration expenses		**(35,818)**	(31,948)
EBIT before non-trading items		**65,229**	63,182
Non-trading items	2	**(8,997)**	(5,429)
Earnings before interest and taxation (EBIT)	1	**56,232**	57,753
Financing expenses	6	**(6,797)**	(5,604)
Profit before taxation		**49,435**	52,149
Taxation expense	16	**(13,694)**	(16,683)
Profit after taxation attributable to shareholders		**35,741**	35,466
Other comprehensive income:			
Exchange differences on translating foreign operations		**4,189**	(3,538)
Share option reserve		**(34)**	34
Derivative hedging reserve		**(836)**	1,651
Income tax relating to components of other comprehensive income		**182**	(303)
Other comprehensive income for the full year, net of tax		**3,501**	(2,156)
Total comprehensive income for the full year attributable to shareholders		**39,242**	33,310
Basic earnings per share from total operations (cents)	4	**28.77**	28.83
Diluted earnings per share from total operations (cents)	4	**28.77**	28.83

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

Consolidated statement of changes in equity

for the 52 week period ended 25 February 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 26 February 2018							
Balance at the beginning of the period		**143,386**	**–**	**(2,522)**	**(1,174)**	**52,369**	**192,059**
Comprehensive income							
Profit after taxation attributable to shareholders		–	–	–	–	35,466	**35,466**
Other comprehensive income							
Movement in share option reserve		–	34	–	–	–	**34**
Movement in foreign currency translation reserve		–	–	(3,538)	–	–	**(3,538)**
Movement in derivative hedging reserve		–	–	–	1,348	–	**1,348**
Total other comprehensive income		**–**	**34**	**(3,538)**	**1,348**	**–**	**(2,156)**
Total comprehensive income		**–**	**34**	**(3,538)**	**1,348**	**35,466**	**33,310**
Transactions with owners							
Shares issued		5,168	–	–	–	–	**5,168**
Shares issued costs		(63)	–	–	–	–	**(63)**
Net dividends distributed	5	–	–	–	–	(28,866)	**(28,866)**
Total transactions with owners		**5,105**	**–**	**–**	**–**	**(28,866)**	**(23,761)**
Balance at the end of the period	9	**148,491**	**34**	**(6,060)**	**174**	**58,969**	**201,608**
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	5	–	–	–	–	(22,254)	**(22,254)**
Total transactions with owners		**6,074**	**–**	**–**	**–**	**(22,254)**	**(16,180)**
Balance at the end of the period	9	**154,565**	**–**	**(1,871)**	**(480)**	**72,456**	**224,670**

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

Consolidated statement of financial position

as at 25 February 2019

$NZ000's	Note	2019	2018
Non-current assets			
Property, plant and equipment	14	**153,400**	157,211
Intangible assets	15	**249,093**	246,257
Deferred tax asset	16	**16,304**	14,955
Derivative financial instruments	7	**339**	538
Total non-current assets		**419,136**	418,961
Current assets			
Inventories	10	**10,226**	12,634
Trade and other receivables	11	**12,109**	8,819
Income tax receivable		**2,734**	–
Cash and cash equivalents	12	**15,034**	10,140
Assets classified as held for sale		**1,038**	2,396
Total current assets		**41,141**	33,989
Total assets		**460,277**	452,950
Equity attributable to shareholders			
Share capital	9	**154,565**	148,491
Reserves	9	**(2,351)**	(5,852)
Retained earnings		**72,456**	58,969
Total equity attributable to shareholders		**224,670**	201,608
Non-current liabilities			
Provision for employee entitlements	17	**782**	813
Deferred income	18	**7,852**	8,876
Loans	6	**145,491**	166,815
Derivative financial instruments	7	**1,100**	510
Total non-current liabilities		**155,225**	177,014
Current liabilities			
Loans	6	**362**	–
Income tax payable		**4,275**	4,167
Creditors and accruals	13	**73,386**	67,548
Provision for employee entitlements	17	**1,567**	1,683
Deferred income	18	**792**	930
Total current liabilities		**80,382**	74,328
Total liabilities		**235,607**	251,342
Total equity and liabilities		**460,277**	452,950

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

Consolidated statement of cash flows

for the 52 week period ended 25 February 2019

$NZ000's	Note	2019	2018
Cash flows from operating activities			
Cash was provided by/(applied to):			
Receipts from customers		**825,540**	763,573
Payments to suppliers and employees		**(731,317)**	(674,371)
Interest paid		**(6,801)**	(5,625)
Payment of income tax		**(16,159)**	(15,809)
Net cash from operating activities		**71,263**	67,768
Cash flows from investing activities			
Cash was (applied to)/provided by:			
Acquisition of business		**–**	(147,502)
Payment for intangibles		**(3,820)**	(4,772)
Purchase of property, plant and equipment		**(33,114)**	(26,353)
Proceeds from disposal of property, plant and equipment		**10,159**	4,064
Landlord contributions received		**46**	1,222
Net cash used in investing activities		**(26,729)**	(173,341)
Cash flows from financing activities			
Cash was provided by/(applied to):			
Proceeds from non-current loans		**336,535**	451,716
Repayment of non-current loans		**(358,487)**	(387,024)
Dividends paid to shareholders		**(17,700)**	(23,700)
Share issue costs		**(58)**	(63)
Net cash (used in)/from financing activities		**(39,710)**	40,929
Net increase/(decrease) in cash and cash equivalents		**4,824**	(64,644)
Cash and cash equivalents at beginning of the period		**10,140**	70,390
Opening cash balances acquired on acquisition		**–**	4,621
Foreign exchange movements		**70**	(227)
Cash and cash equivalents at the end of the period		**15,034**	10,140
Cash and cash equivalents comprise:			
Cash on hand	12	**446**	513
Cash at bank	12	**14,588**	9,627
		15,034	10,140

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

Consolidated statement of cash flows (continued)

for the 52 week period ended 25 February 2019

$NZ000's	2019	2018
Reconciliation of profit after taxation with net cash from operating activities		
Total profit after taxation attributable to shareholders	**35,741**	35,466
Add items classified as investing/financing activities:		
Gain on disposal of property, plant and equipment	**(2,946)**	(648)
FX gain on investing	**–**	(873)
	(2,946)	(1,521)
Add/(less) non-cash items:		
Depreciation	**30,309**	29,599
Share option amortisation	**258**	–
Increase/(decrease) in provisions	**90**	(797)
Amortisation of intangible assets	**5,147**	5,144
Impairment on property, plant and equipment	**3,290**	(60)
Impairment of goodwill	**–**	1,217
Net increase in deferred tax asset	**(1,432)**	(394)
	37,662	34,709
Add/(less) movement in working capital:		
Decrease/(increase) in inventories	**1,732**	(3,864)
Increase in trade and other receivables	**(3,540)**	(4,309)
Increase in trade creditors and other payables	**3,601**	5,723
(Decrease)/increase in income tax payable	**(987)**	1,564
	806	(886)
Net cash from operating activities	**71,263**	67,768
Reconciliation of movement in term loans		
Opening balance	**166,815**	46,482
Net cash flow from financing activities	**(21,952)**	64,692
Acquisitions	**–**	58,890
Foreign exchange movement	**990**	(3,249)
Closing balance	**145,853**	166,815

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

Basis of preparation

for the 52 week period ended 25 February 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 issuer in terms of the Financial Reporting Act 2013. The Group is designated as a for-profit entity for financial reporting purposes.

Subsidiaries of the Company are as follows:

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

2. Basis of preparation

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

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

They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), NZ IFRIC interpretations, and other applicable Financial Reporting Standards, as appropriate for a for-profit entity. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments as identified in the accompanying notes. The financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The Group divides its financial year into 13 four-week periods. The 2019 full year results are for 52 weeks (2018: 52 weeks).

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

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

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

These audited consolidated financial statements were authorised for issue on 16 April 2019 by the Board of Directors who do not have the power to amend after issue.

Notes to and forming part of the financial statements 2019

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Notes to and forming part of the financial statements
for the 52 week period ended 25 February 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 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 non-trading 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.

2019 $NZ000's	**New Zealand**	**Australia**	**Hawaii**	**Corporate support function**	**Total**
Business segments					
Store sales revenue	419,770	191,547	182,729	–	**794,046**
Other revenue	30,556	–	313	–	**30,869**
Total operating revenue	**450,326**	**191,547**	**183,042**	**–**	**824,915**
EBITDA before general and administration expenses	**76,434**	**29,064**	**23,749**	**–**	**129,247**
General and 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 non-trading items	**45,338**	**14,036**	**8,043**	**(2,188)**	**65,229**
Other non-trading items					**(8,997)**
Operating profit (EBIT) after non-trading items					**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**

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

2018 $NZ000's	New Zealand	Australia	Hawaii	Corporate support function	Total
Business segments					
Store sales revenue	421,448	151,844	167,484	–	**740,776**
Other revenue	25,325	–	188	–	**25,513**
Total operating revenue	**446,773**	**151,844**	**167,672**	**–**	**766,289**
EBITDA before general and administration expenses	**76,496**	**22,026**	**24,101**	**–**	**122,623**
General and administration expenses	(12,800)	(5,346)	(7,762)	(1,640)	**(27,548)**
EBITDA after general and administration expenses	**63,696**	**16,680**	**16,339**	**(1,640)**	**95,075**
Depreciation	(16,152)	(6,562)	(5,946)	–	**(28,660)**
Amortisation (included in cost of sales)	(2,182)	(333)	(718)	–	**(3,233)**
Segment result (EBIT) before non-trading items	**45,362**	**9,785**	**9,675**	**(1,640)**	**63,182**
Other non-trading items					**(5,429)**
Operating profit (EBIT) after non-trading items					**57,753**
Current assets	19,140	7,377	7,500	–	**34,017**
Non-current assets	115,552	148,063	154,808	–	**418,423**
Total assets	**134,692**	**155,440**	**162,308**	**–**	**452,440**
Capital expenditure including intangibles	19,907	5,198	6,298	–	**31,403**

