Restaurant Brands

Restaurant Brands New Zealand Limited

Interim Report 2020
For 28 weeks ended 9 September 2019

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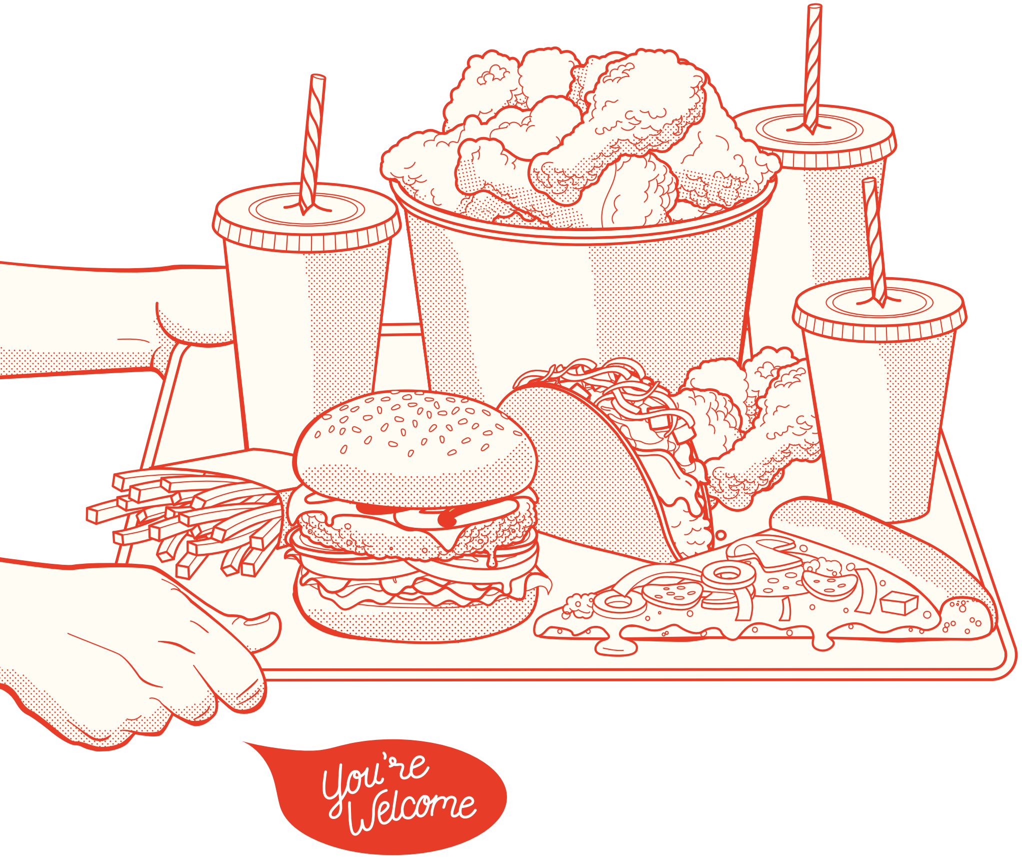
MORE

Much more_

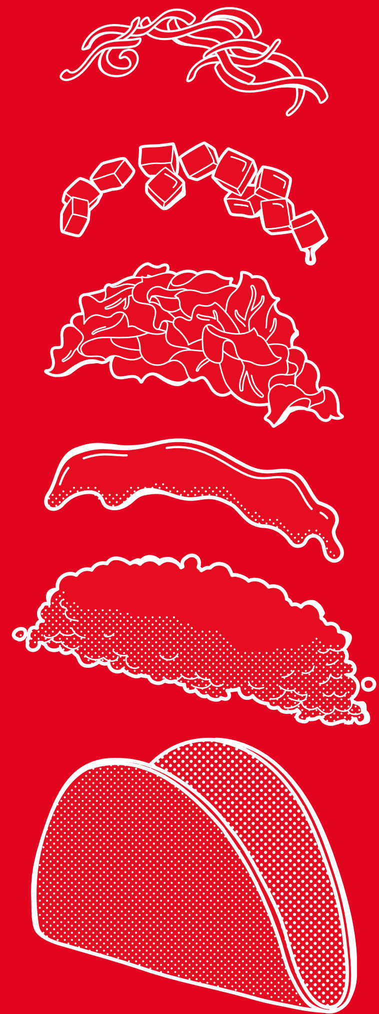
MORE STRONG LEADERSHIP MORE BRANDS MORE GROWTH MORE INTERNATIONAL REACH MORE SUCCESS LOTS MORE JOY

What's inside_

Restaurant Brands New Zealand Limited operates the KFC, Pizza Hut, Taco Bell and Carl's Jr. brands in New Zealand, the KFC and Taco Bell brands in Australia and the Taco Bell and Pizza Hut brands in Hawaii, 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.



Key points_



Total sales _
were $442.6 million, up $11.6 million on the previous half year and up $24.6 million (+5.7%) on a like-for-like basis (excluding the Starbucks Coffee sales in 1H 2019). The bulk of the increase is attributable to KFC in New Zealand and Taco Bell in Hawaii.

Net profit after taxation _
for the 28 weeks ended 9 September 2019 (1H 2020) was $20.0 million (16.0 cents per share), down $0.4 million on the prior period (1H 2019). Net profit after tax was adversely impacted $2.9 million by the adoption of the new lease accounting standard NZ IFRS 16.

Net profit after taxation (excluding non-trading items and the effect of NZ IFRS 16) _
was $25.0 million (20.0 cents per share), up $3.2 million or +14.4% on the prior period.

Total concept EBITDA _
was up $3.4 million to $72.6 million with the New Zealand businesses delivering an increase of $1.8 million, despite the loss of the Starbucks Coffee contribution of $2.1 million due to the sale of the business in October 2018. A further $1.3 million was generated in Hawaii with a strong Taco Bell performance.

Group operating results_

	1H 2020 $NZm	1H 2019 $NZm	Change $NZm	Change (%)
Total Group sales	**442.6**	431.0	+11.6	+2.7
Group NPAT (reported)	**20.0**	20.4	-0.4	-2.0

Directors are pleased to report the Restaurant Brands New Zealand Limited (RBD on NZX) results for 1H 2020, with a Group Net Profit after Tax (NPAT) of $20.0 million, $0.4 million down on the same period last year.

