



2013  
Restaurant Brands  
Annual Report

**OUR STRENGTH  
IN THE QSR  
MARKET  
IS UNDISPUTED.**

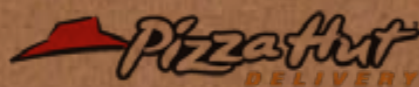
**WE WANT TO  
BE STRONGER  
STILL. SO...**

**WE'RE  
BULKING  
UP ON  
BEEF**

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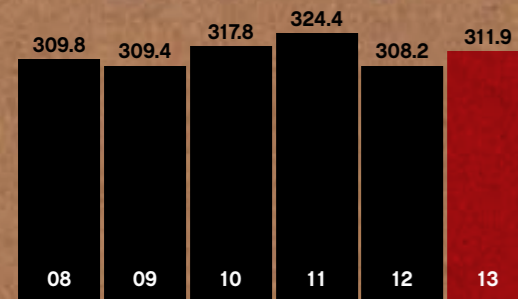
**WELCOME  
CARL'S JR.**



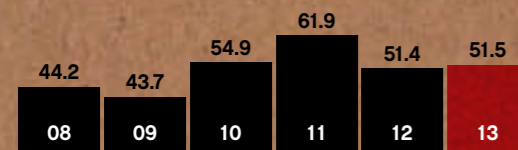
Restaurant Brands New Zealand Limited is a corporate franchisee that operates the New Zealand outlets of KFC, Pizza Hut, Carl's Jr. and Starbucks Coffee. These brands – some of the world's most famous – are distinguished for their product, service, style and ambience, and for the total experience they deliver to their customers in New Zealand and around the world.

# YEAR IN REVIEW

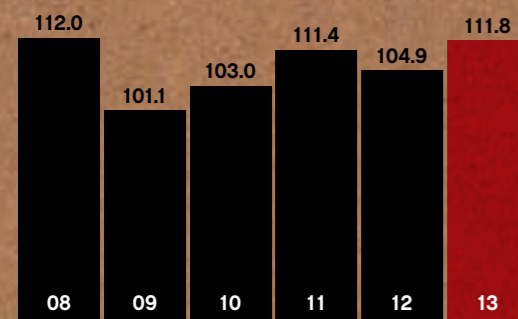
## TOTAL SALES (\$NZ MILLIONS)



## TOTAL STORE EBITDA (\$NZ MILLIONS)



## TOTAL ASSETS (\$NZ MILLIONS)



**GROUP NET PROFIT AFTER TAX (EXCLUDING NON-TRADING ITEMS) WAS \$17.7 MILLION (18.0 CENTS PER SHARE), DOWN 3.9% ON PRIOR YEAR.**

**TOTAL GROUP SALES OF \$311.9 MILLION, UP \$3.7 MILLION (+1.2%) WITH GROWTH FROM KFC AND PIZZA HUT, TOGETHER WITH NEW SALES FROM CARL'S JR. PARTLY OFFSET BY A REDUCTION IN STARBUCKS COFFEE SALES.**

**KFC SALES CONTINUED TO GROW TO A NEW HIGH OF \$237.0 MILLION WITH STORE TRANSFORMATIONS CONTINUING TO PROVIDE POSITIVE GROWTH.**

**PIZZA HUT DELIVERED A VERY STRONG RESULT WITH SAME STORE SALES UP 21.2% TO \$47.9 MILLION AND EBITDA UP 80.8%.**

**TOTAL STORE EBITDA OF \$51.5 MILLION WAS MARGINALLY UP (+0.2%) ON PRIOR YEAR WITH THE STRONG PERFORMANCE BY PIZZA HUT OFFSETTING REDUCED MARGINS IN KFC AND STARBUCKS COFFEE AND INITIAL SET UP COSTS IN CARL'S JR.**

**THE LAUNCH OF THE NEW CARL'S JR. BRAND PROCEEDED TO PLAN WITH TWO STORES OPENING IN THE LAST THREE MONTHS OF THE YEAR CONTRIBUTING \$1.9 MILLION IN REVENUES, BUT WITH AN EBITDA LOSS OF \$0.5 MILLION AS FORECAST WITH INITIAL SET UP COSTS.**

**G&A OVERHEAD COSTS WERE UP 16.5% ON PRIOR YEAR TO \$13.2 MILLION WITH THE CARL'S JR. PRE-OPENING COSTS TOGETHER WITH NEW INITIATIVES IN HUMAN RESOURCES AND INFORMATION SYSTEMS.**

**OPERATING CASH FLOWS WERE UP \$5.0 MILLION TO \$34.8 MILLION. INVESTING CASH FLOWS WERE ALSO UP \$5.5 MILLION TO \$19.8 MILLION WITH KFC AND CARL'S JR. STORE BUILDS, MEANING BANK DEBT LEVELS WERE SLIGHTLY UP ON PRIOR YEAR AT \$14.6 MILLION.**

**A FINAL FULLY IMPUTED DIVIDEND OF 9.5 CENTS PER SHARE WILL BE PAID ON 28 JUNE, MAKING A FULL YEAR DIVIDEND OF 16.0 CENTS (THE SAME AS FOR THE PREVIOUS YEAR).**

# FINANCIAL HIGHLIGHTS

## HISTORICAL SUMMARY

All figures in \$NZm unless stated

	2008	2009	2010	2011	2012	2013
<b>Financial performance</b>						
<b>Sales*</b>						
KFC	199.1	211.5	223.2	235.8	236.3	237.0
Pizza Hut	71.4	64.6	64.2	59.3	45.5	47.9
Starbucks Coffee	33.0	33.0	30.5	29.3	26.5	25.1
Carl's Jr.	-	-	-	-	-	1.9
Pizza Hut Victoria	6.3	0.3	-	-	-	-
<b>Total</b>	<b>309.8</b>	<b>309.4</b>	<b>317.8</b>	<b>324.4</b>	<b>308.2</b>	<b>311.9</b>
<b>Store EBITDA*</b>						
KFC	35.9	38.0	46.3	52.1	45.6	45.3
Pizza Hut	4.4	2.8	5.4	5.6	2.1	3.8
Starbucks Coffee	3.9	2.9	3.2	4.1	3.7	2.9
Carl's Jr.	-	-	-	-	-	(0.5)
Pizza Hut Victoria	-	-	-	-	-	-
<b>Total</b>	<b>44.2</b>	<b>43.7</b>	<b>54.9</b>	<b>61.9</b>	<b>51.4</b>	<b>51.5</b>
EBIT	16.1	15.6	29.2	35.0	24.4	22.7
NPAT (reported)	8.4	8.3	19.5	24.3	16.9	16.2
NPAT (excluding non-trading)	10.4	11.7	19.9	25.1	18.4	17.7
<b>Financial position/cash flow</b>						
Share capital	25.6	25.6	25.8	26.6	26.6	26.7
Total equity	35.2	37.1	48.7	58.9	59.8	60.3
Total assets	112.0	101.1	103.0	111.4	104.9	111.8
Operating cash flows	31.3	23.3	38.7	40.6	29.8	34.8
<b>Shares</b>						
Shares on issue (year end)	97,128,956	97,128,956	97,280,005	97,762,866	97,809,001	97,850,110
Number of shareholders (year end)	6,214	6,095	5,668	5,527	5,675	6,015
Basic earnings per share (full year reported)	8.6c	8.5c	20.1c	24.9c	17.3c	16.5c
Ordinary dividend per share	6.5c	7.0c	12.5c	17.0c	16.0c	16.0c
<b>Number of stores (year end)</b>						
KFC	87	84	85	89	88	89
Pizza Hut	97	93	91	82	71	57
Starbucks Coffee	44	42	41	37	35	29
Carl's Jr.	-	-	-	-	-	2
Pizza Hut Victoria	1	-	-	-	-	-
<b>Total</b>	<b>229</b>	<b>219</b>	<b>217</b>	<b>208</b>	<b>194</b>	<b>177</b>
<b>Staff paid (year end)</b>	<b>4,957</b>	<b>4,526</b>	<b>4,735</b>	<b>4,374</b>	<b>3,909</b>	<b>3,725</b>

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

**GIVING  
YOUNG  
HUNGRY  
GUYS  
WHAT  
THEY  
WANT.**

# CHAIRMAN'S REPORT

**THE NEW CARL'S JR.  
BRAND IS EXPECTED  
TO CONTRIBUTE  
SIGNIFICANT SALES  
VOLUMES AND PRODUCE  
A POSITIVE MARGIN IN  
ITS FIRST FULL YEAR OF  
OPERATION.**



The 2013 year can be summed up in two words – EXCITING and CHALLENGING. Exciting as we launched Carl's Jr., a strongly performing US-based burger brand, and challenging as we navigated the business through the trials presented by a weak economic recovery.

	2013 \$m	2012 \$m	Change (%)
Total Group Revenue	312.8	308.9	1.3
Group Net Profit after Tax*	17.7	18.4	-3.9
Dividend (cps)	16.0	16.0	-

\* Excluding non-trading items

To give you a brief overview of the year, we saw a new sales record achieved in KFC, a good year and a substantially improved performance from Pizza Hut, reduced earnings from Starbucks Coffee in the face of strong competition and positive early results from Carl's Jr.

In this year's report we have chosen to focus on Carl's Jr., our new hamburger-based restaurant offering. It brings, for the first time, a beef component to the Restaurant Brands' menu. The beef-based segment of the quick service restaurant trade in New Zealand is the largest and Restaurant Brands will now be a significant participant in it. Your board saw the brand as a strong addition to the existing portfolio and one that could generate substantial value for shareholders over time. We are pleased with Carl's Jr.'s early results and the indicators point to it being an important driver of improved Group earnings performance in future years.

#### Group Operating Performance

Group store sales revenue increased 1.2% for the year to \$311.9 million. The largest increase in sales came from a strong performance from Pizza Hut on the back of a highly successful value campaign delivering incremental year on year sales despite operating a reduced number of stores across the network.

Same store sales is an important performance measure reflecting what is happening at the heart of the business unaffected by store

number changes. These sales were up 1.9% for the Group. By brand Pizza Hut delivered a 21.2% increase with small reductions from KFC of 1.0% and Starbucks Coffee of 1.7%.

Service is at the heart of our business and to ensure we recruit and retain good staff we have made a commitment to enhance our people capabilities. The \$0.5 million investment in a centralised recruitment facility will drive an improvement in the quality of new staff and reduce the store management time that has to date been taken up with recruitment activity. We are already starting to see the positive results that this investment can deliver for the business.

We have also invested an additional \$0.5 million on upgrading the capacity and performance of our IT systems in order to ensure dependable and well-supported store systems are in place.

The establishment of the Carl's Jr. brand brought one-off recruitment, legal and training costs of \$0.4 million as we lay the foundations for our long-term investment in this new venture.

These additional areas of cost took overall General & Administration (G&A) spending to 4.2% of sales, slightly above our target of 4.0%.

Total store earnings before interest, tax, depreciation and amortisation (EBITDA) of \$51.5 million was marginally up on the prior year's result with KFC once again the strongest contributor despite slightly reduced margins. The standout performance was from Pizza Hut, offsetting reduced margins from Starbucks Coffee and Carl's Jr. start-up costs.

Net Profit after Tax attributable to shareholders was \$16.2 million (16.5 cents per share), down 4.5% on last year's result. A number of non-trading items such as store closures and sales, transformation costs and insurance related items totalling \$2.4 million are included in that figure. Profit after tax excluding these items was \$17.7 million (18.0 cents per share), a decline of 3.9% over the previous year's result. This small reduction in profit on prior year reflects those mainly non-recurring costs from the introduction of Carl's Jr. and additional costs from the substantial investment in the company's recruitment systems and information technology which we believe will deliver ongoing benefits to the business and longer term value for shareholders.

**BEST. PAIR. EVER.**

**Pulled pork on a cheeseburger. It's BBQ's Best Pair.**

**MEMPHIS  
BBQ  
BURGERS**

**Carl's Jr.  
CHAMPIONBURGERS**

## Cash Flow and Balance Sheet

The strong performance from Pizza Hut and some positive working capital movements saw operating cash flows increase for the year by \$5.0 million to \$34.8 million.

Investing cash outflows increased by \$5.5 million to \$19.8 million as a result of increased capital expenditure as the KFC store transformation programme continued and initial expenditure was incurred in the development of the first Carl's Jr. stores.

It is the board's view that it continues to be appropriate to take a conservative approach to balance sheet management. Bank debt is up slightly to \$14.6 million from \$13.6 million, but it remains well within our facility limits of \$35 million. Gearing (as measured by net debt/ net debt + equity) remains conservative at 19% (2012: 19%).

The \$6.9 million increase in total assets to \$111.8 million reflects increased capital expenditure in KFC and initial capital expenditure at Carl's Jr., offset by disposals of Pizza Hut stores.

## Independent Franchisee Sales and Purchases

A programme has been underway in Pizza Hut since 2010 to sell stores with lower sales volumes, particularly in regional areas, where an independent franchisee with a more personal approach to running the store can produce a more successful outcome for these businesses. With 13 Pizza Hut stores sold to independent franchisees during the year there are now 26 stores run under these arrangements. It is pleasing to note that there has been no turnover in franchisees since we commenced the store sales programme.

The purchase of a KFC franchise in Cambridge brings the total of KFC stores we own to 89 with eight still managed under independent franchise arrangements. Where there is the opportunity to purchase these stores we will consider doing so, however it is not our objective to own the entire store network.

## Dividend

Directors have declared a final fully-imputed dividend of 9.5 cents per share, maintaining the full-year dividend at 16.0 cents per share. The board's policy is that dividends will increase commensurate with profit performance, but always with a view to future capital expenditure requirements. The final dividend will be paid on 28 June 2013 to all shareholders on the register as at 14 June 2013. A supplementary dividend of 1.676 cents per share will also be paid to overseas shareholders. The dividend re-investment plan remains suspended.

## Staff

During the year we approved funds being invested in a centralised recruitment function. We are seeing the clear benefits of this spending and the value to the business with store management having more time to spend on the business and on customer service. Restaurant Brands is a team-based business and the teams are now performing even more strongly. The board would like to extend our thanks to all the teams and the staff at all levels of the organisation for their contribution, commitment and continuing hard work.

## Outlook

It is the board's view that the combined effect of the underlying strengths of the company's brands, maintenance of tight controls and efficiencies, together with some overall improvement in the economy, will drive profit growth in the 2014 financial year.

Whilst KFC saw some softening of sales in the 2013 financial year, this turned around as the year progressed. Three quarters of the KFC store network has now been transformed and after a slowing of the programme last year the pace has once again been lifted in order to capture the gains well proven over the last seven or eight years to be available. While the transformation programme is reaching its final phase, it will continue until all stores are

complete and we expect to maintain our track record of delivering improved results for those transformed stores. In the absence of any significant input cost escalation, KFC is expected to deliver margins slightly better than achieved in the 2013 year.

Pizza Hut is expected to continue to produce positive same store sales growth, albeit at a significantly reduced rate as it rolls over the substantial gains enjoyed this year. An ongoing emphasis on tight controls, together with volume leverage are expected to produce earnings at similar levels to this year despite lower store numbers with a further six to eight stores expected to be sold to independent franchisees in regional locations.

We expect the Starbucks Coffee business will return to positive same store sales with similar levels of profitability. Our focus remains on improving individual store performance but we will continue to consider store closures at lease end where our profit performance standards cannot be met.