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

$NZ000's	2019	2018
EBIT after non-trading items	**56,232**	57,753
Financing costs	**(6,797)**	(5,604)
Net profit before taxation	**49,435**	52,149
Taxation expense	**(13,694)**	(16,683)
Net profit after taxation	**35,741**	35,466
Add back non-trading items	**8,997**	5,429
Taxation expense on non-trading items	**(2,557)**	(48)
Net profit after taxation excluding non-trading items	**42,181**	40,847

2. Non-trading items

$NZ000's	2019	2018
Non-trading items		
Gain on sale of stores		
Net sale proceeds	**1,848**	588
Property, plant and equipment disposed of	**–**	(95)
	1,848	493
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR) and Pacific Island Restaurants Inc. (PIR)	**(2,035)**	(1,911)
Acquisition costs	**(345)**	(1,598)
Store closure costs	**–**	(325)
ASX listing-related costs	**–**	(608)
FEC Exchange gains	**–**	873
Gain on the sale of Starbucks Coffee	**1,186**	–
Relocation and refurbishment	**(1,021)**	–
Hawaii workers compensation	**(1,625)**	–
Leave remediation	**(3,466)**	(674)
Impairment of assets	**(3,539)**	(879)
Impairment of goodwill	**–**	(1,217)
Gain on store sale and leaseback	**–**	417
Total non-trading items	**(8,997)**	(5,429)

	2019	2018
Acquisition costs comprise the following:		
PIR acquisition costs	**–**	(334)
Other acquisition costs	**(345)**	(1,264)
Total acquisition costs	**(345)**	(1,598)

Leave remediation

Included in non-trading items above is a $3.5 million (2018: $0.7 million) expense relating to 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. This amount represents an estimated provision required for periods prior to the 2018 financial year.
The $0.4 million provision related to 2018 has been included as part of operating costs in 2018. This has resulted in the reclassification of $0.7 million of costs from cost of goods sold to non-trading items within the 2018 consolidated statement of comprehensive income. The reclassification has been performed to ensure EBIT before non-trading items profit measure is directly comparable between periods.

Impairment of assets

During the period the Group impaired the carrying value of certain fixed assets within the Carl's Jr. brand, refer Note 14.

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 non-trading items and are separately disclosed in the statement of comprehensive income and notes to the financial statements.

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

3. Revenue and expenses

Operating revenue

Store sales revenue

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

Other revenue

Other revenue represents sales of goods and services to independent franchisees. Services revenue is recognised at the point in time in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the service provided as a proportion of the total services to be provided. Sales of goods are measured and recognised on a consistent basis with store sales revenue as noted above. Previously the Group netted freight charges relating to franchisees as an off-set with the cost recovery from the franchisee. This is now included in other income with the costs included in cost of sales.

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 recognised the revenue from new store development sales at the point the ownership of the store is formally transferred to the franchisee.

The Group has adopted NZ IFRS 15 Revenue from contracts with customers from 27 February 2018. The Group has used the modified retrospective method of adoption. No significant changes in the cumulative impact of the adoption were identified hence no adjustment to retained earnings at the date of implementation of the standard. The table below reflects the changes in the 2019 accounts resulting from adoption.

$NZ000's Income statement	As reported under NZ IFRS 15	Adjustment	Balance under prior NZ IFRS
Store sales revenue	794,046	–	794,046
Other revenue	30,869	(1,274)	29,595
	824,915	**(1,274)**	**823,641**

Operating expenses

Royalties paid

$NZ000's	2019	2018
Royalties paid	**47,312**	43,830

Royalties are recognised as an expense as revenue is earned.

Wages and salaries

$NZ000's	2019	2018
Wages and salaries	**229,489**	211,327
(Decrease)/increase in liability for long service leave	**(147)**	189
	229,342	211,516

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.

4. Earnings per share

	2019	2018
Basic earnings per share		
Profit after taxation attributable to the shareholders ($NZ000's)	**35,741**	35,466
Weighted average number of shares on issue (000's)	**124,230**	123,032
Basic earnings per share (cents)	**28.77**	28.83
Diluted earnings per share		
Profit after taxation attributable to the shareholders ($NZ000's)	**35,741**	35,466
Weighted average number of shares on issue (000's)	**124,230**	123,032
Diluted earnings per share (cents)	**28.77**	28.83

Basic earning per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS reflects any commitments the Company has to issue shares in the future that would decrease EPS.

5. Dividend distributions

$NZ000's	2019	2018
Final dividend of 18.0 cents per share paid for the 52 week period ended 26 February 2018 (2017: 13.5 cents per share)	**22,254**	16,584
There was no interim dividend paid for the 52 week period ended 25 February 2019 (2018: 10.0 cents per share)	**–**	12,282
	22,254	28,866

FUNDING AND EQUITY

6. Loans

$NZ000's	2019	2018
Secured bank loans denominated in:		
NZD	**12,200**	28,750
AUD	**77,921**	85,755
USD	**55,732**	52,310
Secured bank loans	**145,853**	166,815

A loan is classified as current if it is due for repayment within 12 months of the Group's year end.

Current	**362**	–
Term	**145,491**	166,815
Secured bank loans	**145,853**	166,815

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 $US51.2 million of which $US13 million expires on 1 August 2019, $US0.3 million expires on 1 February 2020 with the remainder expiring 16 December 2023.

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

Interest rate swaps

The table below summarised the Group's current interest rate swaps. The effective interest rate is inclusive of the swap margin.

Date entered	Face value	Maturity date	Effective interest rate	Swap fair value ($NZ000's)
16 April 2014	$NZ5 million	16 April 2019	5.6%	19
22 January 2017	$NZ10 million	28 January 2022	4.0%	318
25 January 2017	$A15 million	25 January 2022	3.4%	331
14 November 2017	$A20 million	14 November 2022	3.2%	432
22 May 2017	$US10 million	1 June 2022	3.8%	(178)
29 June 2017	$US10 million	1 July 2022	3.8%	(161)
Total				**761**

Security

As security over the AUD and NZD loans, the bank holds a negative pledge deed between Restaurant Brands New Zealand Limited and all its 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 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 monitored and reported to the bank on a six monthly basis. These are reviewed by the Board on a monthly basis.

There have been no breaches of the covenants during the period (2018: no breaches).

The carrying value equates to fair value.

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

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

Financing costs

$NZ000's	2019	2018
Financing expenses	**6,797**	5,604

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

7. Derivatives and hedge accounting

$NZ000's	2019 Liabilities/ (assets)	2018 Liabilities/ (assets)
Term		
Fair value of interest rate swaps	**761**	(28)
	761	(28)

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

There were no transfers between fair value levels during the period (2018: Nil). The fair values are classified as level two.

The fixed interest rates of the swaps used to hedge range between 2.02% and 4.69% (2018: 2.02% to 4.69%) and the variable rates of the loans are between 0.78% and 1.75% above the applicable bank bill rates.

The Company has adopted NZ IFRS 9 from 27 February 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has used the full retrospective method of adoption. No changes from the classification and measurement for financial assets were identified and the impact for changes to incorporate an expected credit method was not significant hence no comparatives have been restated.

The Group's risk management strategies and hedge documentation were updated to align with the requirements of NZ IFRS 9 from 27 February 2018, and these relationships are treated as continuing hedges. The Group's current hedge relationships qualify as continuing cash flow hedges upon the adoption of NZ IFRS 9. Under NZ IFRS 9 the hedged risk is designated as being changes in the 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). Accordingly, the Group does not have a significant impact on the accounting treatment for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under NZ IAS 39. The standard applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade and other receivables. Based on the Group's assessment of historical provision rates and forward-looking analysis, there is no material financial impact on the impairment provisions.

Financial assets

On adoption of NZ IFRS 9 from 27 February 2018, 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.

Financial instruments

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

Non-derivative financial instruments

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

Derivative financial instruments

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

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

Financial assets and financial liabilities by category

$NZ000's	2019	2018
Loans and receivables		
Trade receivables	**595**	556
Other debtors	**6,193**	4,461
Cash and cash equivalents	**15,034**	10,140
	21,822	15,157
Derivatives used for hedging		
Derivative financial instruments – liabilities/(assets)	**761**	(28)
	761	(28)
Financial liabilities at amortised cost		
Loans	**145,853**	166,815
Creditors and accruals (excluding indirect and other taxes and employee benefits)	**52,728**	46,524
	198,581	213,339

8. Financial risk management

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

(a) Foreign currency risk

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

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

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

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

(b) Interest rate risk

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

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

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

As discussed in Note 6, the Group has an interest rate swap in place to fix the interest rate on $A35 million of Australian denominated bank loans to 2022 (2018: $A35 million), $NZ5 million of New Zealand denominated bank loans to 2019, $NZ10 million to 2022 (2018: $NZ5 million to 2019 and $NZ10 million 2022) and $US20 million to 2022 (2018: $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
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%	**(16,810)**	(5,446)	(11,364)
Derivative financial instruments	–	**(761)**	(761)	–
Creditors and accruals (excluding indirect and other taxes and employee benefits)	–	**(52,728)**	(52,728)	–
		(201,118)	**(44,263)**	**(156,855)**
2018				
Cash on hand	–	**513**	513	–
Cash at bank	0.73%	**9,627**	9,627	–
Bank term loan – principal	3.90%	**(28,750)**	–	(28,750)
Bank term loan – principal	2.93%	**(85,755)**	–	(85,755)
Bank term loan – principal	3.25%	**(52,310)**	–	(52,310)
Bank term loan – expected interest	3.27%	**(20,258)**	(5,458)	(14,800)
Derivative financial instruments	–	**28**	28	–
Creditors and accruals (excluding indirect and other taxes and employee benefits)	–	**(46,524)**	(46,524)	–
		(223,429)	**(41,814)**	**(181,615)**

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 $252 million (2018: $253 million) available at variable rates. The amount undrawn at balance date was $106 million (2018: $86 million).