The underlying NPAT (excluding non-trading items and the effect of the adoption of the new lease accounting standard NZ IFRS 16) is $25.0 million, an increase of 14.4% on 1H 2019. When also taking into account the profit effect of $1.1 million relating to the Starbucks Coffee business sold in October 2018 the ongoing business NPAT is $4.3 million (19.7%) ahead of 1H 2019.

Total store sales for the Group were $442.6 million, up $11.6 million or +2.7% on 1H 2019. This is despite the loss of $13.0 million in Starbucks Coffee sales in 1H 2019. Total operating revenue was $458.8 million, up $12.9 million on prior period.

Combined brand EBITDA at $72.6 million was $3.4 million (+5.0%) up on 1H 2019, largely because of increased performance of KFC New Zealand which delivered an additional $4.8 million.

Restaurant Brands' store numbers now total 285, down 20 on the 1H 2019 (due primarily to the sale of the 22 Starbucks Coffee stores) and comprise 145 in New Zealand, 79 in Hawaii and 61 stores in Australia.

New Zealand operations_

New Zealand operating revenue was $246.8 million, up $2.0 million or +0.8% on 1H 2019.

Total store sales were $230.8 million, an increase of $0.6 million (+0.2%) on last period, with EBITDA of $43.0 million, a $1.8 million or +4.3% improvement on 1H 2019, driven mainly by the continued strong performance of the KFC business.

New Zealand operations produced an EBIT (before non-trading items and lease adjustments) of $25.9 million, up 9.1% on the prior period.

KFC New Zealand

	1H 2020 $NZm	1H 2019 $NZm	Change $NZm	Change (%)
Network sales	**204.6**	190.2	+14.4	+7.6
Network store numbers	**103**	100		
RBD sales	**193.5**	179.3	+14.2	+7.9
RBD store numbers	**97**	94		
RBD EBITDA	**41.8**	37.0	+4.8	+12.9
EBITDA as a % of sales	**21.6**	20.6		

Restaurant Brands' KFC New Zealand sales were $193.5 million, up 7.9% or $14.2 million on prior period with same store sales up 5.7%. Continuing successful product promotions, the further roll out of delivery and the effect of opening three new stores during the period have helped drive the strong sales growth.

Margins remained strong at 21.6% of sales. In dollar terms EBITDA totalled $41.8 million, up $4.8 million (+12.9%) on prior period's result.

Both company-owned and total network store numbers increased by three to a total of 97 and 103 respectively with the opening of the Tauranga Crossing, Bombay and Courtenay Place stores. The latter is the second in the new CBD-format, following the success of the Fort Street store which opened in 2017.

Pizza Hut New Zealand

	1H 2020 $NZm	1H 2019 $NZm	Change $NZm	Change (%)
Network sales	**53.6**	55.8	-2.3	-4.0
Network store numbers	**100**	98		
RBD sales	**18.3**	20.5	-2.1	-10.5
RBD store numbers	**30**	29		
RBD EBITDA	**0.5**	1.5	-1.0	-65.6
EBITDA as a % of sales	**2.7**	7.1		

Restaurant Brands' Pizza Hut store sales were down $2.1 million to $18.3 million, despite an increase in the company's store network to 30 stores. Same store sales from Restaurant Brands' stores were also down -4.4% due to continued competitive pressure, the impact of new stores and new food delivery companies coming into the market. A revamped menu launched late in 1H 2020 has had a positive effect on sales and EBITDA which is expected to continue.

Restaurant Brands' Pizza Hut store earnings were $0.5 million (2.7% of sales), down $1.0 million or -65.6% on the equivalent period last year reflecting some sales deleverage, ongoing cost pressures (particularly in relation to increased labour rates) and aggressive price competition in the market.

Total Pizza Hut network sales declined to $53.6 million for the half year, down $2.3 million (-4.0%) on prior period. Network store numbers increased by 2 to 100 at the end of 1H 2020, with company owned stores at 30.

Carl's Jr. New Zealand

	1H 2020 $NZm	1H 2019 $NZm	Change $NZm	Change (%)
Sales	**19.0**	17.5	+1.5	+8.8
EBITDA	**0.8**	0.7	+0.1	+18.0
EBITDA as a % of sales	**4.4**	4.0		
Store numbers	**18**	18		

The Carl's Jr. business demonstrated an improved performance as the half year progressed, driven primarily by the introduction of a delivery channel into a number of stores. The arrangement with our delivery service provider has been successful to date, driving strong same store sales growth.

Sales were up 8.8% (+9.8% on a same store basis) and this has begun to flow through to improved earnings with EBITDA of $0.8 million (4.4% of sales), up 18% on last period.

Store numbers remain the same as prior year at 18 stores.

Taco Bell New Zealand

Initial planning and setup is well under way to bring this exciting new brand to the New Zealand market with the first new store in Auckland targeted to open in November. Initial costs of $0.1 million have been incurred within concept EBITDA with additional general and administration (G&A) expenses.

Australia operations_

In $NZ terms the Australian business contributed total (KFC) sales of $NZ104.8 million (up 1.4%), a store EBITDA of $NZ15.5 million (up 2.3%) and EBIT of $NZ6.8 million (down 1.3%). These results were adversely effected by a strengthening of the NZD-AUD exchange rate.

KFC Australia

	1H 2020 $Am	1H 2019 $Am	Change $Am	Change (%)
Sales	**99.5**	95.5	+4.0	+4.2
EBITDA	**14.8**	14.0	+0.8	+5.7
EBITDA as a % of sales	**14.9**	14.7		
Store numbers	**61**	61		

In $A terms total sales of the KFC business in Australia were $A99.5 million, up $A4.0 million (or +4.2%) on last period. The ongoing store upgrade program has contributed to positive sales growth, coupled with encouraging growth generated through the digital channels, including home delivery, in-store kiosk and mobile app. Same store sales were also strong at +5.9% for the period.

Store EBITDA margins of $A14.8 million (14.9% of sales) were up $A0.8 million or +5.7% on prior period. The strong underlying results are supported by a well-balanced marketing calendar and continued product innovation.

