RESTAURANT BRANDS NEW ZEALAND LIMITED

25 February 2021
NZX/ASX

RESTAURANT BRANDS ANNOUNCES ANNUAL PROFIT RESULT

$NZm	**Dec 2020** *(52 weeks)*	**Dec 2019** *(44 weeks)*	**Change ($)**	**Change (%)**
Total Sales	**892.4**	**705.5**	**+186.8**	**+26.5**
Net Profit After Tax	**30.9**	**30.1**	**+0.8**	**+2.8**

Note: With the change in balance date last year, the comparative reported results are for the 44 weeks ended 31 December 2019 (Dec 2019) whereas the current year comparisons are for the 52 weeks ended 31 December 2020 (Dec 2020.) A comparable unaudited "gross up" summary is annexed to this report.

Key Points

- These trading results for the December 2020 period are for 52 weeks (full year) vs 44 weeks (10 months) for the December 2019 period previously reported.
- Total sales for the year were $892.4 million, up against the previous 44 week period, with full year positive same store sales growth across all three operating divisions. On an equivalent 12 month basis total sales were up by 7.0% or $58.6 million.
- Reported net profit after tax of $30.9 million for the year was up $0.8 million on the 44 week reporting period last year, despite being adversely impacted by COVID-19.
- Combined store EBITDA[1] (pre NZ IFRS 16) for the period was $147.3 million, up 27.0% on the previous 44 week period. On an equivalent 12 month basis, EBITDA was up over 7.5% or $10.3 million.
- The company acquired 69 KFC and Taco Bell stores in California on 2 September 2020, generating an additional $51.9 million in sales and $8.5 million in EBITDA in the last four months of the financial year.
- The Taco Bell brand launched in New Zealand and Australia (New South Wales) in late 2019 and has continued to grow with eight stores now successfully operating in New Zealand and Australia.

Overview

During the year ended 31 December 2019 Restaurant Brands changed its balance date from February to December. Hence the comparative financial results for the reporting period to December 2019 (FY19) are for 44 weeks compared to 52 weeks for the current reporting period (FY20). Two other significant factors have impacted the FY20 results compared with prior year: the adverse effect of COVID-19 and the positive impact of the California acquisition.

COVID-19, whilst creating considerable disruption across all four operating divisions, was particularly testing for the New Zealand operations with the entire business being closed for nearly five weeks in March-April 2020. The Australian, Hawaiian and Californian operations, whilst adversely affected, have generally continued to trade through the crisis (with some limitations) and consequently have sustained much less of an adverse profit impact.

[1] [1]EBITDA is earnings before interest, tax, depreciation and amortisation. The amounts referred to throughout this report is EBITDA before G&A, NZ IFRS 16 and Other Items. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

The acquisition of 69 stores in California (58 KFC and 11 joint KFC/Taco Bell) was successfully completed on 2 September 2020. The financial results for the California division have been significantly above expectations despite the challenges of COVID-19. The division added $51.9 million in total sales and $8.5 million in store EBITDA over the four months of ownership.

The resulting reported FY20 NPAT of $30.9 million is up 2.8% or $0.8 million on the prior 44 week period.

Group Operating Results

Directors are pleased to report that Restaurant Brands has produced a net profit after tax (NPAT) for the year ended 31 December 2020 (FY20) of $30.9 million, up 2.8% on the reported NPAT of $30.1 million for the prior period. As previously noted, the prior period reported NPAT is for 44 weeks compared to 52 weeks in this year.

$NZm after tax	**Dec 2020**	**Dec 2019**	**Change ($)**	**Change (%)**
Reported NPAT	**30.9**	**30.1**	**0.8**	**+2.8%**
Impact of NZ IFRS 16	7.0	4.5	2.5	+55.6%
Other Income & Expenses	8.8	4.0	4.8	+120.0%
Change of Balance Date*		7.1	(7.1)	-
Comparable Trading NPAT	**46.7**	**45.7**	**1.0**	**+2.2%**

**Estimated (unaudited) NPAT over the eight weeks to February 2020, prorata'd from the 44 weeks to December 2019*

In addition to the change of balance date, two other factors distort the prior year comparison: the continuing negative impact of NZ IFRS 16, and Other Income and Expenses.

The table above sets out a like-for-like comparison of the current year's 12 month result versus the prior year 10 months' normalised trading (detail of which is attached to this report). After adjusting for the negative impact of the NZ IFRS 16 accounting lease standard and the shorter trading period (estimated at $7.1 million), together with the impact of higher net expenses unrelated to normal trading, the underlying trading profit is estimated at $46.7 million (up 2.2% on the prior equivalent year).

Total brand sales for the Company were $892.4 million, up $186.8 million when compared with the 44 week prior period. On a like-for-like annualised footing they are up approximately 7.0%, primarily because of the inclusion of $51.9 million of sales for the four months following the California acquisition. All three existing divisions produced positive same store sales.

Combined store EBITDA (pre-NZ IFRS 16 and Other Items) of $147.3 million was up $31.4 million or +27.0% on the prior period. On an annualised basis the results were up 7.5%, due to strong performance in Hawaii and the acquisition of the California operations. EBITDA margins (as a % of sales) improved from 16.4% to 16.5% due to the strength of the Pizza Hut Hawaii performance.

Restaurant Brands' store numbers at the end of the financial year totalled 348, comprising 137 in New Zealand, 72 in Hawaii, 70 stores in Australia and 69 stores in California.

New Zealand Operations

Total store sales in New Zealand were $410.4 million, up $42.9 million or +11.7% on the 44 week period ending December 2019. This is a result of the additional eight weeks trading in the December 2020 year, partially offset by the five weeks full store lockdown due to COVID-19 with lost sales of approximately $40 million.

	Actual 52 weeks 31 December 2020	**Actual 44 weeks 31 December 2019**	**Proportioned 52 weeks 31 December 2019**	**Change ($)**	**Change (%)**
Store sales ($m)	**410.4**	367.5	434.3	+42.9	+11.7%
EBITDA ($m)	**75.9**	67.9	80.3	+8.0	+11.8%
EBITDA as a % of Sales	***18.5***	*18.5*	18.5		
Store Numbers	**137**	148			

The proportioned 52 weeks in the table above is an arithmetical calculation factoring up the 44 weeks ending Dec 2019 (26 February 2019 to 31 December 2019) to a 52 week equivalent. This is for illustrative purposes only.

The New Zealand business was completely closed for nearly five weeks in March-April 2020 as part of the COVID-19 lockdown, losing an estimated $40 million in sales over the period. However upon re-opening the business recovered well, with same store sales for the full year up +5.3%. The underlying sales growth has been driven by another good performance by KFC combined with Carl's Jr., both brands sales have remained strong throughout the year with growth through both the delivery and in-store channels. The accelerated expansion of delivery channels as part of the COVID-19 response has also helped. Taco Bell remains only a small portion of the New Zealand business sales with three stores opened during the year and sales from the four existing stores continuing to track above expectations.

EBITDA was up $8.0 million reflecting the higher sales; however the underlying EBITDA as a percentage of sales has remained constant on 18.5%.

As part of the COVID-19 response the New Zealand business received a government wage subsidy of $22.0 million, which was fully passed on to all staff. This number has been included in the statement of comprehensive income. Restaurant Brands elected to retain all staff at 100% of their wages and salaries throughout the lockdown period. Although the wage subsidy helped to offset the cost to the business, there was a shortfall of approximately $0.5 million per week. There were also other fixed costs incurred during the mandated lockdown which contributed to an estimated $4.4 million drop in EBITDA before G&A costs over the closure period.

The Pizza Hut sub-franchising process continues, with 16 stores sold to franchisees during the year. This included three turnkey stores. The company now operates 13 stores with independent franchisees operating 90 stores.

Overall store numbers decreased by 11 during the year with the 16 Pizza Hut stores sold offset with one new KFC store being opened in Central Christchurch and the continued roll out of Taco Bell with three new stores opened in the greater Auckland region. KFC Kapiti was also acquired from an independent franchisee during the period. All five of the new stores are trading well.

Australian Operations

The Australian business contributed total sales of $NZ214.9 million (up 27.1%), and a store EBITDA (excluding the effect of NZ IFRS 16) of $NZ29.4 million (up 16.7%).

	Actual 52 weeks 31 December 2020	**Actual 44 weeks 31 December 2019**	**Proportioned 52 weeks 31 December 2019**	**Change ($)**	**Change (%)**
Sales ($Am)	**202.4**	160.2	189.3	**+42.2**	**+26.3%**
Store EBITDA ($Am)	**27.7**	23.4	27.7	**+4.3**	**+18.4%**
EBITDA as a % of Sales	***13.7***	*15.4*	15.4		
Store Numbers	**70**	65			

The proportioned 52 weeks in the table above is an arithmetical calculation factoring up the 44 weeks ending Dec 2019 (26 February 2019 to 31 December 2019) to a 52 week equivalent. This is for illustrative purposes only.

Total sales in Australia were $A202.4 million, up $A42.2 million (or +26.3%) on last year, and on a proportioned 52 week basis sales were up $A12.1 million primarily due to the effect of additional store openings. Same stores sales were also up 2.0%.

There was significant disruption to stores due to COVID-19 with the temporary closure of all mall stores and the extended closure of all dine-in restaurants. The business has focused on ensuring a continued safe work environment for all members of staff and the highest hygiene standards for customers, whilst providing continued emphasis on providing efficient delivery services.

Investment in KFC store upgrades continued, together with new store openings. Two new drive-thru Taco Bell sites and four additional KFC stores opened during the year, bringing total store numbers to 70.

With the extended closure of the dine in facilities due to COVID-19 the home delivery service was expanded into New South Wales regional locations, which generated further growth in the KFC delivery channel. This has helped maintain same store sales growth over the past 12 months, but has added to the cost pressures of the business which, together with initial Taco Bell set up costs, is reflected in a drop in EBITDA as a percentage of sales to 13.7%.

Store EBITDA margins of $A27.7 million (13.7% of sales) were up $A4.3 million or +18.4% on last year. This reflects the additional eight weeks trading. On an equivalent 52 week basis store EBITDA has remained flat with additional sales offset by higher cost pressures.

Hawaiian Operations

Total sales in Hawaii for the period were $US139.3 million with store level EBITDA of $US21.5 million (15.6% as a percentage of sales vs 13.5% in the prior period).

	Actual 52 weeks 31 December 2020	**Actual 44 weeks 31 December 2019**	**Proportioned 52 weeks 31 December 2019**	**Change ($)**	**Change (%)**
Sales ($USm)	**139.3**	110.7	130.8	+28.6	+25.8%
Store EBITDA ($USm)	**21.5**	15.0	17.7	+6.5	+43.3%
EBITDA as a % of Sales	***15.6***	*13.5*	13.5		
Store Numbers	**72**	74			

The proportioned 52 weeks in the table above is an arithmetical calculation factoring up the 44 weeks ending Dec 2019 (26 February 2019 to 31 December 2019) to a 52 week equivalent. This is for illustrative purposes only.

In $NZ terms the Hawaiian operations contributed $NZ215.1 million in revenues and $NZ33.5 million in EBITDA for the year. These results were all up (particularly Pizza Hut) on the equivalent December 2019 year despite the operational challenges created by COVID-19.

Reported sales are up $US28.6 million to $US139.3 million primarily due to the comparison with last year's reporting period of 44 weeks. On an equivalent year comparison sales were up $US8.6 million for the period which is reflected in same store sales growth of 7.7% for the year.

Pizza Hut saw a significant increase in both sales and profitability. The excellent response by the Pizza Hut brand to the challenges created by COVID-19 was a major driver of the strong sales performance. With Pizza Hut USA emphasizing food safety, no-touch contactless delivery as well as the roll out of curbside delivery, customers reacted favourably, particularly with the continued influence of COVID-19 in Hawaii. Online ordering grew significantly and now accounts for 60% of sales. The closure of seven old format stores at the end of last year, and a further three stores this year, with a move towards smaller and more efficient delivery and carry-out (delco) style stores also helped drive profitability.