The Group has fixed the interest rate on $NZ15 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.

(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 neither past due nor impaired at balance date (2018: 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.

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

(e) Fair values

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

Sensitivity analysis

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

At 25 February 2019 it is estimated that a general increase of one percentage point in interest rates would decrease the Group profit before income tax and equity by approximately $1.5 million (2018: $1.6 million). A one percentage point decrease in interest rates would increase the Group profit before income tax and equity by approximately $1.5 million (2018: $1.6 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.

9. Equity and reserves

Share capital

	2019 number	2019 $NZ000's	2018 number	2018 $NZ000's
Balance at beginning of year	**123,629,343**	**148,491**	122,843,191	143,386
Share issue costs	**–**	**(58)**	–	(63)
Shares issued November 2017	**–**	**–**	786,152	5,168
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**	123,629,343	148,491

The issued and authorised capital of the Company represents ordinary fully paid up shares. The par value is nil (2018: nil). All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regard to the Company's residual assets.

The shares issued in November 2017 and 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

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

Derivative hedging reserve

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

WORKING CAPITAL

10. Inventories

$NZ000's	2019	2018
Raw materials and consumables	**10,226**	12,634

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.

11. Trade and other receivables

$NZ000's	2019	2018
Trade receivables	**595**	556
Prepayments	**5,321**	3,802
Other debtors	**6,193**	4,461
	12,109	8,819

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

NZD	**7,609**	5,066
AUD	**1,114**	1,011
USD	**3,386**	2,742
	12,109	6,077

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 within the next twelve months.

12. Cash and cash equivalents

$NZ000's	2019	2018
Cash on hand	**446**	513
Cash at bank	**14,588**	9,627
	15,034	10,140

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

NZD	**3,053**	953
AUD	**5,619**	5,767
USD	**6,362**	3,420
	15,034	10,140

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

13. Creditors and accruals

$NZ000's	2019	2018
Trade creditors	**25,711**	28,873
Other creditors and accruals	**27,017**	17,651
Employee benefits	**14,799**	14,767
Indirect and other taxes	**5,859**	6,257
	73,386	67,548

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

NZD	**44,570**	43,353
AUD	**15,674**	13,999
USD	**13,142**	10,196
	73,386	67,548

The carrying value of creditors and accruals approximates fair value.

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

LONG TERM ASSETS

14. Property, plant and equipment

$NZ000's	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
Cost							
Balance as at 27 February 2017	**3,038**	**164,125**	**81,620**	**1,535**	**258**	**1,813**	**252,389**
Additions	–	5,461	3,834	384	–	16,905	26,584
Acquisition of business	–	28,702	12,580	42	–	–	41,324
Transfers from work in progress	–	7,077	7,263	226	–	(14,566)	–
Disposals	(2,380)	(2,456)	(3,297)	(283)	–	–	(8,416)
Movement in exchange rates	–	(898)	(459)	–	–	(25)	(1,382)
Balance as at 26 February 2018	**658**	**202,011**	**101,541**	**1,904**	**258**	**4,127**	**310,499**
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**
Accumulated depreciation							
Balance as at 27 February 2017	**–**	**(76,703)**	**(48,621)**	**(711)**	**(258)**	**–**	**(126,293)**
Charge	–	(16,688)	(12,567)	(344)	–	–	(29,599)
Disposals	–	1,365	2,092	215	–	–	3,672
Movement in exchange rates	–	92	75	1	–	–	168
Balance as at 26 February 2018	**–**	**(91,934)**	**(59,021)**	**(839)**	**(258)**	**–**	**(152,052)**
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)**
Impairment provision							
Balance as at 27 February 2017	**–**	**(1,546)**	**(171)**	**–**	**–**	**–**	**(1,717)**
Charge	–	841	98	–	–	–	939
Utilised/disposed	–	(430)	(28)	–	–	–	(458)
Balance as at 26 February 2018	**–**	**(1,135)**	**(101)**	**–**	**–**	**–**	**(1,236)**
Charge	–	(2,991)	(334)	–	–	–	(3,325)
Utilised/disposed	–	133	16	–	–	–	149
Balance as at 25 February 2019	**–**	**(3,993)**	**(419)**	**–**	**–**	**–**	**(4,412)**
Carrying amounts							
Balance as at 27 February 2017	3,038	85,876	32,828	824	–	1,813	124,379
Balance as at 26 February 2018	658	108,942	42,419	1,065	–	4,127	157,211
Balance as at 25 February 2019	**658**	**103,251**	**38,844**	**1,018**	**–**	**9,629**	**153,400**

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

Depreciation expense

$NZ000's	2019	2018
Depreciation expense	30,163	28,683

Sale of property, plant and equipment

$NZ000's	2019	2018
Net (loss)/gain on disposal of property, plant and equipment (included in depreciation expense)	(146)	23
Net gain on disposal of property, plant and equipment (included in non-trading costs)	3,092	671

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 incom.

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 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.

A review of term assets (primarily PP&E and allocated intangible assets subject to amortisation) is performed semi-annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a restaurant assets may not be recoverable. We evaluate 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. For restaurant assets that are deemed to not be recoverable, the restaurant assets are impaired to the estimated fair value.

Key assumptions in the determination of fair value 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 risked and uncertainty inherent in the forecast cash flows
- the terminal year sales growth is calculated based on the 2021 year and assumes a continuous sales growth of a minimum of projected inflation estimated at 2.5%.

Following a review of the Group's tangible assets for signs of impairment, eight Carl's Jr. stores were identified as having possible impairments. Four stores have 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 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.

Impairment testing was done at concept level for 2018 (refer Note 15), this resulted in the full impairment of Carl's Jr. goodwill and an additional $0.7 million impairment of Carl's Jr. tangible assets.

An impairment of $3.3 million (2018: $0.7 million) is included in non-trading items (refer Note 2) and as part of the impairment provision within property, plant and equipment.

15. Intangibles

$NZ000's	Goodwill	Franchise fees	Favourable leases	Concept development costs	Software costs	Total
Cost						
Balance as at 27 February 2017	**75,649**	**11,752**	**–**	**1,422**	**8,233**	**97,056**
Additions	–	2,446	–	693	1,680	4,819
Acquisition of business	153,177	13,849	4,297	–	–	171,323
Impairment	(1,217)	–	–	–	–	(1,217)
Disposals	(290)	(1,572)	–	(825)	(189)	(2,876)
Movement in exchange rates	(5,275)	(544)	–	–	(1)	(5,820)
Balance as at 26 February 2018	**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**
Accumulated amortisation						
Balance as at 27 February 2017	**(831)**	**(5,992)**	**–**	**(1,113)**	**(4,759)**	**(12,695)**
Charge	–	(3,028)	(718)	–	(1,398)	(5,144)
Disposals	–	766	–	55	123	944
Movement in exchange rates	–	(133)	–	–	–	(133)
Balance as at 26 February 2018	**(831)**	**(8,387)**	**(718)**	**(1,058)**	**(6,034)**	**(17,028)**
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)**

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

Carrying amounts	Goodwill	Franchise fees	Favourable leases	Concept development costs	Software costs	Total
Balance as at 27 February 2017	74,818	5,760	–	309	3,474	84,361
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**

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

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

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.

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

Concept development costs and fees

Concept development costs and fees include certain costs, other than the direct cost of obtaining the franchise, associated with the establishment of quick service and takeaway restaurant concepts. These include, for example, professional fees and consulting costs associated with the establishment of a new brand or business acquisition. These costs are capitalised where the concept is proven to be commercially feasible and the related future economic benefits are expected to exceed those costs with reasonable certainty. These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the period which future economic benefits are reasonably expected to be derived.

Acquired software costs

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

Amortisation

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

$NZ000's	**2019**	2018
Amortisation of intangibles	**5,148**	5,144

Significant judgments and estimates – impairment testing

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

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

$NZ000's	**2019**	2018
KFC Australia	**94,365**	97,341
KFC New Zealand	**3,818**	3,818
Pizza Hut New Zealand	**9,224**	9,224
Taco Bell and Pizza Hut Hawaii	**118,081**	110,830
	225,488	221,213

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	**2019 Sales growth 2020-2022 %**	**2019 EBITDA margin 2020-2022 %**	**2019 EBITDA margin terminal year %**	2018 Sales growth 2019-2021 %	2018 EBITDA margin 2019-2021 %	2018 EBITDA margin terminal year %
KFC New Zealand	**4.0**	**20.2 – 20.5**	**20.5**	3.0 – 3.5	20.0 – 20.7	20.0
Pizza Hut New Zealand	**3.7**	**9.0 – 10.6**	**10.6**	3.0 – 3.5	9.4 – 10.5	12.5
KFC Australia	**3.4**	**15.2 – 15.7**	**15.7**	4.0 – 4.5	15.7	16.0
Taco Bell and Pizza Hut Hawaii	**0.4 – 5.0**	**6.0 – 19.7**	**9.0 - 19.7**	3.0 – 5.0	6.8 – 20.0	10.5 – 20.0

The terminal year sales growth is calculated based on the 2022 year and assumes a continuous sales growth of a minimum of projected inflation estimates of 2.5% (2018: 2.5%).