Taco Bell Australia

As with New Zealand the planning and set up is well underway with two Taco Bell stores expected to be opened in New South Wales this calendar year. Initial store set up costs were incurred of $A0.1 million.

Hawaii operations_

Total sales in Hawaii for the period were $US70.9 million with store level EBITDA of $US9.4 million generated equating to 13.3% of sales.

In $NZ terms the Hawaiian operations contributed $NZ106.9 million in revenues, $NZ14.1 million in EBITDA and an EBIT of $NZ5.8 million for the period. These results were all significantly up on the prior period.

Taco Bell Hawaii

	1H 2020 $USm	1H 2019 $USm	Change $USm	Change (%)
Sales	**42.4**	38.6	+3.8	+9.8
EBITDA	**8.4**	7.8	+0.6	+8.0
EBITDA as a % of sales	**19.8**	20.1		
Store numbers	**36**	36		

This half year saw another strong performance from Taco Bell with total sales to date of $US42.4 million, up 9.8% in total and 13.7% on a same store basis. A full promotional programme including both new product releases and the re-introduction of previously successful products, together with initial returns from refurbished stores all helped to drive the strong sales growth.

Store-level EBITDA rose to $US8.4 million (19.8% of sales) driven by the increased sales, although the EBITDA margin is down slightly due to continued cost pressure in labour and ingredients.

Store numbers have remained stable during the period at 36. The Company continues with its refurbishment strategy which has helped to drive sales as store refurbishments are completed. Three new stores and major refurbishments are underway with more planned for next year. The Moanalua store reopened after undergoing a major transformation, delivering sales growth of +29% on its pre-refurbishment levels.

Pizza Hut

Pizza Hut Hawaii

	1H 2020 $USm	1H 2019 $USm	Change $USm	Change (%)
Sales	**28.5**	28.4	+0.1	+0.1
EBITDA	**1.0**	1.0	+0.0	+0.0
EBITDA as a % of sales	**3.5**	3.5		
Store numbers	**43**	45		

Total sales were slightly up for the brand by $US0.1 million. Improved promotional activity has helped drive positive sales growth despite the closure of two stores. Same store sales were up 2.9% for the half year. Despite the US Pizza Hut market continuing to struggle, Pizza Hut Hawaii sales bucked the trend, in particular benefitting from the re-introduction of the Big New Yorker pizza in the Hawaiian market.

EBITDA at $US1.0 million (3.5% of sales) was in line with prior period despite continued margin pressure particularly from higher commodity costs and rising direct labour expense from low unemployment rates.

The company continues with an asset refurbishment strategy that will see a move away from the larger restaurants into smaller, more cost-effective delivery and carry out (delco) units.

Franchise agreements for a considerable number of stores expire before the end of the calendar year and negotiations continue with Yum! as to renewal terms.

Corporate and other_

General and administration (G&A) expenses were $20.9 million, an increase of $1.4 million on prior period. This reflects the impact of some additional headcount from FY19 now rolling into a full year and additional staff and training costs arising from the establishment of the Taco Bell brand. G&A as a % of total revenue was 4.6%, up from 4.4% in the prior period.

Depreciation charges of $29.1 million for the half year were $12.7 million higher than the prior period. This is primarily due to the effect of NZ IFRS 16 which added $14.0 million in lease depreciation. When adjusted for NZ IFRS 16 the depreciation charge was $1.3 million down on the prior period mainly because of the sale of the Starbucks Coffee business sold in FY19.

Financing expenses of $13.4 million were up $9.7 million on prior period primarily due to lease interest of $10.1 million resulting from the adoption of NZ IFRS 16. Bank interest costs were $3.3 million, $0.4 million lower than prior period with reduced borrowing levels.

Tax expense was $7.7 million and in line with the prior period reflecting similar reported profit levels.

Non-trading items_

Non-trading expenditure for the half year was $2.3 million, an increase of $0.2 million on prior period. This year's costs included amortisation of franchise rights acquired on acquisition of QSR Pty Limited and Pacific Island Restaurants Inc. ($1.1 million), store closure costs ($0.3 million) and relocation and major refurbishment costs ($0.6 million).

NZ IFRS 16_

The Group adopted the new lease accounting standard, NZ IFRS 16 on 26 February 2019. The impact of the standard has been significant on the half year financial statements. Net profit after taxation attributable to shareholders has been negatively impacted by $2.9 million as a result of the lease depreciation of $14.0 million and lease interest of $10.1 million (partially off-set by the removal of lease expenses of $20.2 million).

The consolidated statement of financial position has also seen significant changes with total assets increasing over FY 2019 year-end balance by $421.7 million, primarily through the recognition of right of use assets ($356.0 million) and the deferred tax implications of the standard. Total liabilities increased by $442.0 million with the recognition of future lease liabilities of ($428.7 million). The net impact on retained earnings was a reduction of $46.5 million on adoption of the standard with a further $2.9 million reduction in net profit during the period.

Cash flow and balance sheet_

Bank debt at the end of the half year was down to $151.2 million compared to $145.9 million at the previous year end. As at balance date, the Group had bank debt facilities totalling $NZ258.0 million in place. Cash and cash equivalents increased by $26.3 million during the period resulting in net debt reducing by $21.0 million to $109.8 million at the half year.

Operating cash flows continue to improve, up $16.4 million to $63.7 million. However included in this is a $10.1 million increase in relation to NZ IFRS 16 with the remaining $6.3 million due to enhanced earnings, albeit with the assistance of positive working capital movements.

Net investing cash outflows at $27.7 million versus $13.9 million in 1H 2019 reflects the increased level of spend as the Group continues to focus on refurbishing stores throughout the network.

Dividend_

As previously advised, the company is beginning to ramp up its capital expenditure programme. Planning for the opening of more than 60 Taco Bell stores in New Zealand and Australia over the next five years is now underway with the first of these due to open this financial year. This, combined with potential further acquisitions and the refurbishment programme in Hawaii now picking up pace, is beginning to place significant demands on the capital resources of the company. Therefore the directors have resolved there will be no interim dividend for FY20.

