# statutory reports



The Directors are pleased to present the Financial Statements of Restaurant Brands New Zealand Limited for the year ended 28 February 2009 contained on pages 38 to 73.

For and on behalf of the Board of Directors:

**E K van Arkel**
Chairman

Date 8 April 2009

**D A Pilkington**
Director

Date 8 April 2009

# BALANCE SHEETS

*As at 28 February 2009*

| $NZ000's | Note | GROUP 2009 | GROUP Restated 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | 71,794 | 78,104 | – | – |
| Investments in subsidiaries | 12 | – | – | 150,396 | 150,396 |
| Intangible assets | 11 | 24,689 | 29,431 | – | – |
| **Total non-current assets** | | 96,483 | 107,535 | 150,396 | 150,396 |
| **Current assets** | | | | | |
| Inventories | 14 | 2,098 | 2,075 | – | – |
| Other receivables | 15, 26 | 1,689 | 569 | 40 | – |
| Income tax receivable | | – | 764 | – | – |
| Cash and cash equivalents | 26 | 787 | 1,061 | – | – |
| Assets classified as held for sale | 7 | – | 22 | – | – |
| **Total current assets** | | 4,574 | 4,491 | 40 | – |
| **Total assets** | | 101,057 | 112,026 | 150,436 | 150,396 |
| **Equity** | | | | | |
| Share capital | 16,18 | 25,622 | 25,622 | 25,622 | 25,622 |
| Reserves | 16 | 148 | 205 | 79 | 92 |
| Retained earnings | 16 | 11,292 | 9,350 | (27,455) | (24,776) |
| **Total equity** | 16 | 37,062 | 35,177 | (1,754) | 938 |
| **Non-current liabilities** | | | | | |
| Provisions and deferred income | 22 | 4,091 | 5,593 | – | – |
| Loans and finance leases | 20, 26 | 34,414 | 42,871 | 34,260 | 42,498 |
| Deferred tax liability | 13 | 359 | 355 | – | – |
| **Total non-current liabilities** | | 38,864 | 48,819 | 34,260 | 42,498 |
| **Current liabilities** | | | | | |
| Bank overdraft | 26 | – | – | 198 | 267 |
| Income tax payable | | 751 | – | – | – |
| Loans and finance leases | 20, 26 | 285 | 513 | – | – |
| Creditors and accruals | 21, 26 | 22,121 | 24,721 | – | 533 |
| Provisions and deferred income | 22 | 1,617 | 1,509 | – | – |
| Amounts payable to subsidiary companies | 28 | – | – | 117,732 | 106,160 |
| Liabilities associated with assets classified as held for sale | 7 | 357 | 1,287 | – | – |
| **Total current liabilities** | | 25,131 | 28,030 | 117,930 | 106,960 |
| **Total liabilities** | | 63,995 | 76,849 | 152,190 | 149,458 |
| **Total equity and liabilities** | | 101,057 | 112,026 | 150,436 | 150,396 |

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



# INCOME STATEMENTS

*For the year ended 28 February 2009*

| $NZ000's | Note | GROUP 2009 | GROUP Restated 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Store sales revenue | 5 | 309,106 | 303,547 | – | – |
| Other revenue | 5 | 472 | 447 | 6,313 | 5,827 |
| **Total operating revenue** | | 309,578 | 303,994 | 6,313 | 5,827 |
| Cost of goods sold | | (256,879) | (248,579) | – | – |
| **Gross profit** | | 52,699 | 55,415 | 6,313 | 5,827 |
| Distribution expenses | | (4,221) | (4,922) | – | – |
| Marketing expenses | | (17,438) | (19,334) | – | – |
| General and administration expenses | | (10,572) | (10,962) | – | – |
| **Results (EBIT) before non-trading** | | 20,468 | 20,197 | 6,313 | 5,827 |
| Non-trading | 8 | (4,974) | (3,404) | – | – |
| **Earnings before interest and taxation (EBIT)** | | 15,494 | 16,793 | 6,313 | 5,827 |
| Interest revenue | | 21 | 84 | – | – |
| Interest expense | | (3,943) | (5,037) | (3,874) | (4,924) |
| Net financing expenses | 8 | (3,922) | (4,953) | (3,874) | (4,924) |
| **Profit before taxation** | | 11,572 | 11,840 | 2,439 | 903 |
| Taxation expense | 9 | (3,317) | (3,029) | 1,195 | 1,625 |
| **Profit after taxation from continuing operations** | | 8,255 | 8,811 | 3,634 | 2,528 |
| **Discontinued operations** | | | | | |
| **Loss from discontinued operations (net of taxation)** | 6 | – | (456) | – | – |
| **Total profit after taxation attributable to shareholders** | 5 | 8,255 | 8,355 | 3,634 | 2,528 |
| **Basic earnings per share from continuing operations (cents)** | 19 | 8.50 | 9.07 | 3.74 | 2.60 |
| **Basic earnings per share from discontinued operations (cents)** | 6, 19 | – | (0.47) | – | – |
| **Basic earnings per share from total operations (cents)** | 19 | 8.50 | 8.60 | 3.74 | 2.60 |

There was no difference between basic and diluted earnings per share (refer to Note 19).

# STATEMENTS OF RECOGNISED INCOME AND EXPENSES

*For the year ended 28 February 2009*

| $NZ000's | Note | GROUP 2009 | GROUP Restated 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|
| **Profit after taxation** | | 8,255 | 8,355 | 3,634 | 2,528 |
| Movements in foreign currency translation reserve | 16 | (44) | 11 | – | – |
| **Total recognised revenues and expenses** | | 8,211 | 8,366 | 3,634 | 2,528 |

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

## STATEMENTS OF CASH FLOWS

*For the year ended 28 February 2009*

| $NZ000's | Note | GROUP 2009 | GROUP 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| **Cash was provided by / (applied to):** | | | | | |
| Receipts from customers | | 310,783 | 311,158 | – | – |
| Payments to suppliers and employees | | (281,552) | (275,716) | – | – |
| Dividends received | | – | – | 6,313 | 5,827 |
| Interest paid | | (4,515) | (4,871) | (4,446) | (4,703) |
| Interest received | | 21 | 84 | – | – |
| (Payment) / receipt of income tax | | (1,408) | 667 | 1,670 | 2,063 |
| **Net cash from operating activities** | 25 | 23,329 | 31,322 | 3,537 | 3,187 |
| **Cash flows from investing activities** | | | | | |
| **Cash was provided by / (applied to):** | | | | | |
| Payment of intangibles | 11 | (378) | (3,481) | – | – |
| Purchase of property, plant and equipment | | (7,762) | (14,755) | – | – |
| Proceeds from disposal of property, plant and equipment | | 40 | 26 | – | – |
| Sale of discontinued operations | 6 | (16) | (311) | – | – |
| Advances from subsidiary company | | – | – | 11,572 | 9,867 |
| **Net cash (used in) / from investing activities** | | (8,116) | (18,521) | 11,572 | 9,867 |
| **Cash flows from financing activities** | | | | | |
| **Cash was (applied to):** | | | | | |
| Decrease in loans | 20 | (8,288) | (6,188) | (8,238) | (6,082) |
| Decrease in finance leases | 20 | (397) | (394) | – | – |
| Dividends paid to shareholders | 17 | (6,313) | (5,827) | (6,313) | (5,827) |
| Supplementary dividends paid | | (489) | (431) | (489) | (431) |
| **Net cash (used in) financing activities** | | (15,487) | (12,840) | (15,040) | (12,340) |
| **Net (decrease) / increase in cash and cash equivalents** | | (274) | (39) | 69 | 714 |
| **Reconciliation of cash and cash equivalents** | | | | | |
| Cash and cash equivalents at the beginning of the year | | 1,061 | 1,100 | (267) | (981) |
| **Cash and cash equivalents at the end of the year:** | | | | | |
| Cash on hand | | 324 | 340 | – | – |
| Cash at bank | | 463 | 721 | (198) | (267) |
| | 26 | 787 | 1,061 | (198) | (267) |

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



# Notes to and forming part of the financial statements

*For the year ended 28 February 2009*

### 1. Reporting entity

Restaurant Brands New Zealand Limited, a limited liability company incorporated and domiciled in New Zealand, is registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange ("NZX"). The company is an issuer in terms of the Financial Reporting Act 1993. The consolidated financial statements presented are those for Restaurant Brands New Zealand Limited (the Company) and the Restaurant Brands Group (the Group). The Group consists of the Company and its subsidiaries.

The address of its registered office is Level 3, Westpac Building, Central Park, 666 Great South Road, Penrose, Auckland.

The Company and its subsidiaries (together the Group) operate quick service and takeaway restaurant concepts.

### 2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for financial derivatives which are stated at their fair value and are discussed further below.

The consolidated financial statements comply with the Financial Reporting Act 1993 and comprise statements of the following: income statements, statements of recognised income and expenses, balance sheets, cash flows, significant accounting policies, as well as the notes to these statements.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and the Group's presentation currency. The financial information has been rounded to the nearest thousand.

The Group divides its financial year into thirteen 4-week periods. The 2009 full year results are for 53 weeks. Because the Group normally uses a 52 week (364 day) year, a "leap year" of 53 weeks is occasionally required.

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on 8 April 2009. The Board of Directors do not have the power to amend the financial statements after issue.

#### 2.1. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as outlined below.

The Group has early adopted the amendment to NZ IAS 38 Intangible Assets in accordance with the transitional provisions in that standard. The amendment requires that expenditure on advertising and promotional activities is recognised as an expense when the Group has the right to access the goods or has received the service. The Group incurs expenditure relating to the production of television commercials and has historically recognised the expense at the time the television commercial is aired to its customers or potential customers.