Although Taco Bell was harder hit by the closure of dine in options, the promotions around family size meals and affordable pricing was successful with drive through average customer spend increasing significantly. UberEats and DoorDash also came on board as additional food aggregators (in addition to Grubhub) which has also helped to drive delivery sales.

Store numbers are down by net two from December 2019 following the closure of three Pizza Hut stores as part of the strategy to close some very old dine-in restaurants. During this period one new Pizza Hut store has opened and is performing strongly.

Californian Operations

Following Yum! and landlord approval, the acquisition of 69 stores in California was settled on 2 September 2020. With most of the existing management team in place, the completion was executed smoothly. Even with the impact of COVID-19 on the business effectively closing the dine-in channel, management continuity and the benefit of recently upgraded stores ensured that Restaurant Brands' most recent acquisition delivered initial financial results well ahead of expectations.

Total sales in California for the period were $US35.6 million with store level EBITDA of $US5.8 million (16.4% as a percentage of sales).

In $NZ terms the California operations contributed $NZ51.9 million in revenues and $NZ8.5 million in EBITDA for the four month period from 2 September 2020.

	Actual 52 weeks 31 December 2020	Actual 44 weeks 31 December 2019	Change ($)	Change (%)
Sales ($USm)	**35.6**	n/a	n/a	n/a
Store EBITDA ($USm)	**5.8**	n/a	n/a	n/a
EBITDA as a % of Sales	***16.4***	n/a		
Store Numbers	**69**	n/a		

The California division made a solid contribution to the Group results over the four months since acquisition. Despite the dine in channels being closed due to COVID-19 for the majority of the four months, drive through sales have remained strong and, like the other divisions, delivery sales are well above expectations. The strong sales have driven a higher than expected EBITDA margin percentage to sales of 16.4%, producing the store earnings well above expectations.

The business saw an extensive reinvestment programme prior to settlement. However in line with the strategy to further reinvest in the stores, more capital expenditure is planned for this market, including new store builds of which two are already underway.

Corporate & Other

General and administration (G&A) costs were $45.6 million, up $12.3 million from last year due to the longer current reporting period, but also up $6.2 million on a normalised annual basis. Most of the increase came from long term incentive remuneration and additional G&A charges in California as that acquisition came on stream. G&A as a % of total revenue was 4.9% which is up from 4.5% for the period ended 31 December 2019. This was largely due to the effect of the full closure of the New Zealand stores and the lost sales during that period.

Depreciation charges of $65.0 million for the year ended 31 December 2020 were $17.2 million higher than the prior year primarily due to the impact of the additional reporting weeks. It also included $5.7 million from the newly acquired California division. Of the $65.0 million, $30.9 million related to right of use asset depreciation incurred under NZ IFRS 16.

Financing costs of $30.2 million were up $8.8 million on prior year, once again reflecting the impact of the additional reporting weeks. Interest on bank debt for the period ended 31 December 2020 was $6.5 million, up $1.4 million on last year due to the longer reporting period and the additional debt taken on to acquire the California business. This was partially off-set by a lower effective interest rates following the restructure of the Group's debt facilities which was activated in May 2020.

Tax expense was $14.0 million, up $1.2 million on the prior year. The effective tax rate was 31.2% (29.9% for FY19) with a higher level of non-deductible expenses in the current year.

Other items

Other Net Income and Expense of $8.8 million is up from $4.6 million for the prior period. This primarily relates to acquisition costs associated with the California acquisition of $4.3 million.

Cash Flow & Balance Sheet

The total assets of the Group are $1,173.0 million, up $293.1 million primarily due to the inclusion of $263.2 million of new assets in California. Equally there has been an increase of $270.6 million in liabilities, primarily reflecting the future discounted lease liability on leases acquired and an increase in debt drawdowns arising from that transaction.

Included in the Group's debt is a $11.3 million Paycheck Protection Program loan (PPP loan) in Hawaii from the US federal government. Application has been made for the loan to be forgiven with a decision expected by mid-2021.

Operating cash flows were up $24.2 million to $111.9 million, reflecting the additional weeks being reported, along with the strong trading performance. The inclusion of the California business has also had a positive impact on operating cash flows.

Net investing cash outflows were $178.0 million (versus $59.7 million last year) including the acquisition of the California business for $119.2 million ($US80.7 million). Payments for fixed assets and intangibles of $60.5 million was up from $59.7 million with five new KFC, and five new Taco Bell stores in New Zealand and Australia and significant KFC refurbishment expenditure in both those markets. In addition there were several major Taco Bell refurbishments in Hawaii. This year's net investing cash flows also included inflows of $4.5 million received, primarily from the sale of Pizza Hut stores in New Zealand.

Outlook

The focus for Taco Bell in New Zealand and Australia remains on investing to build brand presence with more than ten stores expected to open by December 2021. The significance of the brand's sales will continue to grow as additional stores are opened. However overall the financial impact of the brand on the Group will remain slight for the coming year.

The inclusion of 58 KFC and 11 joint KFC/Taco Bell stores in California will have a positive impact on earnings profile in the 2021 year.

Current trading for the new year remains strong across all divisions; however with the current uncertainties that remain with COVID-19 it is difficult to provide firm guidance. Further updates will be provided at the annual meeting.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting of the company will be held on Thursday 27 May 2021. Given the COVID-19 uncertainty, it will be a virtual meeting.

Authorised By:

Russel Creedy
Group CEO
Phone: 525 8710

Grant Ellis
Group CFO
Phone: 525 8710

ENDS

About Restaurant Brands:

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

Consolidated Income Statement For the year ended 31 December 2020					
	31 Dec 2020 **52 weeks**		**vs Prior** **%**	**31 Dec 2019** **44 weeks**	
$NZ000's					
Sales					
Total New Zealand sales	**410,399**		***11.7***	**367,521**	
Total Australia sales	**214,923**		***27.1***	**169,105**	
Total Hawaii sales	**215,113**		***27.4***	**168,915**	
Total California sales	**51,924**		***n/a***	**-**	
Total sales	**892,359**		*26.5*	**705,541**	
Other revenue	32,369		*15.1*	28,125	
Total operating revenue	**924,728**		***26.0***	**733,666**	
Cost of goods sold	(761,695)		*(29.6)*	(587,874)	
Gross margin	**163,033**		***11.8***	**145,792**	
Distribution expenses	(7,138)		*(79.5)*	(3,976)	
Marketing expenses	(48,344)		*(22.3)*	(39,524)	
General and administration expenses	(45,595)		*(36.9)*	(33,306)	
Government grants	22,013		***n/a***	-	
Other items	(8,777)		*(90.2)*	(4,616)	
Operating profit	**75,192**		***16.8***	**64,370**	
Financing expenses	(30,220)		*(40.8)*	(21,464)	
Net profit before taxation	**44,972**		***4.8***	**42,906**	
Taxation expense	(14,034)		*(9.5)*	(12,815)	
Net profit after taxation (NPAT)	**30,938**		***2.8***	**30,091**	
		% sales			% sales
Concept EBITDA before G&A					
Total New Zealand	**75,856**	***18.5***	***11.7***	**67,907**	***18.5***
Total Australia	**29,408**	***13.7***	***16.7***	**25,202**	***15.4***
Total Hawaii	**33,547**	***15.6***	***46.7***	**22,865**	***13.5***
Total California	**8,516**	***16.4***	***n/a***	**-**	***n/a***
Total concept EBITDA before G&A	**147,327**	***16.5***	***27.0***	**115,974**	***16.4***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(26.2)			9.9	

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 order centre, advertising and local store marketing expenses.
General and administration expenses (G&A) are non-store related overheads.
EBITDA excludes the impact of NZ IFRS 16.

Consolidated Income Statement
For the year ended 31 December 2020
Annualised unaudited results for 52 weeks - based on audited 44 week period results

$NZ000's	Reported 31 Dec 2020 Audited 52 weeks	Annualised[1] 31 Dec 2019 Unaudited 52 weeks	Annualised % change	Reported 31 Dec 2019 Audited 44 weeks
Sales				
Total New Zealand sales	**410,399**	**434,343**	*(5.5)*	**367,521**
Total Australia sales	**214,923**	**199,852**	*7.5*	**169,105**
Total Hawaii sales	**215,113**	**199,626**	*7.8*	**168,915**
Total California sales	**51,924**	**-**	*n/a*	**-**
Total sales	**892,359**	**833,821**	*7.0*	**705,541**
Other revenue	32,369	33,239	*(2.6)*	28,125
Total operating revenue	**924,728**	**867,060**	*6.7*	**733,666**
Cost of goods sold	(761,695)	(694,760)	*(9.6)*	(587,874)
Gross margin	**163,033**	**172,300**	*(5.4)*	**145,792**
Distribution expenses	(7,138)	(4,699)	*(51.9)*	(3,976)
Marketing expenses	(48,344)	(46,710)	*(3.5)*	(39,524)
General and administration expenses	(45,595)	(39,365)	*(15.8)*	(33,309)
Government grants	22,013	-	*n/a*	-
Other items	(8,777)	(5,455)	*(60.9)*	(4,616)
Operating profit	**75,192**	**76,072**	*(1.2)*	**64,370**
Financing expenses	(30,220)	(25,367)	*(19.1)*	(21,464)
Net profit before taxation	**44,972**	**50,706**	*(11.3)*	**42,906**
Taxation expense	(14,034)	(15,145)	*7.3*	(12,815)
Net profit after taxation (NPAT)	**30,938**	**35,562**	*(13.0)*	**30,091**
Concept EBITDA before G&A[2]				
Total New Zealand	**75,856**	**80,253**	*(5.5)*	**67,907**
Total Australia	**29,408**	**29,784**	*(1.3)*	**25,202**
Total Hawaii	**33,547**	**27,023**	*24.1*	**22,865**
Total California	**8,516**	**-**	*n/a*	**-**
Total concept EBITDA before G&A	**147,327**	**137,060**	*7.5*	**115,974**

1 The annualised December 2019 figures are an arithmetic calculation grossing up the 44 week audited results to reflect an equivalent 52 week period. This has been done for illustrative purposes only.

2 EBITDA excludes the impact of NZ IFRS 16.

Non-GAAP Financial Measures
For the year ended 31 December 2020

The Group results are prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand International Financial Reporting Standards ("NZ IFRS"). These financial statements include non-NZ GAAP financial measures that are not prepared in accordance with NZ IFRS. The non-NZ GAAP financial measures used in this presentation are as follows:

1. **EBITDA before G&A, NZ IFRS 16 and other items.** The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation and G&A. The Group also refers to this measure as **Concept EBITDA before G&A and other items.** This measure provides the results of the Group's core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.

   The term **Concept** refers to the Group's seven operating divisions comprising the New Zealand divisions (KFC, Pizza Hut, Taco Bell and Carl's Jr.), two Australia divisions (KFC and Taco Bell) and the two Hawaii divisions (Taco Bell and Pizza Hut). The term **G&A** represents non-store related overheads.

2. **Total NPAT excluding the impact of NZ IFRS 16**. Total Net Profit After Taxation ("NPAT") excluding the impact of NZ IFRS 16 is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with the adoption of NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.

3. **Capital expenditure including intangibles**. Capital expenditure including intangibles represents additions to property, plant and equipment and intangible assets. This measure represents the amount of reinvestment in the business and is therefore a useful measure to assist the financial position of the Group.