Outlook_

The overall business continues to deliver solid results across all geographic markets and this strong performance is expected to continue in the second half of the year.

New store roll outs for the KFC brand will continue in New Zealand and Australia with at least a further two stores opening in each market. The launch of the Taco Bell brand will see two stores opening in both New Zealand and Australia by early 2020. The Hawaiian market will see at least one further Taco Bell transformation completed by the end of the calendar year.

The company continues to evaluate further acquisition opportunities in all three existing markets, together with the US mainland.

On 30 October 2019 the Group announced a change in balance date to 31 December 2019. The Directors believe Net Profit after Taxation (excluding non-trading items and the effect of NZ IFR 16) for the 10 month period will be at least 10% in excess of the comparable period, absent any changes to economic or market conditions.

“The launch of the Taco Bell brand will see two stores opening in both New Zealand and Australia by early 2020.”

Consolidated income statement

for the 28 week period ended 9 September 2019

$NZ000's	9 September 2019 28 weeks	vs Prior %	10 September 2018 28 weeks
Sales			
KFC	193,487	*7.9*	179,264
Pizza Hut	18,309	*(10.5)*	20,452
Starbucks Coffee	–	*(100.0)*	13,049
Carl's Jr.	19,001	*8.8*	17,461
Total New Zealand sales	**230,797**	***0.2***	**230,226**
KFC	104,846	*1.4*	103,391
Total Australia sales	**104,846**	***1.4***	**103,391**
Taco Bell	63,998	*14.0*	56,115
Pizza Hut	42,921	*4.0*	41,255
Total Hawaii sales	**106,919**	***9.8***	**97,370**
Total sales	**442,563**	***2.7***	**430,987**
Other revenue	16,196	*9.0*	14,861
Total operating revenue	**458,759**	***2.9***	**445,848**
Cost of goods sold	(367,136)	*0.2*	(366,536)
Gross margin	**91,623**	***15.5***	**79,312**
Distribution expenses	(2,319)	*15.0*	(2,016)
Marketing expenses	(25,010)	*4.8*	(23,871)
General and administration expenses	(20,933)	*7.2*	(19,523)
EBIT before non-trading items	**43,361**	***27.9***	**33,902**
Non-trading items	(2,312)	*10.4*	(2,095)
EBIT	**41,049**	***29.1***	**31,807**
Financing expenses*	(13,365)	*264.9*	(3,663)
Net profit before taxation	**27,684**	***(1.6)***	**28,144**
Taxation expense	(7,679)	*(0.6)*	(7,726)
Net profit after taxation (NPAT)	**20,005**	***(2.0)***	**20,418**
Net profit after taxation excluding non-trading items and NZ IFRS 16	**25,008**	***14.4***	**21,853**

* 1H 2020 includes $10.1 million of interest paid on leases (refer to note 10).

Consolidated income statement (continued)

for the 28 week period ended 9 September 2019

$NZ000's	9 September 2019 28 weeks	% sales	vs Prior %	10 September 2018 28 weeks	% sales
Concept EBITDA before G&A					
KFC	41,779	*21.6*	*12.9*	37,018	*20.6*
Pizza Hut	499	*2.7*	*(65.6)*	1,450	*7.1*
Starbucks Coffee	–	*n/a*	*n/a*	2,061	*15.8*
Taco Bell	(82)	*n/a*	*n/a*	–	*n/a*
Carl's Jr.	830	*4.4*	*18.0*	704	*4.0*
Total New Zealand	**43,026**	***18.6***	***4.3***	**41,233**	***17.9***
KFC	15,598	*14.9*	*2.6*	15,197	*14.7*
Taco Bell	(59)	*n/a*	*n/a*	–	*n/a*
Total Australia	**15,539**	***14.8***	***2.3***	**15,197**	***14.7***
Taco Bell	12,625	*19.7*	*11.7*	11,305	*20.1*
Pizza Hut	1,446	*3.4*	*(1.7)*	1,471	*3.6*
Total Hawaii	**14,071**	***13.2***	***10.1***	**12,776**	***13.1***
Total concept EBITDA before G&A	**72,636**	***16.4***	***5.0***	**69,206**	***16.1***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(42.5)			(35.6)	

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

Distribution expenses are costs of distributing products from stores.

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

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

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

Non-GAAP financial measures

for the 28 week period ended 9 September 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 eight operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Taco Bell and Carl's Jr.), two Australian divisions (Taco Bell and KFC) and the two Hawaiian divisions (Taco Bell and Pizza Hut). The term **G&A** represents non-store related overheads.

2. **EBIT before non-trading items.** Earnings before interest and taxation ("EBIT") before non-trading items 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 items and NZ IFRS 16.** Total Net Profit After Taxation ("NPAT") excluding non-trading items and NZ IFRS 16 is calculated by taking net profit after taxation and adding back (or deducting) non-trading items and NZ IFRS 16 adjustments whilst also allowing for any tax impact of those items.

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.

Non-GAAP financial measures (continued)

for the 28 week period ended 9 September 2019

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

$NZ000's	Note*	**2020 half year (28 weeks) unaudited**	2019 half year (28 weeks) unaudited
EBITDA before G&A	1	**72,636**	69,206
Depreciation		**(15,149)**	(16,426)
Net loss on sale of property, plant and equipment (included in depreciation)		**(487)**	(112)
Lease depreciation		**(13,996)**	–
Add back lease costs		**20,199**	–
Amortisation (included in cost of sales)		**(1,385)**	(1,920)
General and administration costs - area managers, general managers and support centre		**(18,457)**	(16,846)
EBIT before non-trading items	2	**43,361**	33,902
Non-trading items**	3	**(2,312)**	(2,095)
EBIT after non-trading items	4	**41,049**	31,807
Financing expenses		**(13,365)**	(3,663)
Net profit before taxation		**27,684**	28,144
Taxation expense		**(7,679)**	(7,726)
Net profit after taxation		**20,005**	20,418
Add back IFRS16 impact		**3,871**	–
Taxation expense on IFRS16 impact		**(956)**	–
Net profit after taxation excluding NZ IFRS 16		**22,920**	20,418
Add back non-trading items		**2,312**	2,095
Taxation expense on non-trading items		**(224)**	(660)
Net profit after taxation excluding non-trading items and NZ IFRS 16	5	**25,008**	21,853