The Group has amended its accounting policy and has applied the changes retrospectively. The prior year financial information has therefore been restated.

Refer to Note 30 for the impact of the change in accounting policy.

## 2.2. Summary of significant accounting policies

### (a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra group balances and profits resulting from intra group transactions are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.

Exchange differences arising from the translation of the net investment in foreign operations are recognised in the foreign currency translation reserve and are released to the income statement upon disposal.

### (c) Financial instruments

#### Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs.

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.





#### 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 the 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.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

#### Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

### (d) Revenue recognition

#### Goods sold and services rendered

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Other revenue represents sales of services and is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

### Dividend income

Dividend income is recognised when the right to receive payment is established.

### Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

### Grants

A grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant, and subsequently recognised in the income statement when the requirements under the grant have been met. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

## (e) Net financing costs

Net 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 (i.e. unhedged derivatives) in the income statement; unwinding of the discount on provisions and impairment losses on financial assets.

## (f) Lease payments

### Finance leases

Minimum lease payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### Operating leases

Payments made under operating leases are recognised in the income statement 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.

## (g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are set off only if there is a legal right of set off and they relate to income taxes levied by the same taxation authorities.





## (h) Advertising and promotion costs

Expenditure on advertising and promotional activities is recognised as an expense when the Group has the right to access the goods or has received the service.

## (i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

### 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 'other receivables' and 'cash and cash equivalents' in the balance sheet.

## (j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## (k) Trade payables

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

## (l) Borrowings

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 the income statement over the period of the borrowings using the effective interest method.

## (m) Intangible assets

### 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.

### 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 losses. Amortisation is on a straight-line basis over the life of the applicable franchise or license agreement.

### Concept development costs and fees

Concept development costs and fees include certain costs, other than the direct cost of obtaining the franchise, associated with the establishment of quick service and take away 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 over the estimated economic life of three years.

## (n) Property, plant and equipment

### Owned assets

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining resource consents. Borrowing costs associated with property, plant and equipment are expensed as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day to day servicing of property, plant and equipment are recognised in the income statement as incurred.

### Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated initially at an amount equal to the lower of its fair value and present value of the future minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's balance sheet. The Group also leases certain plant and equipment and land and buildings by way of operating lease. The cost of improvements to leasehold assets is capitalised as buildings or leasehold improvements and then depreciated as outlined below.

### Capital work in progress

All costs relating to an asset are first recorded in capital work in progress. Once all associated costs for an asset are established with relative certainty, the asset is then transferred from work in progress and capitalised into property, plant and equipment.





### Store start up costs

Costs incurred in connection with assessing the feasibility of new sites are expensed as incurred with the exception of franchise costs and certain development costs and fees as discussed above.

### Depreciation

Depreciation is recognised in the income statement and 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.

## (o) Inventories

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 principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

## (p) Dividends

Dividends are accrued in the period that they are authorised.

## (q) Impairment on non financial assets

The carrying amounts of the Group's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's Cash Generating Unit's or (CGU's) recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Except for impairment losses on goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

### (r) Share capital

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

### (s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic 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 is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### (t) Employee benefits

#### Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

#### Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. The fair value of the options granted is measured using an options pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (u) Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's) and head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.



Notes to and forming part of the financial statements
*For the year ended 28 February 2009*

#### Business segments

The Group comprises the following business segments:

- KFC
- Pizza Hut
- Starbucks Coffee

#### Geographical segments

The KFC, Pizza Hut and Starbucks Coffee segments are managed and operated in New Zealand.

### (v) Goods and services tax

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

### (w) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

### (x) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

### (y) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

#### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

### (z) Non-trading items

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 income statement and notes to the financial statements.

## 3. Significant accounting policies, judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying the accounting policy that has the most significant effect on the amount recognised in the financial statements is goodwill impairment (Note 11) in relation to Pizza Hut.

In relation to taxation, there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



Notes to and forming part of the financial statements
For the year ended 28 February 2009

## 4. New standards and interpretations

### Standards and amendments early adopted by the Group

- *NZ IAS 38 Intangible Assets (amendment)* was early adopted by the Group in 2009 (refer to Note 2.1 for further details).

### Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- *NZ IFRS 3 Business Combinations (amendment)* and *NZ IAS 27 Consolidated and Separate Financial Statements (revised)* includes a number of amendments such as transaction costs incurred in connection with the business combination are expensed when incurred and are no longer included in the purchase price, an acquirer recognises contingent consideration at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration will often affect the income statement. The acquirer recognises either the entire goodwill inherent in the acquiree, independent of whether a 100% interest is acquired (full goodwill method), or only the portion of the goodwill which corresponds to the proportionate interest acquired (as is currently the case under NZ IFRS 3). NZ IFRS 3 and NZ IAS 27 are effective for accounting periods beginning 1 July 2009. These standards are not expected to have any impact on the Group.
- *NZ IFRS 8 Operating Segments* requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet and would therefore require explanation of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. NZ IFRS 8 is effective for accounting periods beginning 1 January 2009. The standard will give rise to additional disclosures.
- *NZ IAS 1 (Amendment) Presentation of Financial Statements* requires a number of changes to the presentation and disclosures in financial statements. NZ IAS 1 is effective for accounting periods beginning 1 January 2009. The standard will give rise to additional disclosures.
- *NZ IAS 23 (Amendment) Borrowing Costs* requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed. NZ IAS 23 is effective for accounting periods beginning 1 January 2009. The standard is not expected to have any impact on the Group.
- *NZ IFRS 2 Share Based Payment – Vesting Conditions and Cancellations* contains an amendment that restricts the definition of vesting conditions to include only service and performance conditions. The definition of performance conditions is amended to require completion of a service period in addition to specified service targets. It also clarifies that all cancellations, whether by the entity or other parties, should receive the same accounting treatment. NZ IFRS 2 is effective for accounting periods beginning 1 January 2009. This standard is not expected have any impact on the Group.

### 5. Segmental reporting

| $NZ000's | KFC 2009 | KFC Restated 2008 | Pizza Hut 2009 | Pizza Hut Restated 2008 | Starbucks Coffee 2009 | Starbucks Coffee Restated 2008 | Pizza Hut Victoria 2009 | Pizza Hut Victoria 2008 | Other* 2009 | Other* 2008 | Consolidated 2009 | Consolidated Restated 2008 | Continuing 2009 | Discontinued 2009 | Continuing Restated 2008 | Discontinued 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Business Segments** | | | | | | | | | | | | | | | | |
| Store sales revenue | 211,531 | 199,116 | 64,595 | 71,419 | 32,980 | 33,012 | 275 | 6,275 | – | – | 309,381 | 309,822 | 309,106 | 275 | 303,547 | 6,275 |
| Other revenue | – | – | – | – | – | – | – | – | 472 | 447 | 472 | 447 | 472 | – | 447 | – |
| **Total operating revenue** | 211,531 | 199,116 | 64,595 | 71,419 | 32,980 | 33,012 | 275 | 6,275 | 472 | 447 | 309,853 | 310,269 | 309,578 | 275 | 303,994 | 6,275 |
| **Concept EBITDA before general and administration expenses** | 37,993 | 35,918 | 2,771 | 4,422 | 2,941 | 3,847 | – | – | – | – | 43,705 | 44,187 | 43,705 | – | 44,187 | – |
| Depreciation | (6,203) | (5,833) | (4,022) | (4,244) | (1,772) | (1,941) | – | – | (380) | (398) | (12,377) | (12,416) | (12,377) | – | (12,416) | – |
| Amortisation | (732) | (552) | (247) | (235) | (206) | (211) | – | – | (237) | (285) | (1,422) | (1,283) | (1,422) | – | (1,283) | – |
| **Segment result (EBIT) before non-trading** | 29,361 | 27,609 | (2,899) | (1,403) | 37 | 671 | – | – | (6,031) | (6,680) | 20,468 | 20,197 | 20,468 | – | 20,197 | – |
| Impairment on property, plant and equipment | (75) | (326) | (25) | (209) | – | – | – | – | – | – | (100) | (535) | (100) | – | (535) | – |
| Impairment on intangibles | – | – | (3,698) | (1,187) | – | – | – | – | – | – | (3,698) | (1,187) | (3,698) | – | (1,187) | – |
| Other non-trading | (411) | (507) | (371) | (686) | (394) | 200 | 128 | (681) | – | (689) | (1,048) | (2,363) | (1,176) | 128 | (1,682) | (681) |
| **Segment result** | 28,875 | 26,776 | (6,993) | (3,485) | (357) | 871 | 128 | (681) | (6,031) | (7,369) | 15,622 | 16,112 | 15,494 | 128 | 16,793 | (681) |
| **Operating profit / (loss) (EBIT)** | | | | | | | | | | | 15,622 | 16,112 | 15,494 | 128 | 16,793 | (681) |
| Net financing costs | | | | | | | | | | | (3,922) | (4,953) | (3,922) | – | (4,953) | – |
| **Net profit / (loss) before taxation** | | | | | | | | | | | 11,700 | 11,159 | 11,572 | 128 | 11,840 | (681) |
| Income tax (expense) / credit | | | | | | | | | | | (3,445) | (2,804) | (3,317) | (128) | (3,029) | 225 |
| **Net profit / (loss) after taxation** | | | | | | | | | | | 8,255 | 8,355 | 8,255 | – | 8,811 | (456) |
| **Net profit after taxation excluding non-trading** | | | | | | | | | | | 11,736 | 10,384 | 11,736 | – | 10,384 | – |
| Segment assets | 52,723 | 53,184 | 36,684 | 43,058 | 11,819 | 12,702 | – | 22 | 986 | 1,298 | 102,212 | 110,264 | | | | |
| Unallocated assets** | | | | | | | | | | | (1,155) | 1,762 | | | | |
| **Total assets** | | | | | | | | | | | 101,057 | 112,026 | | | | |
| Segment liabilities | 11,380 | 11,833 | 2,902 | 3,596 | 1,722 | 1,567 | 357 | 1,287 | 1,666 | 2,241 | 18,027 | 20,524 | | | | |
| Unallocated liabilities | | | | | | | | | | | 45,968 | 56,325 | | | | |
| **Total liabilities** | | | | | | | | | | | 63,995 | 76,849 | | | | |
| Capital expenditure including intangibles | 5,325 | 12,024 | 556 | 2,421 | 670 | 616 | – | – | 943 | 335 | 7,494 | 15,396 | | | | |