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

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

$NZ000's	Note*	31 Dec 2020	31 Dec 2019
EBITDA before G&A, NZ IFRS 16 and other items	1	**147,327**	**115,974**
Depreciation		(33,812)	(25,250)
Net gain / (loss) on sale of property, plant and equipment (included in depreciation)		(276)	(106)
Lease deprecation		(30,908)	(22,395)
Lease costs		44,919	32,369
Amortisation (included in cost of sales)		(2,740)	(2,178)
General and administration costs - area managers, general managers and support centre		(40,541)	(29,428)
Other income		615	722
Other expenses		(9,392)	(5,338)
EBIT		**75,192**	**64,370**
Financing expenses		(30,220)	(21,464)
Net profit before taxation		**44,972**	**42,906**
Taxation expense		(14,034)	(12,815)
Net profit after taxation		**30,938**	**30,091**
Add back IFRS 16 impact		9,741	6,076
Taxation expense on IFRS 16 impact		(2,737)	(1,547)
Total NPAT excluding the impact of NZ IFRS 16	2	**37,942**	**34,620**

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

Restaurant Brands New Zealand Limited

Financial Statements December 2020

Restaurant Brands New Zealand Limited is pleased to present its financial statements.

The results for the year ended 31 December 2020 as compared to the 44 week period ended 31 December 2019.

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

Section	**Note Reference**
Performance	1-3
Funding and equity	4-7
Working capital	8-12
Long term assets	13-15
Other notes	16-28

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

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Restaurant Brands New Zealand Limited
Directors' statement
For the year ended 31 December 2020

The Directors of Restaurant Brands New Zealand Limited (Restaurant Brands) are pleased to present the financial statements for Restaurant Brands and its subsidiaries (together the Group) for the year ended 31 December 2020 contained on pages 3 to 38.

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

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

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

The Directors hereby approve and authorise for issue the financial statements for the year ended 31 December 2020.

For and on behalf of the Board:

José Parés
Chairman

Date 25 February 2021

Emilio Fullaondo
Director

Date 25 February 2021

Restaurant Brands New Zealand Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2020

$NZ000's	Note	31 Dec 2020	31 Dec 2019
Store sales revenue	1,2	892,359	705,541
Other revenue	1,2	32,369	28,125
Total operating revenue		**924,728**	**733,666**
Cost of goods sold		(761,695)	(587,874)
Gross profit		**163,033**	**145,792**
Distribution expenses		(7,138)	(3,976)
Marketing expenses		(48,344)	(39,524)
General and administration expenses		(45,595)	(33,306)
Government grants	2	22,013	-
Other income	2	615	722
Other expenses	2	(9,392)	(5,338)
Operating profit	1	**75,192**	**64,370**
Financing expenses	4	(30,220)	(21,464)
Profit before taxation		**44,972**	**42,906**
Taxation expense	16	(14,034)	(12,815)
Profit after taxation attributable to shareholders		**30,938**	**30,091**
Other comprehensive income:			
Exchange differences on translating foreign operations		(7,874)	1,707
Derivative hedging reserve		(596)	(1,473)
Income tax relating to components of other comprehensive income		10	217
Other comprehensive income for the period, net of tax		**(8,460)**	**451**
Total comprehensive income for the period attributable to shareholders		**22,478**	**30,542**
Basic earnings per share from total operations (cents)	3	24.80	24.12
Diluted earnings per share from total operations (cents)	3	24.80	24.12

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

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Restaurant Brands New Zealand Limited
Consolidated statement of changes in equity
For the year ended 31 December 2020

$NZ000's	Note	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the 44 week period ended 31 December 2019						
Balance at the beginning of the period		154,565	(1,871)	(480)	72,456	224,670
Adoption of NZ IFRS 16		-	-	-	(47,218)	(47,218)
Restated balance at the beginning of the period		154,565	(1,871)	(480)	25,238	177,452
Comprehensive income						
Profit after taxation attributable to shareholders		-	-	-	30,091	30,091
Other comprehensive income						
Movement in foreign currency translation reserve		-	1,707	-	-	1,707
Movement in derivative hedging reserve		-	-	(1,256)	-	(1,256)
Total other comprehensive income		-	1,707	(1,256)	-	451
Total comprehensive income		-	1,707	(1,256)	30,091	30,542
Balance at the end of the period	7	154,565	(164)	(1,736)	55,329	207,994
For the year ended 31 December 2020						
Balance at the beginning of the period		154,565	(164)	(1,736)	55,329	207,994
Comprehensive income						
Profit after taxation attributable to shareholders		-	-	-	30,938	30,938
Other comprehensive income						
Movement in foreign currency translation reserve		-	(7,874)	-	-	(7,874)
Movement in derivative hedging reserve		-	-	(586)	-	(586)
Total other comprehensive income		-	(7,874)	(586)	-	(8,460)
Total comprehensive income		-	(7,874)	(586)	30,938	22,478
Balance at the end of the period	7	154,565	(8,038)	(2,322)	86,267	230,472

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

Restaurant Brands New Zealand Limited
Consolidated statement of financial position
As at 31 December 2020

$NZ000's	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Property, plant and equipment	13	228,709	175,781
Right of use assets	14	508,508	353,937
Sub-lease receivable		1,144	1,029
Intangible assets	15	321,863	249,140
Deferred tax asset	16	39,658	36,353
Total non-current assets		**1,099,882**	**816,240**
Current assets			
Inventories	8	16,607	12,415
Trade and other receivables	9	12,153	9,528
Income tax receivable		5,271	1,546
Cash and cash equivalents	10	35,666	34,965
Held for sale - assets	11	551	-
Held for sale - assets for stores developed for sale	11	2,833	5,210
Total current assets		**73,081**	**63,664**
Total assets		**1,172,963**	**879,904**
Equity attributable to shareholders			
Share capital	7	154,565	154,565
Reserves	7	(10,360)	(1,900)
Retained earnings		86,267	55,329
Total equity attributable to shareholders		**230,472**	**207,994**
Non-current liabilities			
Provisions	17	3,711	3,687
Deferred income	18	250	328
Loans	4	228,340	52,748
Lease liabilities	14	563,211	404,120
Derivative financial instruments	5	2,698	2,217
Total non-current liabilities		**798,210**	**463,100**
Current liabilities			
Loans	4	8,058	101,578
Income tax payable		6,681	3,563
Trade and other payables	12	101,589	78,791
Provisions	17	1,608	1,584
Lease liabilities	14	23,826	20,963
Deferred income	18	538	77
Held for sale - liabilities	11	230	-
Held for sale - liabilities for stores developed for sale	11	1,751	2,254
Total current liabilities		**144,281**	**208,810**
Total liabilities		**942,491**	**671,910**
Total equity and liabilities		**1,172,963**	**879,904**

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

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows
For the year ended 31 December 2020

$NZ000's	Note	31 Dec 2020	31 Dec 2019
Cash flows from operating activities			
Cash was provided by / (applied to):			
Receipts from customers		924,910	734,263
Receipts from Government grants	2	22,013	-
Payments to suppliers and employees		(786,882)	(609,579)
Interest paid		(6,525)	(5,370)
Interest paid on leases	14	(23,752)	(16,351)
Payment of income tax		(17,909)	(15,338)
Net cash from operating activities		**111,855**	**87,625**
Cash flows from investing activities			
Cash was (applied to) / provided by:			
Acquisition of business	26	(122,002)	(647)
Payment for intangibles		(1,958)	(4,911)
Purchase of property, plant and equipment		(58,589)	(54,772)
Proceeds from disposal of property, plant and equipment		4,451	555
Landlord contributions received		125	105
Net cash used in investing activities		**(177,973)**	**(59,670)**
Cash flows from financing activities			
Cash was provided by / (applied to):			
Proceeds from loans		710,217	265,345
Repayment of loans		(615,443)	(257,521)
Payments for lease principal	14	(21,167)	(16,019)
Net cash from financing activities		**73,607**	**(8,195)**
Net increase in cash and cash equivalents		**7,489**	**19,760**
Cash and cash equivalents at beginning of the period		34,965	15,034
Opening cash balances acquired on acquisition		147	3
Foreign exchange movements		(6,935)	168
Cash and cash equivalents at the end of the period		**35,666**	**34,965**
Cash and cash equivalents comprise:			
Cash on hand	10	612	462
Cash at bank	10	35,054	34,503
		35,666	**34,965**

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

Restaurant Brands New Zealand Limited
Consolidated statement of cash flows (continued)
For the year ended 31 December 2020

Reconciliation of profit after taxation with net cash from operating activities

$NZ000's	31 Dec 2020	31 Dec 2019
Total profit after taxation attributable to shareholders	**30,938**	**30,091**
Add items classified as investing / financing activities:		
Loss / (gain) on disposal of property, plant and equipment	1,958	3,590
	1,958	**3,590**
Add / (less) non-cash items:		
Depreciation	64,996	47,646
Lease termination	(210)	(301)
Increase / (decrease) in provisions	124	(67)
Amortisation of intangible assets	5,800	3,959
Impairment on property, plant and equipment	(141)	(660)
Net increase in deferred tax asset	(4,330)	(3,187)
	66,239	**47,390**
Add / (less) movement in working capital:		
(Increase) in inventories	(3,633)	(2,166)
(Increase) / decrease in trade and other receivables	(74)	645
Increase in trade and other payables	15,972	7,629
Increase in income tax payable	455	446
	12,720	**6,554**
Net cash from operating activities	**111,855**	**87,625**

Reconciliation of movement in term loans		
Opening balance	154,326	145,853
Net cash flow from financing activities	94,775	7,824
Foreign exchange movement	(12,703)	649
Closing balance	**236,398**	**154,326**

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

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements
For the year ended 31 December 2020

Restaurant Brands New Zealand Limited
Basis of preparation
For the year ended 31 December 2020

Reporting entity

The reporting entity is the consolidated group (the "Group") comprising the economic entity Restaurant Brands New Zealand Limited (the "Company") and its subsidiaries. Restaurant Brands New Zealand limited is a limited liability company incorporated and domiciled in New Zealand. The principal activity of the Group is the operation of quick service and takeaway restaurant concepts in New Zealand, Australia, California, and Hawaii (including Saipan and Guam).

Restaurant Brands New Zealand Limited is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is Level 3, Building 7, Central Park, 666 Great South Road, Penrose, Auckland.

The Company is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX"). The Group is designated as a for-profit entity for financial reporting purposes.

Subsidiaries of the Company are as follows:

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

Basis of preparation

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

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

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

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments as identified in the accompanying notes. The financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The 31 December 2019 results are for 44 weeks due to a change in balance date to align with Global Valar S.L. our majority shareholder. Therefore the current period is not directly comparable to the prior period.

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes including where an accounting policy choice is provided by NZ IFRS, is new or has changed (refer note 23), is specific to the Group's operations or is significant or material.

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

To ensure consistency with the current period, comparative figures have been restated where appropriate. Within the consolidated statement of financial position and the associated notes to the financial statements, the comparative 'right of use asset' has been decreased by $2.2 million with a corresponding increase of $2.2 million in the comparative 'held for sale - assets for stores developed for sale' figure ('new stores developed for sale' in the comparative year) in order to correctly classify the right of use asset relating to the held for sale stores. An accompanying change has also been made to liabilities, with a $2.3 million decrease in the comparative 'lease liabilities' figure and the insertion of a new line 'held for sale - liabilities for stores developed for sale' with a $2.3 million comparative balance in order to correctly classify the lease liabilities relating to the held for sale stores. A further change was made to the comparative lease liabilities' figure in order to correctly classify the Group's make good provision, which was previously included in this line but has been moved to 'provisions'. This led to a $3.0 million increase in the comparative 'provisions' balance ('provisions for employee entitlements' in the comparative year) and an associated $3.0 million decrease in the comparative 'lease liabilities' figure. The 'provisions for employee entitlements' line has been renamed to 'provisions' in line with this change. The overall effect on the comparative 'lease liabilities' figure is a decrease of $5.3 million. Within the consolidated statement of cash flows and associated notes forming part of the financial statements, the comparative 'cash on hand' figure has been decreased by $1.2 million with a corresponding increase of $1.2 million to the comparative 'cash at bank' in order to correctly reclassify cash in transit. The overall effect on the total comparative 'cash and cash equivalents' figure is nil.