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

** Refer to Note 3 of the financial statements for an analysis of non-trading items.

Consolidated statement of comprehensive income

for the 28 week period ended 9 September 2019

$NZ000's	Note	2020 half year (28 weeks) unaudited	2019 half year (28 weeks) unaudited	2019 full year (52 weeks) audited
Store sales revenue		**442,563**	430,987	794,046
Other revenue		**16,196**	14,861	30,869
Total operating revenue		**458,759**	445,848	824,915
Cost of goods sold		**(367,136)**	(366,536)	(675,697)
Gross profit		**91,623**	79,312	149,218
Distribution expenses		**(2,319)**	(2,016)	(3,629)
Marketing expenses		**(25,010)**	(23,871)	(44,542)
General and administration expenses		**(20,933)**	(19,523)	(35,818)
EBIT before non-trading items		**43,361**	33,902	65,229
Non-trading items	3	**(2,312)**	(2,095)	(8,997)
Earnings before interest and taxation (EBIT)		**41,049**	31,807	56,232
Financing expenses		**(13,365)**	(3,663)	(6,797)
Profit before taxation		**27,684**	28,144	49,435
Taxation expense		**(7,679)**	(7,726)	(13,694)
Profit after taxation attributable to shareholders		**20,005**	20,418	35,741
Other comprehensive income:				
Exchange differences on translating foreign operations		**7,930**	11,438	4,189
Share option reserve		**–**	34	(34)
Derivative hedging reserve		**(2,080)**	(65)	(836)
Income tax relating to components of other comprehensive income		**333**	90	182
Other comprehensive income for the half year, net of tax		**6,183**	11,497	3,501
Total comprehensive income for the half year attributable to shareholders		**26,188**	31,915	39,242
Basic and diluted earnings per share (cents)	4	**16.04**	16.47	28.77

For and on behalf of the Board:

José Parés Gutiérrez
Chairman

Emilio Fullaondo Botella
Director

Consolidated statement of changes in equity

for the 28 week period ended 9 September 2019

$NZ000's	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 52 week period ended 25 February 2019						
Balance at the beginning of the period	**148,491**	**34**	**(6,060)**	**174**	**58,969**	**201,608**
Comprehensive income						
Profit after taxation attributable to shareholders	–	–	–	–	20,418	20,418
Other comprehensive income						
Movement in share option reserve	–	34	–	–	–	34
Movement in foreign currency translation reserve	–	–	11,438	–	–	11,438
Movement in derivative hedging reserve	–	–	–	25	–	25
Total other comprehensive income	**–**	**34**	**11,438**	**25**	**–**	**11,497**
Total comprehensive income	**–**	**34**	**11,438**	**25**	**20,418**	**31,915**
Transactions with owners						
Shares issued	5,841	–	–	–	–	5,841
Shares issued costs	(35)	–	–	–	–	(35)
Net dividends distributed	–	–	–	–	(22,254)	(22,254)
Total transactions with owners	**5,806**	**–**	**–**	**–**	**(22,254)**	**(16,448)**
Unaudited balance as at 10 September 2018	**154,297**	**68**	**5,378**	**199**	**57,133**	**217,075**
Comprehensive income						
Profit after taxation attributable to shareholders	–	–	–	–	15,323	15,323
Other comprehensive income						
Movement in share option reserve	–	(68)	–	–	–	(68)
Movement in foreign currency translation reserve	–	–	(7,249)	–	–	(7,249)
Movement in derivative hedging reserve	–	–	–	(679)	–	(679)
Total other comprehensive income	**–**	**(68)**	**(7,249)**	**(679)**	**–**	**(7,996)**
Total comprehensive income	**–**	**(68)**	**(7,249)**	**(679)**	**15,323**	**7,327**
Transactions with owners						
Shares issued	291	–	–	–	–	291
Shares issued costs	(23)	–	–	–	–	(23)
Total transactions with owners	**268**	**–**	**–**	**–**	**–**	**268**
Audited balance as at 25 February 2019	**154,565**	**–**	**(1,871)**	**(480)**	**72,456**	**224,670**

Consolidated statement of changes in equity (continued)

for the 28 week period ended 9 September 2019

$NZ000's	Note	Share capital	Share option reserve	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 28 week period ended 9 September 2019							
Balance at the beginning of the period		**154,565**	**–**	**(1,871)**	**(480)**	**72,456**	**224,670**
Adoption of NZ IFRS 16	7	–	–	–	–	(46,462)	(46,462)
Restated balance at the beginning of the period		**154,565**	**–**	**(1,871)**	**(480)**	**25,994**	**178,208**
Comprehensive income							
Profit after taxation attributable to shareholders		–	–	–	–	20,005	20,005
Other comprehensive income							
Movement in foreign currency translation reserve		–	–	7,930	–	–	7,930
Movement in derivative hedging reserve		–	–	–	(1,747)	–	(1,747)
Total other comprehensive income		**–**	**–**	**7,930**	**(1,747)**	**–**	**6,183**
Total comprehensive income		**–**	**–**	**7,930**	**(1,747)**	**20,005**	**26,188**
Unaudited balance as at 9 September 2019		**154,565**	**–**	**6,059**	**(2,227)**	**45,999**	**204,396**