* Other is general and administration support centre expenses
** Unallocated assets includes bank overdraft for which right of set off exists

| $NZ000's | New Zealand 2009 | New Zealand Restated 2008 | Australia 2009 | Australia 2008 | Unallocated 2009 | Unallocated 2008 | Consolidated 2009 | Consolidated Restated 2008 |
|---|---|---|---|---|---|---|---|---|
| **Geographical Segments** | | | | | | | | |
| Total operating revenue | 309,578 | 303,994 | 275 | 6,275 | – | – | 309,853 | 310,269 |
| Segment assets | 102,212 | 110,242 | – | 22 | (1,155) | 1,762 | 101,057 | 112,026 |
| Capital expenditure including intangibles | 7,494 | 15,396 | – | – | – | – | 7,494 | 15,396 |

### 6. Discontinued operations

With the exit from Pizza Hut Victoria, the business was classified as a disposal group held for sale and as a discontinued operation. Sale of the remaining stores comprising the disposal group was completed during the current financial year.

The results of the Pizza Hut Victoria business for the year was as follows:

| | | GROUP | |
|---|---|---|---|
| $NZ000's | Note | 2009 | 2008 |
| **Results of discontinued operations** | | | |
| Revenue | | 275 | 6,275 |
| Cost of goods sold | | (277) | (6,526) |
| Distribution expenses | | (11) | (344) |
| Marketing expenses | | – | (435) |
| General and administration expenses | | (72) | (446) |
| Release of exit provision | | 85 | 1,476 |
| Results from operating activities | | – | – |
| Non-trading | | 128 | (681) |
| Income tax on loss on sale of discontinued operations | 9 | (128) | 225 |
| Loss from discontinued operations (net of taxation) | | – | (456) |
| Basic cents per share | | – | (0.47) |
| **Cash flows from discontinued operations** | | | |
| Net cash (used in) operating activities | | (119) | (2,306) |
| Net cash (used in) investing activities | | (16) | (311) |
| Net cash (used in) discontinued operations | | (135) | (2,617) |

Because the franchise agreements with Yum! Restaurants International in this market have created obligations that were onerous in nature, all remaining future financial obligations relating to the exit of all remaining stores have been estimated and accounted for as a provision for onerous contracts under NZ IAS 37. These are in the sum of $0.3 million (2008: $0.5 million).

### 7. Non-current assets held for sale

Sale of the remaining Pizza Hut Victoria stores comprising the disposal group was completed during the current financial year. All remaining associated liabilities have been classified as held for sale as shown below:

| | GROUP | |
|---|---|---|
| $NZ000's | 2009 | 2008 |
| **Assets classified as held for sale** | | |
| Inventories | – | 17 |
| Trade and other receivables | – | 5 |
| | – | 22 |
| **Liabilities associated with assets classified as held for sale** | | |
| Trade and other payables | 19 | 776 |
| Provisions | 338 | 511 |
| | 357 | 1,287 |

All other assets held by the disposal group have been impaired to nil (2008: nil).





### 8. Analysis of expenses

The surplus before taxation is calculated after charging the following items:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| $NZ000's | Note | 2009 | 2008 | 2009 | 2008 |
| **Auditors' remuneration:** | | | | | |
| To PwC for statutory audit services | | 64 | 67 | – | – |
| To PwC for other assurance services | | 24 | – | – | – |
| To KPMG for statutory audit services | | – | 10 | – | – |
| To KPMG for other assurance services | | – | 28 | – | – |
| To KPMG for financial advisory services | | – | 42 | – | – |
| To KPMG for taxation services | | – | 26 | – | – |
| Government training grants (included in general and administration expenses) | | (137) | (178) | – | – |
| Amortisation of intangibles (included in cost of sales) | 11 | 1,422 | 1,283 | – | – |
| Royalties paid | | 18,396 | 18,401 | – | – |
| Depreciation expense | 10 | 12,377 | 12,416 | – | – |
| Operating rental expenses | | 19,024 | 19,269 | – | – |
| Net loss on disposal of property, plant and equipment | | 909 | 1,855 | – | – |
| Directors' fees | | 220 | 220 | – | – |
| Interest expense (net) | | 3,855 | 4,848 | 3,874 | 4,924 |
| Finance lease interest | | 67 | 105 | – | – |
| **Non-trading items** | | | | | |
| **Pizza Hut Victoria:** | | | | | |
| Other store closure costs | | (128) | 681 | – | – |
| | | (128) | 681 | – | |
| **New Zealand:** | | | | | |
| Impairment of Pizza Hut goodwill | | 3,698 | 1,187 | – | – |
| Other store closure costs | | 1,212 | 573 | – | – |
| Other store relocation and refurbishment costs | | 87 | 660 | – | – |
| Impairment of property, plant and equipment | 10 | 100 | 535 | – | – |
| Organisation restructuring | | – | 573 | – | – |
| Other revenue | | (123) | (124) | – | – |
| | | 4,974 | 3,404 | – | – |

| | GROUP | |
|---|---|---|
| $NZ000's | 2009 | 2008 |
| **Personnel expenses** | | |
| Wages and salaries | 76,696 | 78,774 |
| Organisation restructuring | – | 573 |
| Increase in liability for long service leave | 18 | 38 |
| Equity settled share based payment transactions | (13) | 7 |
| | 76,701 | 79,392 |

The parent company has no personnel expense (2008: nil).

### 9. Income tax expense in the income statement

| $NZ000's | Note | GROUP | 2009 | GROUP | Restated 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|---|---|
| **Reconciliation of effective tax rate** | | | | | | | |
| Total profit before income tax for the period | 5 | | 11,700 | | 11,159 | 2,439 | 903 |
| **Total income tax (expense) / credit** | 5 | | **(3,445)** | | **(2,804)** | **1,195** | **1,625** |
| Net profit after income tax | | | 8,255 | | 8,355 | 3,634 | 2,528 |
| Income tax using the Company's domestic tax rate | | (30.0%) | (3,510) | (33.0%) | (3,682) | (732) | (298) |
| Non deductible expenses and non assessable income | | 1.3% | 157 | 3.8% | 422 | 1,927 | 1,923 |
| Change in tax rate to 30% | | 0.0% | - | 0.3% | 35 | - | - |
| Change in recognition of deferred tax asset | | (1.1%) | (128) | 0.0% | - | - | - |
| Prior period adjustment | | 0.3% | 36 | 3.8% | 421 | - | - |
| | | (29.4%) | (3,445) | (25.1%) | (2,804) | 1,195 | 1,625 |
| **Income tax (expense) / credit comprises:** | | | | | | | |
| Current tax (expense) / credit | | | (3,409) | | (1,473) | 1,195 | 1,625 |
| Deferred tax (expense) | 13 | | (36) | | (1,331) | - | - |
| **Net tax (expense) / credit** | | | **(3,445)** | | **(2,804)** | **1,195** | **1,625** |
| **Income statement taxation expense** | | | | | | | |
| Income tax (expense) from continuing operations | | | (3,317) | | (3,029) | | |
| Income tax (expense) / credit on loss on sale from discontinued operations | 6 | | (128) | | 225 | | |
| **Total income tax (expense)** | 5 | | **(3,445)** | | **(2,804)** | | |

**Imputation credits**

| $NZ000's | GROUP 2009 | GROUP 2008 |
|---|---|---|
| Imputation credits at beginning of year | 565 | 3,678 |
| New Zealand tax payments, net of refunds | 1,409 | (676) |
| Imputation credits attached to dividends paid | (2,321) | (2,437) |
| Other | 59 | - |
| Imputation credits at end of year | (288) | 565 |