These audited financial statements were authorised for issue on 25 February 2021 by the Board of Directors who do not have the power to amend after issue.

Restaurant Brands New Zealand Limited
Basis of preparation (continued)
For the year ended 31 December 2020

Use of non-GAAP measures within the financial statements

The financial statements include non-GAAP financial measures that are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in the financial statements are referenced below along with an explanation as to why these measures provide relevant and reliable information for investors and how the Group uses the information internally:

- Operating profit before NZ IFRS 16 - Operating profit before NZ IFRS 16 is used by the company to review the underlying operating profit without the non-cash adjustment relating to NZ IFRS 16 - Leases. This is how many of the external users of the financial statements also view the performance of the business.
- Operating profit before NZ IFRS 16 and other items - Operating profit before NZ IFRS 16 and other items provides the underlying performance of the business by removing the non-cash effect of NZ IFRS 16 and also the non core business items as identified in note 2, effecting the business to provide information about the underlying financial performance of the Group. This is an important measure used by management and other users of the financial statements.
- EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation is a key business measure that provides information on the business on a cash basis before funding and tax costs. This is a key measure used by the banks, with the Group's debt covenants based on this figure, and also is a key assumption within the impairment testing because it reflects how management evaluate and manages the performance of its cash generating units.
- EBITDA before NZ IFRS 16 and other items - This is another key measure used by the banks in the Group's debt covenants as it adjusts EBITDA to a cash basis for leases and removes other non core business as usual other income and expense items as defined below.
- EBITDA before general and administration expenses, NZ IFRS 16 and other items - The Group calculates Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") before G&A (general and administration expenses) and other items by taking net profit before taxation and adding back (or deducting) financing expenses, other items, depreciation, amortisation and G&A. The Group also refers to this measure as Concept EBITDA before G&A and other items. This measure provides the results of the Group's core operating business and excludes those costs not directly attributable to stores. This is believed to be a useful measure to assist in the understanding of the financial performance of the Group.
- Net profit after taxation excluding NZ IFRS 16 - This is calculated by taking profit after taxation attributable to shareholders and adding back (or deducting) lease items whilst also allowing for any tax impact of those items. This measure reflects the performance of the business, excluding costs associated with NZ IFRS 16 and is considered a useful measure to assist with understanding the financial performance of the Group.
- Net profit after taxation excluding other items and NZ IFRS 16 - This provides management and the users of the financial statements the Group's underlying result adjusted for the non cash adjustments for leases under NZ IFRS 16 and other items.
- Capital expenditure including intangibles - This represents additions to property, plant and equipment and intangible assets. This measure represents the amount of investment in the business and is therefore a useful measure to assist the understanding of the Group's financial position.
- Other items - These relate to non core business items disclosed as other income and other expenses as set out in note 2.

References to EBITA, EBITDA and EBITDAL within note 4 relate to the debt covenants specified by the banks and therefore these do not constitute non-GAAP measures used by the Group within the financial statements.

The Group believes that these non-GAAP measures provide useful information to readers to assist in the understanding of the financial performance and position of the Group but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. The non-GAAP measures presented do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. These non-GAAP measures are used by the key management in making the business decisions for the Group as shown in note 1.

These audited financial statements were authorised for issue on 25 February 2021 by the Board of Directors who do not have the power to amend after issue.

Restaurant Brands New Zealand Limited
Notes to and forming part of the financial statements (continued)
For the year ended 31 December 2020

Performance

1. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group is split into four geographically distinct operating divisions; New Zealand, Australia, Hawaii and California. The chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, have been identified as the Group Chief Executive Officer (Group CEO) and Group Chief Financial Officer (Group CFO). The chief operating decision makers consider the performance of the business from a geographic perspective, being New Zealand, Australia, Hawaii (including Guam and Saipan) and California while the performance of the corporate support function is assessed separately.

The Group is therefore organised into four operating segments, depicting the four geographic regions the Group operates in and the corporate support function located in New Zealand. All segments operate quick service and takeaway restaurant concepts. All operating revenue is from external customers.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, concept EBITDA before general and administration expenses, NZ IFRS 16 and operating profit before other items. EBITDA refers to earnings before interest, taxation, depreciation and amortisation. Operating profit refers to earnings before interest and taxation. Operating revenue is from external customers.

Segment assets include items directly attributable to the segment (i.e. property, plant and equipment, intangible assets and inventories). Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill. The Group has not disclosed segment liabilities as the chief operating decision makers evaluate performance and allocate resources purely on the basis of aggregated Group liabilities.

31 December 2020 NZ$000's	New Zealand	Australia	Hawaii	California	Corporate support function	TOTAL
Business segments						
Store sales revenue	410,399	214,923	215,113	51,924	-	892,359
Other revenue	32,108	-	261	-	-	32,369
Total operating revenue	**442,507**	**214,923**	**215,374**	**51,924**	-	**924,728**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	54,779	29,408	33,547	8,516	-	126,250
Government grants	22,013	-	-	-	-	22,013
General and administration expenses	(15,045)	(8,786)	(10,002)	(2,529)	(5,116)	(41,478)
EBITDA before NZ IFRS 16 and other items	61,747	20,622	23,545	5,987	(5,116)	106,785
Depreciation	(16,410)	(8,684)	(6,254)	(2,728)	(11)	(34,087)
Amortisation	(2,229)	(464)	(35)	(12)	-	(2,740)
Segment result before NZ IFRS 16 and other items	43,108	11,474	17,256	3,247	(5,127)	69,958
Other items						
Other income	615	-	-	-	-	615
Other expenses	(286)	(1,186)	(2,361)	(5,404)	(155)	(9,392)
Operating profit before NZ IFRS 16	43,437	10,288	14,895	(2,157)	(5,282)	61,181
Adjustment for NZ IFRS 16	8,147	3,572	1,801	491	-	14,011
Operating profit	**51,584**	**13,860**	**16,696**	**(1,666)**	**(5,282)**	**75,192**
Financing expenses	(12,133)	(9,809)	(5,496)	(2,782)	-	(30,220)
Taxation expense	(9,885)	(3,215)	(2,069)	1,135	-	(14,034)
Current assets	32,163	10,922	23,547	6,449	-	73,081
Non-current assets	137,323	177,616	164,125	111,167	-	590,231
Non-current lease assets (excluding lease deferred tax)	179,313	126,642	58,135	145,561	-	509,651
Total assets	**348,799**	**315,180**	**245,807**	**263,177**	-	**1,172,963**
Capital expenditure including intangibles	23,952	22,183	14,997	2,912	-	64,044

Performance

1. Segmental reporting (continued)

31 December 2019 NZ$000's	New Zealand	Australia	Hawaii	Corporate support function	TOTAL
Business segments					
Store sales revenue	367,521	169,105	168,915	-	705,541
Other revenue	27,976	-	149	-	28,125
Total operating revenue	**395,497**	**169,105**	**169,064**	-	**733,666**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	67,907	25,202	22,865	-	115,974
General and administration expenses	(11,923)	(6,786)	(7,694)	(3,024)	(29,427)
EBITDA before NZ IFRS 16 and other items	55,984	18,416	15,171	(3,024)	86,547
Depreciation	(13,241)	(6,849)	(5,257)	(9)	(25,356)
Amortisation (included in cost of sales)	(1,830)	(325)	(23)	-	(2,178)
Segment result before NZ IFRS 16 and other items	40,913	11,242	9,891	(3,033)	59,013
Other items					
Other income	100	321	-	-	421
Other expense	(62)	(2,965)	(1,832)	(479)	(5,338)
Operating profit before NZ IFRS 16	40,951	8,598	8,059	(3,512)	54,096
Adjustment for NZ IFRS 16	6,647	2,323	1,304	-	10,274
Operating profit	**47,598**	**10,921**	**9,363**	**(3,512)**	**64,370**
Financing expenses	(8,871)	(7,388)	(5,205)	-	(21,464)
Taxation expense	(10,092)	(1,448)	(1,275)	-	(12,815)
Current assets	40,455	10,712	10,302	-	61,469
Non-current assets	114,319	157,763	169,513	-	441,595
Non-current lease assets (excluding lease deferred tax)	195,805	114,607	66,428	-	376,840
Total assets	**350,579**	**283,082**	**246,243**	-	**879,904**
Capital expenditure including intangibles	23,079	21,749	14,328	-	59,156

1.1 Reconciliation between operating and net profit after taxation excluding other items and NZ IFRS 16

$NZ000's	31 Dec 2020	31 Dec 2019
Operating profit	**75,192**	**64,370**
Financing expenses	(30,220)	(21,464)
Net profit before taxation	**44,972**	**42,906**
Taxation expense	(14,034)	(12,815)
Net profit after taxation	**30,938**	**30,091**
Add back net financing impact of NZ IFRS 16	9,741	6,076
Less taxation expense of NZ IFRS 16	(2,737)	(1,547)
Net profit after taxation excluding NZ IFRS 16	37,942	34,620
Less other income	(615)	(421)
Add back other expenses	9,392	5,338
Less income tax on other items	(57)	(883)
Net profit after taxation excluding other items and NZ IFRS 16	46,662	38,654

2. Revenue and expenses

Operating revenue

Store sales revenue

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

Other revenue

Other revenue includes sale of goods and services to independent franchisees. Sale of goods, including cost of freight, are recognised similar to store sales revenue. Sale of services is recognised over time as the independent franchisee simultaneously receives and consumes the benefit provided by the Group. Royalties received are based on the revenue generated by the independent franchisees, recognised over time.

Also included in other revenue is revenue related to the sale of new stores developed and constructed under contract to franchisees. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of stores is therefore recognised over time using a cost-to-cost method i.e. based on the portion of the contracted costs incurred for work performed to date relative to the estimated total cost.

Operating expenses

Royalties paid

$NZ000's	31 Dec 2020	31 Dec 2019
Royalties paid	52,796	42,069

Royalties are recognised as an expense as revenue is earned.

Wages and salaries

$NZ000's	31 Dec 2020	31 Dec 2019
Wages and salaries	254,840	204,306
Decrease / (increase) in liability for long service leave	16	(89)
	254,856	204,217

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Government grants

As part of the New Zealand Government's response to COVID-19 the Group received a Government wage subsidy of $22.0 million. This has been included as a separate line item on the consolidated statement of comprehensive income.
The Group views these as a credit against wage and salaries costs, however due to the material nature of the subsidy it has been disclosed separately. It has been included as receipts from Government grants in the consolidated statement of cash flows.

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attached to the grant and the grant will be received. A forgivable loan from the government is treated as a government grant when there is reasonable assurance that the company will meet the terms for forgiveness of the loan.

The Group will recognise a grant using the income approach with the grant recognised in profit and loss over the period in which the company recognises as expenses the related costs for which the grant is intended to compensate.

2. Revenue and expenses (continued)

Lease expenses

$NZ000's	31 Dec 2020	31 Dec 2019
Lease expense	4,877	3,953

This relates to short term and variable lease costs included in the consolidated statement of comprehensive income not included in NZ IFRS 16 costs. Included in the above is rent relief of $1.3 million which has been received during the year and has been included as a negative variable rent within the consolidated statement of comprehensive income. Contracts with abatement clauses total $0.5 million whilst those without abatement clauses total $0.8 million.