The discount rate for the New Zealand Brands was 8.9% weighted average post-tax cost of capital (2018: 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 (2018: 8.7%). The discount rate applied to future cash flows for the Taco Bell and Pizza Hut business in Hawaii is based on a 8.8% (2018: 8.8%) 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).

The Carl's Jr. goodwill was fully impaired in FY18.

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

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

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

OTHER NOTES

16. Taxation

Taxation – statement of comprehensive income

The total taxation expense is analysed as follows:

$NZ000's	Note		**2019**		2018
Total profit before taxation for the period	1		**49,435**		52,149
Taxation expense	1		**(13,694)**		(16,683)
Net profit after taxation			**35,741**		35,466
Taxation expense using the Company's domestic tax rate		(28.0%)	**(13,842)**	(28.0%)	(14,602)
(Non-deductible expenses) and non-assessable income		0.2%	**98**	(2.0%)	(1,051)
Adjustments due to different rate in different jurisdictions		0.1%	**50**	(2.0%)	(1,030)
		(27.7%)	**(13,694)**	(32.0%)	(16,683)
Taxation expense comprises:					
Current tax expense			**(15,126)**		(17,077)
Deferred tax credit			**1,432**		394
Net tax expense			**(13,694)**		(16,683)

Imputation credits

$NZ000's	**2019**	2018
Imputation credits available for subsequent reporting periods	**–**	20,209

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 imputation credits balance is nil due to the loss of shareholder continuity following the change of control with Finaccess Capital, S.A de C.V acquiring 75% shareholding in the Group.

The current income tax for the period was calculated using the rate of 28% for New Zealand, 30% for Australia and 21% USA (2018: 28% New Zealand for 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 the USA (2018: 28% New Zealand, 30% Australia and 21% USA).

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

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:

	Assets		Liabilities		Net	
$NZ000's	**2019**	2018	**2019**	2018	**2019**	2018
Property, plant and equipment	**9,497**	7,317	**–**	–	**9,497**	7,317
Inventory	**32**	44	**–**	–	**32**	44
Debtors	**–**	–	**(161)**	(18)	**(161)**	(18)
Provisions	**5,042**	4,129	**–**	–	**5,042**	4,129
Intangibles	**1,718**	1,708	**(2,421)**	(1,483)	**(703)**	225
Other	**2,597**	1,993	**–**	–	**2,597**	1,993
Tax losses	**–**	1,265	**–**	–	**–**	1,265
	18,886	16,456	**(2,582)**	(1,501)	**16,304**	14,955

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

$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**

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

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

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

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

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

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

17. Provision for employee entitlements

$NZ000's	
Balance at 26 February 2018	**2,496**
Created during the period	471
Used during the period	(393)
Released during the period	(179)
Foreign exchange movements	(46)
Balance at 25 February 2019	**2,349**

2019	
Non-current	782
Current	1,567
Total	**2,349**

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

18. Deferred income

$NZ000's	
Balance at 26 February 2018	**9,806**
Created during the period	47
Used during the period	(1,448)
Foreign exchange movements	239
Balance at 25 February 2019	**8,644**

2019	
Non-current	7,852
Current	792
Total	**8,644**

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

Notes to and forming part of the financial statements (continued)
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19. Leases

Lease payments

$NZ000's	2019	2018
Operating rental expenses	**44,510**	40,452

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

$NZ000's	2019	2018
Not later than one year	**36,314**	39,199
Later than one year but not later than two years	**28,690**	32,905
Later than two years but not later than five years	**63,832**	62,439
Later than five years	**67,686**	66,166
	196,522	200,709

The lease periods vary and many have an option to renew. Lease payments are increased in accordance with the lease agreements to reflect market rentals. The table below summarises the Group's lease portfolio.

	Right of renewal		No right of renewal	
	2019	2018	**2019**	2018
Number of leases expiring:				
Not later than one year	**55**	38	**21**	24
Later than one year but not later than two years	**29**	62	**9**	23
Later than two years but not later than five years	**62**	56	**29**	27
Later than five years	**66**	73	**27**	32

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

20. Related party transactions

Parent and ultimate controlling party

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

Transactions with entities with key management or entities related to them

During the period the Group made the following:

- Acquired services totalling $200,685 (2018: $30,239) from AsureQuality Limited, a company of which Company director Hamish Stevens was a director resigning from their board on 31 December 2018. There was no balance owed at balance date (2018: $517 owing).

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

Key management and director compensation

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

$NZ000's	2019	2018
Key management – total benefits	**3,090**	2,499
Directors' fees	**458**	398

Total Group CEO remuneration

$NZ000's	Salary	Short term incentives	Long term incentives	Total remuneration
2019	921	116	–	**1,037**
2018	900	–	–	**900**

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 number of shares issued on 4 December 2018 under the Plan were as follows:

	Number of shares issued
Russel Creedy	252,000
Grant Ellis	126,000
	378,000

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 is 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 subsequent to balance date (refer Note 24 - subsequent events) therefore the remuneration for the shares provided to the Group CEO and Group CFO is not included in the FY19 Group CEO remuneration or the key management total benefits.

21. Commitments

Capital commitments

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

$NZ000's	2019	2018
Store development	**9,259**	4,293

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

22. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (2018: nil).

23. Subsequent events

On 26 March 2019 the partial take over offer by Finaccess Capital S.A. de C.V to acquire up to 75% of the Group was successfully completed. Settlement to shareholders was 1 April 2019.

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

24. 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. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 27 February 2018 that had a material impact on the financial statements.

NZ IFRS 16 leases is effective for the FY20 year, refer Note 28 in regards to the expected impact.

25. Fees paid to auditor

$NZ000's	2019	2018
Audit of financial statements		
Audit and review of financial statements – PwC	553	405
Other services – Performed by PwC		
Executive rewards services	14	–
Specified procedures on landlord certificates	4	4
Review of Starbucks Coffee division report and Yum! Advertising Co-operative report	5	7
ASX listing assurance	–	18
Executive remuneration benchmarking	–	71
Total other services	**23**	100
Total fees paid to auditor	**576**	505

Included in the FY19 audit and review of financial statements fee is $0.1 million relating to additional fees incurred in the completion of the FY18 audit.

26. Donations

$NZ000's	2019	2018
Donations	251	244

27. 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 52 week period ended 25 February 2019 of the closed group consisting of RBNZ, QSR, Restaurant Brands Australia Holdings Pty Limited and Restaurant Brands Australia Pty Limited.

$NZ000's	2019	2018
Financial information in relation to:		
(i) Statement of profit and loss and other comprehensive income		
Operating revenue	213,800	180,713
Earnings before interest and taxation (EBIT)	76,007	35,896
Financial expenses	(3,328)	(3,744)
Profit before taxation	72,679	32,152
Taxation expense	(2,462)	(1,744)
Profit after taxation	**70,217**	30,408
Items that may be reclassified subsequently to the statement of comprehensive income:		
Exchange differences on translating foreign operations	(1,822)	388
Share option reserve	(34)	34
Derivative hedge reserve	(606)	(83)
Taxation expense relating to components of other comprehensive income	182	24
Other comprehensive income net of tax	**(2,280)**	363
Total comprehensive income	**67,937**	30,771
(ii) Summary of movements in retained earnings		
Retained earnings at the beginning of the period	77,483	70,475
Total comprehensive income	67,937	30,771
Net dividends	(22,254)	(28,868)
Share capital issued	6,075	5,105
Retained earnings at the end of the year	**129,241**	77,483

Notes to and forming part of the financial statements (continued)

for the 52 week period ended 25 February 2019

$NZ000's	2019	2018
(iii) Statement of financial position		
Non-current assets		
Property, plant and equipment	**44,006**	43,298
Intangible assets	**97,021**	100,168
Deferred tax asset	**4,593**	4,596
Investment in subsidiaries	**231,790**	231,790
Total non-current assets	**377,410**	379,852
Current assets		
Inventories	**607**	769
Trade and other receivables	**18,341**	17,092
Cash and cash equivalents	**5,838**	5,988
Total current assets	**24,786**	23,849
Total assets	**402,196**	403,701
Equity attributable to shareholders		
Share capital	**154,565**	148,491
Reserves	**(4,747)**	(2,467)
Retained earnings	**(20,577)**	(68,541)
Total equity attributable to shareholders	**129,241**	77,483
Non-current liabilities		
Provision for deferred income and employee entitlements	**560**	274
Amounts payable to subsidiaries	**–**	44,522
Loans	**90,121**	114,505
Derivative financial instruments	**1,100**	510
Total non-current liabilities	**91,781**	159,301
Current liabilities		
Income tax payable	**55**	360
Creditors and accruals	**15,989**	14,261
Provision for employee entitlements	**1,160**	1,322
Amounts payable to subsidiaries	**163,970**	150,464
Total current liabilities	**181,174**	166,917
Total liabilities	**272,955**	326,218
Total equity and liabilities	**402,196**	403,701

28. NZ IFRS 16: Leases (mandatory from 26 February 2019)

This standard replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use' (ROU) asset for virtually all lease contracts. There is an optional exemption for lessees in respect of certain short-term leases and leases of low value assets.