### 10. Property, plant and equipment

| $NZ000's | LEASEHOLD IMPROVEMENTS | PLANT, EQUIPMENT & FITTINGS | MOTOR VEHICLES | LEASED PLANT & EQUIPMENT | CAPITAL WORK IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 28 Feb 2007** | **71,601** | **53,219** | **1,149** | **2,012** | **9,542** | **137,523** |
| **Additions for year ended Feb 2008** | – | 2,533 | 115 | 472 | 8,795 | 11,915 |
| **Transfer from work in progress for year ended Feb 2008** | 11,575 | 1,804 | – | – | (13,379) | – |
| **Disposals for year ended Feb 2008** | (7,041) | (6,076) | (309) | (1,362) | – | (14,788) |
| **Movement in exchange rates for year ended Feb 2008** | 87 | 61 | 4 | – | – | 152 |
| **Balance as at 29 Feb 2008** | **76,222** | **51,541** | **959** | **1,122** | **4,958** | **134,802** |
| Additions for year ended Feb 2009 | – | 261 | 131 | 62 | 6,662 | 7,116 |
| Transfer from work in progress for year ended Feb 2009 | 8,743 | 2,305 | – | – | (11,048) | – |
| Disposals for year ended Feb 2009 | (4,929) | (3,537) | (90) | (96) | – | (8,652) |
| Movement in exchange rates for year ended Feb 2009 | 89 | 44 | 2 | – | – | 135 |
| **Balance as at 28 Feb 2009** | **80,125** | **50,614** | **1,002** | **1,088** | **572** | **133,401** |
| **Accumulated depreciation** | | | | | | |
| **Balance as at 28 Feb 2007** | **(18,219)** | **(29,769)** | **(670)** | **(1,000)** | – | **(49,658)** |
| Charge for year ended Feb 2008 | (6,210) | (5,460) | (187) | (559) | – | (12,416) |
| Disposals for year ended Feb 2008 | 2,245 | 4,103 | 206 | 1,064 | – | 7,618 |
| Movement in exchange rates for year ended Feb 2008 | (22) | (23) | (1) | – | – | (46) |
| **Balance as at 29 Feb 2008** | **(22,206)** | **(31,149)** | **(652)** | **(495)** | – | **(54,502)** |
| Charge for year ended Feb 2009 | (6,719) | (5,060) | (165) | (433) | – | (12,377) |
| Disposals for year ended Feb 2009 | 2,604 | 2,846 | 49 | 73 | – | 5,572 |
| Movement in exchange rates for year ended Feb 2009 | (30) | (18) | – | – | – | (48) |
| **Balance as at 28 Feb 2009** | **(26,351)** | **(33,381)** | **(768)** | **(855)** | – | **(61,355)** |
| **Impairment provision** | | | | | | |
| **Balance as at 28 Feb 2007** | **(4,366)** | **(1,885)** | **(128)** | **(14)** | – | **(6,393)** |
| Charge for year ended Feb 2008 | (441) | (94) | – | – | – | (535) |
| Utilised/disposed for the year ended Feb 2008 | 3,200 | 1,519 | 102 | 12 | – | 4,833 |
| Movement in exchange rates for year ended Feb 2008 | (62) | (36) | (3) | – | – | (101) |
| **Balance as at 29 Feb 2008** | **(1,669)** | **(496)** | **(29)** | **(2)** | – | **(2,196)** |
| Charge for year ended Feb 2009 | (90) | (10) | – | – | – | (100) |
| Utilised/disposed for year ended Feb 2009 | 1,591 | 507 | 31 | 2 | – | 2,131 |
| Movement in exchange rates for year ended Feb 2009 | (59) | (26) | (2) | – | – | (87) |
| **Balance as at 28 Feb 2009** | **(227)** | **(25)** | – | – | – | **(252)** |

The impairment charge recognised during the year relates to accelerated depreciation on leasehold improvements and plant, equipment and fittings on stores expected to be transformed or closed. Impairment charges incurred and utilised/disposed are recognised in non-trading in the income statement (refer Note 8).

| **Carrying amounts** | LEASEHOLD IMPROVEMENTS | PLANT, EQUIPMENT & FITTINGS | MOTOR VEHICLES | LEASED PLANT & EQUIPMENT | CAPITAL WORK IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|
| Balance as at 28 Feb 2007 | 49,016 | 21,565 | 351 | 998 | 9,542 | 81,472 |
| Balance as at 29 Feb 2008 | 52,347 | 19,896 | 278 | 625 | 4,958 | 78,104 |
| Balance as at 28 Feb 2009 | 53,547 | 17,208 | 234 | 233 | 572 | 71,794 |

## 11. Intangibles

| $NZ000's | GOODWILL | FRANCHISE FEES | CONCEPT DEVELOPMENT COSTS | SOFTWARE COSTS | TOTAL |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance as at 28 Feb 2007** | 39,060 | 7,457 | 2,139 | 1,601 | 50,257 |
| Additions for year ended Feb 2008 | – | 3,331 | – | 150 | 3,481 |
| Disposals for year ended Feb 2008 | – | – | – | (28) | (28) |
| Movement in exchange rates Feb 2008 | 76 | 16 | 10 | – | 102 |
| **Balance as at 29 Feb 2008** | 39,136 | 10,804 | 2,149 | 1,723 | 53,812 |
| Additions for year ended Feb 2009 | – | 276 | – | 102 | 378 |
| Disposals for year ended Feb 2009 | – | – | – | (1) | (1) |
| Movement in exchange rates Feb 2009 | 510 | 102 | 18 | – | 630 |
| **Balance as at 28 Feb 2009** | 39,646 | 11,182 | 2,167 | 1,824 | 54,819 |
| **Accumulated amortisation** | | | | | |
| **Balance as at 28 Feb 2007** | (12,193) | (2,359) | (948) | (1,067) | (16,567) |
| Charge for the year ended Feb 2008 | – | (874) | (109) | (300) | (1,283) |
| Disposals for year ended Feb 2008 | – | – | – | 28 | 28 |
| Effective movement in exchange rates Feb 2008 | (14) | (3) | (3) | – | (20) |
| **Balance as at 29 Feb 2008** | (12,207) | (3,236) | (1,060) | (1,339) | (17,842) |
| Charge for the year ended Feb 2009 | – | (1,070) | (97) | (255) | (1,422) |
| Disposals for year ended Feb 2009 | – | – | – | 1 | 1 |
| Effective movement in exchange rates Feb 2009 | (86) | (21) | (17) | – | (124) |
| **Balance as at 28 Feb 2009** | (12,293) | (4,327) | (1,174) | (1,593) | (19,387) |
| **Impairment provision** | | | | | |
| **Balance as at 28 Feb 2007** | (4,189) | (664) | (417) | – | (5,270) |
| Charge for the year ended Feb 2008 | (1,187) | – | – | – | (1,187) |
| Movement in exchange rates Feb 2008 | (62) | (13) | (7) | – | (82) |
| **Balance as at 29 Feb 2008** | (5,438) | (677) | (424) | – | (6,539) |
| Charge for the year ended Feb 2009 | (3,698) | – | – | – | (3,698) |
| Disposals for the year ended Feb 2009 | – | – | – | – | – |
| Effective movement in exchange rates Feb 2009 | (424) | (81) | (1) | – | (506) |
| **Balance as at 28 Feb 2009** | (9,560) | (758) | (425) | – | (10,743) |
| Impairment charges are recognised in non-trading in the income statement (refer Note 8). | | | | | |
| **Carrying amounts** | | | | | |
| Balance as at 28 Feb 2007 | 22,678 | 4,434 | 774 | 534 | 28,420 |
| Balance as at 29 Feb 2008 | 21,491 | 6,891 | 665 | 384 | 29,431 |
| Balance as at 28 Feb 2009 | 17,793 | 6,097 | 568 | 231 | 24,689 |

### Impairment testing for cash-generating units containing goodwill

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



Notes to and forming part of the financial statements
*For the year ended 28 February 2009*

### Amortisation

Amortisation charge is recognised in cost of sales in the income statement (refer Note 8).

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

| | GROUP | |
|---|---|---|
| $NZ000's | 2009 | 2008 |
| KFC | 1,348 | 1,348 |
| Pizza Hut | 16,445 | 20,143 |

The recoverable amount of each cash-generating unit was based on its value in use. There was an impairment loss identified for the Pizza Hut segment.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

### KFC

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cashflows were projected based on a 3 year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 1.0 – 3.5% p.a. over 2010 – 2012. Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure and taxation. A terminal year was calculated based on the 2012 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

The discount rate, applied to future cashflows is based on an 11% weighted average cost of capital applicable to Restaurant Brands.

### Pizza Hut

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cashflows were projected based on a 3 year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 2.8 – 4.0% p.a. over 2010 – 2012. Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure and taxation. A terminal year was calculated based on the 2012 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

A review was conducted in the current financial year of Pizza Hut's future operating activities. The Board of Directors consequently has decided to impair Pizza Hut goodwill by a further $1.2 million after impairing goodwill by $2.5 million at the half year.

The discount rate, applied to future cashflows is based on an 11% weighted average cost of capital applicable to Restaurant Brands.

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 above estimates are particularly sensitive in the following areas:

| KEY ASSUMPTIONS | VARIATION | IMPAIRMENT CHARGE INCREASE/(DECREASE) |
|---|---|---|
| | % | $NZm's |
| Terminal year sales growth | 1.0 | No impairment necessary |
| | (1.0) | 3.1 |
| Discount rate | 1.0 | 3.6 |
| | (1.0) | No impairment necessary |
| EBITDA ratio as a % of sales per annum | 0.2 | (1.0) |
| | (0.2) | 1.0 |

### 12. Investments in subsidiaries

The following subsidiary companies are all wholly owned and incorporated in New Zealand (except as outlined below), have a 28 February balance date and have been owned for the full financial year:

**Restaurant operating companies**
Restaurant Brands Limited
Restaurant Brands Australia Pty Limited
(incorporated in Victoria, Australia)

**Property holding company**
Restaurant Brands Properties Limited

**Employee share option plan trust company**
Restaurant Brands Nominees Limited

**Investment holding companies**
RB Holdings Limited
RBP Holdings Limited
RBDNZ Holdings Limited
RBN Holdings Limited

**Non trading subsidiary company**
Restaurant Brands Pizza Limited

### 13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

| GROUP | ASSETS | | LIABILITIES | | NET | |
|---|---|---|---|---|---|---|
| $NZ000's | 2009 | Restated 2008 | 2009 | Restated 2008 | 2009 | Restated 2008 |
| Property, plant and equipment | 76 | 573 | (831) | (1,070) | (755) | (497) |
| Inventory | 13 | 2 | - | - | 13 | 2 |
| Debtors | 4 | 5 | - | - | 4 | 5 |
| Provisions | 1,746 | 2,590 | - | - | 1,746 | 2,590 |
| Intangibles | - | - | (1,365) | (2,452) | (1,365) | (2,452) |
| Other | - | - | (2) | (3) | (2) | (3) |
| | 1,839 | 3,170 | (2,198) | (3,525) | (359) | (355) |

At balance date deferred taxation assets of $0.3 million and deferred tax liabilities of $0.2 million are expected to be settled within 12 months (2008: deferred tax assets of $0.3 million and deferred tax liabilities of $0.2 million). The parent company has no deferred tax assets or liabilities (2008: nil).