The new Carl's Jr. brand is expected to contribute significant sales volumes and produce a positive margin in its first full year of operation. The brand will take some time to achieve its full margin potential with the start-up costs such as staff recruitment and training and setting up the supply chain that are experienced in a rapid brand roll-out. We expect to have eight or nine stores operating by the end of the financial year in February 2014 after starting the year with two stores.

Further guidance will be provided at the Annual Shareholder Meeting on 28 June 2013 in Wellington.

I would like to conclude by thanking my colleagues on the Restaurant Brands board for their continuing support and dedication.



Ted van Arkel  
Chairman

# CHIEF EXECUTIVE'S REPORT

**WE ARE PROUD OF THE CONTINUING CONTRIBUTION OF OUR STAFF TO RESTAURANT BRANDS' PERFORMANCE AND ACKNOWLEDGE THEIR HARD WORK.**



The focus of our report this year is our exciting new burger brand, Carl's Jr. Established over 70 years ago in California it now has in excess of 1,000 stores in the United States and has franchises in 18 countries. Carl's Jr. specialises in offering delicious premium-quality burgers with a marketing proposition that targets youthful demographics. The restaurants offer unique service attributes focusing on 'partial table service', with a 'made-to-order' menu, 'all-you-can-drink' beverage bars, and a 'breakfast-until-midnight' menu offering.

## Carl's Jr.

	2013 \$m	2012 \$m	Change \$m	Change (%)
Sales	1.9	-	1.9	-
EBITDA	-0.5	-	-0.5	-
EBITDA as % of Sales	-26.4	-	-	-

After opening stores last year in Mangere and Palmerston North, Restaurant Brands has added another store in Queen Street, Auckland. By the end of the financial year in February 2014 we expect to have opened another six to seven stores.<sup>1</sup>

The quick service restaurant market in New Zealand is estimated to be in excess of \$2 billion<sup>2</sup> annually and is growing at around 5% per annum. The beef burger segment is estimated to be 43% of this market. While the beef segment may be regarded as well-served we are firmly of the belief that there is room for a strong new brand to successfully enter the market. Sales at each of our Carl's Jr. stores has strengthened our belief that the brand can and will be a significant driver of Restaurant Brands' growth in future years. After three to four months of trading, sales at the Mangere and Palmerston North stores have levelled off and are settling at a steady weekly level after the initial peak at store opening and both are contributing positively to Group store sales. Our Queen Street store delivered unprecedented sales results on opening and continues to deliver strong weekly sales that demonstrate support for the brand.

## KFC

	2013 \$m	2012 \$m	Change \$m	Change (%)
Sales	237.0	236.3	0.7	0.3
EBITDA	45.3	45.6	-0.3	-0.6
EBITDA as % of Sales	19.1	19.3	-	-

KFC remains the largest contributor to the Group, at 76% of total store sales. While sales reached a new record of \$237.0 million, the two half years presented different "run rates". Actions taken during the first half to address the negative same store sales performance drove improved performance in the second half. The EBITDA margin improved to 19.5% in the second half from 18.7% in the first half on the back of sales promotions and better store performance.

KFC product and promotional activity over the year included the very successful \$5 Lunch Box, the KFC Chicken Pie and a new taste variant, Sweet Sesame Chicken. KFC also brought back the Double Down for a limited time.

With six more stores transformed in the 12 months under review we now have 76% of all stores refurbished. Sales at these six transformed stores increased, on average, by over 15% based on a comparison of 10 weeks of sales before and after transformation. With 21 legacy stores still to be upgraded we will see an increased revenue stream from these transformations however these stores generally have lower overall sales volumes so the incremental contribution to group revenue will have somewhat less of a positive impact than earlier stores. Transformation, however, is not the end of the sales improvement process – we are now moving ahead with the second generation store programme, having had excellent sales results from brand new pilot stores in Lower Hutt and Silverdale. There has been some considerable learning from these first trial stores and we will be applying this experience to other new store builds of which we expect to be able to complete at least one more in the coming 12 months.

<sup>1</sup> In addition to stores owned by Restaurant Brands, Forsgren NZ Limited operates five Carl's Jr. stores in Auckland under franchise to CKE and has the option to open up to a total of eight sites in Auckland.

<sup>2</sup> Source: Euromonitor Passport Report.

During the year we also acquired a previously independent franchisee store in Cambridge leaving eight stores now outside Restaurant Brands' ownership.

The plan for the current year is to maintain same store sales growth through operational excellence and new product development. EBITDA as a percentage of sales is expected to maintain a margin of 19-20% through the combined effect of supply chain opportunities, loss prevention and continued operational improvements.

#### Pizza Hut

	2013 \$m	2012 \$m	Change \$m	Change (%)
Sales	47.9	45.5	2.4	5.3
EBITDA	3.8	2.1	1.7	80.8
EBITDA as % of Sales	7.9	4.6	-	-

Pizza Hut had a very strong year on the back of the pizza value campaign. Total sales were up 5.3% despite a 20% reduction in the number of stores we own. Same store sales increased 21.2% which was an excellent performance after two years of negative growth.

This turnaround in sales performance was reflected in increased profitability with margins up more than 80% on both prior year and target. In addition to the profit leverage from higher sales volumes, a continued tight control on operating costs, the launch of a new website and supply chain initiatives to reduce input costs all contributed to a very strong profit performance. In addition, the routing of telephone orders directly to stores (with a small back up call centre in head office) resulted in further ongoing savings.

Our programme to sell lower volume stores and those in regional areas to independent franchisees continued with the transfer of 13 stores this year, making a total of 26 successful sales during the course of this initiative. The sales to largely single store operators enable the new owners to achieve enhanced economies of scale in smaller local markets. We anticipate another six to eight stores could be sold in the coming year, further reducing Restaurant Brands' directly owned stores from the current 57 of the 83 Pizza Hut stores. This strategy is working well, reducing our exposure to the volatile pizza market, setting up efficient and profitable single store operators while maintaining the brand's footprint within the New Zealand market.

In the 2014 year we are looking to maintain same store sales growth, although perhaps at slightly more modest levels by continuing the current marketing programmes. We will continue to build margin through further consolidation of our store network and a focus on supply chain efficiencies and new product initiatives. There is still further opportunity to develop the web capability in order to drive more orders through that channel.

#### Starbucks Coffee

	2013 \$m	2012 \$m	Change \$m	Change (%)
Sales	25.1	26.5	-1.3	-5.1
EBITDA	2.9	3.7	-0.8	-21.8
EBITDA as % of Sales	11.7	14.2	-	-

Starbucks Coffee had a difficult year. Sales were impacted by the closure of six stores during the year – three at end of lease and three in Christchurch that have permanently closed as a result of earthquake damage. A significant price reduction was implemented mid-year. On average, coffee prices dropped by around 10 per cent, while customers were also offered free additional espresso shots. Consumers' response to this saw same store sales and margins improve during the second half as a result of the initiative.

In the 2014 year we are looking to restore same store sales growth through continuing the value strategy and further improvements in customer experience. Poorer performing stores may close as and when leases permit and two to three stores will be refurbished. Development of digital opportunities through social media marketing will provide greater opportunity for branding at effective cost.

#### Corporate and Other Costs

G&A (above store overhead) at \$13.2 million was \$1.9 million (16.5%) higher than prior year. The increased costs arose in three main areas. Firstly, our commitment to enhance our people capabilities led to development of a centralised recruitment facility in order to improve the quality of new staff and reduce store management time in recruitment activity. The second major initiative saw an upgrading of capacity and performance of information systems in order to ensure dependable and well-supported store systems are in place. Thirdly, establishment of the Carl's Jr. brand brought above store establishment costs such as recruitment, legal and training. The incremental expenditure is either non-recurring or will produce significant benefits elsewhere in the organisation.

Whilst G&A costs this year were 4.2% of sales (3.7% in FY12), slightly above the 4.0% target, this is expected to reduce in the coming year.

Group non-trading charges were \$2.4 million (\$2.3 million in FY12). These included a write off of goodwill following Pizza Hut store disposals of \$3.2 million (\$1.5 million in FY12), offset by a \$1.5 million (\$0.2 million FY12) gain on disposal above asset value. There were also store closure costs (mainly fixed asset write offs) of \$1.5 million (\$0.6 million in FY12) and KFC transformation write offs of \$0.5 million. Insurance receipts for earthquake assets totalled \$1.3 million.

Depreciation charges at \$13.6 million were flat against the prior year, reflecting increased capital expenditure in KFC fully offset by lower charges in Starbucks Coffee with store closures, and Pizza Hut with store disposals.

Interest and funding costs at \$0.8 million were down \$0.5 million on prior year with the company carrying lower debt levels over the first half of the year. Bank interest rates (inclusive of margins and fees) for the year averaged 5.0% compared with 4.6% in FY12.

#### Community

Restaurant Brands and our staff are committed to giving back to the communities in which we operate. This summer we were delighted to partner with Surf Life Saving New Zealand (SLSNZ) through KFC and have the opportunity to support the important work that they do making it safe for New Zealanders to enjoy our beaches. SLSNZ has 73 clubs throughout the country. Through our sponsorship SLSNZ clubs have the opportunity to work with their local KFC store. The store and club partner on local fundraising initiatives with the funds raised going directly to that club. On a local level it's an ideal opportunity for our staff to raise money and awareness for an organisation we all know and trust. A nationwide KFC promotion based around the "Safe Surf" theme ran in the summer months to support the campaign. In addition to a \$2 donation from every KFC Surf Safe Variety Bucket Meal sold, a water safety education campaign was run in store to support SLSNZ in preventing drowning and injury on our beaches. This campaign alone raised \$116,000 for SLSNZ with additional store based activities adding to this total.

#### The Environment

As a company, we are cognisant of the need to minimise the impact of our operations on the environment and to that end we are pursuing a number of initiatives to reduce our carbon footprint and maximise recycling opportunities by:

- Retrofitting equipment which provides energy efficiency where practicable to do so.
- Managing energy consumption in our restaurants through energy efficient management systems.

- Purchasing food grade recycled packaging whenever possible.
- Reducing landfill by separating our waste cardboard from other waste.
- Reducing solids captured in our grease traps.
- Recycling oil waste.
- Recycling obsolete computer components.
- Reducing water usage through better restaurant controls and reporting.

#### Staff


Our staff and the teams that they work in are at the heart of our business. We are proud of the continuing contribution of our staff to Restaurant Brands' performance and acknowledge their hard work.

It is important we provide staff with a safe workplace. We continue to place great emphasis on making our stores safe for everyone working in them. Lost time injuries were down 26% on prior year to an all-time low.

#### Conclusion

Our Chairman described the 2013 year as both exciting and challenging. I agree with his sentiment. We faced challenges getting growth back into Pizza Hut and Starbucks Coffee and we have done this. Bringing Carl's Jr. to customers has been exciting and I am delighted with the early performance of the roll-out. KFC's record year for sales sets a challenge for us to exceed but, as our Chairman has said, we believe that the strategies we have in place will lead to profit growth in the 2014 year.

I look forward to providing you with an update on the first quarter of the 2014 year at our Annual Shareholders' Meeting.



Russel Creedy  
Chief Executive Officer

**A MENU BOARD FULL OF FRESH IDEAS**





**IF IT DOESN'T  
GET ALL OVER  
THE PLACE,  
IT DOESN'T  
BELONG IN  
YOUR FACE.**

## **HERE'S THE BEEF**

Is New Zealand ready for another burger chain? If the excitement generated by the arrival of Carl's Jr. is anything to go by, the answer's a resounding 'yes.' It seems the hamburger market has been waiting for something new for some time. Carl's Jr. is a whole new restaurant concept combining deliciously indulgent, charbroiled hamburgers with 'on-the-edge, no-apologies' marketing that appeals directly to our nation's hungry big-burger-eating young men.

The really good news is that Restaurant Brands has secured the exclusive rights to roll out Carl's Jr. across New Zealand.

So to our chicken, pizza and coffee, we're adding 100% pure beef and a 'whole lotta' muscle for the future of our business. Hold tight.

In December 2011 Restaurant Brands announced a new signing to its brand stable – the first addition, in fact, in 13 years.

The franchise agreement with Carl Karcher Enterprises, Inc. (CKE) marks the beginning of a journey to bring the excitement of a whole new restaurant concept to New Zealand – Carl's Jr.

Carl's Jr. has a long history (predating most other US 'fast food' brands). It started in 1941 in Los Angeles when Carl N. Karcher and his wife, Margaret, borrowed \$311 on their Plymouth car, added \$15 in savings and purchased a hot dog cart. One cart grew to four, and in less than five years, the first Carl's Drive-In Barbecue store opened, selling hamburgers. Not long afterwards, a smaller store format was developed, and accordingly named Carl's Jr. to distinguish it from its larger sibling. Seventy years and over 1,200 restaurants later, Carl's Jr. has established a well-earned reputation in the western United States (and increasingly in international markets) for its delicious charbroiled hamburgers.

So what makes people crave a Carl's Jr. burger? They are all made with 100% pure beef and are 'charbroiled.' This means they are cooked on an open flame which seals in the taste and delivers a juicier and altogether more flavoursome burger. All items on the menu are made-to-order, with premium quality ingredients, delivering fresh, great tasting products. In addition to its impressive array of burgers, Carl's Jr. is also known for its hand scooped milkshakes and breakfast menu.

Restaurant Brands first sized-up the Carl's Jr. opportunity in mid-2011. The brand had already made its mark in New Zealand with two stores set up by an independent franchisee, Forsgren NZ Limited. We negotiated with CKE to secure the exclusive rights to the New Zealand market (apart from a limited number of stores in the Auckland area operated by the existing franchisee). We now have our first three stores operating and are poised for a rapid brand roll-out with another six or seven planned for the current year.

Why Carl's Jr. as the fourth brand? In a word, beef. Restaurant Brands needed to move into the hamburger market. Hamburgers are the single largest segment in the \$2 billion QSR (Quick Service Restaurant) market and Restaurant Brands had no presence there with our existing brand portfolio. On top of that, Carl's Jr. is a brand that's going places. With 1,249 Carl's Jr. restaurants (and 1,899 Hardee's – its sister brand) and growing, CKE had just started to develop its international markets and this was the ideal opportunity for us to get in "on the ground floor". Thirdly, the brand has enormous appeal – its edgy, no-holds-barred advertising and "big, satisfying eat offer" gets the big thumbs up from its market of salivating hungry young men. Finally, the quality and taste of the food is head and shoulders above anything else in NZ and so worth pursuing. Carl's Jr. sells a quality and great tasting product, no doubt about it.

The first Restaurant Brands' Carl's Jr. opened in Mangere on 29 November 2012 with Palmerston North following soon after on 12 December. The Auckland Metro store was opened by Andy Pudzer, the CKE President and CEO on 28 February 2013 with considerable fanfare and media interest. Young hungry customers were queuing outside determined to be among the first to feast.

As an alternative to the traditional burger brands in New Zealand Carl's Jr. has stimulated considerable excitement in the market and caused its competitors sleepless nights.

It's early days but consider the progress we're making already. On his first day in the fast-food business, Carl Karcher took in \$14.75. In New Zealand our stores have all opened with sales of over \$100,000 in their first week. Even as they have settled back to more sustainable levels they still maintain average total weekly sales volumes ahead of our currently largest brand (KFC). That's a thumpingly awesome result so soon.