From the date of adoption, the income statement will also be impacted by the removal of operating lease expenses, the recognition of an interest expense applicable to the future lease payment obligations and the recognition of a depreciation expense in respect of the ROU asset.

NZ IFRS 16 will change the accounting for the Group's operating leases and the recognition, measurement and presentation of certain amounts recognised in the balance sheet and income statement. As at reporting date, the Group had non-cancellable operating lease commitments of $197 million (refer Note 19). Upon adoption, NZ IFRS 16 will have a material impact on a number of elements of the Group's balance sheet and income statement. There will also be an impact to both operating and financing activities within the Group cash flow statement, although there is no impact to the net movement on the Group's cash flows.

The Group uses a property system to manage its lease portfolio which also provides calculations showing the financial impact of the new standard as at 26 February 2019 (the mandatory date of adoption). Management were required to make various key judgements, including:

- incremental borrowing rate (IBR) used to discount the ROU assets and the future lease payment obligations;
- lease terms, including any rights of renewal expected to be exercised;
- foreign exchange conversion rates; and
- application of practical expedients and recognition exemptions allowed by the new standard, including in respect of low value assets and short-term lease exemptions.

The new standard allows a choice of transition methods. Management has determined that the most appropriate approach for the Group is to use the modified retrospective method. Using this transition method allowed the Group to retrospectively value the ROU asset on a lease by lease basis. The impact on the balance sheet is approximately $432.0 million increase in lease liabilities, a $364.1 million increase in ROU assets and an increase of $18.8 million in deferred tax asset resulting in a $49.1 million adjustment to equity. The future lease liability will be significantly higher than the lease commitments disclosed in Note 19 primarily due to management decisions in regards to rights of renewals expected to be exercised and the discount rate used on future lease payment obligations.

The financial impact on the income statement for the year of adoption is estimated to be an approximate reduction in net profit before tax of $5.9 million. This is made up of the following estimated differences:

- a $38.1 million decrease in operating lease rental expenses (removed):
- a $25.5 million increase in depreciation (relating to the ROU assets); and
- a $18.5 million increase in interest expense (relating to lease liability finance costs).

There will be no change applicable to the Group's cash flows as a result of adopting the new standard, as operating lease payments will continue to be paid as usual. However due to classification changes both the operating and financing activities within the cash flow statement will be affected. The adjustments above are only for financial reporting purposes.

The estimated potential financial adjustments above are expected to be different from the final result as new leases are entered into, current lease payments are re-negotiated, expectation of exercising rights of lease renewals change and the IBR used is updated.

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 25 February 2019;

– the consolidated statement of comprehensive income for the 52 week period then ended;

– the consolidated statement of changes in equity for the 52 week period then ended;

– the consolidated statement of cash flows for the 52 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 25 February 2019, its financial performance and its cash flows for the 52 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

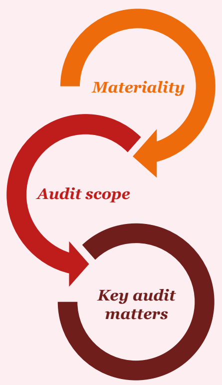
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section 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, review of Yum! Advertising Co-operative report, and executive rewards services. 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: $2.5 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 is one key audit matter:

– Carrying value of Carl's Jr. property, plant and equipment

Materiality

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

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

Audit scope

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 52 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	How our audit addressed the key audit matter
Carrying value of Carl's Jr. property, plant and equipment As disclosed in note 14 of the financial statements, following the full impairment of Carl's Jr. goodwill in 2018, management has performed an impairment assessment of the carrying values of property, plant and equipment at individual Carl's Jr. stores where impairment triggers exist. The carrying value of property, plant and equipment associated with Carl's Jr. is $9.6 million. An impairment charge of $3.3 million was recognised in the financial statements. Our audit has focused on the assets associated with Carl's Jr. given the size of the property, plant and equipment balance, the judgements involved in determining the recoverable amount for each store, and the associated risk of impairment.	We performed the following audit procedures in relation to the Carl's Jr. impairment assessment process: – Through discussions with management and review of management reports showing financial performance for each store, we considered which stores were at risk of impairment as a result of either being loss making or identified for potential closure; – With respect to loss making stores identified for potential closure we confirmed that management fully impaired the carrying value of assets; – With respect to the remaining loss making stores, we checked that management had prepared a value in use model to assess impairment; – We challenged management on key assumptions used in the value in use models including sales growth, EBITDA margins and discount rate; – We reviewed the Carl's Jr. concept historical actual performance to budget to assess the reliability of forecast information; – In relation to identified stores we have assessed whether any make-good provision and onerous lease obligations should be recognised; and – We reviewed the financial statements to ensure appropriate identification and disclosure of key assumptions. In relation to the individual stores' value in use calculations we performed the following procedures: – Tested the mathematical accuracy of the models; – Reviewed forecast cash flows and key assumptions at an individual store level against historical trading performance and evaluated the achievability of management's plans to improve profitability; and – Performed sensitivity analysis over key assumptions to determine a potential range of impairment. We have no matters to report arising from our audit procedures.

Independent auditor's report (continued)

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/auditreport-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:

PricewaterhouseCoopers

Chartered Accountants — Auckland

16 April 2019

Other information

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Shareholder information

as at 16 April 2019 (unless otherwise stated)

1. Stock exchange listings

The Company's ordinary shares are dual listed on the main board equity securities markets operated by the NZX and ASX.

2. Distribution of security holders and security holdings

Size of Holding	Number of security holders		Number of securities	
1 to 999	4,318	63.74%	1,529,889	1.23%
1,000 to 4,999	2,021	29.84%	4,066,564	3.26%
5,000 to 9,999	254	3.75%	1,690,287	1.36%
10,000 to 49,999	159	2.35%	2,771,992	2.22%
50,000 to 99,999	9	0.13%	599,314	0.48%
100,000 to 499,999	9	0.13%	1,888,887	1.51%
500,000+	4	0.06%	112,211,590	89.94%
	6,774	**100.00%**	**124,758,523**	**100.00%**

Geographic distribution				
New Zealand	6,535	96.47%	30,835,100	24.72%
Australia	132	1.95%	175,597	0.14%
Spain	2	0.03%	93,569,125	75.00%
Rest of world	105	1.55%	178,701	0.14%
	6,774	**100.00%**	**124,758,523**	**100.00%**

3. 20 largest registered holders of quoted equity securities

	Number of ordinary shares	Percentage of ordinary shares
Global Valar, S.l.	93,568,919	75.00%
New Zealand Central Securities Depository Limited	17,442,379	13.98%
FNZ Custodians Limited	682,980	0.55%
Investment Custodial Services Limited <A/C C>	517,312	0.41%
Custodial Services Limited <A/C 4>	386,096	0.31%
Custodial Services Limited <A/C 3>	303,710	0.24%
New Zealand Depository Nominee Limited <A/C 1> Cash Account	268,743	0.22%
Custodial Services Limited <A/C 2>	210,120	0.17%
JA Hong Koo & Pyung Keum Koo	189,276	0.15%
Forsyth Barr Custodians Limited <1-Custody>	177,226	0.14%
Custodial Services Limited <A/C 18>	138,622	0.11%
Custodial Services Limited <A/C 16>	109,025	0.09%
Russel Ernest George Creedy	106,069	0.09%
FNZ Custodians Limited <DTA Non Resident A/C>	93,760	0.08%
David Mitchell Odlin	88,591	0.07%
Custodial Services Limited <A/C 1>	71,755	0.06%
Margarete Freeland	61,084	0.05%
Estate Florence Quentin Davies Deceased	59,708	0.05%
Barry John Eagle & Verena Turner <S G Turner Family A/C>	59,708	0.05%
Graham Paul Vincent & Barbara Margaret Vincent	59,708	0.05%
	114,594,791	**91.87%**

New Zealand Central Security Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to its members. As at 16 April 2019, the NZCSD holdings in Restaurant Brands were:

	Number of ordinary shares	Percentage of ordinary shares
Citibank Nominees (New Zealand) Limited – NZCSD	5,318,673	4.26%
HSBC Nominees (New Zealand) Limited – NZCSD	4,941,285	3.96%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct – NZCSD	3,245,931	2.60%
Tea Custodians Limited Client Property Trust Account – NZCSD	1,105,996	0.89%
HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	1,065,249	0.85%
BNP Paribas Nominees (NZ) Limited – NZCSD	627,287	0.50%
National Nominees New Zealand Limited – NZCSD	454,305	0.37%
BNP Paribas Nominees (NZ) Limited – NZCSD	284,626	0.23%
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited – NZCSD	160,264	0.13%
ANZ Custodial Services New Zealand Limited – NZCSD	82,752	0.07%
New Zealand Permanent Trustees Limited – NZCSD	77,120	0.06%
BNP Paribas Nominees (NZ) Limited – NZCSD	65,539	0.05%
Public Trust Class 10 Nominees Limited – NZCSD	9,467	0.01%
Public Trust RIF Nominees Limited – NZSCD	3,885	0.00%
	17,442,379	13.98%

4. Substantial product holders

The following persons had given notices as at 25 February 2019, in accordance with subpart 5 of part 5 of the New Zealand Finance Market Conduct Act 2013 that they were substantial product holders in the Company and held a relevant interest in the number of ordinary shares shown below.