Movement in temporary differences during the year:

| GROUP | BALANCE 1 MARCH 2007 | RESTATED RECOGNISED IN INCOME STATEMENT | RESTATED RECOGNISED IN EQUITY | RESTATED BALANCE 29 FEB 2008 | RECOGNISED IN INCOME STATEMENT | RECOGNISED IN EQUITY | BALANCE 28 FEB 2009 |
|---|---|---|---|---|---|---|---|
| $NZ000's | | | | | | | |
| Property, plant and equipment | 821 | (1,370) | 52 | (497) | (296) | 38 | (755) |
| Inventory | 42 | (40) | – | 2 | 11 | – | 13 |
| Debtors | 7 | (2) | – | 5 | (1) | – | 4 |
| Provisions | 3,307 | (773) | 56 | 2,590 | (829) | (15) | 1,746 |
| Intangibles | (3,307) | 854 | 1 | (2,452) | 1,079 | 8 | (1,365) |
| Other | (3) | – | – | (3) | – | 1 | (2) |
| Tax losses | 1,231 | (1,231) | – | – | – | – | – |
| | 2,098 | (2,562) | 109 | (355) | (36) | 32 | (359) |

### 14. Inventories

All inventories are valued at cost. The cost of inventories is recognised as an expense and included in cost of goods sold in the income statement.

| | GROUP | |
|---|---|---|
| $NZ000's | 2009 | 2008 |
| Raw materials and consumables | 2,098 | 2,075 |

### 15. Other receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| $NZ000's | 2009 | Restated 2008 | 2009 | 2008 |
| Prepayments | 1,424 | 276 | 40 | – |
| Other debtors | 265 | 293 | – | – |
| | 1,689 | 569 | 40 | – |

There were no foreign currency debtors included in other debtors (2008: nil).

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.

### 16. Capital and reserves

| RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES | Note | SHARE CAPITAL | SHARE OPTION RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | RETAINED EARNINGS | TOTAL |
|---|---|---|---|---|---|---|
| **GROUP $NZ000's RESTATED** | | | | | | |
| **Balance as at 1 March 2007** | | (25,622) | (85) | (102) | (6,822) | (32,631) |
| Total recognised income and expense | | – | – | (11) | (9,015) | (9,026) |
| Share based payments | | – | (7) | – | – | (7) |
| Net dividends distributed | | | – | – | 5,827 | 5,827 |
| **Balance as at 29 Feb 2008 as reported previously** | | (25,622) | (92) | (113) | (10,010) | (35,837) |
| Effect of change in accounting policy | 2.1, 30 | – | – | – | 660 | 660 |
| **Balance as at 29 Feb 2008 restated** | | (25,622) | (92) | (113) | (9,350) | (35,177) |
| **Balance as at 1 March 2008 restated** | | (25,622) | (92) | (113) | (9,350) | (35,177) |
| Total recognised income and expense | | – | – | 44 | (8,255) | (8,211) |
| Share based payments | | – | 13 | – | – | 13 |
| Net dividends distributed | | – | – | – | 6,313 | 6,313 |
| **Balance as at 28 Feb 2009** | | (25,622) | (79) | (69) | (11,292) | (37,062) |
| **COMPANY $NZ000'S** | | | | | | |
| **Balance as at 1 March 2007** | | (25,622) | (85) | – | 21,477 | (4,230) |
| Total recognised income and expense | | – | – | – | (2,528) | (2,528) |
| Share based payments | | – | (7) | – | – | (7) |
| Net dividends distributed | | – | – | – | 5,827 | 5,827 |
| **Balance as at 29 Feb 2008** | | (25,622) | (92) | – | 24,776 | (938) |
| **Balance as at 1 March 2008** | | (25,622) | (92) | – | 24,776 | (938) |
| Total recognised income and expense | | – | – | – | (3,634) | (3,634) |
| Share based payments | | – | 13 | – | – | 13 |
| Net dividends distributed | | – | – | – | 6,313 | 6,313 |
| **Balance as at 28 Feb 2009** | | (25,622) | (79) | – | 27,455 | 1,754 |

#### Share option reserve

The share option reserve comprises the net change in options exercised during the year and the cumulative net change of share based payments incurred.

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from translation of the financial statements of the foreign currency operation.





### 17. Dividend distributions

| $NZ000's | GROUP 2009 | GROUP 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|
| Interim dividend of 3.0 cents per share paid (2008: 3.0 cents per share) | 2,913 | 2,913 | 2,913 | 2,913 |
| Final dividend of 3.5 cents per share paid for the year ended 29 February 2008 (2008: 3.0 cents per share) | 3,400 | 2,914 | 3,400 | 2,914 |
| | 6,313 | 5,827 | 6,313 | 5,827 |

### 18. Equity

The issued capital of the Company is 97,128,956 (2008: 97,128,956) ordinary fully paid up shares. The par value is nil (2008: 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.

There were no changes in the number of ordinary shares during the year.

| SHARES | GROUP & COMPANY NUMBER 2009 | GROUP & COMPANY $NZ000's 2009 | GROUP & COMPANY NUMBER 2008 | GROUP & COMPANY $NZ000's 2008 |
|---|---|---|---|---|
| Balance at end of year | 97,128,956 | 25,622 | 97,128,956 | 25,622 |

### 19. Earnings per share

The calculation of basic earnings per share for the year ended 28 February 2009 was based on the net profit from continuing operations attributable to ordinary shareholders of $8.3 million and the actual number of ordinary shares outstanding during the year of 97,128,956 shares (the weighted average number of ordinary shares equals the actual number of shares at year end).

| | GROUP EARNINGS PER SHARE 2009 cents | GROUP 2009 $NZ000's | GROUP EARNINGS PER SHARE Restated 2008 cents | GROUP Restated 2008 $NZ000's |
|---|---|---|---|---|
| **Basic and diluted** | | | | |
| Profit attributable to ordinary shareholders from continuing operations | 8.50 | 8,255 | 9.07 | 8,811 |
| (Loss) attributable to ordinary shareholders from discontinued operations | – | – | (0.47) | (456) |
| Profit attributable to ordinary shareholders from total operations | 8.50 | 8,255 | 8.60 | 8,355 |

### 20. Loans and finance leases

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. All existing bank loans, loans and finance leases are denominated in New Zealand dollars (2008 all denominated in New Zealand dollars). For more information about the Company's exposure to interest rate and foreign currency risk see Note 23.

| $NZ000's | Notes | GROUP 2009 | GROUP 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|---|
| **Non current liabilities** | | | | | |
| Finance leases | 24d | **154** | 373 | – | – |
| Secured bank loan | 23c | **34,260** | 42,498 | **34,260** | 42,498 |
| | | **34,414** | 42,871 | **34,260** | 42,498 |
| **Current liabilities** | | | | | |
| Finance leases | 24d | **251** | 429 | – | – |
| Other loans | 23c | **34** | 84 | – | – |
| | | **285** | 513 | – | – |

Secured bank loans were renewed in 2008 and expire in October 2010.

The secured bank loan of $34.3 million is unhedged for interest rate rises (2008: $42.5 million). The loan is floating at an interest rate of 4.7% (2008: 9.2%) at balance date. The bank loan is structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis.

As security over the loan and bank overdraft, the bank holds a negative pledge deed between Restaurant Brands New Zealand Limited and all its subsidiary companies. The negative pledge deed includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The other loan is at a fixed interest rate of 8.75 % (2008: 7.17%) and is repayable within a year.

The carrying value equates to fair value.

### 21. Current creditors and accruals

| $NZ000's | GROUP 2009 | GROUP 2008 | COMPANY 2009 | COMPANY 2008 |
|---|---|---|---|---|
| Trade creditors | **9,731** | 11,314 | – | – |
| Other creditors and accruals | **5,375** | 5,114 | – | 533 |
| Employee entitlements | **5,839** | 5,590 | – | – |
| Indirect and other taxes | **1,176** | 2,703 | – | – |
| | **22,121** | 24,721 | – | 533 |

Included in trade creditors are foreign currency creditors of $NZ104,000 ($AU29,000; $US30,000), (2008: $NZ245,000 ($AU27,000; $US174,000)) which are not hedged. The trade creditors included in liabilities held for sale as per Note 7 are nil (2008: $NZ546,000 unhedged ($AU479,000)).





### 22. Provisions and deferred income

| $NZ000's | SURPLUS LEASE SPACE | STORE CLOSURE COSTS | EMPLOYEE ENTITLE-MENTS | DEFERRED INCOME | TOTAL |
|---|---|---|---|---|---|
| Balance at 1 March 2008 | 58 | 94 | 470 | 6,480 | 7,102 |
| Provisions created during the year | 130 | 262 | 198 | – | 590 |
| Provisions used during the year | (104) | (220) | (87) | (1,405) | (1,816) |
| Provisions released during the year | (25) | (49) | (94) | – | (168) |
| **Balance at 28 February 2009** | **59** | **87** | **487** | **5,075** | **5,708** |
| **2009** | | | | | |
| Non–current | – | – | 308 | 3,783 | 4,091 |
| Current | 59 | 87 | 179 | 1,292 | 1,617 |
| | **59** | **87** | **487** | **5,075** | **5,708** |

The provision for surplus lease space reflects lease commitments that the Group has on properties leased that are surplus to its current operating requirements. The Group is currently seeking tenants to sub-lease the excess space that it has. The provision has been used in the period to offset payments made to lessors.

The provision for store closure costs reflects the estimated costs of make good and disposal of fixed assets for stores committed for closure.