Restaurant Brands has fully embraced its newest chain and the opportunity it represents to our business. As a corporate franchisee we have leveraged our skills and New Zealand experience to the Carl's Jr. brand in such areas as store design, marketing and supply chain. We have, of course, remained true to the essence of the brand with its best-in-class premium quality burgers with the marketing proposition that so effectively targets the youthful demographic.

Carl's Jr.'s marketing is 'out there' and sometimes unashamedly controversial. Yet it encapsulates the fundamental attributes of the brand as selling "big, indulgent burgers with no apologies and no BS."<sup>1</sup> Carl's Jr. burgers are targeted at the hungry young men who don't want to be manipulated or pandered to with advertising. The advertising material emphasises the beefy strengths of the product and the brand itself. The franchisor gets right to the point in summing up the brand's attributes:

**"WE BELIEVE IN BURGERS. BIG JUICES-RUNNING-DOWN-YOUR-ARM KIND OF BURGERS."**

**"WE BELIEVE IN PUTTING HOT MODELS IN OUR COMMERCIALS, BECAUSE THEY SELL BURGERS."**

**"WE BELIEVE THAT LIFE IS SHORT. SO IF IT FEELS GOOD, DO IT, AND IF IT TASTES GOOD, EAT IT."**

Where to from here? Current plans are for up to 60 stores in New Zealand over the next 10 years. With only one store currently open out of Auckland (Palmerston North), the opportunities for nationwide coverage are wide open. Plans are well in hand for new stores in such places as Hamilton, Hastings and Rotorua in the current year.

Given its store sales volumes and growth potential, Carl's Jr. will undoubtedly become the company's second largest brand within the next three to four years. Achieving this will not be easy with a number of major hurdles to overcome; rapid growth puts considerable demands on company resources and does not come without a cost. But Restaurant Brands is committed to this new brand and is in prime condition to 'muscle in' on its own share of the beef burger market.

# CELEBRATING 70 YEARS OF CARL'S JR.



## 2000'S

First Restaurant Brands' Carl's Jr. store opens in Mangere on 29 Nov 2012.

Palmerston North store opens soon after on 12 Dec 2012.

Andy Pudzer, CKE President and CEO, opens the Auckland Metro Store on 28 Feb 2013.



## 1980'S

Carl's Jr. introduces instant cult favourite: the Western Bacon Cheeseburger.



## 1960'S

Carl's Jr. begins its commitment to a quality dining experience by becoming the first among quick service restaurants to offer table service and plush, carpeted dining rooms with music.



## 1950'S

Business blossoms and a southern California quick service legend is born: Carl's Jr. opens for business (so named because they're smaller than the Drive-In).



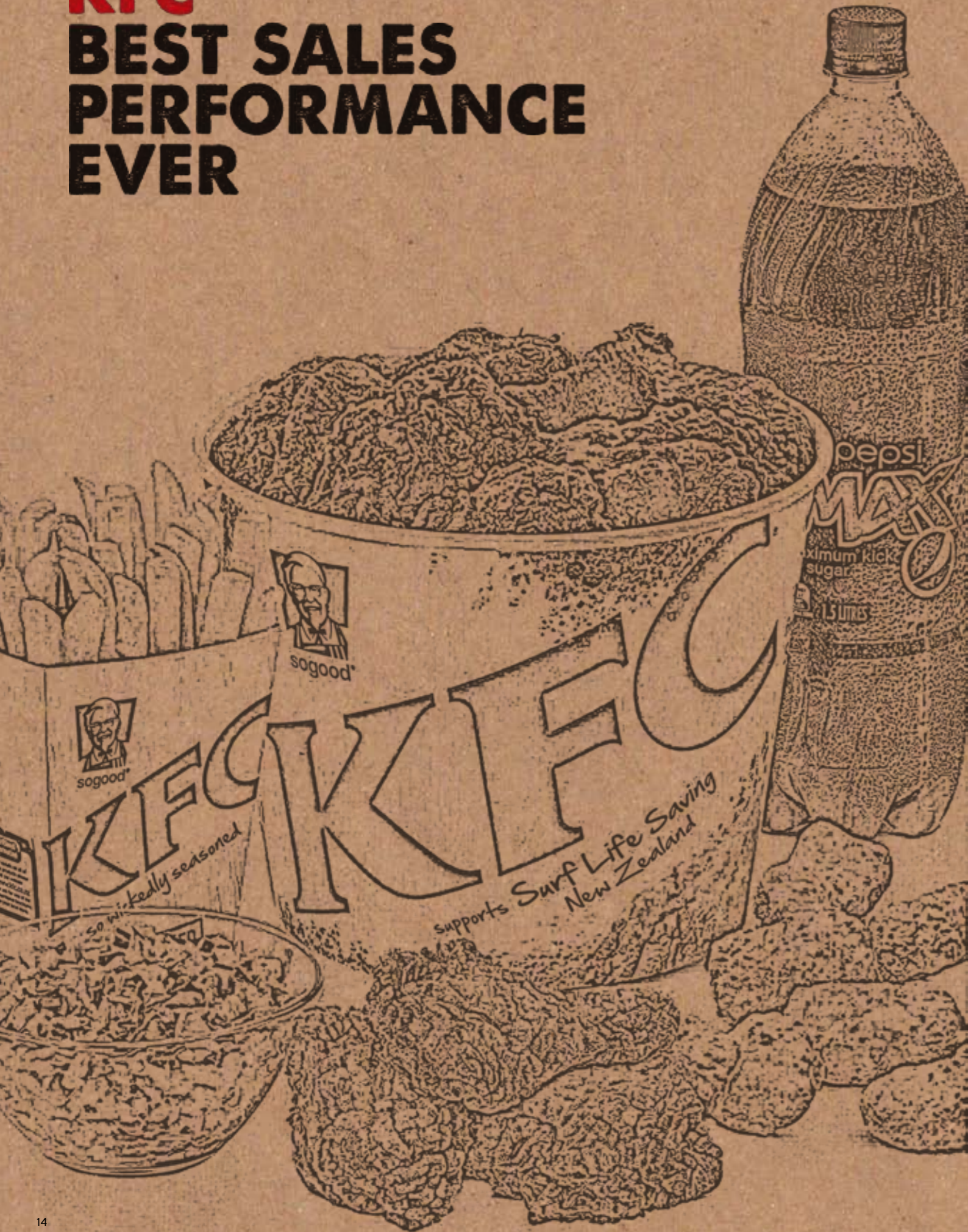
## 1940'S

Young married couple Margaret and Carl Karcher spend their savings to buy a hot dog cart.

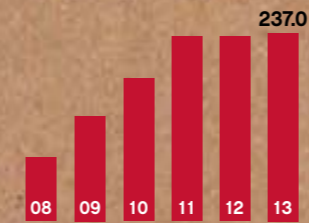
<sup>1</sup> Brad Haley, executive vice president of marketing for Carl's Jr. and Hardee's in a recent newspaper article.



# KFC BEST SALES PERFORMANCE EVER



## SALES (\$NZm)



## EBITDA (\$NZm)



## ASSETS (\$NZm)



## STAFF

**2,321**

## STORES

**89**  
(+8 FRANCHISED)

KFC continued to contribute as the biggest and most profitable brand in our portfolio. Despite the continuing competitive market place with increased competitor discounting activity, KFC did well to produce total sales at a new high of \$237.0 million, up 0.3% on prior year. Same store sales however declined 1.0% (-1.8% in FY12). The brand's sales performance improved as the year progressed, returning to positive same store sales growth in the last quarter.

Brand EBITDA of \$45.3 million was marginally down (\$0.3 million) on prior year. Input costs remained relatively steady, but KFC experienced some pressure on labour costs. As a percentage of sales, brand EBITDA improved over the year from 18.7% in the first half to 19.5% in the second.

Promotional activity over the year included the \$5 Lunch Box, the KFC Chicken Pie and a new taste variant, Sweet Sesame Chicken. KFC also brought back the Double Down for a limited time.

KFC continued its transformation process. Six stores were refurbished over the year bringing the number of transformed and new stores to

68, 76% of the total company network. Total store numbers increased by one to 89. An independent franchisee's store at Cambridge was acquired towards the end of the year and a new store was opened at Silverdale, north of Auckland. In addition a new store was opened at Lower Hutt, replacing two older stores in the Hutt Valley.

Levels of customer service continued to improve with the CHAMPS mystery shopper programme scores finishing the year at 91%, up on the prior year's 90%.

KFC's in-store operations performance measure (CHAMPS Excellence Review or CER) also saw further improvement, increasing the

score from 68% to 72% in the current year, continuing the improvement over the past four years from the 2010 score of 59%. This ongoing focus on improving the practices and procedures in KFC stores with continuous audits by independent CER Managers continues to generate dividends in food quality and store operating performance.

Team member turnover at 57% is down on last year's 61%, continuing the improving trend on what is always a high staff turn industry. This is expected to improve still further as the benefits of the centralised recruiting initiative begin to flow through to the brand.

The continued emphasis on accident prevention within the KFC stores saw lost time injuries per million hours worked at 15, a further reduction on 19 injuries last year and 24 the year before.

Whilst the KFC sales growth has flattened off compared with previous years the brand remains pivotal to overall Restaurant Brands' performance. The return to same store sales growth in the latter part of FY13 is expected to continue despite competitive pressure and the targeted 20% EBITDA margin remains very achievable.

# PIZZA HUT PUMPING HIGH VOLUME TRANSACTIONS



## SALES (\$NZm)



## EBITDA (\$NZm)



## ASSETS (\$NZm)



STAFF  
**822**

STORES  
**57**  
(+26 FRANCHISED)

Pizza Hut had a very strong year delivering both sales and margin growth in the intensely competitive pizza market. Commencing with the \$4.90 pizza campaign, the brand has built renewed momentum, selling quality pizzas at an everyday competitive price and maintaining high levels of customer service.

Despite finishing the year with 14 stores less than last year, Pizza Hut increased total sales out of the remaining stores by \$2.4 million (+5.3%) and grew same store sales by +21.2% (compared with a drop of 9.7% in the prior year).

The benefits of higher sales volumes and increased efficiencies, together with disposals of some of the lower margin stores saw the brand produce a strong profit turnaround with EBITDA up \$1.7 million (+80.8%) on prior year to \$3.8 million or 7.9% of sales.

The strategy of selling regional and lower volume stores to independent franchisees continued with a total of 13 stores sold to largely single store operators, who are able to enhance the economics of these stores at lower sales volumes. This brings the total number of independents to

26 out of the total Pizza Hut network of 83 stores. These store sales, together with one closure, brought Pizza Hut stores owned by Restaurant Brands to 57 at year end. To date there has been no turnover of the new franchisees.

Customer service levels as measured by the CHAMPS mystery shopper programme rose to 96%, maintaining the considerable rate of improvement of the past three years (91% last year and 85% the year before).

The measure of internal store operational compliance (CER score) was 73% for the year (71% in FY12). This measure, which is significant in determining the operating efficiencies and food quality in our stores, has seen a consistent improvement over recent times from initial scores of 53% three years ago.

Staff turnover at 54% represented a considerable improvement on the previous year's 72% and is even more commendable given the high level of store sales to franchisees. Some of this would be attributable to the centralised recruiting facility set up during the year.

Lost time injuries have dropped significantly with only three claims per million hours, compared with 11 last year.

Pizza Hut's turnaround in the past 12 months has been significant and the brand has now re-established itself in a market leadership position. Whilst same store sales growth over the coming year is not expected to be anything like the previous 12 months, it will still deliver higher levels of sales performance without any degradation of margin.

The sale of lower volume and regional stores to independent franchisees will continue with a further six to eight stores expected to be sold over the coming 12 months.

# CARL'S JR. FLEXING MORE MUSCLE



**SALES (\$NZm)**

**1.9**

**EBITDA (\$NZm)**

**(0.5)**

**ASSETS (\$NZm)**

**8.1**

**STAFF**

**174**

**STORES**

**2**

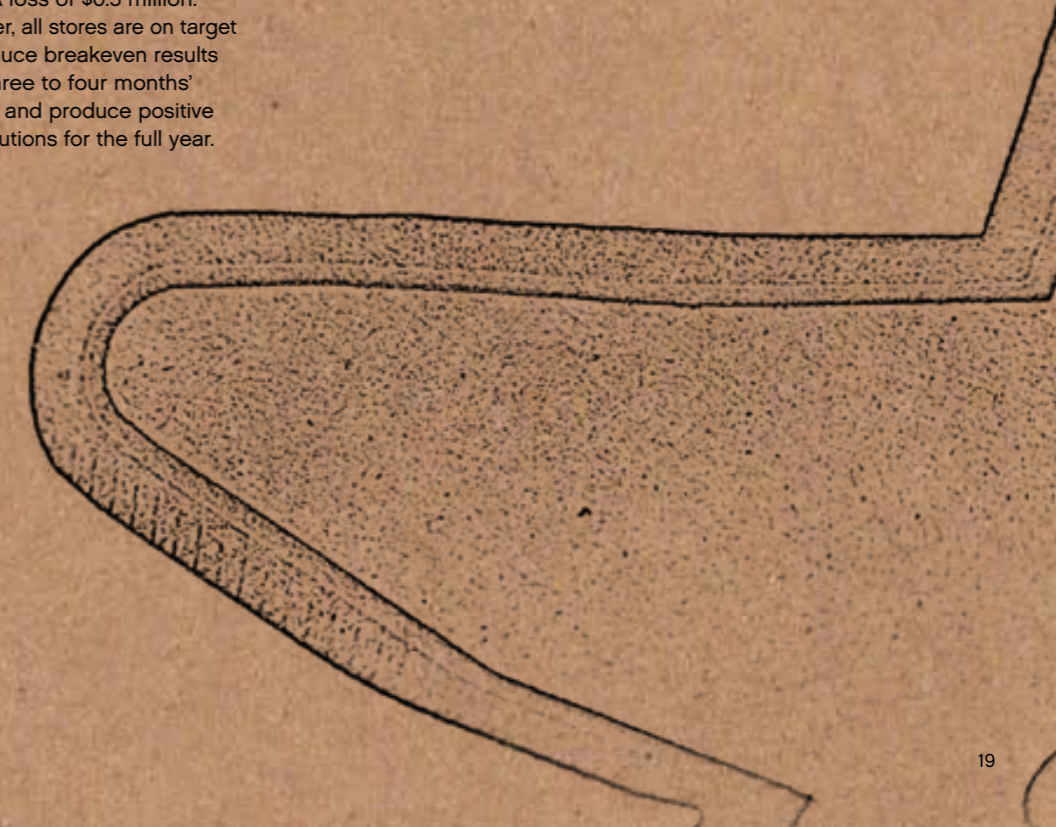
**(+NIL FRANCHISED)**



The first Carl's Jr. store opened in Mangere on 29 November 2012 generating \$0.1 million sales in the first week of opening. The second opened in Palmerston North on 12 December 2012 at similar sales levels.

Whilst these opening sales levels have since levelled off they remain ahead of forecast and have produced \$1.9 million sales between them in the current year. A third store opened in Queen Street Auckland very shortly after the end of the financial year and has also traded very strongly.

Set up, recruitment, training and other establishment costs have meant that the brand has produced an initial trading EBITDA loss of \$0.5 million. However, all stores are on target to produce breakeven results after three to four months' trading and produce positive contributions for the full year.