	Date of Notice	Number of ordinary shares	Percentage of voting securities
Global Valar, S.L.	25 February 2019	35,323,978	28.31%
FIL Limited	20 February 2019	6,265,088	5.02%
Stephen Copulos	26 November 2018	10,630,819	8.52%

The number of ordinary shares listed above are as per the last substantial product holder notice filed as at 25 February 2019. As this notice is required to be filed only if the total holding of a shareholder changes by 1% or more since the last notice filed, the number noted in this table may differ from that shown in the list of 20 largest holdings of quoted equity securities on page 86.

5. Shares on issue

As at 25 February 2019, the total number of ordinary shares of the company was 124,758,523.

6. Directors' security holdings

As at 25 February 2019:

	Equity securities held	
	2019	2018
E K van Arkel[1]	**160,609**	158,366
D Beguely[2]	**50,000**	–
S Copulos[3]	**10,630,819**	10,630,819

1. Due to the Finaccess Capital 75% takeover E K van Arkel now holds 29,803 shares.
2. Due to the Finaccess Capital 75% takeover D Beguely now holds 9,279 shares.
3. Due to the Finaccess Capital 75% takeover and subsequent share sales S Copulos now holds no shares.

7. NZX waivers

No waivers have been granted by the NZX during the financial year ended 25 February 2019.

Statutory information

For the 52 week period ended 25 February 2019

1. Directorships

The names of the directors of the Company as at 16 April 2019 are set out on pages 44 and 45 of this annual report. As at 25 February 2019 the directors of the Group's subsidiary companies are set out below.

E K van Arkel is a director of all of the Group's subsidiary companies.

H W Stevens is a director of all of the Group's subsidary companies except for Restaurant Brands Australia Pty Limited.

S Copulos is a director of Restaurant Brands Australia Pty Limited, Restaurant Brands Australia Holdings Pty Limited and QSR Pty Limited.

G R Ellis is a director of Restaurant Brands Australia Pty Limited.

2. Directors and remuneration

NZ$000's	Board Fees[1]	Audit and Risk Committee	Health and Safety Committee	Remuneration and Nominations Committee	Total Remuneration
E K van Arkel	142				142
H W Stevens	74	11			85
V Taylor[2]	74			7	81
S Copulos[2]	69				69
D Beguely[2]	74		7		81
	434	**11**	**7**	**7**	**458**

1. Included in Board fees is an additional $5,000 paid to the independent directors due to the additional work associated with the proposed takeover offer from Finaccess Capital.
2. V Taylor, S Copulos and D Beguely retired from the Restaurant Brands Board of Directors on 1 April 2019.

3. Entries recorded in the interests register

The follow entries were recorded in the interests register of the Company and its subsidiaries during the year ended 25 February 2019:

(a) Share dealings of Directors

No shares were bought or sold by directors during the 52 week period ended 25 February 2019. However as part of the Finaccess Capital takeover process, on 25 November 2018 S Copulos entered into a lock-in deed under which he agreed to accept the Finaccess offer. Also on 25 November 2018 E K van Arkel and D Beguely announced that they intended to accept the offer. With the successful completion of the take over process on 1 April 2019 S Copulos sold 8,658,078 shares, E K van Arkel 130,806 shares and D Beguely 40,721 shares to Finaccess Capital.

(b) Loans to Directors

There were no loans to directors during the 52 week period ended 25 February 2019.

(c) General disclosure of interest

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

Name	Position	Party
E K van Arkel	Director and Shareholder	Van Arkel & Co Limited
	Director and Shareholder	Lang Property Limited
	Director	Danske Mobler Limited
	Director	Auckland Regional Chamber of Commerce & Industry Limited
	Director	Philip Yates Family Holdings Limited (and subsidiaries)
H W Stevens	Chairman	The Kennedys Limited
	Chairman	East Health Services Limited (and subsidiaries)
	Independent Chairman	Audit and Risk Committee, Waikato Regional Council
	Director	Counties Power Limited (and subsidiaries)
	Director	Pacific Radiology Group Limited
	Director	Marsden Maritime Holdings Limited
	Director	Ormiston Health Properties Limited
	Director and Shareholder	Governance & Advisory Limited
	Director	Pharmaco (N.Z.) Limited (and subsidiaries)
	Director	Botany Health Hub Limited
S Copulos[1]	Managing Director	Copulos Group of Companies
	Director	Citywest Corp Pty Ltd
	Director	Eyeon no 2 Pty Ltd
	Director	Eyeon QSR Pty Ltd
	Director	Over 50 private companies and trusts within the Copulos Group
	Chairman and Major Shareholder	Crusader Resources Limited
	Chairman and Major Shareholder	Consolidated Zinc Limited
	Director	Copulos Foundation Private Ancillary Fund
V Taylor[1]	Director	Real Journeys Limited
	Director and Shareholder	Ugly Duckling Trading Company Limited
	COO and Shareholder	Smartfoods Limited
D Beguely[1]	Advisory Board Member	Beak & Johnston Pty Ltd
	Director	Tiakarete Pty Ltd
	Board Member	Alliance for Gambling Reform
	Chairman	B&J City Kitchen Pty Limited

1. S Copulos, V Taylor and D Beguely retired from the Restaurant Brands Board of Directors on 1 April 2019.

(d) Directors' indemnity and insurance

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

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

Statutory information (continued)

For the 52 week period ended 25 February 2019

4. Employees' remuneration

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

	Number of employees	
	2019	2018
$100,000 – $109,999	**19**	17
$110,000 – $119,999	**8**	8
$120,000 – $129,999	**5**	6
$130,000 – $139,999	**5**	9
$140,000 – $149,999	**3**	5
$150,000 – $159,999	**8**	3
$160,000 – $169,999	**–**	1
$170,000 – $179,999	**1**	1
$180,000 – $189,999	**2**	4
$190,000 – $199,999	**1**	–
$200,000 – $209,999	**2**	–
$210,000 – $219,999	**1**	2
$220,000 – $229,999	**3**	1
$230,000 – $239,999	**–**	2
$240,000 – $249,999	**1**	2
$250,000 – $259,999	**1**	3
$260,000 – $269,999	**2**	1
$270,000 – $279,999	**1**	–
$280,000 – $289,999	**2**	–
$340,000 – $349,999	**1**	–
$360,000 – $369,999	**–**	2
$370,000 – $379,999	**–**	1
$380,000 – $389,999	**1**	–
$410,000 – $419,999	**1**	–
$420,000 – $429,999	**–**	1
$430,000 – $439,999	**–**	1
$450,000 – $459,999	**1**	–
$460,000 – $469,999	**1**	–
$890,000 – $899,999	**–**	1
$1,030,000 – $1,039,999	**1**	–
	71	71

5. Subsidiary company directors

No employee of the Company appointed as a director of the Company or its subsidiaries receives, or retains any remuneration or benefit, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosure under Note 4 above.

Statement of corporate governance

For the 52 week period ended 25 February 2019

Overview

Restaurant Brands New Zealand Limited (the Company) is listed on the NZX Main Board and as a Foreign Exempt Listing on the ASX (both under the ticker code "RBD").

The board is committed to having best-practice governance structures and principles and to following the guiding values of the Company: integrity, respect, continuous improvement and service. In this part of the annual report, we provide an overview of the Company's corporate governance framework. It is structured to follow the recommendations set out in the NZX Corporate Governance Code 2017 (the "NZX Code") and discloses how the Company is applying these recommendations.

The board considers that as at 25 February 2019, the corporate governance practices it has adopted are in compliance with the NZX Code.

Principle 1 – Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Group Ethical Conduct Policy

The Company's Group Ethical Conduct Policy sets out the ethical standards the board expects all directors, officers, employees, contractors and agents to adhere to when they represent the Company and its subsidiaries. The policy covers a wide range of areas including: standards of professional behaviour, compliance with laws and policies, conflicts of interest, gifts and entertainment and proper use of Company assets and information. The policy requires the reporting of breaches (or suspected breaches) of the policy.

In addition, each geographic business unit of the Company (ie New Zealand, Australia and Hawaii) (referred to as a Local Operating Division) is empowered to adopt specific policies and/or procedures that complement, enhance or supplement the general standards set out in the Group Ethical Conduct Policy if appropriate for that Local Operating Division.

The Group Ethical Conduct Policy is available on the Company's website and is subject to biennial reviews (next review scheduled for December 2019).

Interests register

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

Group Securities (Insider Trading) Policy

The Group Securities (Insider Trading) Policy details the Company's securities trading policy and includes restrictions on and procedures for directors, employees and contractors of the Company and its subsidiaries and/or associated companies trading in the Company's financial products. In particular, the policy:

- prohibits trading by an individual holding non-public material information about the Company;
- requires all directors, officers, employees and contractors of the Company to obtain permission before trading can occur; and
- prohibits directors, the Group CEO, Group CFO and direct reports to the Group CEO and Group CFO from trading outside of set 8 week trading windows that follow:
  - the release of half and full year results; or
  - the issuance of a "cleansing statement" under the Financial Markets Conduct Act 2013.

Statement of corporate governance (continued)

for the 52 week period ended 25 February 2019

Principle 2 – Board composition & performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Responsibilities of the board

The board is responsible for the proper direction and control of the Company's activities and is the ultimate decision-making body of the Company. The board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation. The Board Charter is available for viewing on the Company's website.