$NZ000's	31 Dec 2020	31 Dec 2019
Other income		
Net gain on sale of stores	405	100
Lease termination	210	301
Lease surrender gain	-	321
Total other income	**615**	**722**
Other expenses		
Recurring		
Amortisation of franchise rights acquired on acquisition of QSR Pty Limited (QSR), Pacific Island Restaurants Inc. (PIR) and the franchise rights of Great American Chicken	(3,060)	(1,781)
Relocation and refurbishment	(1,784)	(3,209)
Utilisation of depreciation provision	683	660
Non-recurring		
Acquisition costs	(4,332)	(631)
Leave remediation	(49)	(361)
Calendar realignment costs	(50)	(16)
Impairment of assets	(542)	-
Yum! GST charges	(87)	-
Yum! Royalty claim	(171)	-
Total other expenses	**(9,392)**	**(5,338)**

Lease termination
This is the gain related to the termination of a lease contract prior to its maturity.

Leave remediation
The Group identified a payroll calculation discrepancy with regards to entitlements under the Holidays Act 2003 which, over time, have resulted in staff receiving incorrect payments. The specific areas that require remediation date back to 2012, and primarily relate to the payment rates for annual leave. The expense in the 31 December 2019 and the 31 December 2020 period relates to costs associated with making the payments to the affected employees.

Utilisation of depreciation provision
This is the correction of depreciation charged on assets that were impaired in previous periods, (refer note 13).

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 other income and other expenses and are separately disclosed in the consolidated statement of comprehensive income and notes to the financial statements.

3. Earnings per share

	31 Dec 2020	31 Dec 2019
Basic earnings per share		
Profit after taxation attributable to the shareholders ($NZ000's)	**30,938**	30,091
Weighted average number of shares on issue (000's)	**124,759**	124,759
Basic earnings per share (cents)	**24.80**	24.12
Diluted earnings per share		
Profit after taxation attributable to the shareholders ($NZ000's)	**30,938**	30,091
Weighted average number of shares on issue (000's)	**124,759**	124,759
Diluted earnings per share (cents)	**24.80**	24.12

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

Funding and equity

4. Loans

$NZ000's	31 Dec 2020	31 Dec 2019
Secured bank loans denominated in:		
NZD	20,000	10,000
AUD	51,151	87,521
USD	165,247	56,805
Secured bank loans	**236,398**	**154,326**

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

Current	8,058	101,578
Term	228,340	52,748
Secured bank loans	**236,398**	**154,326**

Included within the Group's loans is $11.3 million ($8.1 million current) relating to the Paycheck Protection Program. In the Group's half year financial statements this was classified as deferred income. An application for the loans to be forgiven has been filed with the Small Business Association. The loan is with First Hawaiian Bank. This is included within the proceeds from loans within the consolidated statement of cash flows. Refer note 27 for further details.

Facilities

On 24 February 2020 the Group entered into new loan facility agreements. The facilities are split between NZD, USD and AUD tranches and replaced the Group's previous agreements which primarily expired during 2020. Most of the tranches are three year terms with the reminder expiring in four years.

The Group has loan facilities in place totalling $350.6 million with the following financial institutions:

- Westpac Banking Corporation - $NZ20.0 million and $A70.0 million facility expiring on 1 May 2023,
- Bank of China - $NZ20.0 million facility expiring on 1 May 2023 and $A40.0 million facility expiring on 1 May 2024,
- J P Morgan - $US75.0 million expiring on 1 May 2023, and
- Rabobank - $NZ20.0 million expiring on 1 May 2023 and $US50.0 million facility expiring on 1 May 2024.

Interest rate swaps

The table below summarises the Group's current interest rate swaps. The effective interest rate is inclusive of the swap margin and the maturity date of the swaps coincides with the maturity date of the drawn down loans.

Date entered	Face value	Maturity date	Interest rate paid	Interest rate received	Swap fair value
22 January 2017	$NZ10 million	28 January 2022	3.0%	0.28%	(345)
25 January 2017	$A15 million	25 January 2022	2.5%	0.06%	(496)
14 November 2017	$A20 million	14 November 2022	2.5%	0.02%	(1,035)
22 May 2017	$US10 million	1 June 2022	2.1%	0.15%	(427)
29 June 2017	$US10 million	1 July 2022	2.0%	0.15%	(395)
Total					**(2,698)**

Security

As security over the AUD and NZD loans, banks hold a negative pledge deed between Restaurant Brands New Zealand Limited and all its Australasian subsidiary companies. The negative pledge deed includes all obligations and cross guarantees between the guaranteeing subsidiaries.

As security over the USD debt facility, the bank holds guarantees and security over the USA businesses.

The Group also has indemnity guarantees of $2.0 million across various properties leased in New Zealand and Australia and a standby letter of credit in Hawaii of $0.5 million.

4. Loans (continued)

The Group is subject to a number of externally imposed bank covenants as part of the terms of its secured bank loan facilities.

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

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

- debt coverage ratio (i.e. net debt to EBITDA), with EBITDA being earnings before interest, taxation, depreciation and amortisation,
- fixed charge coverage ratio (EBITDAL to fixed charges), with EBITDAL being EBITDA before lease costs, fixed charges comprising interest and lease costs,
- guaranteeing group assets ratio (i.e. total guaranteeing group tangible assets to total consolidated group tangible assets), and
- guaranteeing group earnings ratio (i.e. non-guaranteeing group EBITDA to the consolidated group EBITDA).

These ratios exclude the impact of NZ IFRS 16 leases.

The covenants are reported to the bank on a six monthly basis, whilst the Board reviews covenant compliance on a monthly basis.

There have been no breaches of the covenants during the period (Dec 2019: no breaches).

The carrying value equates to fair value. For more information about the Group's exposure to interest rate and foreign currency risk see Note 6.

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

Financing expense

$NZ000's	**31 Dec 2020**	31 Dec 2019
Financing expense - leases	**23,752**	16,351
Finance expense - bank	**6,468**	5,113
Financing expenses	**30,220**	21,464

Included within the period ended 31 December 2020 is $23.8 million of interest relating to leases recognised in accordance with NZ IFRS 16 (Dec 2019: $16.4 million)

Financing expenses comprise: interest payable on borrowings calculated using the effective interest rate method; interest received on funds invested calculated using the effective interest rate method; lease interest (note 14); foreign exchange gains and losses; gains and losses on certain financial instruments that are recognised in profit or loss in the consolidated statement of comprehensive income; unwinding of the discount on provisions and impairment losses on financial assets.

5. Derivatives and hedge accounting

$NZ000's	31 Dec 2020 Liabilities	31 Dec 2019 Liabilities
Term		
Fair value of interest rate swaps	2,698	2,217
	2,698	**2,217**
Change in fair value of interest rate swaps	**(481)**	(1,455)
Change in value of hedged item used to determine hedge effectiveness	**481**	1,455

The above table shows the Group's financial derivative holdings at period end and the change in fair value of the hedge and the underlying item being hedged. The interest rate swaps hedge ratio was 1:1 for both periods as the change in fair value of the interest rate swap mirrored the change in the fair value of the hedged item used to determine hedge effectiveness.

There were no transfers between fair value levels during the period (Dec 2019: Nil). The fair values are classified as level two.

The fixed interest rates of the swaps used to hedge range between 1.86% and 2.75% (Dec 2019: 2.02% to 3.03%) and the variable rates of the loans are between 0.02% and 0.28% above the applicable bank bill rates. Refer note 4 for the interest rate swaps face values, maturity dates, currencies and interest rate ranges.

The Group's current hedge relationships are cash flow hedges. Under NZ IFRS 9 the hedged risk is designated as being changes in the variable interest rate, with changes in the full fair value of the interest rate swaps being accounted for through other comprehensive income (to the extent the hedge is effective).

Financial assets
The Group classifies its financial assets as those to be measured at amortised cost (loans, receivables and non-derivative financial instruments), and those to be measured subsequently at fair value either through OCI or through profit or loss (derivative financial instruments).

Financial assets held at amortised cost
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other debtors and cash and cash equivalents in the consolidated statement of financial position.

Financial assets that are stated at cost or amortised cost are reviewed individually at balance date to determine whether there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the consolidated statement of comprehensive income.

5. Derivatives and hedge accounting (continued)

Financial instruments

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

Non-derivative financial instruments

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

Derivative financial instruments

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

Financial assets and financial liabilities by category

$NZ000's	31 Dec 2020	31 Dec 2019
Loans and receivables		
Trade receivables	3,749	2,454
Other receivables	2,334	2,599
Cash and cash equivalents	35,666	34,965
	41,749	**40,018**
Derivatives used for hedging		
Derivative financial instruments - liabilities	2,698	2,217
	2,698	**2,217**
Financial liabilities at amortised cost		
Loans	236,398	154,326
Trade and other payables (excluding indirect and other taxes and employee benefits)	70,223	53,981
	306,621	**208,307**

6. Financial risk management

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

(a) Foreign currency risk

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

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

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

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

6. Financial risk management (continued)

(b) Interest rate risk

The Group's main interest rate risk arises from bank loans. 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 guidelines as to the minimum prescribed level of hedging set out by the board, however the board reviews all swaps before they are entered into.

Note 5 discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in note 4, the Group has an interest rate swap in place to fix the interest rate on $A35 million of Australian denominated bank loans to 2022 (Dec 2019: $A35 million), $NZ10 million to 2022 (Dec 2019: $NZ10 million to 2022) and $US20 million to 2022 (Dec 2019: $US20 million). The Group will continue to monitor interest rate movements to ensure it maintains an appropriate mix of fixed and floating rate exposure within the Group's policy.

(c) Liquidity risk

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

$NZ000's	Effective interest rate	Total	Less than 1 year	Between 1 and 5 years
31 Dec 2020				
Cash on hand	-	612	612	-
Cash at bank	0.25%	32,054	32,054	-
Money market deposit	0.20%	3,000	3,000	-
Bank term loan - principal (NZD)	4.36%	(20,000)	-	(20,000)
Bank term loan - principal (AUD)	4.66%	(51,151)	-	(51,151)
Bank term loan - principal (USD)	2.43%	(165,247)	(8,058)	(157,189)
Bank term loan - expected interest	3.08%	(16,689)	(5,378)	(11,311)
Derivative financial instruments	-	(2,466)	(1,719)	(747)
Trade and other payables (excluding indirect and other taxes and employee benefits)	-	(69,653)	(69,653)	-
		(289,540)	**(49,142)**	**(240,398)**
31 Dec 2019				
Cash on hand	-	462	462	-
Cash at bank	0.50%	18,603	18,603	-
Money market deposit	0.95%	15,900	15,900	-
Bank term loan - principal (NZD)	7.74%	(10,000)	(10,000)	-
Bank term loan - principal (AUD)	3.22%	(87,521)	(87,521)	-
Bank term loan - principal (USD)	4.31%	(56,804)	(4,056)	(52,748)
Bank term loan - expected interest	3.91%	(9,939)	(2,180)	(7,759)
Derivative financial instruments	-	(1,940)	(751)	(1,189)
Trade and other payables (excluding indirect and other taxes and employee benefits)	-	(53,235)	(53,235)	-
		(184,474)	(122,778)	(61,696)

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 a negative working capital balance as the nature of the business results in most sales conducted on a cash basis. The Group has bank funding facilities, excluding overdraft facilities, of $350.6 million (Dec 2019: $253 million) available at variable rates. The amount undrawn at balance date was $125.5 million (Dec 2019: $99 million) and therefore the Group has the ability to fully pay debts as they fall due.

The Group has fixed the interest rate on $NZ10 million of NZD bank loans, $A35 million of AUD bank loans and $US20 million of USD bank loans with the balance at a floating interest rate. The bank loans are structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. This leads to the loans being sensitive to interest rate movement in 12 months or less.

6. Financial risk management (continued)

The Group has lease liabilities with future cash payments as disclosed in the table below:

$NZ000's	31 Dec 2020	31 Dec 2019
Within one year	51,831	40,634
One to five years	197,672	149,339
Beyond 5 years	724,669	543,694
	974,172	733,667

This includes future options that the Group currently expects to exercise and is not discounted for the future nature of payments. This does not reflect the Group's future contractual minimum payments.

d) Credit risk

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

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

There were no financial assets past due nor impaired at balance date (Dec 2019: 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 consolidated statement of financial position.