Consolidated statement of financial position

as at 9 September 2019

$NZ000's	Note	2020 half year unaudited	2019 half year unaudited	2019 full year audited
Non-current assets				
Property, plant and equipment		**161,739**	158,358	153,400
Right of use assets	6, 9	**356,003**	–	–
Net investment leases	9	**840**	–	–
Intangible assets		**257,451**	261,338	249,093
Deferred tax asset	9	**36,103**	16,045	16,304
Derivative financial instruments		**–**	–	339
Total non-current assets		**812,136**	435,741	419,136
Current assets				
Inventories		**11,140**	10,589	10,226
Trade and other receivables		**12,486**	11,660	12,109
Income tax receivable		**2,522**	1,700	2,734
Cash and cash equivalents		**41,342**	12,000	15,034
Derivative financial instruments		**–**	837	–
Assets classified as held for sale	14	**2,366**	1,855	1,038
Total current assets		**69,856**	38,641	41,141
Total assets		**881,992**	474,382	460,277
Equity attributable to shareholders				
Share capital		**154,565**	154,297	154,565
Reserves		**3,832**	5,645	(2,351)
Retained earnings		**45,999**	57,133	72,456
Total equity attributable to shareholders		**204,396**	217,075	224,670
Non-current liabilities				
Provision for employee entitlements		**823**	809	782
Deferred income		**352**	8,449	7,852
Loans	13	**148,082**	159,580	145,491
Lease liabilities	9	**408,647**	–	–
Derivative financial instruments		**2,857**	811	1,100
Total non-current liabilities		**560,761**	169,649	155,225
Current liabilities				
Income tax payable		**2,632**	2,347	4,275
Creditors and accruals		**89,330**	82,831	73,386
Provision for employee entitlements		**1,621**	1,657	1,567
Lease liabilities	9	**20,082**	–	–
Deferred income		**78**	823	792
Loans	13	**3,092**	–	362
Total current liabilities		**116,835**	87,658	80,382
Total liabilities		**677,596**	257,307	235,607
Total equity and liabilities		**881,992**	474,382	460,277

Consolidated statement of cash flows

for the 28 week period ended 9 September 2019

$NZ000's	Note	2020 half year unaudited	2019 half year unaudited	2019 full year audited
Cash flows from operating activities				
Cash was provided by/(applied to):				
Receipts from customers		**460,889**	446,753	825,540
Payments to suppliers and employees		**(372,626)**	(384,752)	(731,317)
Interest paid		**(4,210)**	(4,031)	(6,801)
Interest paid on leases	10	**(10,073)**	–	–
Payment of income tax		**(10,285)**	(10,692)	(16,159)
Net cash from operating activities		**63,695**	47,278	71,263
Cash flows from investing activities				
Cash was provided by/(applied to):				
Payment for intangibles		**(3,543)**	(2,575)	(3,820)
Purchase of property, plant and equipment		**(24,606)**	(15,768)	(33,114)
Proceeds from disposal of property, plant and equipment		**373**	4,405	10,159
Landlord contributions received		**105**	46	46
Net cash used in investing activities		**(27,671)**	(13,892)	(26,729)
Cash flows from financing activities				
Cash was provided by/(applied to):				
Proceeds from non-current loans		**6,453**	181,088	336,535
Repayment of non-current loans		**(6,615)**	(195,455)	(358,487)
Dividends paid to shareholders		**–**	(17,701)	(17,700)
Payments for lease principal	10	**(10,125)**	–	–
Share issue costs		**–**	(34)	(58)
Net cash used in financing activities		**(10,287)**	(32,102)	(39,710)
Net increase in cash and cash equivalents		**25,737**	1,284	4,824
Cash and cash equivalents at beginning of the period		**15,034**	10,140	10,140
Foreign exchange movements		**571**	576	70
Cash and cash equivalents at the end of the period		**41,342**	12,000	15,034
Cash and cash equivalents comprise:				
Cash on hand		**477**	567	446
Cash at bank		**40,865**	11,433	14,588
		41,342	12,000	15,034

Consolidated statement of cash flows (continued)

for the 28 week period ended 9 September 2019

Reconciliation of profit after taxation with net cash from operating activities

$NZ000's	2020 half year unaudited	2019 half year unaudited	2019 full year audited
Total profit after taxation attributable to shareholders	**20,005**	20,418	35,741
Add items classified as investing/financing activities:			
Loss/(gain) on disposal of property, plant and equipment	**946**	(1,770)	(2,946)
	946	(1,770)	(2,946)
Add/(less) non-cash items:			
Depreciation	**29,631**	16,538	30,309
Increase in provisions	**298**	14	90
Amortisation of intangible assets	**2,503**	3,010	5,147
Impairment on property, plant and equipment	**–**	–	3,290
Net increase in deferred tax asset	**(732)**	(1,014)	(1,432)
Share option amortisation	**–**	34	258
	31,700	18,582	37,662
Add/(less) movement in working capital:			
(Increase)/decrease in inventories	**(839)**	2,111	1,732
Increase in trade and other receivables	**(828)**	(2,394)	(3,540)
Increase in trade creditors and other payables	**14,074**	12,264	3,601
Decrease in income tax payable	**(1,363)**	(1,933)	(987)
	11,044	10,048	806
Net cash from operating activities	**63,695**	47,278	71,263
Reconciliation of movement in term loans			
Opening balance	**145,853**	166,815	166,815
Net cash flow movement	**(162)**	(14,367)	(21,952)
Foreign exchange movement	**5,483**	7,132	990
Closing balance	**151,174**	159,580	145,853

Notes to and forming part of the financial statements
for the 28 week period ended 9 September 2019

1. General information

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

The Company is a limited liability company incorporated and domiciled in New Zealand. 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.

Statutory base

The Company is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Reporting framework

These unaudited interim financial statements for the 28 week period ended 9 September 2019 ("2020 half year") have been prepared in accordance with NZ IAS 34, Interim Financial Reporting and should be read in conjunction with the financial statements published in the Annual Report for the 52 week period ended 25 February 2019 referred to in these statements as ("2019 full year"). They also comply with International Accounting Standard 34 Interim Financial Reporting (IAS 34).

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). These policies have been consistently applied to all the periods presented, unless otherwise noted.

The Group has a negative working capital balance as the nature of the business results in most sales being conducted on a cash basis. The Group has bank facilities totalling $258.0 million (refer to note 13) and has the ability to fully pay debts as they fall due. At balance date the amount undrawn was $106.8 million.

The Group divides its financial year into thirteen 4-week periods. These unaudited interim financial statements are for the first 7 periods (28 weeks) of the period ended on 9 September 2019 (2019: 28 weeks ended 10 September 2018). The second half will be for 6 periods (24 weeks). The prior full year comparative represents the 52 week period ended 25 February 2019 (2019 full year).

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

Notes to and forming part of the financial statements (continued)
for the 28 week period ended 9 September 2019

New standards and amendments

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

NZ IFRS 16 was effective for the first time in the FY20 half year results, refer to notes 5 through 10 for the impact of this standard on these financial statements.