The key responsibilities of the Board under the Board Charter include setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

Delegation

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

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

Composition and focus

The Company's constitution prescribes a minimum of three directors and, as at 25 February 2019, the board comprised five non-executive directors (including the Chairman). Following the completion of the Finaccess Capital partial takeover offer on 1 April 2019, David Beguely, Vicky Taylor and Stephen Copulos resigned as directors of the Company and José Parés and Emilio Fullaondo were appointed as directors. As at the date of publication of this annual report, the board comprises four non-executive directors (including the Chairman).

Profiles of the current directors, together with a summary of skill sets included in the "Board of Directors" section of this annual report and on the Company's website.

As at 25 February 2019, Ted van Arkel, David Beguely, Hamish Stevens and Vicky Taylor were considered by the board to be independent under the NZX Listing Rules as they are not executives of the Company and do not have any direct or indirect interests or relationships that could reasonably influence, in a material way, their decisions in relation to the Company. Stephen Copulos was considered not to be independent because through his associated entities, he was a substantial product holder in the Company. Emilio Fullaondo was considered by the board to be independent under the NZX Listing Rules as he is not an executive of the Company and does not have any direct or indirect interests or relationships that could reasonably influence, in a material way, his decisions in relation to the Company. José Parés was not considered to be independent as he represents a substantial product holder in the Company.

The board does not have a policy on a minimum number of independent directors.

The roles of Chairman of the board and Chief Executive Officer are exercised by separate persons. In addition to committee responsibilities (below), individual board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

Shareholding

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

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

Nomination and appointment

The board has adopted a Director Nomination and Appointment Procedure. This procedure is administered by the Remuneration and Nominations Committee and includes guidelines relating to board composition, considerations for new director appointments and the process by which potential directors are nominated and assessed.

Written agreement

The Director Nomination and Appointment Procedure requires the terms of appointment for all new directors to be set out in a formal letter of appointment and also stipulates that new directors are to receive induction training regarding the Company's values and culture, governance framework, the Group Ethical Conduct Policy, Board and Committee policies, processes and key issues, financial management and business operations.

Diversity

The Company and the board are committed to promoting a diverse and inclusive workplace. This is outlined in the Group Diversity Policy which is available on the Company's website. The Company endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of its shareholders and customers.

As at 25 February 2019, the gender balance of the Company's directors, officers and all employees is as follows:

	Directors				Officers*				Employees			
	2019		2018		**2019**		2018		**2019**		2018	
Female	**1**	**20%**	1	20%	**2**	**29%**	–	0%	**4,463**	**50%**	4,782	53%
Male	**4**	**80%**	4	80%	**5**	**71%**	5	100%	**4,388**	**50%**	4,274	47%
Total	**5**	**100%**	5	100%	**5**	**100%**	5	100%	**8,851**	**100%**	9,056	100%

* "Officers" is defined in the NZX Listing Rules as only including those members of management who report directly to the board or report directly to a person who reports to the board. Following the Company's corporate restructure in 2017, the Group CEO is the only direct report to the board and the Group CFO, CPO and CMO together with the three Local Operating Division CEOs are the direct reports to the Group CEO.

The Group Diversity Policy requires the Remuneration and Nominations Committee to develop and recommend to the board a set of measurable goals for the Company to drive achievement of the objectives of the policy. The board considers that while the performance of the Company during FY19 in relation to most of the systemic elements of the Group Diversity Policy was satisfactory, the inability to finalise a set of measurable goals for the Company to drive achievement of the objectives of the policy during FY19 was disappointing.

Board appraisal and training

The board has adopted a performance appraisal programme by which it biennially monitors and assesses individual and board performance. The most recent review covering the performance of the board, the board committees and individual directors against the relevant charters, corporate governance policies and agreed goals and objectives was carried out with the assistance of an external facilitator in January 2018.

The Company does not impose any specific training requirements on its directors but does expect all directors to carry out appropriate training to enable them to effectively perform their duties. New directors complete an induction programme with company senior management.

Access to resources and advice

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2019 financial year, no director sought their own independent professional advice, but the board sought external advice and/or assistance with respect to:

- vesting of the senior executive long term incentive scheme; and
- business valuation considerations.

Re-election

Under the Company's constitution and current NZX Listing Rules (the Listing Rules dated 1 October 2017), one third of the directors are required to retire from office at the Company's Annual Shareholders' Meeting but may seek re-election at that meeting. Each of Ted van Arkel and Stephen Copulos retired by rotation and were re-elected at the Company's 2018 Annual Shareholders' Meeting.

On 1 July 2019, the Company will transition to the new NZX Listing Rules (the Listing Rules dated 1 January 2019). Under the new NZX Listing Rules, directors of the Company must not hold office (without re-election) past the third Annual Shareholders' Meeting following their appointment or three years (whichever is later) but may seek re-election at that meeting.

Statement of corporate governance (continued)

for the 52 week period ended 25 February 2019

Meetings

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

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

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

The Group CEO and Group CFO are regularly invited to attend board meetings and participate in board discussion. Directors also meet with other senior executives on items of particular interest.

Board and committee meeting attendance for the period ended 25 February 2019 was as follows:

Name	Board meetings held	Board meetings attended	Audit and Risk Committee meetings held	Audit and Risk Committee meetings attended	Health and Safety Committee meetings held	Health and Safety Committee meetings attended	Appointments and Remuneration Committee meetings held	Appointments and Remuneration Committee meetings attended
E K van Arkel	23	22	3	3	1	1	1	1
H W Stevens	23	23	3	3	1	–	1	1
S Copulos	23	21	3	1	1	–	1	1
V Taylor	23	23	3	3	1	1	1	1
D E Beguely	23	22	3	3	1	1	1	1

Principle 3 – Board committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

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

Audit and Risk Committee

As at 25 February 2019, the members of the Audit and Risk Committee were Hamish Stevens (Chair), Ted van Arkel, David Beguely, Stephen Copulos and Vicky Taylor. Following the completion of the Finaccess Capital partial takeover offer on 1 April 2019, the membership of the Audit and Risk Committee comprised of Hamish Stevens (Chair), Ted van Arkel, José Parés and Emilio Fullaondo. This committee is constituted to monitor the veracity of the financial data produced by the Company, ensure controls are in place to minimise the opportunities for fraud or for material error in the accounts and to oversee the operation of the Company's Risk Management Framework (discussed in more detail in the "Risk Management Framework" section under Principle 6). A majority of the committee's members must be independent directors and executive directors may not be members of the committee.

The Audit and Risk Committee meets two to three times a year. External auditors of the Company, senior management and executives performing internal audit management from within the Company attend by invitation. The external auditors also meet separately with the Audit and Risk Committee with no members of management present.

The Audit and Risk Committee has adopted a charter setting out the parameters of its relationship with internal and external audit functions. The charter (which is available on the Company's website) requires, among other things, five yearly reviews of the external audit relationship and audit partner rotation.

Remuneration and Nominations Committee

As at 25 February 2019, the members of the Remuneration and Nominations Committee were Vicky Taylor (Chair), Ted van Arkel, David Beguely, Stephen Copulos and Hamish Stevens. Following the completion of the Finaccess Capital partial takeover offer on 1 April 2019, the membership of the Remuneration and Nominations Committee comprised of Ted van Arkel, Hamish Stevens, José Parés and Emilio Fullaondo. As the committee has not met since 1 April 2019, it currently does not have a Chair. This committee is constituted to administer the Director Nomination and Appointment Procedure, approve appointments of senior executives of the Company (principally the Group CEO and those reporting directly to the Group CEO) and make recommendations to the board in relation to terms of remuneration for non-executive directors and senior executives. It also reviews any company-wide incentive and share option schemes as required and recommends remuneration packages for directors to the shareholders.

The Remuneration and Nominations Committee has adopted a written charter which is available on the Company's website.

Health and Safety Committee

As at 25 February 2019, the members of the Health and Safety Committee were David Beguely (Chair), Ted van Arkel, Stephen Copulos, Hamish Stevens and Vicky Taylor. Following the completion of the Finaccess Capital partial takeover offer on 1 April 2019, the membership of the Health and Safety Committee comprised of Ted van Arkel, Hamish Stevens, José Parés and Emilio Fullaondo. As the committee has not met since 1 April 2019, it currently does not have a Chair. This committee is constituted to assist the board to provide leadership and policy in discharging its health and safety governance duties. In particular, the Health and Safety Committee is responsible for administering the Company's Health and Safety Framework, monitoring and assessing the Company's Health and Safety performance and developing Health and Safety targets/objectives for the business.

The Terms of Reference for the Health and Safety Committee are set out in the Board Health and Safety Charter which is available on the Company's website.

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

Takeover protocols

The board has adopted a set of Takeover Procedures and Protocols to be followed if there is a takeover offer for the Company. The Takeover Procedures and Protocols provides for the formation of a committee of independent directors to consider and manage a takeover offer in accordance with the Takeovers Code.

Principle 4 – Reporting and disclosure

"The board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."

Continuous Disclosure Policy

The board and Company are committed to promoting shareholder and market confidence through open, timely and accurate communication in compliance with the Company's continuous disclosure obligations under the NZX and ASX Listing Rules and the Financial Markets Conduct Act 2013. The Company's Group Continuous Disclosure Policy contains processes and procedures for ensuring that there is full and timely disclosure of market sensitive information to all shareholders and other market participants and also outlines the responsibilities in relation to the identification, reporting, review and disclosure of material information. The board has appointed a Disclosure Officer to administer this policy.