(e) Fair values

The carrying values of bank loans 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 31 December 2020 it is estimated that a general increase of one percentage point in interest rates would decrease the Group profit before income tax by approximately $1.5 million (Dec 2019: $0.8 million), however equity would increase $0.1 million. A one percentage point decrease in interest rates would increase the Group profit before income tax by approximately $2.2 million (Dec 2019: $0.8 million), however equity would reduce by $1.6 million.

A general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have minimal impact on the cost of the Group's directly imported ingredients denominated in foreign currencies.

Capital risk management

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

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

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

7. Equity and reserves

Share capital

	31 Dec 2020 number	31 Dec 2020 $NZ000's	31 Dec 2019 number	31 Dec 2019 $NZ000's
	124,758,523	154,565	124,758,523	154,565

The issued and authorised capital of the Company represents ordinary fully paid up shares. The par value is nil (Dec 2019: nil). All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regards to the Company's residual assets.

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

Foreign currency translation reserve

$NZ000's	31 Dec 2020	31 Dec 2019
	(8,038)	(164)

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

Derivative hedging reserve

$NZ000's	31 Dec 2020	31 Dec 2019
	(2,322)	(1,736)

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

Working capital

8. Inventories

$NZ000's	31 Dec 2020	31 Dec 2019
Raw materials and consumables	**16,607**	12,415

Inventories recognised as an expense during the period ended 31 December 2020 amounted to $222.9 million (Dec 2019: $178.8 million). This is included in cost of sales.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of marketing, selling and distribution. The cost of inventories is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. The cost of inventories consumed is recognised as an expense and included in cost of goods sold in the consolidated statement of comprehensive income.

9. Trade and other receivables

$NZ000's	31 Dec 2020	31 Dec 2019
Trade receivables	**3,749**	2,454
Prepayments	**6,070**	4,475
Other receivables	**2,334**	2,599
	12,153	9,528

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

NZD	**6,981**	6,461
AUD	**1,962**	2,230
USD	**3,210**	837
	12,153	9,528

The Group's exposure to credit risk is minimal as the Group's primary source of revenue is from sales made on a cash basis. The carrying value of trade and other receivables approximates fair value.

Receivables are initially recognised at fair value. They are subsequently adjusted for impairment losses. Discounting is not applied to receivables where collection is expected to occur within the next twelve months.

10. Cash and cash equivalents

$NZ000's	31 Dec 2020	31 Dec 2019
Cash on hand	**612**	462
Cash at bank	**35,054**	34,503
	35,666	34,965

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

NZD	**8,218**	20,698
AUD	**5,855**	7,092
USD	**21,593**	7,175
	35,666	34,965

Included in cash and cash equivalents are credit card receipts and delivery receipts that are in transit at balance date.

11. Held for sale - assets and liabilities for stores developed for sale

$NZ000's	31 Dec 2020	31 Dec 2019
Assets for stores developed for sale	**2,833**	5,210
Liabilities for stores developed for sale	**(1,751)**	(2,254)

This relates to new Pizza Hut stores developed for sale in New Zealand which are being actively marketed for sale and are expected to be sold within the next 12 months. Included as part of the balances are $1.8 million of lease liabilities (Dec 2019: $2.3 million) and $1.7 million of right of use assets (Dec 2019: $2.2 million) associated with these stores. This differs from 'held for sale - assets' and 'held for sale - liabilities' which relate to existing stores currently being operated by the Group which are actively being marketed for sale.

12. Trade and other payables

$NZ000's	31 Dec 2020	31 Dec 2019
Trade payables	**41,265**	31,404
Other payables and accruals	**28,958**	22,577
Employee benefits	**21,297**	16,948
Indirect and other taxes	**10,069**	7,862
	101,589	78,791

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

NZD	**60,736**	49,652
AUD	**18,621**	16,254
USD	**22,232**	12,885
	101,589	78,791

The carrying value of trade payables and other payables approximates fair value.

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

Long term assets

13. Property, plant and equipment

$NZ000's	Note	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
COST								
Balance as at 25 February 2019		**658**	**207,167**	**101,887**	**1,882**	**196**	**9,629**	**321,419**
Additions		3,774	3,556	1,571	-	-	45,344	54,245
Acquisition of business		-	39	113	-	-	-	152
Transfers from work in progress		-	27,532	12,829	181	-	(40,542)	-
Disposals		-	(12,513)	(6,762)	(193)	-	320	(19,148)
Movement in exchange rates		(57)	60	197	-	-	(46)	154
Balance as at 31 December 2019		**4,375**	**225,841**	**109,835**	**1,870**	**196**	**14,705**	**356,822**
Additions		-	-	-	-	-	62,086	62,086
Acquisition of business	26	-	26,361	7,036	258	-	490	34,145
Transfers from work in progress		-	37,507	18,141	164	-	(57,993)	(2,181)
Disposals		-	(6,183)	(6,554)	(191)	-	-	(12,928)
Movement in exchange rates		92	(3,406)	(1,455)	(2)	-	(373)	(5,144)
Balance as at 31 December 2020		**4,467**	**280,120**	**127,003**	**2,099**	**196**	**18,915**	**432,800**
ACCUMULATED DEPRECIATION								
Balance as at 25 February 2019		-	**(99,923)**	**(62,624)**	**(864)**	**(196)**	-	**(163,607)**
Charge		-	(15,650)	(9,042)	(306)	-	-	(24,998)
Disposals		-	6,412	4,857	176	-	-	11,445
Movement in exchange rates		-	(8)	(64)	2	-	-	(70)
Balance as at 31 December 2019		-	**(109,169)**	**(66,873)**	**(992)**	**(196)**	-	**(177,230)**
Charge		-	(20,943)	(12,286)	(378)	-	-	(33,607)
Disposals		-	3,572	4,850	165	-	-	8,587
Movement in exchange rates		-	516	859	(3)	-	-	1,372
Balance as at 31 December 2020		-	**(126,024)**	**(73,450)**	**(1,208)**	**(196)**	-	**(200,878)**
IMPAIRMENT PROVISION								
Balance as at 25 February 2019		-	**(3,993)**	**(419)**	-	-	-	**(4,412)**
Charge		-	(40)	(212)	-	-	-	(252)
Utilised/disposed		-	136	717	-	-	-	853
Balance as at 31 December 2019		-	**(3,897)**	**86**	-	-	-	**(3,811)**
Charge		-	(97)	(108)	-	-	-	(205)
Reclassification		-	517	(517)	-	-	-	-
Utilised/disposed		-	692	111	-	-	-	803
Balance as at 31 December 2020		-	**(2,785)**	**(428)**	-	-	-	**(3,213)**
CARRYING AMOUNTS								
Balance as at 25 February 2019		658	103,251	38,844	1,018	-	9,629	153,400
Balance as at 31 December 2019		4,375	112,775	43,048	878	-	14,705	175,781
Balance as at 31 December 2020		**4,467**	**151,311**	**53,125**	**891**	-	**18,915**	**228,709**

Note: included in capital work in progress is software development in progress that is transferred to intangibles (refer note 15). Included in the closing balance of the capital work in progress at 31 December 2020 is $0.4 million of software development in progress.

13. Property, plant and equipment (continued)

Depreciation expense

$NZ000's	31 Dec 2020	31 Dec 2019
Depreciation expense	**33,811**	25,250

Sale of property, plant and equipment

Net loss on disposal of property, plant and equipment (included in depreciation expense)	**(276)**	(106)
Net loss on disposal of property, plant and equipment (included in other expenses)	**(1,784)**	(3,209)

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of fixed assets are as follows:

Leasehold improvements	**5 - 25 years**
Plant and equipment	**3 - 12.5 years**
Motor vehicles	**4 years**
Furniture and fittings	**3 - 10 years**
Computer equipment	**3 - 5 years**

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Depreciation expense is included in the consolidated statement of comprehensive income.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss in the consolidated statement of comprehensive income.

Significant judgments and estimates

Impairment testing is an area where estimates and judgments have a significant risk of causing a material adjustment to the carrying amount of the Group's tangible asset balances. Estimates of future cash flows are highly subjective judgements and can be significantly impacted by changes in the business or economic conditions.

Property, plant and equipment and intangible assets are reviewed for impairment semi-annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows; a restaurant's assets is the relevant cash generating unit. If, in a subsequent period, the amount of the impairment loss decreases and it can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

The value in use calculation evaluates recoverability based on the restaurant's forecasted discounted cash flows, which incorporate estimated sales growth and margin improvement based upon current plans for the store and actual results at comparable restaurants.

Key assumptions in the determination of recoverable amount are:
- the estimate of future cash flows of the restaurant incorporating reasonable sales growth and margin improvement
- the discount rate incorporating the rates of return based on the risk and uncertainty inherent in the forecast cash flows
- the terminal year sales growth is calculated based on continuous sales growth at a minimum projected inflation estimated at 1.5%.

Following a review of store performance and consideration of other impairment indicators, the Group has determined that no indicators of impairment exist at 31 December 2020 which would require impairment testing to be performed, or a further write down in the associated store assets. A full impairment test was performed as required by IAS 36 for the goodwill balance. Refer to note 15 for further detail over assumptions utilised.

14. NZ IFRS 16 - Leases

Key estimates and judgements

There are a number of judgements and estimates in calculating the future lease liabilities and right of use asset value. These include:

- incremental borrowing rate. The Group engages an independent valuation expert to establish the incremental borrowing rates applied during the period.
- lease terms, including any rights of renewal expected to be exercised. The Group has assumed that all rights of renewal are expected to be exercised which is consistent with the Group's strategy and previous leases. This judgement has been applied unless a store closure or a decision to relocate a store is known when valuing the lease.
- foreign exchange conversion rates.

Right of use asset (ROU asset)

$NZ000's	Note	31 Dec 2020	31 Dec 2019
Opening balance		353,937	-
Right of use assets at adoption date 26 February 2019		-	346,487
Right of use assets acquired on acquisition	26	159,310	-
Depreciation		(30,908)	(22,396)
Adjustments to existing right of use assets		7,134	8,984
Additions		29,764	18,721
FX movement		(10,729)	2,141
Closing balance		**508,508**	353,937

Additions relates to new leases entered into by the Group.

The Group leases relate to land and buildings. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Under NZ IFRS 16, leases are recognised as a right of use asset and a corresponding lease liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments and known fixed lease increases, less any lease incentives receivable. Right of use assets are measured at cost comprising the amount of the initial measurement of lease liability and any restoration costs. These assets are subsequently depreciated using the straight line method from the commencement date to the end of the lease term.

The group is exposed to potential future increases in variable lease payments based on an index, rate or market rent review, which are not included in the lease liability or right of use asset until they take effect.

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

The Group has applied the recognition exemption allowed by the standard in respect short-term and low value leases. Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the statement of comprehensive income. Short term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Lease liabilities

$NZ000's	Note	31 Dec 2020	31 Dec 2019
Opening balance		425,083	-
Lease liabilities at adoption date 26 February 2019		-	411,089
Lease liabilities assumed on acquisition	26	158,244	-
Cash flow		(45,843)	(32,370)
Interest		23,752	16,351
Adjustments to existing lease liabilities		7,338	8,507
Additions		29,418	18,721
FX movement		(10,955)	2,785
Closing balance		**587,037**	425,083
Current lease liabilities		23,826	20,963
Non-current lease liabilities		563,211	404,120
		587,037	425,083

The weighted average incremental borrowing rate applied to lease additions during the year was 4.6%.