The provision for deferred income relates to non routine revenue from suppliers and landlords and is recognised in the income statement on a systematic basis over the life of the associated contract.

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.

### 23. 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.

#### (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 U.S. dollars and Australian 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 residual foreign currency risk on its assets and liabilities that are denominated in Australian dollars as part of its remaining Australian investment.

### (b) Interest rate risk

The Group's main interest rate risk arises from long term 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 and 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.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps are adjusted against the opening balance of the hedging reserve at that date.

No interest hedge exists at 28 February 2009 (2008: nil). Subsequent to balance date the Group entered into an interest rate swap to fix the interest rate on $10 million of bank term loans for five years. 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 income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rate at balance date and the periods in which they reprice.

| $NZ000's | EFFECTIVE INTEREST RATE | TOTAL | 12 MONTHS OR LESS | 12 MONTHS OR MORE |
|---|---|---|---|---|
| **Group 2009** | | | | |
| Cash | – | 324 | 324 | – |
| Bank balance | 4.64% | 463 | 463 | – |
| Other loans | 8.75%* | (34) | (34) | – |
| Bank term loan – principal | 8.33% | (34,260) | – | (34,260) |
| Bank term loan – expected interest | 4.20% | (2,398) | (1,439) | (959) |
| Finance leases | 11.0% | (405) | (251) | (154) |
| | | (36,310) | (937) | (35,373) |
| **Group 2008** | | | | |
| Cash | – | 340 | 340 | – |
| Bank balance | 4.81% | 721 | 721 | – |
| Other loans | 7.17%* | (84) | (84) | – |
| Bank term loans – principal | 8.62% | (42,498) | – | (42,498) |
| Bank term loans – expected interest | 8.62% | (4,274) | (3,663) | (611) |
| Finance leases | 11.0% | (802) | (429) | (373) |
| | | (46,597) | (3,115) | (43,482) |

*Other loans are a fixed interest rate.

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 $55 million (2008: $70 million) available at variable rates. The amount undrawn at balance date was $20.7 million (2008: $27.5 million).



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The bank term loan is at floating interest rate and the other loan is at a fixed interest and is repayable within a year. The bank term loan is not due for payment within 12 months, however it is 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.

Subsequent to balance date the Group fixed the interest rate on $10 million of bank term loans for a term of 5 years.

The company position for both 2009 and 2008 reflects the group position in the case of the bank term loans and the overdraft.

### (d) Credit risk

Credit risk arises from cash deposits with banks and financial institutions and outstanding receivables.

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The nature of the business results in most sales being conducted on a cash basis that significantly reduces the risk that the Group is exposed to. Reputable financial institutions are used for investing and cash handling purposes.

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 balance sheet.

### (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 28 February 2009 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax and equity by approximately $0.4 million (2008: $0.4 million). A one percentage point decrease in interest rates would increase the Group's profit before income tax and equity by approximately $0.4 million (2008: $0.4 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 and retained earnings.

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern and 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.

The Group is subject to a number of externally imposed bank covenants as part of the terms of its secured bank loan facility. The most significant covenant relating directly to capital management is the ratio of total debt to earnings before interest, tax and depreciation (EBITDA) and restrictions relating to acquiring its own shares.

The covenants are monitored and reported to the bank on a quarterly basis. In addition, the Group monitors these requirements which are reviewed by the Board on a regular basis.

There have been no breaches of the covenants during the period.

## 24. Commitments

### (a) Capital commitments

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

| $NZ000's | GROUP 2009 | GROUP 2008 |
|---|---|---|
| Store development | 1,385 | 2,621 |

### (b) Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

| $NZ000's | GROUP 2009 | GROUP 2008 |
|---|---|---|
| Not later than one year | 16,786 | 17,478 |
| Later than one year but not later than two years | 14,537 | 15,420 |
| Later than two years but not later than five years | 30,935 | 33,552 |
| Later than five years | 14,222 | 18,656 |
| | 76,480 | 85,106 |

### (c) Renewal rights of operating leases

The Group has entered into a number of operating lease agreements for retail premises. The lease periods vary and many have an option to renew. Lease payments are increased as per the lease contracts to reflect market rentals. The table below summarises the Group's lease portfolio.

| NUMBER OF LEASES WITH: | RIGHTS OF RENEWAL 2009 | RIGHTS OF RENEWAL 2008 | NO RIGHT OF RENEWAL 2009 | NO RIGHT OF RENEWAL 2008 |
|---|---|---|---|---|
| **Leases expiring in:** | | | | |
| Not later than one year | 12 | 14 | 20 | 19 |
| Later than one year but not later than two years | 40 | 15 | 8 | 18 |
| Later than two years but not later than five years | 73 | 71 | 19 | 16 |
| Later than five years | 58 | 80 | 7 | 9 |



Notes to and forming part of the financial statements
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### (d) Finance lease commitments

The carrying amount of finance leases in relation to computer and related equipment for the Group as at 28 February 2009 is $0.4 million (2008: $0.8 million).

The non cancellable finance lease rentals are payable as follows:

| $NZ000's | GROUP 2009 | GROUP 2008 |
|---|---|---|
| **Minimum lease payments of:** | | |
| Not later than one year | 280 | 538 |
| Later than one year but not later than two years | 134 | 217 |
| Later than two years but not later than five years | 32 | 137 |
| | 446 | 892 |
| Future lease finance charges | (41) | (90) |
| Net finance lease liability | 405 | 802 |
| Current | 251 | 429 |
| Non-current | 154 | 373 |

The fair value of finance leases equals their carrying amount as the impact of discounting is not significant.

### 25. Net cash from operating activities

The following are definitions of the terms used in the statements of cash flows:

**Cash and cash equivalents**

Cash and cash equivalents are comprised of cash at bank, cash on hand and overdraft balances.

**Investing activities**

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangibles and investments. Investments can include securities not falling within the definition of cash.

**Financing activities**

Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company.

**Operating activities**

Operating activities include all transactions and other events that are not investing or financing activities.

The following is a reconciliation between the surplus after taxation for the year shown in the income statement and the net cash from operating activities.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| $NZ000's | 2009 | Restated 2008 | 2009 | 2008 |
| **Profit after taxation** | 8,255 | 8,355 | 3,634 | 2,528 |
| **Add items classified as investing / financing activities:** | | | | |
| Loss on disposal of property, plant and equipment | 909 | 1,855 | – | – |
| Other non-operating costs of exiting Pizza Hut Victoria | 16 | 311 | – | – |
| | 925 | 2,166 | – | – |
| **Add / (less) non-cash items:** | | | | |
| Depreciation | 12,377 | 12,416 | – | – |
| (Decrease) / increase in provision for exit costs | (128) | 415 | – | – |
| (Decrease) in provisions | (163) | (560) | – | – |
| Amortisation of intangible assets | 1,422 | 1,283 | – | – |
| Impairment of property, plant and equipment | 100 | 535 | – | – |
| Impairment of Pizza Hut goodwill | 3,698 | 1,187 | – | – |
| Increase in deferred tax liability | 4 | 2,453 | – | – |
| Share based payments | (13) | 7 | (13) | 7 |
| | 17,297 | 17,736 | (13) | 7 |
| **Add / (less) movement in working capital:** | | | | |
| (Increase) / decrease in inventories | (6) | 35 | – | – |
| (Increase) / decrease in other debtors and prepayments | (1,115) | 650 | (40) | – |
| (Decrease) / increase in trade creditors and other payables | (4,031) | 1,419 | (533) | 221 |
| Decrease in income tax receivable | 1,515 | 530 | – | – |
| Decrease in income tax | 489 | 431 | 489 | 431 |
| | (3,148) | 3,065 | (84) | 652 |
| **Net cash from operating activities** | 23,329 | 31,322 | 3,537 | 3,187 |





### 26. Financial assets and financial liabilities by category

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| $NZ000's | 2009 | Restated 2008 | 2009 | 2008 |
| **Loans and receivables** | | | | |
| Other receivables | 1,689 | 569 | 40 | – |
| Cash and cash equivalents | 787 | 1,061 | – | – |
| | 2,476 | 1,630 | 40 | – |
| **Financial liabilities at amortised cost** | | | | |
| Loans and finance leases – non current | 34,414 | 42,871 | 34,260 | 42,498 |
| Loans and finance leases – current | 285 | 513 | – | – |
| Bank overdraft | – | – | 198 | 267 |
| Creditors and accruals | 22,121 | 24,721 | – | 533 |
| | 56,820 | 68,105 | 34,458 | 43,298 |

### 27. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Company and Group (2008: nil).

### 28. Related party disclosures

**Parent and ultimate controlling party**

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

**Identity of related parties with whom material transactions have occurred**

Note 12 identifies all entities within the Group. All of these entities are related parties of the Company.

In addition, the directors and key management personnel of the Group are also related parties.

**Transactions with related parties**

Key management personnel comprises members of the senior leadership team. Key management personnel compensation comprised short term benefits for the year ended 28 February 2009 of $1.9 million (2008: $2.3 million). Directors fees were $0.2 million (2008: $0.2 million). Refer to Note 29 for details of employee options outstanding.

During the year the Group made stock purchases of $0.1 million from Charlie's Group Limited (2008: $0.1 million), a company of which Restaurant Brands director, Ted van Arkel is chairman. There was nil owing as at 28 February 2009 (2008: nil).

Material transactions within the Group are loans and advances to and from Group companies and dividend payments. All inter company group loans in the parent company are non interest bearing, repayable on demand and disclosed as a current liability.

Refer to Note 20 for details regarding the guarantees between group companies.

### 29. Employee share growth share option plan

The Company had established an employee share option plan ('the Plan') for certain employees, under which it issued options at no cost for shares in the Company to the employees. The holder of an option is entitled to subscribe for one fully paid share for each option held (adjusted for bonus share issues), at an exercise price that is determined by reference to the market price at the time of issue of the options.