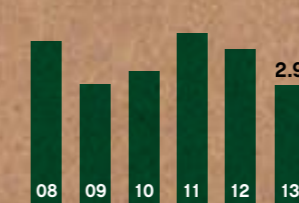
# STARBUCKS COFFEE WHIPPING INTO SHAPE



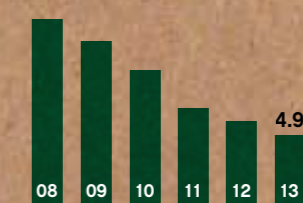
## SALES (\$NZm)



## EBITDA (\$NZm)



## ASSETS (\$NZm)



**STAFF**  
**314**

**STORES**  
**29**  
**(+NIL FRANCHISED)**

In a difficult year for the brand, Starbucks Coffee sales were \$25.1 million, down \$1.3 million or -5.1%, impacted by the closure of six stores over the year and a significant price reduction in the middle of the year. Same store sales however were only down 1.7% (up 5.4% in FY12). Same store sales growth improved as the year progressed, finishing the last quarter of the year up 1.7%.

The price discounting strategy and some sales deleverage, saw Starbucks Coffee EBITDA drop \$0.8 million or 21.8% to \$2.9 million for the year, but same store sales and margins improved as the year progressed.

There are now 29 Starbucks Coffee stores operating – six less than a year ago. Three stores closed during the year and a further three remain closed following the Christchurch earthquakes of 2011 and are not likely to re-open.

Staff (or partner) turnover at 70% was similar to last year's 74%.

Accident levels were down on prior year at two per million hours worked, compared with four last year.

The network rationalisation and sales build back following the price reductions mid year will both contribute to same store sales growth in the new year. This, together with the benefit of a favourable exchange rate movement on input costs will see an improved margin for the brand in the FY14 year.

# BOARD OF DIRECTORS

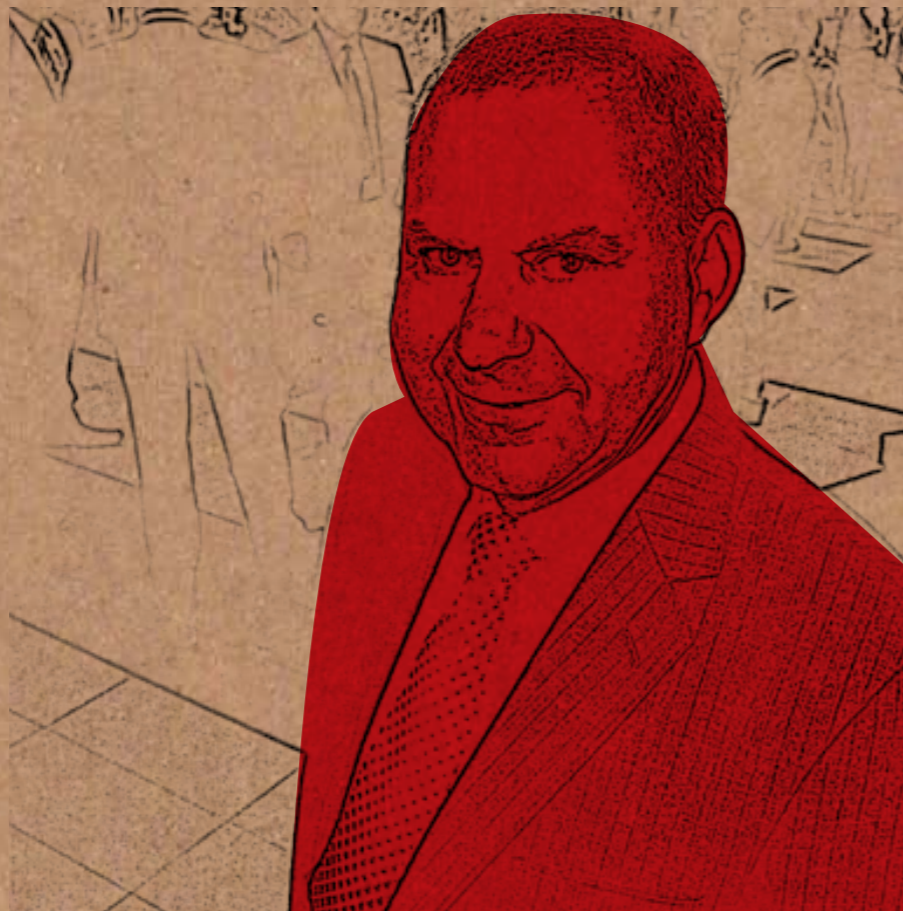
**EDUARD (TED) KOERT VAN ARKEL**  
FNZIM

Chairman and Independent  
Non-Executive Director

**Term of office:** Appointed Director 24 September 2004 and appointed Chairman 21 July 2006, last re-elected 2011 Annual Meeting.

**Board committees:** Member of the Audit and Risk Committee and Appointments and Remuneration Committee.

Mr van Arkel has been a professional director since retiring from the position of Managing Director of Progressive Enterprises Limited in November 2004. Mr van Arkel currently serves as Chairman of Unitec New Zealand Limited and Health Benefits Limited. He is also a director of NZX listed companies AWF Group Limited, The Warehouse Group Limited and Abano Healthcare Group Limited. Mr van Arkel is also a Director of Nestle New Zealand Limited and Philip Yates Securities Limited, as well as a Director of the private company Danske Mobler Limited. Mr van Arkel is a director of the Auckland Regional Chamber of Commerce & Industry Limited and is a director of his family-owned companies Lang Properties Limited and Van Arkel & Co Limited.



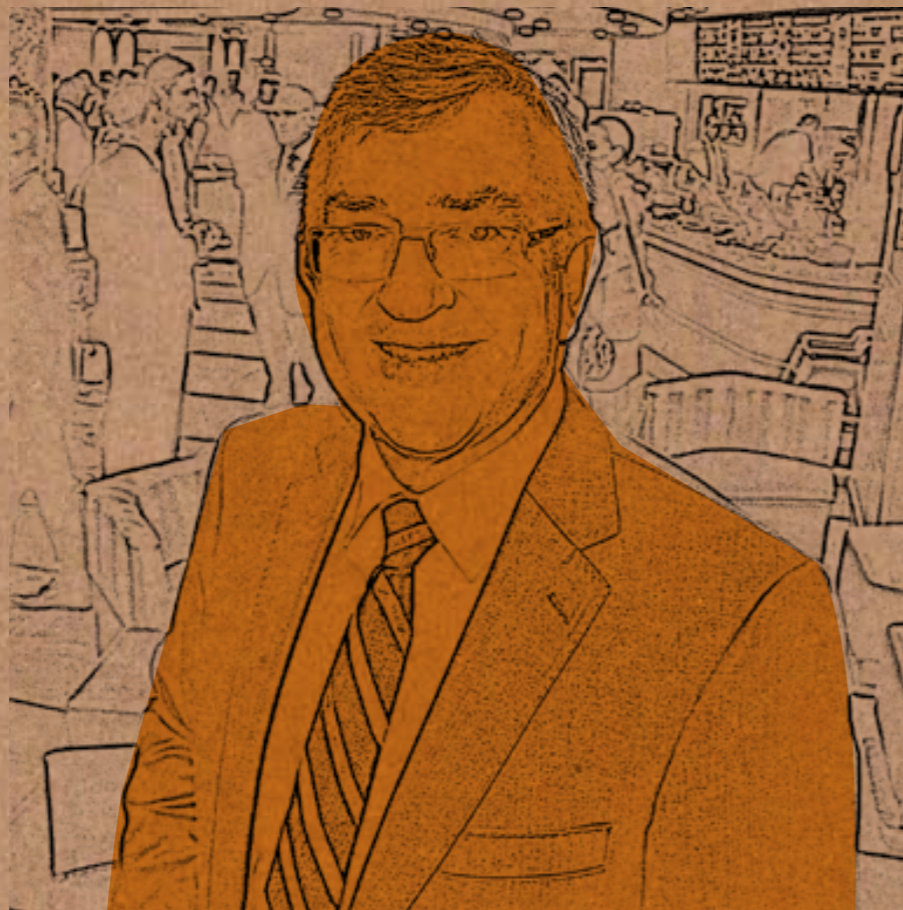
**DAVID A PILKINGTON**  
BSc, BE(Chem), Dip Dairy Sci & Tech

Independent Non-Executive Director

**Term of office:** Appointed Director 15 July 2004, last re-elected 2009 Annual Meeting.

**Board committees:** Chairman of the Audit and Risk Committee and Member of Appointments and Remuneration Committee.

The former Managing Director of New Zealand Milk Limited, Mr Pilkington is also director of Ruapehu Alpine Lifts Limited and Hellers Limited. He is also a director of Douglas Pharmaceuticals Limited, Ballance Agri-Nutrients Limited, Port of Tauranga Limited, Rangatira Limited and Zespri Group Limited. Mr Pilkington is also a shareholder and director of his own consulting company, Excelsa Associates Limited. He is an independent appointee to the Wellington City Council Audit and Risk Management Sub-Committee and a trustee for the New Zealand Community Trust.



**SUE H SUCKLING**  
B.Tech (Hons), M.Tech (Hons), OBE

Independent Non-Executive Director

**Term of office:** Appointed Director 9 June 2006, last re-elected 2010 Annual Meeting.

**Board committees:** Chairman of the Appointments and Remuneration Committee and Member of Audit and Risk Committee.

Ms Suckling is a professional director with over 20 years governance experience with public and private companies. She is currently Chairman of the New Zealand Qualifications Authority, Barker Fruit Processors Limited, ECL Group Limited and Callaghan Innovation Research Limited and its subsidiaries. She is a director of Oxford Health Group Limited, Oxford Clinic Hospital Limited, SKYCITY Entertainment Group Limited, New Zealand Health Innovation Hub and Acemark Holdings Limited, and a member of the Takeovers Panel.



**DANNY DIAB**  
FAICD, Dip CD, Dip CM, FICM

Non-Executive Director

**Term of office:** Appointed Director 17 October 2002, last re-elected 2012 Annual Meeting.

**Board committees:** Member of the Audit and Risk Committee and Appointments and Remuneration Committee.

Mr Diab is based in Australia where he owns and operates a number of Pizza Hut restaurants in Sydney in addition to other business interests. He has more than 25 years' experience in the food industry and is regarded as one of the leading Pizza Hut franchisees in Australia. He has worked as a consultant specialising in the areas of business improvement and restructure, mergers and acquisitions. He is a director of the Pizza Advertising Co-Operative Australia and President of the Australian Pizza Association.

# CONSOLIDATED INCOME STATEMENT

\$NZ000's	28 February 2013 Audited	vs Prior %	29 February 2012 Audited	
<b>Sales</b>				
KFC	237,032	0.3	236,284	
Pizza Hut	47,876	5.3	45,477	
Starbucks Coffee	25,115	(5.1)	26,452	
Carl's Jr.	1,878	n/a	-	
<b>Total sales</b>	<b>311,901</b>	<b>1.2</b>	<b>308,213</b>	
Other revenue	912	27.7	714	
<b>Total operating revenue</b>	<b>312,813</b>	<b>1.3</b>	<b>308,927</b>	
Cost of goods sold	(258,081)	(2.1)	(252,706)	
<b>Gross margin</b>	<b>54,732</b>	<b>(2.6)</b>	<b>56,221</b>	
Distribution expenses	(2,672)	13.5	(3,088)	
Marketing expenses	(13,716)	9.1	(15,087)	
General and administration expenses	(13,203)	(16.5)	(11,333)	
<b>EBIT before non-trading</b>	<b>25,141</b>	<b>(5.9)</b>	<b>26,713</b>	
Non-trading	(2,405)	(3.8)	(2,316)	
<b>EBIT</b>	<b>22,736</b>	<b>(6.8)</b>	<b>24,397</b>	
Interest income	13	1,200.0	1	
Interest expense	(851)	34.9	(1,307)	
<b>Net profit before tax</b>	<b>21,898</b>	<b>(5.2)</b>	<b>23,091</b>	
Taxation expense	(5,739)	6.9	(6,164)	
<b>Net profit after tax (NPAT)</b>	<b>16,159</b>	<b>(4.5)</b>	<b>16,927</b>	
<b>Total NPAT excluding non-trading</b>	<b>17,654</b>	<b>(3.9)</b>	<b>18,361</b>	
		<b>% sales</b>	<b>% sales</b>	
<b>EBITDA before G&amp;A</b>				
KFC	45,272	19.1	45,553	19.3
Pizza Hut	3,796	7.9	2,099	4.6
Starbucks Coffee	2,929	11.7	3,744	14.2
Carl's Jr.	(495)	(26.4)	-	n/a
<b>Total</b>	<b>51,502</b>	<b>16.5</b>	<b>51,396</b>	<b>16.7</b>
<b>Ratios</b>				
Net tangible assets per security (net tangible assets divided by number of shares) in cents	42.5c		39.8c	

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

# THE DIRECTORS ARE PLEASED TO PRESENT THE FINANCIAL STATEMENTS OF RESTAURANT BRANDS NEW ZEALAND LIMITED FOR THE YEAR ENDED 28 FEBRUARY 2013 CONTAINED ON PAGES 26 TO 61

For and on behalf of the Board of Directors:



E K van Arkel  
Chairman

4 April 2013



D A Pilkington  
Director

4 April 2013

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## STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 28 February 2013

\$NZ000's	Note	Group		Company	
		2013	2012	2013	2012
Store sales revenue	3	311,901	308,213	-	-
Other revenue	3, 4	912	714	15,652	17,434
<b>Total operating revenue</b>		<b>312,813</b>	<b>308,927</b>	<b>15,652</b>	<b>17,434</b>
Cost of goods sold		(258,081)	(252,706)	-	-
<b>Gross profit</b>		<b>54,732</b>	<b>56,221</b>	<b>15,652</b>	<b>17,434</b>
Distribution expenses		(2,672)	(3,088)	-	-
Marketing expenses		(13,716)	(15,087)	-	-
General and administration expenses		(13,203)	(11,333)	-	-
<b>EBIT before non-trading</b>		<b>25,141</b>	<b>26,713</b>	<b>15,652</b>	<b>17,434</b>
Non-trading	5	(2,405)	(2,316)	-	-
<b>Earnings before interest and taxation (EBIT)</b>	3	<b>22,736</b>	<b>24,397</b>	<b>15,652</b>	<b>17,434</b>
Interest revenue		13	1	-	-
Interest expense		(851)	(1,307)	(818)	(1,269)
Net financing expenses	5	(838)	(1,306)	(818)	(1,269)
<b>Profit before taxation</b>		<b>21,898</b>	<b>23,091</b>	<b>14,834</b>	<b>16,165</b>
Taxation (expense) / credit	6	(5,739)	(6,164)	229	355
<b>Profit after taxation attributable to shareholders</b>		<b>16,159</b>	<b>16,927</b>	<b>15,063</b>	<b>16,520</b>
<b>Total comprehensive income for the full year attributable to shareholders</b>		<b>16,159</b>	<b>16,927</b>	<b>15,063</b>	<b>16,520</b>
<b>Basic earnings per share (cents)</b>	17	<b>16.52</b>	17.31		
<b>Diluted earnings per share (cents)</b>	17	<b>16.51</b>	17.30		