15. Intangibles

$NZ000's	Note	Goodwill	Franchise fees	Favourable leases	Concept development costs	Acquired software costs	Total
COST							
Balance as at 25 February 2019		**226,319**	**26,992**	**4,546**	**1,290**	**10,834**	**269,981**
Additions		-	2,903	-	-	2,008	4,911
Acquisition of business		405	77	-	-	-	482
Disposals		(106)	(73)	-	-	(613)	(792)
Opening balance adjustment NZ IFRS 16		-	-	(4,546)	-	-	(4,546)
Movement in exchange rates		2,054	220	-	-	(1)	2,273
Balance as at 31 December 2019		**228,672**	**30,119**	**-**	**1,290**	**12,228**	**272,309**
Additions		-	1,958	-	-	-	1,958
Acquisition of business	26	29,187	58,512	-	-	-	87,699
Transfers from work in progress		-	-	-	-	2,181	2,181
Disposals		(1,332)	(3,765)	-	(489)	(2,480)	(8,066)
Movement in exchange rates		(7,249)	(4,419)	-	-	-	(11,668)
Balance as at 31 December 2020		**249,278**	**82,405**	**-**	**801**	**11,929**	**344,413**
ACCUMULATED AMORTISATION							
Balance as at 25 February 2019		**(831)**	**(10,015)**	**(1,566)**	**(1,157)**	**(7,319)**	**(20,888)**
Charge		-	(2,668)	-	(63)	(1,228)	(3,959)
Disposals		-	61	-	-	62	123
Opening balance adjustment NZ IFRS 16		-	-	1,566	-	-	1,566
Movement in exchange rates		-	(11)	-	-	-	(11)
Balance as at 31 December 2019		**(831)**	**(12,633)**	**-**	**(1,220)**	**(8,485)**	**(23,169)**
Charge		-	(4,168)	-	(5)	(1,627)	(5,800)
Disposals		-	3,336	-	489	2,190	6,015
Movement in exchange rates		-	404	-	-	-	404
Balance as at 31 December 2020		**(831)**	**(13,061)**	**-**	**(736)**	**(7,922)**	**(22,550)**

Impairment charges are recognised in other expenses in the consolidated statement of comprehensive income.

CARRYING AMOUNTS		Goodwill	Franchise fees	Favourable leases	Concept development costs	Acquired software costs	Total
Balance as at 25 February 2019		225,488	16,977	2,980	133	3,515	249,093
Balance as at 31 December 2019		227,841	17,486	-	70	3,743	249,140
Balance as at 31 December 2020		**248,447**	**69,344**	**-**	**65**	**4,007**	**321,863**

During 2019 the Group acquired a KFC store in Australia for $0.6 million giving rise to goodwill on acquisition of $0.4 million.

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

Favourable leases
Favourable leases arise on acquisition of subsidiaries and business combinations. The terms of the lease were compared to market prices at the date of acquisition, to determine whether an intangible asset or liability should be recognised. If the terms of an acquired contract are favourable relative to market prices, an intangible asset is recognised. If the terms of the acquired contract are unfavourable relative to market prices, a liability is recognised. This is then amortised over the length of the lease. Following the introduction of NZ IFRS 16 these are now included as part of the right of use asset value.

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

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

15. Intangibles (continued)

Amortisation

Amortisation charge is recognised in cost of sales and other expenses in the consolidated statement of comprehensive income.

$NZ000's	31 Dec 2020	31 Dec 2019
Amortisation of intangibles	**5,800**	3,959

Significant judgments and estimates - impairment testing

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

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

Allocation of goodwill by cash generating unit:

$NZ000's	31 Dec 2020	31 Dec 2019
KFC Australia	**96,896**	94,552
KFC New Zealand	**6,528**	3,818
Pizza Hut New Zealand	**7,787**	9,119
Pizza Hut Hawaii and Taco Bell	**112,374**	120,352
KFC and Taco Bell California	**24,862**	-
	248,447	227,841

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the brand. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors.

The key assumptions used for the value in use calculation are as follows:

Brand	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	31 Dec 2019
	Sales growth 2022-2024 %	EBITDA margin 2022-2024 %	EBITDA margin terminal year %	Sales growth 2021-2023 %	EBITDA margin 2021-2023 %	EBITDA margin terminal year %
KFC New Zealand	4.1	20.1	20.1	4.1	20.8	20.8
Pizza Hut New Zealand	1.1	5.3	5.3	1.1	4.4	4.4
KFC Australia	4.3	15.3	15.3	4.3	15.3	15.3
Pizza Hut Hawaii and Taco Bell	3.5 – 6.1	7.7 - 20.0	7.7 - 20.0	0.9 – 4.7	4.3 – 19.8	4.3 - 19.8
KFC and Taco Bell California	2.0	16.5	16.5	n/a	n/a	n/a

The terminal year sales growth is calculated based on the 2024 year and assumes a continuous sales growth of a minimum of projected inflation estimates of 1.5% (Dec 2019: 2.5%).

The discount rate for New Zealand KFC was 7.8% weighted average post-tax cost of capital (Dec 2019: 8.9%). The discount rate for New Zealand Pizza Hut was 10.9% (Dec 2019: 11.0%). The discount rate applied to future cash flows for the KFC business in Australia is based on a 7.8% weighted average post-tax cost of capital (Dec 2019: 8.7%). The discount rate applied to future cash flows for the Taco Bell and Pizza Hut business in Hawaii is based on an 8.0% (Dec 2019: 8.8%) weighted average post-tax cost of capital. The discount rate applied to future cash flows for the KFC and Taco Bell business in California is based on an 8.0% weighted average post-tax cost of capital.

The weighted average cost of capital calculation was reviewed in 2020 based on capital asset pricing model (CAPM) methodology using current market inputs.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources including Board approved forecasts (historical data). The key assumptions are detailed below:

- Sales growth - Average annual growth rate over the three-year forecast period based on past performance, management's expectations of market development, current industry trends and including long-term inflation forecasts for each territory.
- EBITDA margin 2022-2024 and EBITDA margin terminal year- Based on past performance and management's expectations for the future. EBITDA growth l been disclosed as a key assumption as a number of costs are variable and link directly to revenue levels, such as the cost of labour, and food costs. Other fixed costs of the CGUs, which do not vary significantly with revenue changes, are forecast based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures.
- Terminal year sales growth - This is the growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with expected long-term inflation.
- The discount rate - The rate used to reflect specific risks relating to the relevant segments and the countries in which they operate.

15. Intangibles (continued)

In respect of the New Zealand KFC brand any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount. Also, due to improved performance, in regard to the Pizza Hut brand any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount. For the Pizza Hut New Zealand cash generating unit (CGU), as disclosed in the 31 December 2019 financial statements, a reasonably possible change in key assumptions were identified as resulting in impairment. Since then the Pizza Hut New Zealand CGU has returned improved results largely due to the store sales program, delivering an improved EBITDA percentage.

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

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

In respect of the California brands of KFC and Taco Bell, the business has been recently acquired and is performing above forecasts prepared on acquisition. Therefore any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

Other notes

16. Taxation

Taxation – statement of comprehensive income

The total taxation expense is analysed as follows:

$NZ000's	Note		31 Dec 2020		31 Dec 2019
Total profit before taxation for the period	1		44,972		42,906
Taxation expense	1		(14,034)		(12,815)
Net profit after income tax			**30,938**		30,091
Taxation expense using the Company's domestic tax rate		(28.0%)	(12,592)	(28.0%)	(12,014)
Non-deductible expenses		(4.0%)	(1,813)	(2.4%)	(1,020)
Adjustments due to different rate in different jurisdictions		0.8%	371	0.5%	219
		(31.2%)	(14,034)	(29.9%)	(12,815)
Taxation expense comprises:					
Current tax expense			(18,364)		(16,002)
Deferred tax credit			4,330		3,187
Net tax expense			**(14,034)**		(12,815)

16. Taxation (continued)

Imputation credits

$NZ000's	31 Dec 2020	31 Dec 2019
Imputation credits available for subsequent reporting periods	21,909	11,790

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

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

The current and deferred tax rates for the period were calculated using the rate of 28% for New Zealand, 30% for Australia and 21% for USA (Dec 2019: 28% New Zealand, 30% Australia and USA 21%).

Taxation – balance sheet

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior year:

	Assets		Liabilities		Net	
$NZ000's	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Property, plant and equipment	9,766	10,766	(174)	-	9,592	10,766
Inventory	57	51	-	-	57	51
Debtors	-	-	(287)	(172)	(287)	(172)
Provisions	6,830	4,463	-	-	6,830	4,463
Intangibles	38	1,889	(2,211)	(2,393)	(2,173)	(504)
Other	3,585	2,070	-	-	3,585	2,070
Leases	22,054	19,679	-	-	22,054	19,679
	42,330	**38,918**	**(2,672)**	**(2,565)**	**39,658**	**36,353**

$NZ000's	Balance 25 February 2019	Opening balances adjustment NZ IFRS 16	Recognised in consolidated statement of comprehensive income	Recognised in equity	Foreign currency translation	Balance 31 December 2019
Property, plant and equipment	9,497	-	1,260	-	9	10,766
Inventory	32	-	20	-	(1)	51
Debtors	(161)	-	(12)	-	1	(172)
Provisions	5,042	(1,286)	705	-	2	4,463
Intangibles	(703)	-	254	-	(55)	(504)
Other	2,597	-	(587)	-	60	2,070
Leases	-	18,182	1,547	-	(50)	19,679
	16,304	**16,896**	**3,187**	**-**	**(34)**	**36,353**

$NZ000's	Balance 31 December 2019	Opening balances on acquisitions	Recognised in consolidated statement of comprehensive income	Recognised in equity	Foreign currency translation	Balance 31 December 2020
Property, plant and equipment	10,766		(1,155)		(19)	9,592
Inventory	51		6		-	57
Debtors	(172)		(111)		(4)	(287)
Provisions	4,463		2,355		12	6,830
Intangibles	(504)		(1,877)		208	(2,173)
Other	2,070		2,590	(872)	(203)	3,585
Leases	19,679	(70)	2,522		(77)	22,054
	36,353	**(70)**	**4,330**	**(872)**	**(83)**	**39,658**

16. Taxation (continued)

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

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

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

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

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

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

17. Provisions

$NZ000's	Employee provisions	Make good provisions	Total
Balance at 31 December 2019	**2,260**	**3,011**	**5,271**
Created during the period	385	723	1,108
Used during the period	(407)	(74)	(481)
Released during the period	(39)	(614)	(653)
Foreign exchange movements	44	30	74
Balance at 31 December 2020	**2,243**	**3,076**	**5,319**
31 December 2020			
Non-current	635	3,076	3,711
Current	1,608	-	1,608
Total	**2,243**	**3,076**	**5,319**

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

The make good provisions represent the contractual obligations for the estimated future store restoration costs at the completion of the property lease term. The make good provision is classified as non-current.

18. Deferred income

$NZ000's	
Balance at 31 December 2019	**405**
Created during the period	1
Opening balance acquired on acquisition	1,136
Used during the period	(747)
Foreign exchange movements	(7)
Balance at 31 December 2020	**788**
31 December 2020	
Non-current	250
Current	538
Total	**788**

Deferred income relates to rebates from suppliers and is recognised in profit or loss in the consolidated statement of comprehensive income on systematic basis over the life of the associated contract.

19. Related party transactions

Parent and ultimate controlling party

The immediate parent of the Group is Global Valar S.L. and the ultimate parent company is Grupo Finaccess SAPI de CV.

Transactions with entities with key management or entities related to them

There have been no transactions with entities with key management or entities related to them.

Key management and director compensation

Key management personnel comprises the Group CEO and his direct reports, the Group CFO and the four Divisional CEO's, Group Chief People Officer, Chief Legal and Compliance Officer.

$NZ000's	31 Dec 2020	31 Dec 2019
Key management - total benefits	**5,700**	2,679
Directors' fees	**420**	360

Key management - total benefits relates to short-term employee benefits paid during the year.