On the anniversary date of issue in each subsequent year 20% of the options issued become exercisable. Options only remain exercisable (subject to certain conditions and legislative provisions) whilst holders remain employed by the Company. The options terminate 10 years from the date they are issued and are equity settled. Principal officers and employees of the Company that participated in the Plan received an annual issue of options in respect of the number of shares equal to approximately 10% of their eligible earnings divided by the exercise price per share.

| DATE OF ISSUE | EXERCISE PRICE | ISSUED | EXERCISED TO 29 FEB 2008 | EXERCISED IN YEAR | FORFEITED OPTIONS | OUTSTANDING OPTIONS AT 28 FEB 2009 |
|---|---|---|---|---|---|---|
| 5 Jun 97 | $2.20 | 546,213 | – | – | (546,213) | – |
| 31 Aug 98 | $0.94 | 1,318,062 | (494,228) | – | (823,834) | – |
| 15 Sep 99 | $1.32 | 1,078,467 | (203,228) | – | (657,136) | 218,103 |
| 11 Sep 00 | $1.05 | 1,494,368 | (433,283) | – | (817,124) | 243,961 |
| 12 Sep 01 | $1.50 | 1,010,122 | (76,018) | – | (647,558) | 286,546 |
| 13 Sep 02 | $1.85 | 905,128 | – | – | (624,319) | 280,809 |
| 23 Sep 03 | $1.39 | 1,228,423 | (34,486) | – | (739,227) | 454,710 |
| **Total** | | **7,580,783** | **(1,241,243)** | – | **(4,855,411)** | **1,484,129** |

In April 2003 the Plan was terminated and the final allocation of options was the September 2003 allocation. All existing rights with respect to options which have already been granted will be maintained.

The percentage of total shares on issue was 1.5% (2008: 1.9%).

In March 2000 there was a 1:12 taxable bonus share issue. Therefore options issued prior to and exercised after this date will have a corresponding adjustment to the number of shares issued.

### 30. Impact on change in accounting policy

As a result of adoption of the amendment to NZ IAS 38, the following adjustments were made to the 2008 financial information:

| | GROUP |
|---|---|
| $NZ000's | |
| **As of 29 February 2008** | |
| **Balance sheet** | |
| Net (decrease) in other receivables | (943) |
| Net decrease in deferred tax liability | 283 |
| Net (decrease) in retained earnings | **(660)** |
| **Income statement - continuing operations** | |
| Net (increase) in marketing expenses | (943) |
| Net decrease in taxation expense | 283 |
| Net (decrease) in profit after taxation | **(660)** |





The effect on basic and diluted earnings per share related to the restatement of 2008 was as follows:

| | GROUP |
|---|---|
| Cents | |
| (Decrease) in basic earnings per share from continuing operations | (0.68) |
| (Decrease) in basic earnings per share from total operations | (0.68) |

The updated policy is in Note 2.2 (h).

### 31. Subsequent event

Subsequent to balance date, the directors have declared a fully imputed final dividend of 4.0 cents per share for the year ended 28 February 2009 (2008: 3.5 cents).

# Auditors' report

*To the shareholders of Restaurant Brands New Zealand Limited*

PRICEWATERHOUSECOOPERS

We have audited the financial statements on pages 38 to 73. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 28 February 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 41 to 50.

**Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 28 February 2009 and their financial performance and cash flows for the year ended on that date.

**Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

b) the financial statements on pages 38 to 73;

   i) comply with generally accepted accounting practice in New Zealand;

   ii) comply with International Financial Reporting Standards; and

   iii) give a true and fair view of the financial position of the Company and Group as at 28 February 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 8 April 2009 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland



# Shareholder information

*As at 14 April 2009*

**1. Stock exchange listing**

The Company's ordinary shares are listed on the New Zealand Stock Exchange.

**2. Distribution of security holders and security holdings**

| SIZE OF HOLDING | NUMBER OF SECURITY HOLDERS | | NUMBER OF SECURITIES | |
|---|---|---|---|---|
| 1 to 999 | 1,136 | 18.69% | 618,201 | 0.64% |
| 1,000 to 4,999 | 3,178 | 52.29% | 5,941,738 | 6.12% |
| 5,000 to 9,999 | 768 | 12.64% | 4,942,851 | 5.09% |
| 10,000 to 49,999 | 856 | 14.09% | 15,673,526 | 16.14% |
| 50,000 to 99,999 | 69 | 1.14% | 4,210,029 | 4.33% |
| 100,000 to 499,999 | 62 | 1.02% | 11,897,939 | 12.25% |
| 500,000+ | 8 | 0.13% | 53,844,672 | 55.43% |
| | 6,077 | 100.00% | 97,128,956 | 100.00% |

| GEOGRAPHIC DISTRIBUTION | | | | |
|---|---|---|---|---|
| New Zealand | 5,852 | 96.30% | 89,728,800 | 92.38% |
| Australia | 120 | 1.97% | 6,483,949 | 6.68% |
| Rest of world | 105 | 1.73% | 916,207 | 0.94% |
| | 6,077 | 100.00% | 97,128,956 | 100.00% |

**3. 20 largest registered holders of quoted equity securities**

| | NUMBER OF ORDINARY SHARES | % OF ORDINARY SHARES |
|---|---|---|
| New Zealand Central Securities Depository Limited | 44,780,727 | 46.10% |
| Diab Investments NZ Limited | 4,000,000 | 4.12% |
| Green Frog Nominees Pty Limited | 1,230,593 | 1.27% |
| FNZ Custodians Limited | 986,669 | 1.02% |
| Moon Chul Choi & Keum Sook Choi | 908,000 | 0.93% |
| NZPT Custodians (Grosvenor) Limited | 758,043 | 0.78% |
| Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin | 650,000 | 0.67% |
| Forsyth Barr Custodians Limited account 1M | 530,640 | 0.55% |
| Chun-Hsia Lu | 448,500 | 0.46% |
| Leveraged Equities Finance Limited | 445,489 | 0.46% |
| Matthew Charles Goodson | 436,666 | 0.45% |
| JA Hong Koo & Pyung Keum Koo | 430,000 | 0.44% |
| Wang Li Chih Han | 370,000 | 0.38% |
| South Canterbury Finance Limited | 350,000 | 0.36% |
| Kevin Koo | 346,000 | 0.36% |
| Thomas Joseph Menzies | 335,000 | 0.34% |
| Alan John Green | 300,000 | 0.31% |
| Waterview Custodian Limited | 300,000 | 0.31% |
| ASB Nominees Limited | 275,044 | 0.28% |
| Forsyth Barr Custodians Limited account 1L | 269,847 | 0.28% |
| | 58,151,218 | 59.87% |

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to its members. As at 14 April 2009, the NZCSD holdings in Restaurant Brands were:

| | NUMBER OF ORDINARY SHARES | PERCENTAGE OF ORDINARY SHARES |
|---|---|---|
| HSBC Nominees (New Zealand) Limited | 32,761,989 | 33.73% |
| Citibank Nominees (New Zealand) Limited | 3,675,167 | 3.78% |
| Custody and Investment Nominees Limited | 2,794,356 | 2.88% |
| Tea Custodians Limited | 1,713,750 | 1.76% |
| HSBC Nominees (New Zealand) Limited A/C State Street | 1,144,250 | 1.18% |
| ANZ Nominees Limited | 1,025,784 | 1.06% |
| Accident Compensation Corporation | 527,500 | 0.54% |
| National Nominees New Zealand Limited | 447,656 | 0.46% |
| Public Trust O/A Permanent Nominees Limited Tower NZ Equity Trust | 265,696 | 0.27% |
| Cogent Nominees Limited | 232,851 | 0.24% |
| BT NZ Unit Trust Nominees Limited | 150,000 | 0.16% |
| Guardian Trust Investment Nominees (RWT) Limited | 39,728 | 0.04% |
| NZ Guardian Trust Investment Nominees Limited | 2,000 | 0.00% |
| | 44,780,727 | 46.10% |

### 4. Shares on issue

As at 14 April 2009, the total number of ordinary shares on issue was 97,128,956.

### 5. Directors security holdings

| | EQUITY SECURITIES HELD | |
|---|---|---|
| | 2009 | 2008 |
| E K van Arkel | 50,000 | 50,000 |
| D Diab | 4,000,000 | 4,000,000 |

Subsequent to balance date, D Diab purchased further shares as follows:

| PURCHASE DATE | NUMBER OF SHARES PURCHASED |
|---|---|
| 15 April 2009 | 119,798 |
| 17 April 2009 | 46,400 |
| 23 April 2009 | 125,000 |
| 30 April 2009 | 50,000 |
| 7 May 2009 | 100,000 |

### 6. Stock exchange waiver

No waivers were sought or relied on from NZX during the year.





### 1. Directorships

The names of the directors of the Company as at 28 February 2009 are set out in the Corporate directory on page 83 of this annual report.

The following are directors of all subsidiary companies of the Group: E K van Arkel and D A Pilkington.

The following are directors of Restaurant Brands Australia Pty Limited: E K van Arkel, D A Pilkington, C J Stewart and G R Ellis.

### 2. Directors and remuneration

The following persons held office as directors during the year to 28 February 2009 and received the following remuneration and other benefits:

| $NZ | DIRECTORS FEES |
|---|---|
| EK van Arkel | 60,000 |
| SR Beck | 40,000 |
| D Diab | 40,000 |
| DA Pilkington | 40,000 |
| SH Suckling | 40,000 |
| | 220,000 |

### 3. Entries recorded in the interests register

The following entries were recorded in the interests register of the Company and its subsidiaries during the year:

#### a) Share dealings of directors

No shares were purchased by directors of the Company during the financial year ended 28 February 2009.