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

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2013

Group \$NZ000's	Note	Share capital	Share option reserve	Foreign currency translation reserve	Retained earnings	Total
<b>Balance as at 28 February 2011</b>	16	<b>26,576</b>	<b>33</b>	<b>53</b>	<b>32,233</b>	<b>58,895</b>
<b>Comprehensive income</b>						
Total profit after taxation attributable to shareholders		-	-	-	16,927	16,927
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,927</b>	<b>16,927</b>
<b>Transactions with owners</b>						
Shares issued on exercise of options	16	72	(5)	-	-	67
Net dividends distributed	15	-	-	-	(16,136)	(16,136)
<b>Total transactions with owners</b>		<b>72</b>	<b>(5)</b>	<b>-</b>	<b>(16,136)</b>	<b>(16,069)</b>
<b>Balance as at 29 February 2012</b>	14, 16	<b>26,648</b>	<b>28</b>	<b>53</b>	<b>33,024</b>	<b>59,753</b>
<b>Comprehensive income</b>						
Total profit after taxation attributable to shareholders		-	-	-	16,159	16,159
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,159</b>	<b>16,159</b>
<b>Transactions with owners</b>						
Shares issued on exercise of options	16	75	(2)	-	-	73
Net dividends distributed	15	-	-	-	(15,653)	(15,653)
<b>Total transactions with owners</b>		<b>75</b>	<b>(2)</b>	<b>-</b>	<b>(15,653)</b>	<b>(15,580)</b>
<b>Balance as at 28 February 2013</b>	14, 16	<b>26,723</b>	<b>26</b>	<b>53</b>	<b>33,530</b>	<b>60,332</b>

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

**WE WANT  
TO SEE THE  
SIZZLE**

## STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 28 February 2013

Company \$NZ000's	Note	Share capital	Share option reserve	Retained deficit	Total
<b>Balance as at 28 February 2011</b>	16	<b>26,576</b>	<b>33</b>	<b>(25,263)</b>	<b>1,346</b>
<b>Comprehensive income</b>					
Profit after taxation attributable to shareholders		-	-	16,520	16,520
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>16,520</b>	<b>16,520</b>
<b>Transactions with owners</b>					
Shares issued on exercise of options	16	72	(5)	-	67
Net dividends distributed	15	-	-	(16,136)	(16,136)
<b>Total transactions with owners</b>		<b>72</b>	<b>(5)</b>	<b>(16,136)</b>	<b>(16,069)</b>
<b>Balance as at 29 February 2012</b>	14, 16	<b>26,648</b>	<b>28</b>	<b>(24,879)</b>	<b>1,797</b>
<b>Comprehensive income</b>					
Profit after taxation attributable to shareholders		-	-	15,063	15,063
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>15,063</b>	<b>15,063</b>
<b>Transactions with owners</b>					
Shares issued on exercise of options	16	75	(2)	-	73
Net dividends distributed	15	-	-	(15,653)	(15,653)
<b>Total transactions with owners</b>		<b>75</b>	<b>(2)</b>	<b>(15,653)</b>	<b>(15,580)</b>
<b>Balance as at 28 February 2013</b>	14, 16	<b>26,723</b>	<b>26</b>	<b>(25,469)</b>	<b>1,280</b>

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

## STATEMENTS OF FINANCIAL POSITION

as at 28 February 2013

\$NZ000's	Note	Group		Company	
		2013	2012	2013	2012
<b>Non-current assets</b>					
Property, plant and equipment	7	85,651	77,976	-	-
Investments in subsidiaries	9	-	-	150,396	150,396
Intangible assets	8	18,785	20,853	-	-
Deferred tax asset	10	2,570	1,347	-	-
<b>Total non-current assets</b>		<b>107,006</b>	<b>100,176</b>	<b>150,396</b>	<b>150,396</b>
<b>Current assets</b>					
Inventories	11	1,776	1,927	-	-
Other receivables	12	2,180	2,067	-	-
Cash and cash equivalents		798	700	10	-
<b>Total current assets</b>		<b>4,754</b>	<b>4,694</b>	<b>10</b>	<b>-</b>
<b>Total assets</b>		<b>111,760</b>	<b>104,870</b>	<b>150,406</b>	<b>150,396</b>
<b>Equity attributable to shareholders</b>					
Share capital	16	26,723	26,648	26,723	26,648
Reserves		79	81	26	28
Retained earnings / (deficit)		33,530	33,024	(25,469)	(24,879)
<b>Total equity attributable to shareholders</b>		<b>60,332</b>	<b>59,753</b>	<b>1,280</b>	<b>1,797</b>
<b>Non-current liabilities</b>					
Provisions and deferred income	20	4,754	5,286	-	-
Loans and finance leases	18	14,783	13,680	14,555	13,580
<b>Total non-current liabilities</b>		<b>19,537</b>	<b>18,966</b>	<b>14,555</b>	<b>13,580</b>
<b>Current liabilities</b>					
Bank overdraft		-	-	-	123
Income tax payable		2,475	1,067	-	-
Loans and finance leases	18	116	159	-	-
Creditors and accruals	19	27,078	23,113	116	86
Provisions and deferred income	20	2,036	1,547	-	-
Amounts payable to subsidiary companies	26	-	-	134,269	134,545
Derivative financial instruments	13	186	265	186	265
<b>Total current liabilities</b>		<b>31,891</b>	<b>26,151</b>	<b>134,571</b>	<b>135,019</b>
<b>Total liabilities</b>		<b>51,428</b>	<b>45,117</b>	<b>149,126</b>	<b>148,599</b>
<b>Total equity and liabilities</b>		<b>111,760</b>	<b>104,870</b>	<b>150,406</b>	<b>150,396</b>

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





## STATEMENTS OF CASH FLOWS

for the year ended 28 February 2013

\$NZ000's	Note	Group		Company	
		2013	2012	2013	2012
<b>Cash flows from operating activities</b>					
Cash was provided by / (applied to):					
Receipts from customers		312,813	308,927	-	-
Payments to suppliers and employees		(271,923)	(271,056)	-	-
Dividends received		-	-	15,652	17,434
Interest received		13	1	-	-
Interest paid		(899)	(1,188)	(868)	(1,149)
(Payment) / receipt of income tax		(5,239)	(6,888)	545	1,179
<b>Net cash from operating activities</b>	23	<b>34,765</b>	<b>29,796</b>	<b>15,329</b>	<b>17,464</b>
<b>Cash flows from investing activities</b>					
Cash was provided by / (applied to):					
Payment for intangibles	8	(1,781)	(1,350)	-	-
Purchase of property, plant and equipment		(22,406)	(15,094)	-	-
Proceeds from disposal of property, plant and equipment		4,355	2,115	-	-
Advances to subsidiary company		-	-	(276)	(2,102)
<b>Net cash used in investing activities</b>		<b>(19,832)</b>	<b>(14,329)</b>	<b>(276)</b>	<b>(2,102)</b>
<b>Cash flows from financing activities</b>					
Cash was provided by / (applied to):					
Cash received on the exercise of options		73	67	73	67
Increase in loans	18	975	1,370	975	1,370
Increase / (decrease) in finance leases	18	85	(38)	-	-
Dividends paid to shareholders	15	(15,653)	(16,136)	(15,653)	(16,136)
Supplementary dividends paid		(315)	(825)	(315)	(825)
<b>Net cash used in financing activities</b>		<b>(14,835)</b>	<b>(15,562)</b>	<b>(14,920)</b>	<b>(15,524)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>98</b>	<b>(95)</b>	<b>133</b>	<b>(162)</b>
<b>Reconciliation of cash and cash equivalents</b>					
<b>Cash and cash equivalents at the beginning of the year:</b>		<b>700</b>	<b>795</b>	<b>(123)</b>	<b>39</b>
<b>Cash and cash equivalents at the end of the year:</b>					
Cash on hand		249	253	-	-
Cash at bank / (bank overdraft)		549	447	10	(123)
	24	<b>798</b>	<b>700</b>	<b>10</b>	<b>(123)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>98</b>	<b>(95)</b>	<b>133</b>	<b>(162)</b>

The accompanying accounting 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 2013

### 1. General information

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

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, Westpac Building, Central Park, 666 Great South Road, Penrose, Auckland.

The Group and Company financial statements ("financial statements") were authorised for issue on 4 April 2013 by the Board of Directors who do not have the power to amend after issue.

### 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

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 Reporting Standards, NZ IFRIC interpretations, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS") as issued by IASB.

The financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The Group divides its financial year into 13 four-week periods. The 2013 full year results are for 52 weeks (2012: 52 weeks).

#### Entities reporting

The financial statements for the Group are the financial statements comprising the economic entity Restaurant Brands New Zealand Limited and its subsidiaries. The financial statements of the Parent are for the Company as a separate legal entity.

The Parent and the Group are designated as profit oriented entities for financial reporting purposes.

#### Statutory base

The Company is listed on the New Zealand Stock Exchange ("NZX"). It is registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### Historical cost convention

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

#### Critical accounting estimates and judgments

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.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below.

#### (i) Goodwill impairment

As disclosed in Note 8, the Group undertook impairment testing of its operating divisions. Note 8 sets out the key assumptions used to determine the recoverable amount along with a sensitivity analysis.

#### (ii) Income tax

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 2013

### (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 financial statements from the date that control commences until the date that control ceases.

The acquisition 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. Acquisition related costs are expensed as incurred. 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 statements of comprehensive income.

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

### (b) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in NZD, which is the Group's presentation currency.

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 profit or loss. Amounts qualifying as cash flow hedges and qualifying net investment hedges are also recognised in the statements of comprehensive income.

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 statements of comprehensive income upon disposal.

### (c) Financial instruments

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

#### Non-derivative financial instruments

Non-derivative financial instruments comprise trade 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 creditors and accruals which are initially recognised at fair value and subsequently measured at amortised cost.

#### Derivative financial instruments

The Group has various derivative financial instruments to manage the exposures that arise due to movements in foreign currency exchange rates and interest rates arising from operational, financing and investment activities. The Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

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.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### 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 a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss. 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 statements of financial position 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 statements of comprehensive income when the requirements under the grant have been met. Grants that compensate the Group for the cost of an asset are recognised in the statements of comprehensive income on a systematic basis over the useful life of the asset.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (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 in the statements of comprehensive income; 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 statements of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

### (g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statements of comprehensive income. 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) Royalties paid

Royalties are recognised as an expense as revenue is earned.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (j) 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 statements of financial position.

Financial assets that are stated at cost or amortised cost are reviewed individually at balance date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is calculated using the present value of future cash flows discounted at the original effective interest rate. An impairment loss is recognised in the statements of comprehensive income for the difference between the carrying amount and the recoverable amount. An impairment loss is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognised. The impairment loss is reversed only to the extent that the financial asset's carrying value does not exceed the carrying value that would have been determined if no impairment loss had been recognised.

### (k) 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.

### (l) Creditors and accruals

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

### (m) 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 statements of comprehensive income over the period of the borrowings using the effective interest method.

### (n) 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. Where the Group disposes of an operation within a cash generating unit, the goodwill associated with the operation disposed of is part of the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

#### Franchise Costs

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### Concept development costs and fees

Concept development costs and fees include certain costs, other than the direct cost of obtaining the franchise, associated with the establishment of quick service and takeaway restaurant concepts. These include, for example, professional fees and consulting costs associated with the establishment of a new brand or business acquisition.

These costs are capitalised where the concept is proven to be commercially feasible and the related future economic benefits are expected to exceed those costs with reasonable certainty. These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the period which future economic benefits are reasonably expected to be derived.

### Acquired software costs

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

### (o) 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 required to bring the asset ready for use. Borrowing costs associated with non-qualified property, plant and equipment are, as per IAS23R, 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 statements of comprehensive income 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 statements of financial position. 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

Land is not depreciated. Depreciation is recognised in the statements of comprehensive income 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (p) 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 method and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

### (q) Dividends

Dividends are accrued in the period in which they are authorised.

### (r) 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 date to determine whether there is any indication of impairment. If any such indication exists then the asset's or Cash Generating Unit's (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 statements of comprehensive income. Impairment losses recognised in respect of CGUs 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.

### (s) Share capital

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

### (t) 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.

### (u) 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team. The Senior Leadership Team reviews the Group's internal reporting in order to assess performance and allocate resources.

### (w) Goods and services tax

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

### (x) 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 statements of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

### (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.

### 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 statements of comprehensive income and notes to the financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (aa) New standards and interpretations

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

- *NZ IFRS 9 Financial Instruments* (effective 1 January 2015) addresses the classification, measurement and derecognition of financial assets and financial liabilities. NZ IFRS 9 is intended to replace NZ IAS 39. The Group has not yet decided when to adopt NZ IFRS 9. The standard is not expected to have a material impact on the Group.
- *NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income* (effective 1 July 2012). The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 March 2013.
- *NZ IFRS 10 Consolidated Financial Statements* (effective 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is not expected to have any material impact on the Group.
- *NZ IFRS 12 Disclosure of Interests in Other Entities* (effective 1 January 2013) sets out the required disclosures for all forms of interests in other entities, including joint arrangements, associates, special purposes vehicles and other off balance sheet vehicles. The standard is not expected to have any material impact on the Group.
- *NZ IFRS 13 Fair Value Measurement* (effective 1 January 2013) explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group intends to adopt the new standard from 1 March 2013.

There are various other standards, amendments and interpretations which are currently not applicable to the Group. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 1 March 2012 that would be expected to have a material impact on the financial statements.

### (ab) Comparative information

Where necessary, comparative information has been reclassified in order to provide a more appropriate basis for comparison.

## 3. Segmental reporting

The Group has four operating segments: KFC, Pizza Hut, Starbucks Coffee and Carl's Jr. All segments operate quick service and takeaway restaurant concepts. The first Carl's Jr. store opened in November 2012. Carl's Jr. specialises in offering best in class premium-quality burgers. No operating segments have been aggregated.

The segments were determined primarily because the Group manages each business separately and reports each business separately to the chief operating decision maker. The reportable segments are each managed separately as they operate in four distinct markets, sell distinct products, have distinct production processes and have distinct operating and gross margin characteristics. The Group operates in New Zealand.

All other segments represent general and administration support centre costs ("G&A"). G&A support centre costs are not an operating segment as the costs incurred are incidental to the Group's activities.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, concept earnings before interest and tax and depreciation and amortisation ("concept EBITDA"), and earnings before interest and tax basis ("concept EBIT").