2. 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, have been identified as the Group Chief Executive Officer and Group Chief Financial Officer. 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.

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

for the 28 week period ended 9 September 2019

2020 $NZ000's	New Zealand	Australia	Hawaii	Corporate support function	Consolidated half year unaudited
Business segments					
Store sales revenue	230,798	104,846	106,919	–	442,563
Other revenue	16,046	–	150	–	16,196
Total operating revenue	**246,844**	**104,846**	**107,069**	**–**	**458,759**
EBITDA before general and administration expenses	**43,026**	**15,539**	**14,071**	**–**	**72,636**
General and administration expenses	(7,704)	(4,439)	(5,008)	(1,306)	(18,457)
EBITDA after general and administration expenses	**35,322**	**11,100**	**9,063**	**(1,306)**	**54,179**
Depreciation	(8,230)	(4,115)	(3,284)	(6)	(15,635)
Amortisation (included in cost of sales)	(1,170)	(205)	(10)	–	(1,385)
Segment result (EBIT) before non-trading items	**25,922**	**6,780**	**5,769**	**(1,312)**	**37,159**
Other non-trading items					(2,312)
Operating profit (EBIT) after non-trading items					**34,847**
Adjustments for NZ IFRS 16					
Add back lease costs					20,198
Less right of use asset depreciation					(13,996)
Operating profit (EBIT) after non-trading items and NZ IFRS 16					**41,049**
Current assets	44,242	9,626	15,988	–	69,856
Non-current assets	124,591	156,932	173,770	–	455,293
Non-current lease assets	174,062	110,545	72,236	–	356,843
Total assets	**342,895**	**277,103**	**261,994**	**–**	**881,992**

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

for the 28 week period ended 9 September 2019

2019 $NZ000's	New Zealand	Australia	Hawaii	Corporate support function	Consolidated half year unaudited
Business segments					
Store sales revenue	230,226	103,391	97,370	–	430,987
Other revenue	14,667	–	194	–	14,861
Total operating revenue	**244,893**	**103,391**	**97,564**	**–**	**445,848**
EBITDA before general and administration expenses	**41,233**	**15,197**	**12,776**	**–**	**69,206**
General and administration expenses	(7,122)	(3,868)	(4,776)	(1,080)	(16,846)
EBITDA after general and administration expenses	**34,111**	**11,329**	**8,000**	**(1,080)**	**52,360**
Depreciation	(9,116)	(4,207)	(3,215)	–	(16,538)
Amortisation (included in cost of sales)	(1,225)	(252)	(443)	–	(1,920)
Segment result (EBIT) before non-trading items	**23,770**	**6,870**	**4,342**	**(1,080)**	**33,902**
Other non-trading items					(2,095)
Operating profit (EBIT) after non-trading items					**31,807**
Current assets	19,533	9,147	9,961	–	38,641
Non-current assets	114,206	149,186	172,349	–	435,741
Total assets	**133,739**	**158,333**	**182,310**	**–**	**474,382**

2.1 Reconciliation between EBIT after non-trading and net profit after tax

$NZ000's	2020 half year unaudited	2019 half year unaudited	2019 full year audited
EBIT after non-trading items	**41,049**	31,807	56,232
Financing expenses	**(13,365)**	(3,663)	(6,797)
Net profit before taxation	**27,684**	28,144	49,435
Taxation expense	**(7,679)**	(7,726)	(13,694)
Net profit after taxation	**20,005**	20,418	35,741
Add back net financing impact of NZ IFRS 16	**3,871**	–	–
Less taxation expense of NZ IFRS 16	**(956)**	–	–
Net profit after taxation excluding NZ IFRS 16	**22,920**	20,418	35,741
Add back non-trading items	**2,312**	2,095	8,997
Less taxation expense on non-trading items	**(224)**	(660)	(2,557)
Net profit after taxation excluding non-trading items and NZ IFRS 16	**25,008**	21,853	42,181

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

for the 28 week period ended 9 September 2019

3. Profit before taxation

$NZ000's	2020 half year unaudited	2019 half year unaudited	2019 full year audited
Profit before taxation			
The profit before taxation is calculated after charging/(crediting) the following items:			
Royalties paid	**26,376**	25,552	47,312
Operating rental expenses	**4,043**	24,629	44,510
Net loss/(gain) on disposal of property, plant and equipment	**1,392**	(1,036)	(939)
Non-trading items			
Gain on sale of stores			
Net sale proceeds	**160**	2,332	1,848
Property, plant and equipment disposed of	**(77)**	(721)	–
	83	1,611	1,848
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR) and Pacific Island Restaurants Inc. (PIR)	**(1,119)**	(1,090)	(2,035)
Acquisition costs	**(97)**	(225)	(345)
Store closure costs	**(347)**	101	–
ASX listing-related costs	**–**	20	–
Gain on the sale of Starbucks Coffee	**–**	–	1,186
Impairment of assets	**(75)**	–	(3,539)
Relocation and refurbishment	**(642)**	(463)	(1,021)
Leave remediation	**(290)**	(2,021)	(3,466)
Hawaii workers compensation	**–**	–	(1,625)
Make good on acquisition	**(24)**	(28)	–
Lease modification gain	**199**	–	–
Total non-trading items	**(2,312)**	(2,095)	(8,997)

Leave remediation

Included in non-trading items above is a $0.3 million (half year 2019: $2.0 million, full year 2019 $3.5 million) expense relating to leave remediation. The half year 2020 expense relates to costs associated with making the payments to affected employees. The Group identified payroll calculation errors 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. Any provisions related to the 2020 half year and 2019 full year have been included as part of operating costs.

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

for the 28 week period ended 9 September 2019

4. Earnings per share

	2020 half year unaudited	2019 half year unaudited	2019 full year audited
Basic and diluted earnings per share			
Profit after taxation attributable to shareholders ($NZ000's)	**20,005**	20,418	35,741
Weighted average number of shares on issue (000's)	**124,759**	123,936	124,230
Basic and diluted earnings per share (cents)	**16.04**	16.47	28.77

Shares on issue

As at 9 September 2019, the total number of ordinary shares on issue was 124,758,523 (half year 2019: 124,380,523).