#### b) Loans to directors

There were no loans to directors during the financial year ended 28 February 2009.

### 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 | Chairman | Charlie's Group Limited (and subsidiaries) |
| | Chairman | Unitec New Zealand Limited (and subsidiaries) |
| | Director | Lang Properties Limited |
| | Director | Van Arkel & Co Limited |
| | Director | Allied Work Force Group Limited |
| | Director | Danske Mobler Limited |
| | Director | The National Property Trust Limited (and subsidiaries) |
| | Director | Paper Plus New Zealand Limited |
| | Director | Auckland Regional Chamber of Commerce and Industry |
| | Director | Lockwood Group Limited |
| | Director | Postie Plus Group |
| S H Suckling | Chairperson | New Zealand Qualifications Authority |
| | Chairperson | Barker Fruit Processors Limited (and subsidiaries) |
| | Chairperson | HSR Governance Limited |
| | Chairperson | National Institute of Water and Atmospheric Research Limited (and subsidiaries) |
| | Chairperson | Risk & Assurance Committee, Ministry for the Environment |
| | Chairperson | Carter Price Rennie Limited |
| | Chairperson | ECL Group Limited |
| | Chairperson | Risk & Audit Committee, Education Review Office |
| | Director | TYTM Development Limited |
| | Director | Acemark Holdings Limited |
| | Director | Air Scientifics NZ Limited |
| | Member | Risk & Audit Committee, NZ Food Safety Authority |
| | Member | Takeovers Panel |
| S R Beck | Director | Wellington Drive Technologies Limited (and subsidiaries) |
| | Director | Pencarrow Funds Management Limited (and subsidiaries) |
| | Director | Eastern Equities Corporation (and subsidiaries) |
| | Director | Pacific Horizon Limited (and subsidiaries) |
| | Director | Kiwi Kat Limited |
| D A Pilkington | Chairman | Ruapehu Alpine Lifts Limited |
| | Chairman | Prevar Limited |
| | Director | Ballance AgriNutrients Limited (and subsidiaries) |
| | Director | Zespri Group Limited (and subsidiaries) |
| | Director | Douglas Pharmaceuticals Limited |
| | Director and Shareholder | NZ Biotechnologies Limited |
| | Director | Ports of Tauranga |
| | Director | Rangatira Limited |
| | Director | Excelsa Associates Limited |
| | Member | Wellington City Council Audit and Risk Management Sub-Committee |
| | Trustee | New Zealand Community Trust |
| D Diab | Director | Diab Investments NZ Limited |
| | Director | Diab Pty Limited |
| | Director | Diab Investments Pty Limited |
| | Director | Mainplay Investments Pty Limited |
| | Director | Diab Investments II Pty Limited |
| | Director | Pizza Hut Adco Pty Limited |
| | Director | Mirrapol Holding Pty Limited |
| | President | National Pizza Association |



### 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.

### 4. Employees' remuneration

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

| | NUMBER OF EMPLOYEES | |
|---|---|---|
| | 2009 | 2008 |
| $100,000 - $109,999 | 5 | 10 |
| $110,000 - $119,999 | 4 | 3 |
| $120,000 - $129,999 | 3 | 2 |
| $130,000 - $139,999 | 3 | 1 |
| $140,000 - $149,999 | 3 | 1 |
| $150,000 - $159,999 | - | 2 |
| $160,000 - $169,999 | - | 1 |
| $190,000 - $199,999 | 1 | - |
| $250,000 - $259,999 | - | 1 |
| $280,000 - $289,999 | - | 1 |
| $300,000 - $309,999 | 1 | - |
| $330,000 - $339,999 | 1 | - |
| $460,000 - $469,999 | - | 1 |
| $600,000 - $609,999 | - | 1 |
| $620,000 - $629,999 | 1 | - |

### 5. Subsidiary company directors

No employee of Restaurant Brands New Zealand Limited appointed as a director of Restaurant Brands New Zealand Limited or its subsidiaries receives, or retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under Note 4 above.

### Overview

The board of Restaurant Brands New Zealand Limited is committed to the guiding values of the Company: integrity, respect, continuous improvement and service. Whilst not formally constituted into a code of ethics, it expects that management and staff ultimately subscribe to these values and use them as a guide to making decisions. These values are reflected in a series of formal policies covering such matters as:

- conflicts of interest
- use of company property
- use of company information
- compliance with applicable laws

### Responsibility

The board is responsible for the proper direction and control of the Company's activities, including 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 chief executive officer (CEO) who is required to do so in accordance with board direction. The 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, including a 360 feedback process.

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

As at 28 February 2009, the board comprised five non-executive directors (including the Chairman). In addition to Committee responsibilities (below), individual board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

Ted van Arkel, David Pilkington and Sue Suckling are considered by the board to be independent under the NZSX Listing Rules. Shawn Beck and Danny Diab are considered not to be independent as they represent significant shareholdings. The board does not have a policy on a minimum number of independent directors.

### Committees

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

- Audit Committee. The members of the audit committee are David Pilkington (Chairman), Ted van Arkel and Sue Suckling. The audit committee is constituted to monitor the veracity of the financial data produced by the Company and ensure controls are in place to minimise the opportunities for fraud or material error in the accounts.

  The audit committee meets at least three times a year, with external auditors of the Company and executives performing internal audit management from within the Company. The external auditors also meet with the committee with no company executive present.

  The committee has adopted an audit charter setting out the parameters of its relationship with internal and external audit functions. The charter requires five yearly reviews of the external audit relationship and audit partner rotation.

- Appointments and Remuneration Committee. The members of the appointments and remuneration committee are Shawn Beck, Ted van Arkel, Danny Diab and Sue Suckling. This committee is constituted to approve appointments and terms of remuneration for senior executives of the Company; principally the CEO and those reporting directly to the CEO. It also reviews any company-wide incentive and share option schemes as required. The appointments and remuneration committee has adopted a written charter.



The board does not have a formal nominations committee, as all non-executive directors are involved in the appointment of new directors.

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

### Board appraisal and training

The board has adopted a performance appraisal programme by which it annually monitors and assesses individual and board performance.

The Company does not impose any specific training requirements on its directors. The board believes all directors have considerable training and expertise. New directors complete an induction programme with company senior management.

### Insider trading

All directors and senior management of the Company are familiar with and have formally acknowledged acceptance of the Company's "Insider Trading Code" that relates to dealings in securities by directors and employees.

### Size

The constitution prescribes a minimum of three directors and, as at balance date, there were five members of the board.

### Re-election

Under the terms of the constitution, one third of the directors (two) are required to retire from office at the annual meeting of the Company but may seek re-election at that meeting.

### Meetings

The board normally meets eight 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.

Executives are regularly invited to attend board meetings and participate in board discussion. Directors also meet with senior executives on items of particular interest.

Board meeting attendance for the year ended 28 February 2009 was as follows:

| | |
|---|---|
| E K van Arkel | 12 |
| S R Beck | 12 |
| D Diab | 12 |
| D A Pilkington | 12 |
| S H Suckling | 12 |

### Board remuneration

Directors' fees for the year ended 28 February 2009 were $60,000 for the Chairman and $40,000 for each non-executive director. Refer to the Statutory Information section of the annual report for more detail.

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.

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

### 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.

### Risk management

In managing the Company's business risks, the board approves and monitors policy and process 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.

### Shareholding

There is no prescribed minimum shareholding for directors, although some do hold shares in the Company (refer to the Statutory Information section of the 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 "Insider Trading Code" (see above).

### 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.

### 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. From time to time, the board may communicate with shareholders by mail outside this regular reporting regime.

Consistent with best practice and a policy of continuous disclosure, external communications that may contain market sensitive data are released through NZX 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 attendance at annual meetings is encouraged and the board allows extensive shareholder debate on all matters affecting the Company.

### Auditor independence

The board manages the relationship with its auditors through the audit committee. The Company's external auditors are currently permitted to provide non-audit services to the Company with the approval of the audit committee.

Auditors' remuneration is disclosed in Note 8 to the financial statements.

### NZX corporate governance best practice code

In almost all respects, the Company's corporate governance practices conform with the NZX Corporate Governance Best Practice Code (the "Code"). The only areas in which the Company's practices vary from the Code are: it has not adopted a formal code of ethics, does not remunerate directors under a performance based equity compensation plan, does not impose specific training requirements on its directors and does not have a nominations committee.



## Corporate directory

**Directors:**
E K (Ted) van Arkel (Chairman)
Sue Helen Suckling
Shawn Richard Beck
Danny Diab
David Alan Pilkington

**Registered Office:**
Level 3, Westpac Building, Central Park,
666 Great South Road, Penrose,
Auckland, New Zealand

**Share Registrar:**
Computershare Investor Services Limited
Private Bag 92119
Auckland 1020
New Zealand
Telephone: (09) 488 8700

**Auditors:**
PricewaterhouseCoopers

**Solicitors:**
Bell Gully
Harmos Horton Lusk
Meredith Connell

**Bankers:**
Westpac Banking Corporation

**Contact Details:**
Postal Address:
P O Box 22-749, Otahuhu,
Auckland 1640, New Zealand

Telephone: (09) 525 8700
Fax: (09) 525 8711
E-mail: investor@restaurantbrands.co.nz

# Financial calendar

| | |
|---|---|
| **Annual Meeting:**<br>26 June 2009 | |
| **Close of Register for Final Dividend:**<br>12 June 2009 | |
| **Final Dividend Paid:**<br>26 June 2009 | |
| **Interim Profit Announcement:**<br>October 2009 | |
| **Interim Dividend Paid:**<br>November 2009 | |
| **Financial Year End:**<br>28 February 2010 | |
| **Annual Profit Announcement:**<br>April 2010 | |