The accounting policies of the Group's segments are the same as those described in the notes to the Group's financial statements. Segment assets include items directly attributable to the segment (i.e. property, plant and equipment, intangible assets and inventories). Unallocated items comprise other receivables, cash and cash equivalents, deferred tax and derivative financial instruments as they are all managed on a central basis. These are part of the reconciliation to total assets in the statements of financial position. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has not disclosed segment liabilities as the chief operating decision maker (the Senior Leadership Team) evaluates performance and allocates resources purely on the basis of aggregated Group liabilities.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

\$NZ000's	KFC		Pizza Hut		Starbucks Coffee		Carl's Jr.		All other segments*		Consolidated full year	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Store sales revenue	237,032	236,284	47,876	45,477	25,115	26,452	1,878	-	-	-	311,901	308,213
Other revenue	-	-	-	-	-	-	-	-	912	714	912	714
<b>Total operating revenue **</b>	<b>237,032</b>	<b>236,284</b>	<b>47,876</b>	<b>45,477</b>	<b>25,115</b>	<b>26,452</b>	<b>1,878</b>	<b>-</b>	<b>912</b>	<b>714</b>	<b>312,813</b>	<b>308,927</b>
<b>Concept EBITDA before general and administration expenses</b>	<b>45,272</b>	<b>45,553</b>	<b>3,796</b>	<b>2,099</b>	<b>2,929</b>	<b>3,744</b>	<b>(495)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,502</b>	<b>51,396</b>
Depreciation	(9,972)	(9,583)	(1,947)	(2,416)	(1,121)	(1,254)	(16)	-	(517)	(522)	(13,573)	(13,775)
Gain / (loss) on sale of property, plant and equipment (included in depreciation)	(23)	113	(21)	36	(18)	(5)	-	-	-	(13)	(62)	131
Amortisation (included in cost of sales)	(672)	(624)	(188)	(200)	(75)	(131)	(18)	-	(115)	(82)	(1,068)	(1,037)
G&A - area managers, general managers and support centre	(2,501)	(2,254)	(1,000)	(1,207)	(729)	(717)	(431)	-	(6,997)	(5,824)	(11,658)	(10,002)
<b>Segment result before non-trading</b>	<b>32,104</b>	<b>33,205</b>	<b>640</b>	<b>(1,688)</b>	<b>986</b>	<b>1,637</b>	<b>(960)</b>	<b>-</b>	<b>(7,629)</b>	<b>(6,441)</b>	<b>25,141</b>	<b>26,713</b>
Impairment on property, plant and equipment	(129)	(21)	(31)	(207)	-	163	-	-	(79)	-	(239)	(65)
Other non-trading	270	(97)	(1,891)	(1,903)	(188)	(251)	-	-	(357)	-	(2,166)	(2,251)
<b>Segment result (Concept EBIT)</b>	<b>32,245</b>	<b>33,087</b>	<b>(1,282)</b>	<b>(3,798)</b>	<b>798</b>	<b>1,549</b>	<b>(960)</b>	<b>-</b>	<b>(8,065)</b>	<b>(6,441)</b>	<b>22,736</b>	<b>24,397</b>
<b>Operating profit (EBIT)</b>											<b>22,736</b>	<b>24,397</b>
Net financing costs											(838)	(1,306)
<b>Net profit before taxation</b>											<b>21,898</b>	<b>23,091</b>
Income tax expense											(5,739)	(6,164)
<b>Net profit after taxation</b>											<b>16,159</b>	<b>16,927</b>
<b>Net profit after taxation excluding non-trading</b>											<b>17,654</b>	<b>18,361</b>
Segment assets	74,268	70,485	17,209	22,920	4,947	5,833	8,083	-	1,705	1,029	106,212	100,267
Unallocated assets											5,548	4,603
<b>Total assets</b>											<b>111,760</b>	<b>104,870</b>
Capital expenditure including intangibles	15,402	10,149	1,031	1,216	948	530	6,496	-	2,158	757	26,035	12,652

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

\*\* All operating revenue is from external customers.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 4. Other revenue

\$NZ000's	Group		Company	
	2013	2012	2013	2012
Sales of services	912	714	-	-
Dividends	-	-	15,652	17,434
	912	714	15,652	17,434

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 5. Analysis of expenses

The profit before taxation is calculated after charging / (crediting) the following items:

\$NZ000's	Note	Group		Company	
		2013	2012	2013	2012
<b>Auditors' remuneration:</b>					
To PwC for statutory audit services		69	66	-	-
To PwC for other assurance services *		26	36	-	-
Government training grants (included in general and administration expenses)		(160)	(181)	-	-
Amortisation of intangibles (included in cost of sales)	8	1,068	1,037	-	-
Royalties paid		18,560	18,361	-	-
Depreciation expense	7	13,573	13,775	-	-
Operating rental expenses		16,524	17,268	-	-
Net loss / (gain) on disposal of property, plant and equipment (included in depreciation expense)		62	(131)	-	-
Net (gain) / loss on disposal of property, plant and equipment (included in non-trading costs)		(2,656)	390	-	-
Donations		160	50	-	-
Directors' fees	26	251	239	-	-
Interest expense (net)		885	1,160	818	1,269
Interest (income) / expense - interest rate swap fair value changes		(79)	108	-	-
Finance lease interest		32	38	-	-
* Includes review of interim financial statements, certain compliance certificates for third parties, transactional systems review (2012) and audit of the Company share registry.					
<b>Non-trading items</b>					
Loss on sale of stores					
Net sale proceeds		(2,484)	(1,237)	-	-
Property, plant and equipment disposed of		956	1,045	-	-
Goodwill disposed of	8	3,192	1,518	-	-
		1,664	1,326	-	-
Other store closure costs					
Other store closure costs - franchise fees written off	8	1,325	482	-	-
Other store closure costs - insurance proceeds		144	115	-	-
Other store relocation and refurbishment costs		(1,263)	-	-	-
Other store relocation and refurbishment - insurance proceeds		296	144	-	-
Impairment on property, plant and equipment	7	-	184	-	-
		239	65	-	-
<b>Total non-trading items</b>		<b>2,405</b>	<b>2,316</b>	<b>-</b>	<b>-</b>

\$NZ000's	Group	
	2013	2012
<b>Personnel expenses</b>		
Wages and salaries	78,882	75,795
Increase in liability for long service leave	29	7
	78,911	75,802

The Parent has no personnel expenses (2012: nil).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 6. Income tax expense in the statements of comprehensive income

#### Reconciliation of effective tax rate

\$NZ000's	Note	Group 2013	Group 2012	Company 2013	2012
Total profit before income tax for the period	3	21,898	23,091	14,834	16,165
Total income tax (expense) / credit	3	(5,739)	(6,164)	229	355
Net profit after income tax		16,159	16,927	15,063	16,520
Income tax using the Company's domestic tax rate		(28.0%) (6,131)	(28.0%) (6,465)	(4,154)	(4,526)
Non-deductible expenses and non-assessable income		1.7% 380	1.4% 333	4,383	4,881
Prior period adjustment		0.1% 12	(0.1%) (32)	-	-
		(26.2%) (5,739)	(26.7%) (6,164)	229	355
<b>Income tax (expense) / credit comprises:</b>					
Current tax (expense) / credit		(6,962)	(5,958)	229	355
Deferred tax credit / (expense)	10	1,223	(206)	-	-
<b>Net tax (expense) / credit</b>		<b>(5,739)</b>	<b>(6,164)</b>	<b>229</b>	<b>355</b>
<b>Income taxation expense</b>					
Income tax (expense) / credit		(5,739)	(6,164)	229	355
<b>Total income tax (expense) / credit</b>	3	<b>(5,739)</b>	<b>(6,164)</b>	<b>229</b>	<b>355</b>

#### Imputation credits

\$NZ000's	Group 2013	2012
Imputation credits available for subsequent reporting periods	9,815	9,417

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax
- Imputation credits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The current income tax for the year was calculated using the rate of 28% (2012: 28%). The deferred tax balances in these financial statements have been measured using the 28% tax rate (2012: 28%).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 7. Property, plant and equipment

Group \$NZ000's	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
<b>Cost</b>							
<b>Balance as at 28 February 2011</b>	-	96,809	55,695	1,203	899	4,529	159,135
Additions for year ended February 2012	1,750	-	1,295	66	114	8,077	11,302
Transfer from work in progress for year ended February 2012	-	4,160	5,842	-	-	(10,002)	-
Disposals for year ended February 2012	-	(5,373)	(4,920)	(162)	(270)	-	(10,725)
<b>Balance as at 29 February 2012</b>	<b>1,750</b>	<b>95,596</b>	<b>57,912</b>	<b>1,107</b>	<b>743</b>	<b>2,604</b>	<b>159,712</b>
Additions for year ended February 2013	3,797	-	743	127	374	18,651	23,692
Transfer from work in progress for year ended February 2013	-	10,040	3,933	-	-	(13,973)	-
Disposals for year ended February 2013	-	(5,088)	(7,070)	(210)	(379)	-	(12,747)
<b>Balance as at 28 February 2013</b>	<b>5,547</b>	<b>100,548</b>	<b>55,518</b>	<b>1,024</b>	<b>738</b>	<b>7,282</b>	<b>170,657</b>
<b>Accumulated Depreciation</b>							
<b>Balance as at 28 February 2011</b>	-	(37,015)	(36,659)	(748)	(837)	-	(75,259)
Charge for year ended February 2012	-	(8,222)	(5,257)	(218)	(78)	-	(13,775)
Disposals for year ended February 2012	-	3,302	4,326	160	270	-	8,058
<b>Balance as at 29 February 2012</b>	<b>-</b>	<b>(41,935)</b>	<b>(37,590)</b>	<b>(806)</b>	<b>(645)</b>	<b>-</b>	<b>(80,976)</b>
Charge for year ended February 2013	-	(8,023)	(5,258)	(212)	(80)	-	(13,573)
Disposals for year ended February 2013	-	3,389	6,380	210	332	-	10,311
<b>Balance as at 28 February 2013</b>	<b>-</b>	<b>(46,569)</b>	<b>(36,468)</b>	<b>(808)</b>	<b>(393)</b>	<b>-</b>	<b>(84,238)</b>
<b>Impairment Provision</b>							
<b>Balance as at 28 February 2011</b>	-	(1,179)	(132)	-	-	-	(1,311)
Charge for year ended February 2012	-	(59)	(6)	-	-	-	(65)
Utilised/disposed for year ended February 2012	-	554	62	-	-	-	616
<b>Balance as at 29 February 2012</b>	<b>-</b>	<b>(684)</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(760)</b>
Charge for year ended February 2013	-	(215)	(24)	-	-	-	(239)
Utilised/disposed for year ended February 2013	-	208	23	-	-	-	231
<b>Balance as at 28 February 2013</b>	<b>-</b>	<b>(691)</b>	<b>(77)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(768)</b>
<b>Carrying Amounts</b>							
Balance as at 28 February 2011	-	58,615	18,904	455	62	4,529	82,565
Balance as at 29 February 2012	1,750	52,977	20,246	301	98	2,604	77,976
<b>Balance as at 28 February 2013</b>	<b>5,547</b>	<b>53,288</b>	<b>18,973</b>	<b>216</b>	<b>345</b>	<b>7,282</b>	<b>85,651</b>

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 statements of comprehensive income (refer Note 5).

The Parent has no property, plant and equipment (2012: nil).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 8. Intangibles

Group \$NZ000's	Goodwill	Franchise fees	Concept development costs	Software costs	Total
<b>Cost</b>					
<b>Balance as at 28 February 2011</b>	<b>27,808</b>	<b>9,159</b>	<b>1,071</b>	<b>1,954</b>	<b>39,992</b>
Additions for year ended February 2012	-	298	489	563	1,350
Disposals for year ended February 2012	(1,518)	(287)	-	(12)	(1,817)
<b>Balance as at 29 February 2012</b>	<b>26,290</b>	<b>9,170</b>	<b>1,560</b>	<b>2,505</b>	<b>39,525</b>
Additions for the year ended February 2013	822	991	90	440	2,343
Disposals for year ended February 2013	(13,376)	(1,528)	-	(99)	(15,003)
<b>Balance as at 28 February 2013</b>	<b>13,736</b>	<b>8,633</b>	<b>1,650</b>	<b>2,846</b>	<b>26,865</b>
<b>Accumulated Depreciation</b>					
<b>Balance as at 28 February 2011</b>	<b>(4,988)</b>	<b>(4,322)</b>	<b>(641)</b>	<b>(1,841)</b>	<b>(11,792)</b>
Charge for the year ended February 2012	-	(821)	(69)	(147)	(1,037)
Disposals for year ended February 2012	-	172	-	12	184
<b>Balance as at 29 February 2012</b>	<b>(4,988)</b>	<b>(4,971)</b>	<b>(710)</b>	<b>(1,976)</b>	<b>(12,645)</b>
Charge for the year ended February 2013	-	(757)	(59)	(252)	(1,068)
Disposals for year ended February 2013	4,157	1,384	-	92	5,633
<b>Balance as at 28 February 2013</b>	<b>(831)</b>	<b>(4,344)</b>	<b>(769)</b>	<b>(2,136)</b>	<b>(8,080)</b>
<b>Impairment Provision</b>					
<b>Balance as at 28 February 2011</b>	<b>(6,027)</b>	-	-	-	<b>(6,027)</b>
<b>Balance as at 29 February 2012</b>	<b>(6,027)</b>	-	-	-	<b>(6,027)</b>
Reversals arising from disposals for year ended February 2013	6,027	-	-	-	6,027
<b>Balance as at 28 February 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Impairment charges and disposals are recognised in non-trading in the statements of comprehensive income (refer Note 5).

Carrying amounts					
Balance as at 28 February 2011	16,793	4,837	430	113	22,173
Balance as at 29 February 2012	15,275	4,199	850	529	20,853
<b>Balance as at 28 February 2013</b>	<b>12,905</b>	<b>4,289</b>	<b>881</b>	<b>710</b>	<b>18,785</b>

The Parent has no intangible assets (2012: nil).

#### 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.

#### Amortisation

Amortisation charge is recognised in cost of sales in the statements of comprehensive income (refer Note 5).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

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

\$NZ000's	Group	
	2013	2012
KFC	2,170	1,348
Pizza Hut	10,735	13,927
	<b>12,905</b>	<b>15,275</b>

The recoverable amount of each cash-generating unit was based on its value in use.

#### KFC

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 1.0 – 3.6% over 2014-2016 (2012: 2.1 – 3.3% p.a. over 2013 – 2015). Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure and taxation. A terminal year was calculated based on the 2016 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2012: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 20% as a proportion of sales over 2014-2016 (2012: 20-21% over 2013 – 2015).

As a result of the review, no impairment of goodwill was necessary (2012: nil).

The discount rate applied to future cash flows is based on an 8.2% weighted average post-tax cost of capital (2012: 8.2%) 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. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 4.0 – 6.0% over 2014 -2016 (2012: 2.0% p.a. over 2013 – 2015). Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure. A terminal year was calculated based on the 2016 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2012: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 8.1 – 8.6% as a proportion of sales over 2014-2016 (2012: 7.0 - 10% over 2013 – 2015).

As a result of the review and based on the key assumptions described above, no impairment of goodwill was necessary (2012: nil).

The discount rate, applied to future cash flows is based on an 8.2% weighted average post-tax cost of capital (2012: 8.2%) applicable to Restaurant Brands.

The weighted average cost of capital calculation was reviewed in 2012 based on CAPM methodology using current market inputs. Changes in the market inputs have been considered and are not deemed material enough to change the weighted average cost of capital calculation.

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).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### Impact of possible changes in key assumptions

Set out below are reasonably possible changes in key assumptions as applied to goodwill balances for KFC and Pizza Hut.