5. Impact of NZ IFRS 16 on the reported segmental results and earnings per share

The following table shows the adjustments to profit and loss as a result of adoption of NZ IFRS 16.

$NZ000's	Pre NZ IFRS 16	Adjustments	NZ IFRS 16
For the period ended 9 September 2019			
Store sales revenue	442,563	–	442,563
Other revenue	16,196	–	16,196
Total operating revenue	**458,759**	**–**	**458,759**
EBITDA before general and administration expenses	**72,636**	**19,536**	**92,172**
General and administration expenses	(18,457)	662	(17,795)
EBITDA after general and administration expenses	**54,179**	**20,198**	**74,377**
Depreciation	(15,635)	(13,996)	(29,631)
Amortisation (included in cost of sales)	(1,385)	–	(1,385)
Segment result (EBIT) before non-trading items	**37,159**	**6,202**	**43,361**
Other non-trading items			(2,312)
Operating profit (EBIT) after non-trading items			**41,049**
Current assets	69,856	–	69,856
Non-current assets	438,436	373,700	812,136
Total assets	**508,292**	**373,700**	**881,992**
Earnings per share attributable to shareholders			
Basic/diluted earnings per share	18.37	(2.33)	16.04

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

for the 28 week period ended 9 September 2019

6. Right of use assets

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

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

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

On transition, the Group applied the following practical expedients:

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

Estimates and judgements applied

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

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

$NZ000's	Total
Right of use asset at adoption date 26 February 2019	345,870
Depreciation	(13,996)
Lease modifications and additions	15,286
FX movement	8,843
Right of use asset at period end	**356,003**

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

for the 28 week period ended 9 September 2019

Accounting policy

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable and
- variable lease payments that are based on an index or a rate.

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

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

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

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

for the 28 week period ended 9 September 2019

7. Impact of NZ IFRS 16 adoption

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

$NZ000's	Total
Right of use asset	345,870
Intangible assets – favourable leases	(2,980)
Net investment leases	315
Deferred tax asset	18,268
Total assets	**361,473**
Current lease incentives	780
Current lease liability	(19,575)
Other current liabilities	1,295
Non-current lease incentives	1,079
Non-current lease liabilities	(391,514)
Total liabilities	**(407,935)**
Net liabilities	**(46,462)**
Equity	
Retained earnings adjustment on adoption of NZ IFRS 16	**(46,462)**

8. Reconciliation of lease commitments to lease liabilities

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

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

for the 28 week period ended 9 September 2019

9. Impact of NZ IFRS 16 on the balance sheet at 9 September 2019

Assets and liabilities have both increased as a result of the change in accounting policy in relation to leases. At 9 September 2019 the balance sheet accounts affected by the change are detailed below:

2020 $NZ000's	Pre NZ IFRS 16	Adjustments	Post NZ IFRS 16
Right of use assets	–	356,003	356,003
Intangibles	259,988	(2,537)	257,451
Net investment leases	–	840	840
Deferred tax assets	16,709	19,394	36,103
Impact on total assets	**276,697**	**373,700**	**650,397**
Current lease incentives	780	(780)	–
Current lease liability	–	20,082	20,082
Other current liabilities	92,039	(2,709)	89,330
Non-current lease incentives	1,058	(1,058)	–
Non-current lease liabilities	1,106	407,541	408,647
Impact on total liabilities	**94,983**	**423,076**	**518,059**
Impact on net liabilities		**49,376**	

10. Impact of NZ IFRS 16 on the statement of cash flows for the period ended 9 September 2019

Cash outflows from leases for the period ended 9 September 2019 are detailed in the table below. For the period ended 10 September 2018 the equivalent cash outflow was included in cash flows from operating activities as payments to suppliers and employees.

2020 $NZ000's	Total
For the period ended 9 September 2019	
Interest paid on leases (operating activities)	(10,073)
Payments for lease liabilities principal (financing activities)	(10,125)
Total cash outflows from leases	**(20,198)**

Notes to and forming part of the financial statements (continued)
for the 28 week period ended 9 September 2019

11. Property, plant and equipment

Acquisitions and disposals

During the half year ended 9 September 2019, the Group acquired assets with a total cost of $26.5 million (2019: $17.1 million) and disposed of assets with a total cost of $11.3 million (2019: $5.3 million).

12. Related party transactions

Transactions with entities with key management or entities related to them

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

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

13. Loans

The Group has loan facilities in place totalling $NZ258.0 million with the following financial institutions:

- Westpac Banking Corporation – $NZ125.0 million facility expiring on 12 October 2020.
- First Hawaiian Bank – $US51.2 million facility expiring on 16 December 2023.
- MUFG Bank, Ltd – $A50.0 million facility expiring on 12 October 2020.

14. Assets classified as held for sale

Half year 2020 relates to Pizza Hut stores immediately available for sale.

Half year 2019 represents the non-current assets relating to the Starbucks Coffee business which was sold with settlement late October 2018.

Year end 2019 relates to Pizza Hut stores immediately available for sale.

15. Capital commitments

The Group has capital commitments totalling $23.4 million (half year 2019: $9.1 million) which are not provided for in these financial statements.

16. Contingent liabilities

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

Notes to and forming part of the financial statements (continued)
for the 28 week period ended 9 September 2019

17. Fair value measurements of financial instruments

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign currency exchange rates and interest rates. There have been no changes in the risk management policies and the nature of the derivative financial instruments since year end. Consistent with the prior year, the derivatives have been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair values are observable. There were also no changes in valuation techniques during the period.

18. 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.

19. Subsequent events

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

Independent review report

To the shareholders of Restaurant Brands New Zealand Limited

Report on the interim financial statements

We have reviewed the accompanying interim financial statements of Restaurant Brands New Zealand Limited (the Company) and its subsidiaries (the Group) on pages 18 to 35, which comprise the consolidated statement of financial position as at 9 September 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the area of specified procedures on landlord certificates. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 9 September 2019, and its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
16 October 2019

Auckland

Corporate directory

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Carlos Fernández González
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Financial calendar

Financial year end
31 December 2019

Annual profit announcement
February 2020

Notes

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