Charters and policies

Copies of the Company's key governance documents (including the Board Charter, Committee Charters, Group Diversity Policy, Group Continuous Disclosure Policy, Group Director and Senior Executive Remuneration Policy, Group Ethical Conduct Policy and Group Securities (Insider Trading) Policy are available in the "Governance" section of the Company's website.

Financial reporting

The board is committed to ensuring integrity and timeliness in its financial reporting and providing information to shareholders and the wider market which reflects a considered view on the present and future prospects of the Company.

The Audit and Risk Committee oversees the quality and integrity of the Company's external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half year financial statements and makes recommendations to the board concerning the application of accounting policies and practice, areas of judgement, compliance with accounting standards, stock exchange and legal requirements as well as the results of the external audit.

While the Audit and Risk Committee ultimately oversees the quality of the Company's external financial reporting, the Company's management also provides confirmation in writing to the board that the Company's external financial reports represent a true and fair representation of the financial performance of the Company.

Non-financial reporting

The Company's Environmental, Social and Governance Report is set out earlier in this annual report. The Company recognises that it is in the early stages of reporting on non-financial information and intends to continue to develop the environmental, social and governance reporting framework adopted for this annual report.

Statement of corporate governance (continued)

for the 52 week period ended 25 February 2019

Principle 5 - Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Board remuneration

The Company's approach to the remuneration of directors and senior executives is set out in the Company's Director and Senior Executives Remuneration Policy. The board's Remuneration and Nominations Committee reviews director and senior executive remuneration and makes recommendations to the board after taking into account the requirements of the policy. The Remuneration and Nominations Committee's membership and role are set out in more detail under Principle 3 above.

The current total pool of director fees authorised at the Annual Shareholders' Meeting on 21 June 2018 is $475,000 per annum.

At the 21 June 2018 Annual Shareholders' Meeting, shareholders approved an increase in directors' fees from $65,000 to $75,000 for each non-executive director and from $125,000 to $145,000 per annum for the Chairman. In addition, shareholders approved increases in the annual fees to the Chair of the Audit and Risk Committee from $10,000 to $15,000 per annum and from $5,000 to $7,500 to the Chairs of each of the Remunerations and Nominations Committee and the Health and Safety Committee. Refer to the Statutory Information section of this annual report for more detail.

On 6 December 2018, the board approved an additional ad-hoc payment of $5,000 to each independent director (from within the total fee pool authorised by shareholders at the 21 June 2018 Annual Shareholders' Meeting) in recognition of the increased commitment required from the independent directors during FY19 brought about by the Finaccess Capital partial takeover offer.

No directors currently take a portion of their remuneration under a performance-based equity compensation plan, although a number of directors do hold shares in the Company. Directors do not receive additional remuneration or benefits in connection with any directorship they may hold of subsidiaries of the Company.

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

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

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

Group Chief Executive Officer remuneration

The remuneration arrangements that were in place during the period ended 25 February 2019 for the Group CEO consisted of a base salary, short term incentive scheme and a long term incentive scheme. Details of the Group CEO remuneration arrangements (including the amounts paid in 2018 and 2019 financial years) are set out at Note 20 to the 2019 financial statements in this annual report.

Principle 6 - Risk management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk management framework

The Company has a Risk Management Framework for identifying, monitoring, managing and controlling the material risks faced by the business. While the board is ultimately responsible for the effectiveness of the Company's Risk Management Framework, the Risk and Audit Committee administers the Risk Management Framework and:

- receives and reviews regular risk reporting from management;
- provides recommendations to the board in relation to:
  - key/material risk identification and appetite levels;
  - whether the Company's processes for managing risks are sufficient; and
  - incidents involving serious fraud or other material break-down/failing of the Company's internal controls;
- periodically reviews:
  - key/material risks that have been identified and the controls in place to manage them; and
  - the Company's business activities to identify likely sources of new risks; and
- confirms the robustness of the Risk Management Framework to the board on an annual basis.

The Committee is required to review the Risk Management framework at least biennially and conducts regular deep dive assessments of each key/material risk to the Company's business and the associated business controls management have put in place to manage/mitigate these risks.

In managing the Company's business risks, the board approves and monitors additional policies and processes in such areas as:

- Internal Audit – regular checks are conducted by operations and financial staff on all aspects of store operations.
- Treasury Management – exposure to interest rate and foreign exchange risks is managed in accordance with the Company's treasury policy.
- Financial Performance – full sets of management accounts are presented to the board at every meeting. Performance is measured against an annual budget with periodic forecast updates.
- Capital Expenditure – all capital expenditure is subject to relevant approval levels with significant items approved by the board. The board also monitors expenditure against approved projects and approves the capital plan.

Insurance

The Company has insurance policies in place covering most areas of risk to its assets and business. These include material damage and business interruption cover at all of its sites. Policies are reviewed and renewed annually with reputable insurers.

Health and safety

The Company's Health and Safety Committee is responsible for reviewing and making recommendations to the board in respect of the Company's health and safety policies, procedures and performance. The Committee's primary responsibility is to ensure that the systems used to identify and manage health and safety risks are fit for purpose and are being effectively implemented, reviewed and continuously improved. The Committee is also responsible for developing health and safety targets/objectives for the business.

Management and the Committee receive detailed reporting on lead and lag indicators of health and safety performance including health and safety incidents, injury rates by severity and mechanism, identified hazards and outputs from local, area and regional employee health and safety forum meetings. The Company has dedicated health and safety experts who investigate incidents, analyse hazard/incident trends to identify and mitigate potential health and safety risks and review, develop and monitor compliance with health and safety processes and procedures.

At an individual store level, comprehensive policies and procedures for carrying out tasks in a safe manner are in place and regularly reviewed to ensure they remain fit-for-purpose. Staff are trained in these policies and procedures as part of their induction. Registers are kept of potential hazards at each store and regular reviews/audits of compliance with health and safety processes and procedures are carried out by internal staff and external providers.

Reporting of lag indicators of Health and Safety performance is contained in the Environmental, Social and Governance Section of this annual report. It is expected that more comprehensive reporting on the Company's health and safety performance will be provided in the future as the Company's environmental, social and governance framework continues to develop.

Statement of corporate governance (continued)

for the 52 week period ended 25 February 2019

Principle 7 – Auditors

"The board should ensure the quality and independence of the external audit process."

External auditor

Oversight of the Company's external audit arrangements is the responsibility of the Audit and Risk Committee. The Committee operates under the Audit and Risk Committee Charter which (among other things) requires the Committee to:

- recommend the appointment of the external auditor;
- set the remuneration and review the performance of the external auditor;
- ensure the relationship with the external auditor is reviewed every five years and that the audit partner is rotated after five years;
- set the scope and work plan of the annual audit and half year review (along with the external auditor and management);
- ensure that no unreasonable restrictions are placed on the external auditor by the board or management;
- ensure that open lines of communication are maintained between the board, internal audit, management and the external auditor; and
- ensure the independence of the external auditor by:
  - reviewing the nature and scope of professional services outside of the external statutory audit role proposed to be provided by the external auditor and approving or declining their use in light of the requirement for external auditor independence;
  - monitoring any approved services outside of the external statutory audit role provided by the external auditors to ensure that the nature and scope of such professional services does not change in a manner that could be perceived as impacting on the external auditor's independence;
  - reviewing the nature and scope of professional audit services proposed to be provided by firms other than the external auditor and approving or declining their use in light of the requirement for external auditor independence; and
  - reviewing and approving or declining any proposed employment by the Company or its subsidiaries of any former audit partner or audit manager.

The Audit and Risk Committee receives an annual confirmation from the external auditor as to their independence from the Company. The external auditor regularly meets with the Committee (including meetings without management present) and attends the Company's Annual Shareholders' Meeting where the lead audit partner is available to answer questions from shareholders.

Internal audit

The Audit and Risk Committee is responsible for the integrity and effectiveness of the Company's internal audit function. The Company has an internal audit team that performs assurance and compliance reviews across the Company's operations as part of an annual programme of work agreed with the Audit and Risk Committee. While the internal audit function has historically focussed on loss-prevention and fraud, it also carries out reviews of the wider control environment within the Company.

Principle 8 – Shareholder rights & relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder communication

The board places importance on effective shareholder communication. Half year and annual reports are published each year and posted on the Company's website, together with quarterly sales releases, profiles of directors and key members of management, key governance documents and copies of investor presentations. From time to time the board may communicate with shareholders outside this regular reporting regime.

Shareholders are provided with the option of receiving communications from the Company electronically.

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

Shareholder meetings

Shareholder attendance at annual meetings is encouraged and the board allows extensive shareholder debate on all matters affecting the Company. The Company complies with its obligations under the Companies Act 1993 and the NZX Listing Rules in relation to obtaining shareholder approval for major decisions/actions that may change the nature of the company shareholders have invested in.

Notice of the Company's Annual Shareholders' Meeting will be available at least 28 working days prior to the date of the meeting.

In accordance with the requirements of Rule 6.1.1 of the new NZX Listing Rules (which the Company must comply with from 1 July 2019), voting at the Annual Shareholders' Meeting will be carried out by way of a poll on the basis of one share, one vote.

Corporate directory

Directors
E K (Ted) van Arkel (Chairman)
Hamish Stevens
José Parés Gutiérrez
Emilio Fullaondo Botella

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Level 3
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Share registrar
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PricewaterhouseCoopers

Solicitors
Bell Gully
Harmos Horton Lusk
Meredith Connell

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First Hawaiian Bank
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Financial calendar

Annual meeting
10 July 2019

Financial year end
2 March 2020

Annual profit announcement
April 2020

www.restaurantbrands.co.nz