Key assumptions	Variation % (absolute terms)	Pizza Hut impairment charge (\$m)	KFC impairment charge (\$m)
Terminal year sales growth	(2.5)	2.8	no impairment necessary
Discount rate	1.0	0.5	no impairment necessary
EBITDA ratio as a % of sales per annum	(1.0)	no impairment necessary	no impairment necessary
Sales growth	zero growth initial and terminal	10.7	no impairment necessary

### 9. Investment 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

### 10. Deferred tax assets and liabilities

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

Group \$NZ000's	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Property, plant and equipment	515	214	-	(6)	515	208
Inventory	17	7	-	-	17	7
Provisions	2,038	1,708	-	-	2,038	1,708
Intangibles	2	-	-	(574)	2	(574)
Other	-	-	(2)	(2)	(2)	(2)
	2,572	1,929	(2)	(582)	2,570	1,347

At balance date deferred tax assets of \$0.4 million and deferred tax liabilities of nil are expected to be settled within 12 months (2012: deferred tax assets of \$0.3 million and deferred tax liabilities of nil). The Parent has no deferred tax assets or liabilities (2012: nil).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

Movement in temporary differences during the year:

Group \$NZ000's	Balance	Recognised in	Balance	Recognised in	Balance
	28 February 2011	statement of comprehensive income	29 February 2012	statement of comprehensive income	28 February 2013
Property, plant and equipment	93	115	208	307	515
Inventory	6	1	7	10	17
Provisions	2,461	(753)	1,708	330	2,038
Intangibles	(1,005)	431	(574)	576	2
Other	(2)	-	(2)	-	(2)
	1,553	(206)	1,347	1,223	2,570

### 11. Inventories

\$NZ000's	Group		Company	
	2013	2012	2013	2012
Raw materials and consumables	1,776	1,927	-	-

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

### 12. Other receivables

\$NZ000's	Group		Company	
	2013	2012	2013	2012
Prepayments	526	470	-	-
Other debtors	1,654	1,597	-	-
	2,180	2,067	-	-

There were no foreign currency debtors included in other debtors (2012: 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.

The carrying value of other receivables approximates fair value.

### 13. Derivative financial instruments

\$NZ000's	Group & Company		Group & Company	
	2013	2013	2012	2012
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Fair value of interest rate swap	-	186	-	265

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

The fair value of the interest rate swap falls into level 2 fair value measurement. Refer to Note 2(c) for information on the measurement of fair values. There were no transfers between fair value measurements during the year (2012: nil).

Fair values at balance date have been assessed using a range of market interest rates between 2.76% to 2.97% (2012: 2.84% to 3.08%).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 14. Capital and reserves

#### 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 exchange rate differences arising from translating the financial statements of the foreign currency operation.

### 15. Dividend distributions

\$NZ000's	Group		Company	
	2013	2012	2013	2012
Interim dividend of 6.5 cents per share paid (2012: 6.5 cents per share)	6,360	6,357	6,360	6,357
Final dividend of 9.5 cents per share paid for the year ended 29 February 2012 (2012: Final dividend of 10.0 cents per share paid for the year ended 28 February 2011)	9,293	9,779	9,293	9,779
	15,653	16,136	15,653	16,136

### 16. Equity

The issued capital of the Company is 97,850,110 (2012: 97,809,001) ordinary fully paid up shares. The par value is nil (2012: 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.

Shares	Group & Company 2013 number	Group & Company 2013 \$NZ000's	Group & Company 2012 number	Group & Company 2012 \$NZ000's
Balance at beginning of year	97,809,001	26,648	97,762,866	26,576
Shares issued on exercise of options	41,109	75	46,135	72
<b>Balance at end of year</b>	<b>97,850,110</b>	<b>26,723</b>	<b>97,809,001</b>	<b>26,648</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 17. Earnings per share

The calculation of basic earnings per share for the year ended 28 February 2013 was based on the weighted average number of ordinary shares on issue of 97,833,862 (2012: 97,763,920). The calculation of diluted earnings per share for the year ended 28 February 2013 was based on the weighted average number of ordinary shares on issue adjusted to assume conversion of all dilutive potential ordinary shares, of 97,877,795 (2012: 97,832,317). The difference between weighted average number of shares used to calculate basic and diluted earnings per share represents share options.

	Group 2013	2012
<b>Basic earnings per share</b>		
Profit after taxation attributable to shareholders (\$NZ000's)	16,159	16,927
Basic earnings per share (cents)	16.52	17.31
<b>Diluted earnings per share</b>		
Profit after taxation attributable to shareholders (\$NZ000's)	16,159	16,927
Diluted earnings per share (cents)	16.51	17.30

### 18. 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 (2012: all denominated in New Zealand dollars). For more information about the Group's exposure to interest rate and foreign currency risk see Note 21.

\$NZ000's	Note	Group 2013	2012	Company 2013	2012
<b>Non-current liabilities</b>					
Finance leases	22d	228	100	-	-
Secured bank loans	21c	14,555	13,580	14,555	13,580
		14,783	13,680	14,555	13,580
<b>Current liabilities</b>					
Finance leases	22d	116	159	-	-
		116	159	-	-

Secured bank loans expire in October 2014.

In March 2009 the Group entered into an interest rate swap to fix the interest rate on \$10.0 million of bank loans for five years. The swap matures on 10 March 2014. At balance date the interest rate applicable was 5.05% (2012: 5.05%) inclusive of bank margin.

The balance of the secured bank loan of \$4.6 million is unhedged for interest rate rises (2012: \$3.6 million). The bank loan is structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. At balance date \$4.6 million was floating at an interest rate of 3.85% (2012: \$3.6 million floating at an interest rate of 3.85%).

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 carrying value equates to fair value.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 19. Creditors and accruals

\$NZ000's	Group		Company	
	2013	2012	2013	2012
Trade creditors	12,556	11,473	-	-
Other creditors and accruals	5,654	3,534	116	86
Employee entitlements	5,927	5,272	-	-
Indirect and other taxes	2,941	2,834	-	-
	<b>27,078</b>	<b>23,113</b>	<b>116</b>	<b>86</b>

Included in trade creditors are foreign currency creditors of \$NZ84,000 ( \$AU48,000, \$US20,000), (2012: \$NZ138,000 ( \$AU20,000, \$US96,000)), which are not hedged.

The carrying value of creditors and accruals approximates fair value.

### 20. Provisions and deferred income

Group \$NZ000's	Surplus lease space	Store closure costs	Employee entitlements	Deferred income	Total
Balance at 1 March 2012	13	34	527	6,259	6,833
Created during the year	388	347	227	800	1,762
Used during the year	(104)	(118)	(79)	(1,341)	(1,642)
Released during the year	(5)	(39)	(119)	-	(163)
<b>Balance at 28 February 2013</b>	<b>292</b>	<b>224</b>	<b>556</b>	<b>5,718</b>	<b>6,790</b>
<b>2013</b>					
Non-current	52	-	365	4,337	4,754
Current	240	224	191	1,381	2,036
<b>Total</b>	<b>292</b>	<b>224</b>	<b>556</b>	<b>5,718</b>	<b>6,790</b>

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 off-set 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 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.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

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

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

Note 2(c) discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in Note 18, the Group has an interest rate swap in place to fix the interest rate on \$10.0 million of bank loans to March 2014 (2012: \$10.0 million to March 2014). In 2011 the Group ceased cash flow hedge accounting for the interest rate swap as the forecasted transaction was no longer expected to occur. 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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (c) Liquidity risk

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

\$NZ000's	Effective interest rate	Total	12 months or less	12 months or more
<b>Group 2013</b>				
Cash		249	249	-
Bank balance	2.00%	549	549	-
Bank term loan - principal	5.03%	(14,555)	-	(14,555)
Bank term loan - expected interest	4.68%	(1,137)	(680)	(457)
Finance leases	8.20%	(344)	(116)	(228)
Finance leases - expected interest	8.20%	(41)	(24)	(17)
Derivative financial instruments	-	(186)	(186)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(18,210)	(18,210)	-
		<b>(33,675)</b>	<b>(18,418)</b>	<b>(15,257)</b>
<b>Group 2012</b>				
Cash	-	253	253	-
Bank balance	5.45%	447	447	-
Bank term loan - principal	4.58%	(13,580)	-	(13,580)
Bank term loan - expected interest	4.74%	(2,367)	(644)	(1,723)
Finance leases	11.00%	(259)	(159)	(100)
Finance leases - expected interest	11.00%	(25)	(21)	(4)
Derivative financial instruments	-	(265)	(265)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(15,007)	(15,007)	-
		<b>(30,803)</b>	<b>(15,396)</b>	<b>(15,407)</b>
<b>Company 2013</b>				
Bank balance	2.00%	10	10	-
Derivative financial instruments	-	(186)	(186)	-
Bank term loan - principal	5.03%	(14,555)	-	(14,555)
Bank term loan - expected interest	4.68%	(1,137)	(680)	(457)
Creditors and accruals	-	(116)	(116)	-
Amounts payable to subsidiary companies	-	(134,269)	(134,269)	-
		<b>(150,253)</b>	<b>(135,241)</b>	<b>(15,012)</b>
<b>Company 2012</b>				
Bank balance	5.45%	(123)	(123)	-
Derivative financial instruments	-	(265)	(265)	-
Bank term loan - principal	4.58%	(13,580)	-	(13,580)
Bank term loan - expected interest	4.74%	(2,367)	(644)	(1,723)
Creditors and accruals	-	(86)	(86)	-
Amounts payable to subsidiary companies	-	(134,545)	(134,545)	-
		<b>(150,966)</b>	<b>(135,663)</b>	<b>(15,303)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

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 \$35.0 million (2012: \$35.0 million) available at variable rates. The amount undrawn at balance date was \$20.4 million (2012: \$21.4 million).

The Group has fixed the interest rate on \$10.0 million of bank loans with the balance at a floating interest rate. The bank loan 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.

### (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.

There were no financial assets neither past due nor impaired at balance date (2012: nil).

At balance date there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying value of each financial asset in the statements of financial position.

### (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 2013 it is estimated that a general increase of one percentage point in interest rates would decrease the Group and Parent's profit before income tax and equity by approximately \$0.1 million (2012: \$0.1 million). A one percentage point decrease in interest rates would increase the Group and Parent's profit before income tax and equity by approximately \$0.1 million (2012: \$0.1 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 (Parent: nil).

### Capital risk management

The Group's capital comprises share capital, reserves, retained earnings and debt.

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern, to maintain an optimal capital structure commensurate with risk and return and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or draw down more debt.

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 covenants relating directly to capital management are the ratio of total debt to earnings before interest, tax and amortisation (EBITA) and restrictions relating to acquiring its own shares.

The specific covenants relating to financial ratios the Group is required to meet are:

- debt coverage ratio (i.e. net borrowings to EBITA), and
- fixed charges coverage ratio (i.e. EBITL to total fixed charges), with EBITL being EBIT before lease costs. Fixed charges comprise interest and lease costs.

The covenants are monitored and reported to the bank on a six monthly basis. These are reviewed by the Board on a monthly basis.

There have been no breaches of the covenants during the period (2012: no breaches).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 22. Commitments

#### (a) Capital commitments

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

\$NZ000's	Group	
	2013	2012
Store development	4,724	67

The Parent has no capital commitments (2012: nil).

#### (b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

\$NZ000's	Group	
	2013	2012
Not later than one year	16,110	16,233
Later than one year but not later than two years	12,217	14,840
Later than two years but not later than five years	29,310	26,880
Later than five years	27,729	22,175
	85,366	80,128

The Parent has no operating lease commitments (2012: nil).

#### (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 in accordance with the lease agreements to reflect market rentals. The table below summarises the Group's lease portfolio.

	Right of renewal		No right of renewal	
	2013	2012	2013	2012
<b>Number of leases expiring:</b>				
Not later than one year	31	15	11	12
Later than one year but not later than two years	35	35	8	8
Later than two years but not later than five years	35	63	12	16
Later than five years	53	51	10	11

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

#### (d) Finance lease commitments

The carrying amount of finance leases in relation to computer and related equipment for the Group as at 28 February 2013 is \$0.3 million (2012: \$0.1 million).

The non cancellable finance lease rentals are payable as follows:

\$NZ000's	Group	
	2013	2012
<b>Minimum lease payments of:</b>		
Not later than one year	140	180
Later than one year but not later than two years	140	104
Later than two years but not later than five years	105	-
	385	284
Future lease finance charges	(41)	(25)
Net finance lease liability	344	259
Current	116	159
Non-current	228	100
	344	259

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

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### 23. Net cash flow 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 profit after taxation for the year shown in the statements of comprehensive income and the net cash flow from operating activities.

\$NZ000's	Group		Company	
	2013	2012	2013	2012
<b>Total profit after taxation attributable to shareholders</b>	<b>16,159</b>	16,927	<b>15,063</b>	16,520
<b>(Less) / add items classified as investing / financing activities:</b>				
(Gain) / loss on disposal of property, plant and equipment	(2,594)	259	-	-
	(2,594)	259	-	-
<b>Add / (less) non-cash items:</b>				
Depreciation	13,573	13,775	-	-
Disposal of goodwill	3,192	1,518	-	-
Increase / (decrease) in provisions	469	(98)	-	-
Amortisation of intangible assets	1,068	1,037	-	-
Write-off of franchise fees	144	115	-	-
Impairment on property, plant and equipment	239	65	-	-
Net (increase) / decrease in deferred tax asset	(1,223)	206	-	-
Change in fair value of derivative financial instruments	(79)	108	(79)	108
	<b>17,383</b>	16,726	<b>(79)</b>	108
<b>Add / (less) movement in working capital:</b>				
Decrease / (increase) in inventories	151	(138)	-	-
Decrease / (increase) in other debtors and prepayments	340	(370)	-	-
Increase / (decrease) in trade creditors and other payables	1,603	(2,747)	30	11
Increase / (decrease) in income tax payable	1,408	(1,686)	-	-
Decrease in income tax	315	825	315	825
	<b>3,817</b>	(4,116)	<b>345</b>	836
<b>Net cash from operating activities</b>	<b>34,765</b>	29,796	<b>15,329</b>	17,464

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

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

\$NZ000's	Group		Company	
	2013	2012	2013	2012
<b>Loans and receivables</b>				
Other debtors	1,654	1,597	-	-
Cash and cash equivalents	798	700	10	-
	<b>2,452</b>	2,297	<b>10</b>	-
<b>Derivatives held at fair value through profit or loss</b>				
Derivative financial instruments - liabilities	186	265	186	265
	<b>186</b>	265	<b>186</b>	265
<b>Financial liabilities at amortised cost</b>				
Bank overdraft	-	-	-	123
Loans and finance leases - non current	14,783	13,680	14,555	13,580
Loans and finance leases - current	116	159	-	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	18,210	15,007	116	86
Amounts payable to subsidiary companies	-	-	134,269	134,545
	<b>33,109</b>	28,846	<b>148,940</b>	148,334

### 25. 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 (2012: nil).

### 26. 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 9 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.

#### (a) Subsidiaries

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 are non-interest bearing, repayable on demand and disclosed as a current liability.

During the year the Parent repaid \$0.3 million to its subsidiary company (2012: \$2.1 million repaid to its subsidiary company). At balance date the amount owed to subsidiary companies was \$134.3 million (2012: \$134.5 million). During the year the Parent received \$15.7 million in dividends from its subsidiary company (2012: \$17.4 million).

#### (b) Other transactions with entities with key management or entities related to them

During the year the Group made the following:

- Stock purchases of \$0.3 million (2012: \$0.4 million) from Barker Fruit Processors Limited, a company of which Company director Sue Helen Suckling is chairman. There was nil owing at balance date (2012: nil).
- Stock purchases of \$68,000 (2012: \$11,000) from Nestle New Zealand Limited, a company of which Company director Ted van Arkel is a director. There was nil owing at balance date (2012: nil).
- Stock purchases of \$1.1 million from Hellers Limited, a company of which Company director David Alan Pilkington is Chairman. There was nil owing at balance date. There was no comparative information as 2012 purchases were made from an unrelated party.
- On the 18 October 2012 the Company entered into a lease of the KFC Silverdale store with Eldamos Investments Limited, a wholly owned subsidiary of The Warehouse Group Limited of which Company director Ted van Arkel is a director. The Company made rental payments of \$68,000.

These transactions were performed on normal commercial terms.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

### (c) Key management and director compensation

Key management personnel comprise members of the Senior Leadership Team. Key management personnel compensation comprised short-term benefits for the year ended 28 February 2013 of \$2.2 million (2012: \$2.5 million) and other long-term benefits of \$21,000 (2012: \$20,000). Directors' fees were \$0.3 million (2012: \$0.2 million).

### (d) Share options issued to key management personnel

At balance date 5,755 options issued under the employee share option plan (refer to Note 27) to key management personnel remain outstanding (2012: 16,782). During the year 11,027 options were exercised (2012: 14,892). The table below summarises the movement in outstanding options during the year.

Date of issue	Exercise price	Outstanding options at 29 February 2012	Exercised in year	Outstanding options at 28 February 2013
13-Sep-02	\$1.85	11,027	(11,027)	-
23-Sep-03	\$1.39	5,755	-	5,755
<b>Total</b>		<b>16,782</b>	<b>(11,027)</b>	<b>5,755</b>

Refer to Note 18 for details regarding the guarantees between group companies.

## 27. 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.

### Options issued and outstanding under the Plan:

Date of issue	Exercise price	Issued	Outstanding options at 29 February 2012	Exercised in year	Forfeited in year	Outstanding options at 28 February 2013
13-Sep-02	\$1.85	905,128	61,050	(34,854)	(26,196)	-
23-Sep-03	\$1.39	1,228,423	56,395	(6,255)	(5,971)	44,169
<b>Total</b>		<b>2,133,551</b>	<b>117,445</b>	<b>(41,109)</b>	<b>(32,167)</b>	<b>44,169</b>

<b>Weighted average exercise price</b>	<b>\$1.56</b>	<b>\$1.63</b>	<b>\$1.78</b>	<b>\$1.76</b>	<b>\$1.39</b>
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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 0.05% (2012: 0.1%).

The remaining life of outstanding options at balance date was 7 months (2012: weighted average remaining life 1 year).

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

## 28. Subsequent event

Subsequent to balance date, the directors have declared a fully imputed final dividend of 9.5 cents per share for the year ended 28 February 2013 (2012: 9.5 cents).

## 29. Canterbury earthquake

The February 2011 and June 2011 Canterbury earthquakes resulted in the Company sustaining property and inventory damage and increased operating costs. The February 2011 earthquake led to the closure of 19 stores for a period of time. Fifteen stores re-opened shortly afterwards while four stores remained closed. Of the four closed stores, one store was demolished, two stores have had their leases terminated and the fourth store remains closed and is unlikely to re-open.

The Company has in place material damage and business interruption insurance policies to cover losses incurred and claims have been lodged with its insurers for these events.

During the year ended 28 February 2013 the Company has recognised income of \$1.3 million (2012: \$2.8 million) and \$1.8 million was received from its insurers (2012: \$1.9 million).





## INDEPENDENT AUDITORS' REPORT

to the shareholders of Restaurant Brands New Zealand Limited



### Report on the Financial Statements

We have audited the financial statements of Restaurant Brands New Zealand Limited ("the Company") on pages 26 to 61, which comprise the statements of financial position as at 28 February 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 28 February 2013 or from time to time during the financial year.

#### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors and providers of other assurance services, we have no relationship with, or interests in, Restaurant Brands New Zealand Limited or any of its subsidiaries. These services have not impaired our independence as auditors of the Company and the Group.

#### Opinion

In our opinion, the financial statements on pages 26 to 61:

- (i) comply with generally accepted accounting practice in New Zealand; and
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 28 February 2013, and their financial performance and cash flows for the year then ended.

#### Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 28 February 2013:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

#### Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants  
Auckland, New Zealand

4 April 2013

## SHAREHOLDER INFORMATION

as at 8 April 2013

### 1. Stock exchange listing

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

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

Size of holding	Number of security holders		Number of securities	
1 to 999	1,111	18.43%	588,702	0.60%
1,000 to 4,999	3,061	50.78%	6,115,297	6.25%
5,000 to 9,999	885	14.68%	5,786,523	5.91%
10,000 to 49,999	866	14.37%	14,983,423	15.31%
50,000 to 99,999	63	1.05%	3,988,248	4.08%
100,000 to 499,999	37	0.61%	7,137,830	7.29%
500,000+	5	0.08%	59,255,842	60.56%
	<b>6,028</b>	<b>100.00%</b>	<b>97,855,865</b>	<b>100.00%</b>

Geographic distribution				
New Zealand	5,820	96.55%	91,797,520	93.81%
Australia	115	1.91%	5,327,950	5.44%
Rest of world	93	1.54%	730,395	0.75%
	<b>6,028</b>	<b>100.00%</b>	<b>97,855,865</b>	<b>100.00%</b>

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

	Number of ordinary shares	Percentage of ordinary shares
New Zealand Central Securities Depository Limited	49,183,555	50.26%
Diab Investments NZ Limited	5,000,000	5.11%
FNZ Custodians Limited	3,425,005	3.50%
Investment Custodial Services Limited (account C)	1,006,282	1.03%
JA Hong Koo & Pyung Keum Koo	641,000	0.65%
Matthew Charles Goodson & Dianna Dawn Perron & Goodson & Perron Independent Trustee Limited	496,666	0.51%
New Zealand Depository Nominee Limited (account 1) cash account	492,156	0.50%
Investment Custodial Services Limited (account R)	396,557	0.41%
NZPT Custodians (Grosvenor) Limited	376,974	0.39%
Guangqiang Chen	326,375	0.33%
Custodial Services Limited (account 16)	311,600	0.32%
Yeong Hoe Koo & Yong Ran Koo	259,000	0.26%
Russel Ernest George Creedy	252,229	0.26%
Linda Louise Creedy	250,000	0.26%
Judith Chisholm Doyle	200,000	0.20%
David George Harper & Karen Elizabeth Harper	193,248	0.20%
Alan Sedgwick Limmer & Nina Agnes Limmer	193,143	0.20%
Min Jeong Koo	190,000	0.19%
Marcia Lynn Hane & William Lee Hane	187,198	0.19%
ASB Nominees Limited (569086 ML account)	177,969	0.18%
	<b>63,558,957</b>	<b>64.95%</b>

## SHAREHOLDER INFORMATION

as at 8 April 2013

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to its members. As at 8 April 2013, the NZCSD holdings in Restaurant Brands were:

	Number of ordinary shares	Percentage of ordinary shares
Citibank Nominees (New Zealand) Limited	11,650,335	11.91%
Accident Compensation Corporation	8,301,677	8.48%
Tea Custodians Limited	7,124,596	7.28%
Westpac NZ Shares 2002 Wholesale Trust	6,488,005	6.63%
New Zealand Superannuation Fund Nominees Limited	4,597,192	4.70%
BT NZ Unit Trust Nominees Limited	3,243,969	3.32%
BNP Paribas Nominees (NZ) Limited	1,932,015	1.97%
JPMorgan Chase Bank NA	1,874,458	1.92%
National Nominees New Zealand Limited	1,243,700	1.27%
HSBC Nominees (New Zealand) Limited A/C State Street	982,031	1.00%
HSBC Nominees (New Zealand) Limited	883,165	0.90%
New Zealand Permanent Trustees Limited	545,000	0.56%
Private Nominees Limited	170,198	0.17%
Mint Nominees Limited	147,214	0.15%
	<b>49,183,555</b>	<b>50.26%</b>

#### 4. Substantial security holders

As at 8 April 2013 the following persons have given substantial security holder notices as shown by the register kept by the Company in accordance with section 35C of the Securities Markets Act 1988, as at 8 April 2013. The number of ordinary shares and the percentage of voting securities set out below are taken from the relevant substantial security holder notices.

	Number of ordinary shares	Percentage of voting securities
Westpac Banking Corporation and BT Funds Management (NZ) Limited	10,483,383	10.72%
Milford Asset Management Limited	10,220,346	10.44%
Accident Compensation Corporation	9,084,282	9.29%
D Diab	5,000,000	5.14%

#### 5. Shares on issue

As at 8 April 2013, the total number of ordinary shares on issue was 97,855,865.

#### 6. Directors' security holdings

	Equity securities held	
	2013	2012
E K van Arkel	50,000	50,000
D Diab	5,000,000	5,000,000

#### 7. Stock exchange waiver

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

## STATUTORY INFORMATION

for the year ended 28 February 2013

#### 1. Directorships

The names of the directors of the Company as at 28 February 2013 are set out in the Corporate Directory on page 71 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, D Diab and G R Ellis.

#### 2. Directors and remuneration

The following persons held office as directors during the year to 28 February 2013 and received the following remuneration and other benefits:

	Directors' fees (\$NZ)
E K van Arkel	85,583
D Diab	55,000
D A Pilkington	55,381
S H Suckling	55,381
	<b>251,345</b>

#### 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 or sold by directors of the Company during the financial year ended 28 February 2013.

##### b) Loans to Directors

There were no loans to directors during the financial year ended 28 February 2013.

## STATUTORY INFORMATION

for the year ended 28 February 2013

### 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	Unitec New Zealand Limited (and subsidiaries)
	Chairman	Health Benefits Limited
	Director and Shareholder	Lang Properties Limited
	Director and Shareholder	Van Arkel & Co Limited
	Director	AWF Group Limited (previously named Allied Work Force Group Limited)
	Director	Danske Mobler Limited
	Director	Auckland Regional Chamber of Commerce & Industry Limited
	Director	Youthtown Inc
	Director	Nestle New Zealand Limited
	Director	The Warehouse Group Limited
	Director	Abano Healthcare Group Limited
	Director	Philip Yates Securities Limited (and subsidiaries)
	S H Suckling	Chairman
Chairman		Barker Fruit Processors Limited (and subsidiaries)
Chairman		HSR Governance Limited
Chairman		ECL Group Limited
Chairman		Callaghan Innovation Research Limited (and subsidiaries)
Director		Acemark Holdings Limited
Director		SKYCITY Entertainment Group Limited
Director		Oxford Health Group Limited and Oxford Clinic Hospital Limited
D A Pilkington	Member	Takeovers Panel
	Director and Shareholder	Ruapehu Alpine Lifts Limited
	Chairman	Hellers Limited
	Director	Ballance Agri-Nutrients Limited (and subsidiaries)
	Director	Zespri Group Limited (and subsidiaries)
	Director	Douglas Pharmaceuticals Limited
	Director	Port of Tauranga Limited
	Director	Rangatira Limited (and subsidiaries)
	Director and Shareholder	Excelsa Associates Limited
	Member	Wellington City Council Audit and Risk Management Sub-Committee
D Diab	Trustee	New Zealand Community Trust
	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	Mirrapol Holdings Pty Limited
	Director	Pizza Advertising Co-Operative Australia
President	Australian 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.

## STATUTORY INFORMATION

for the year ended 28 February 2013

### 4. Employees' remuneration

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

	Number of employees	
	2013	2012
\$100,000 - \$109,999	6	4
\$110,000 - \$119,999	5	3
\$120,000 - \$129,999	3	4
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	2	5
\$150,000 - \$159,999	5	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	2	1
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	1	-
\$240,000 - \$249,999	-	1
\$310,000 - \$319,999	1	1
\$450,000 - \$459,999	-	1
\$660,000 - \$669,999	1	-
\$1,020,000 - \$1,029,999	-	1
	<b>28</b>	<b>27</b>

### 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.



## STATEMENT OF CORPORATE GOVERNANCE

for the year ended 28 February 2013

### 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 and is the ultimate decision-making body of the Company. Its responsibilities include setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

### Delegation

The board has delegated responsibility for the day-to-day leadership and management of the Company to the 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 2013, the board comprised four 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. Danny Diab is considered not to be independent as he represents a significant shareholding. 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 and Risk Committee.** The members of the Audit and Risk Committee are David Pilkington (chairman), Ted van Arkel, Sue Suckling and Danny Diab. The 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 for material error in the accounts. A majority of the committee's members must be independent directors.

The committee meets at least three times a year, with external auditors of the Company and executives performing internal audit management from within the Company in attendance. 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 Sue Suckling (chairman), Ted van Arkel, Danny Diab, and David Pilkington. 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 and recommends remuneration packages for directors to the shareholders. The 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.

## STATEMENT OF CORPORATE GOVERNANCE

for the year ended 28 February 2013

### Board appraisal and training

The board has adopted a performance appraisal programme by which it biennially 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. A copy of the Code is available on the Company's website.

### Size

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

### Re-election

Under the terms of the constitution, one third of the directors (currently one) 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 and committee meeting attendance for the year ended 28 February 2013 was as follows:

Name	Board meetings held	Board meetings attended	Audit and Risk Committee meetings held	Audit and Risk Committee meetings attended	Appointments and Remuneration Committee meetings held	Appointments and Remuneration Committee meetings attended
E K van Arkel	12	12	2	2	1	1
D Diab	12	11	2	2	1	1
D A Pilkington	12	12	2	2	1	1
S H Suckling	12	12	2	2	1	1

### Board remuneration

Directors' fees for the year ended 28 February 2013 were set at \$84,995 per annum for the Chairman and \$55,000 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.

## STATEMENT OF CORPORATE GOVERNANCE

for the year ended 28 February 2013

### 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.
- Directors may seek their own independent professional advice to assist with their responsibilities. During the 2013 financial year no director sought their own independent professional advice.

### 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 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 and Risk Committee. The Company's external auditors are currently permitted to provide non-audit services to the Company with the approval of the Audit and Risk Committee.

Auditors' remuneration is disclosed in Note 5 to the financial statements.

### Diversity Policy

The Company does not have a formal diversity policy. However it recognises the wide-ranging benefits that diversity brings to an organisation and its workplaces. Restaurant Brands endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of our shareholders and customers.

As at 28 February 2013, the gender balance of the Company's directors, officers and all employees is as follows:

	Directors	Officers	Employees
Female	1 (25%)	4 (44%)	1,920 (52%)
Male	3 (75%)	5 (56%)	1,805 (48%)
<b>Total</b>	<b>4 (100%)</b>	<b>9 (100%)</b>	<b>3,725 (100%)</b>

### 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  
Danny Diab  
David Alan Pilkington

### Registered Office:

Level 3  
Westpac Building  
Central Park  
666 Great South Road  
Penrose  
Auckland 1061  
New Zealand

### Share Registrar:

Computershare Investor Services Limited  
Level 2  
159 Hurstmere Road  
Takapuna  
Private Bag 92 119  
Auckland 1142  
New Zealand  
Telephone: 64 9 488 8700

### Auditors:

PricewaterhouseCoopers

### Solicitors:

Bell Gully  
Harmos Horton Lusk  
Meredith Connell

### Bankers:

Westpac Banking Corporation

### Contact Details:

Postal Address:  
P O Box 22 749  
Otahuhu  
Auckland 1640  
New Zealand  
Telephone: 64 9 525 8700  
Fax: 64 9 525 8711  
Email: investor@rbd.co.nz

# FINANCIAL CALENDAR

Annual Meeting:

**28 JUNE  
2013**

Interim Dividend Paid:

**NOVEMBER  
2013**

Close of Register for Final Dividend:

**14 JUNE  
2013**

Financial Year End:

**28 FEBRUARY  
2014**

Final Dividend Paid:

**28 JUNE  
2013**

Annual Profit Announcement:

**APRIL  
2014**

Interim Profit Announcement:

**OCTOBER  
2013**

**FREE**



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Restaurant Brands  
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