Total Group CEO remuneration

$NZ000's	Salary	Short term incentives	Long term incentives	Total remuneration
31 December 2020	1,023	1,279	-	2,302
31 December 2019	806	-	-	806

Short term incentive scheme

A short term incentive scheme is in place for all support office employees. The incentive is based on achieving in excess of planned results for the specific financial year. Any bonus payment to employees is at the discretion of the Appointments and Remuneration Committee. The maximum that can be received by the CEO is 50% of base salary. During the year a payment of $0.9 million was paid in lieu of a share price based incentive scheme. The Board also agreed to pay $0.6 million before May 2021 and $0.4 million in May 2022 conditional on the CEO continuing to be employed by the Group.

Long term incentive scheme

There is currently no other long term incentive plan in place.

20. Commitments

Capital commitments

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

$NZ000's	31 Dec 2020	31 Dec 2019
Store development	6,817	9,267

21. Contingent liabilities

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

22. Subsequent events

On 23 February 2021 the Group acquired some KFC stores in New South Wales, Australia for $A22.4 million through the purchase of TPH Group Pty Ltd.

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

23. New standards and interpretations

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

There are various standards, amendments and interpretations which were assessed as having an immaterial impact on the Group. There are no other NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that were effective for the first time for the financial period beginning on 1 January 2020 that had a material impact on the financial statements.

24. Fees paid to auditor

$NZ000's	31 Dec 2020	31 Dec 2019
Audit of financial statements		
Audit and review of financial statements - PwC	714	515
Other services - Performed by PwC		
Specified procedures on landlord certificates	3	2
Review of Yum! Advertising Co-operative report	6	6
Total other services	9	8
Total fees paid to auditor	**723**	**523**

25. Donations

$NZ000's	31 Dec 2020	31 Dec 2019
Donations	396	310

26. Business combinations

California acquisition

On 2 September 2020 in New Zealand, which corresponds to 1 September 2020 in the USA, the Group acquired the assets of Great American Chicken Corp, Inc. and Great American Chicken LLC. The assets acquired were in relation to 58 KFC stores and 11 joint KFC / Taco Bell stores, together with a head office facility in Southern California. Control of the stores passed in effect on 2 September 2020 in New Zealand.

The goodwill of $26.5 million arising upon this acquisition is attributable to the business know-how and the premium paid for strategic reasons, including acquiring an entry point into the US mainland market.

Included in the consolidated statement of comprehensive income are sales of $51.9 million and a net loss after tax of $3.3 million. Due to a non-disclosure agreement signed with Great American Chicken Corp, Inc. and Great American Chicken LLC it is impracticable to disclose what the contribution to the revenue and profit or loss would have been had the acquisition occurred at the beginning of the annual reporting period.

The following summarises the consideration paid and the fair value of the assets acquired and liabilities assumed on the acquisition date.

	$NZ000's
Cash consideration paid	**119,198**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	33,655
Intangibles - acquired franchise rights	58,512
NZ IFRS 16 initial recognition	
Right of use lease assets	158,073
Lease liabilities	(157,007)
Deferred tax	(70)
Working capital items	
Cash	141
Inventory	695
Prepayments	276
Accounts payable	(419)
Deferred income	(1,136)
Total identified assets and liabilities	**92,720**
Goodwill	**26,478**

The valuation of both the tangible and intangible assets are areas where estimates and judgements have a significant risk of causing a material adjustment to the fair value of the recognised amounts of identifiable assets acquired and liabilities assumed. The Group engaged third parties to value the tangible assets, leases and the franchise agreements.

The valuation of franchise agreements was based on discounted cash flow methodology. Cash flows have been prepared both with and without the existing franchise agreements factored into the model to assess the value attributable to the existing franchise agreements. Goodwill is expected to be deductible for tax purposes over a 15 year period.

The valuation of property, plant and equipment was completed using a cost approach. The cost approach considers the cost to replace existing assets less the amount of depreciation on the asset. A market approach was also used for some assets where a active secondary market was identified.

The fair value of Plant and equipment has been determined on a provisional basis due to the acquisition being completed close to the financial year end pending a final review of the fair value of certain items within property, plant and equipment. The fair value of these assets will be finalised within 12 months from the acquisition date.

KFC New Zealand acquisition

In September 2020 the Group acquired a KFC store in New Zealand for $3.2 million. The store contributed sales of $0.9 million and net profit after tax of $0.1 million in the consolidated statement of comprehensive income. The acquisition gives rise to $2.7 million of goodwill.

Prior year acquisition

During the year $0.4 million cash was received as a final cash wash up in relation to the 2014 acquisition of 7 Carl's Jr. stores from Forsgren NZ Ltd. This amount had previously been held in escrow but final settlement was reached in the current year and the cash was released to the Group.

27. COVID-19

On 30 January 2020, the spread of COVID-19 was declared a public health emergency by the World Health Organisation. Following this, on 25 March 2020, the New Zealand Government raised its Alert level to 4 which entailed a full lockdown of non-essential services. During Alert level 4, the Group's operations in New Zealand were deemed to be a non-essential service, and as a result, all stores were closed. On 28 April stores in New Zealand were re-opened during Alert level 3 for drive through and delivery. In Australia and the USA, there were closures of the dine-in business and a number of in-line and mall stores during the month of April. The closures of these stores and the restrictions to dine-in options have continued for most of the reporting period.

An assessment of the impact of COVID-19 on the Group consolidated financial statements is set out below, based on information available at the time of preparing these consolidated financial statements:

Government grants - New Zealand: The Group has claimed $22.0 million under the New Zealand Wage Subsidy Scheme for the 12 weeks beginning 26 March. This has been recognised and disclosed separately in the consolidated statement of comprehensive income. For further information about the New Zealand Government grant claimed see Note 2.

Paycheck Protection Program (PPP) loan: Included within the Group's loan balance is $11.3 million ($US8.1 million) relating to a PPP loan received by the Hawaii division as part of the USA Government response to COVID-19. An application for this loan to be forgiven has been filed with the USA Federal Government Small Business Association (SBA). The Group believes the companies within the Hawaii division met the criteria to qualify for the loan at the date of the application and that all requirements have been met to qualify for full forgiveness of the loan by the SBA. The eligibility and forgiveness is currently under audit by the SBA, which may conclude the Hawaii division is not deemed eligible and the loan may not be forgiven. If this is the outcome of the audit the companies would be required to start making repayments towards the PPP loan as well as 1% interest on that loan from the period it was received until the date it is repaid. A decision from the SBA is expected in the first quarter of 2021. The portion of the loan due within one year, if forgiveness is not granted on this date, has been included as a current liability and the remainder of the loan is classified as non-current. The loan expires in April 2022. If forgiveness of the loan is approved by the SBA it will be recognised in the consolidated statement of comprehensive income, until that time it is held as a financial liability disclosed as a loan on the statement of financial position.

Reclassification of the PPP loan as previously disclosed in the unaudited consolidated financial statements for the six months ended 30 June 2020: In the unaudited consolidated financial statements for the six months ended 30 June 2020, the PPP loan was classified as a financial liability and disclosed as deferred income. In light of updated guidance from the SBA and US Department of the Treasury, the Group is unable to assess that forgiveness of the loan is reasonably assured in advance of confirmation of forgiveness by the SBA. The loan no longer meets the criteria to be classified as a government grant. Accordingly, the loan has been classified as a financial liability and disclosed as a loan in the 31 December 2020 consolidated financial statements. This reclassification will be disclosed in the unaudited consolidated financial statements of the Group for the six months ending 30 June 2021.

Property, plant and equipment: property, plant and equipment are stated at historical cost less depreciation and impairment. Following recovery of operations since the April period, COVID-19 and the resulting economic impacts, as assessed at this reporting period, is not an external indicator of impairment. The Group has therefore concluded that no impairment is required due to the impact of COVID-19.

Right-of-use assets and lease liabilities: The Group has engaged with landlords for rent relief as a result of the lock down in New Zealand and the reduced trading in the other divisions. To date, $1.3 million in rent relief has been included as negative variable rental payments in the consolidated statement of comprehensive income.

Goodwill: Following recovery of operations since the April period, COVID-19 and the resulting economic impacts, as assessed at this reporting period, is not an external indicator of impairment. Discount rates have also reduced as a result of decreases in market interest rates. The recoverable amount has increased from the calculation performed at 31 December 2019. For this reporting period, any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount. The key assumptions applied at 31 December 2020 include any long term effects brought about by COVID-19. Refer note 15 for further details.

No other significant measurement impacts were noted. Management are aware that there is a level of uncertainty regarding the future impact of COVID-19, however no impact on the going concern status of the Group has been identified as a result of this.

28. Deed of Cross Guarantee

Pursuant to the Australian Securities and Investment Commission (ASIC) Class Order 98/1418, the wholly owned subsidiary, QSR Pty Limited (QSR), is relieved from the Corporations Act 2001 requirement for the preparation, audit and lodgement of financial reports.

It is a condition of that class order that Restaurant Brands New Zealand Limited (RBNZ) and QSR enter into a Deed of Cross Guarantee (Deed). On 9 February 2017 a Deed was executed between RBNZ, QSR, Restaurant Brands Australia Pty Limited and Restaurant Brands Australia Holdings Pty Limited under which each company guarantees the debts of the others.

Set out below is the consolidated information for the year ended 31 December 2020 of the closed group consisting of RBNZ, QSR, Restaurant Brands Australia Holdings Pty Limited and Restaurant Brands Australia Pty Limited.

$NZ000's		31 Dec 2020	31 Dec 2019
Financial information in relation to:			
(i)	**Statement of profit and loss and other comprehensive income**		
	Operating revenue	214,923	169,105
	Earnings before interest and taxation (EBIT)	8,576	7,410
	Financing expenses	(9,863)	(7,570)
	Profit before taxation	(1,287)	(160)
	Taxation expense	(1,721)	(415)
	Profit after taxation	**(3,008)**	**(575)**
	Items that may be reclassified subsequently to the statement of comprehensive income:		
	Exchange differences on translating foreign operations	577	(217)
	Derivative hedge reserve	(31)	(725)
	Taxation expense relating to components of other comprehensive income	10	217
	Other comprehensive income net of tax	556	(725)
	Total comprehensive income	**(2,452)**	**(1,300)**
(ii)	**Summary of movements in retained earnings**		
	Retained earnings at the beginning of the period	122,129	129,241
	NZ IFRS 16 opening balance adjustment	-	(5,812)
	Total comprehensive income	(2,452)	(1,300)
	Retained earnings at the end of the year	**119,677**	**122,129**

28. Deed of Cross Guarantee (continued)

$NZ000's		31 Dec 2020	31 Dec 2019
(iii)	**Statement of financial position**		
	Non-current assets		
	Property, plant and equipment	67,930	54,884
	Right of use assets	126,642	111,226
	Intangible assets	100,587	97,291
	Deferred tax asset	9,084	9,199
	Investment in subsidiaries	239,353	231,790
	Total non-current assets	**543,596**	**504,390**
	Current assets		
	Inventories	1,244	1,082
	Trade and other receivables	2,473	2,666
	Income tax receivable	3,355	1,119
	Amounts receivable from subsidiaries	16,019	16,181
	Cash and cash equivalents	9,150	23,068
	Total current assets	**32,241**	**44,116**
	Total assets	**575,837**	**548,506**
	Equity attributable to shareholders		
	Share capital	154,565	154,565
	Reserves	(4,915)	(5,472)
	Retained earnings	(29,973)	(26,964)
	Total equity attributable to shareholders	**119,677**	**122,129**
	Non-current liabilities		
	Provisions	1,671	1,540
	Lease liabilities	133,958	114,886
	Loans	71,151	-
	Derivative financial instruments	1,876	1,842
	Total non-current liabilities	**208,656**	**118,268**
	Current liabilities		
	Trade and other payables	20,596	17,120
	Provisions	1,054	1,889
	Loans	-	97,522
	Lease liabilities	7,946	7,920
	Amounts payable to subsidiaries	217,908	183,658
	Total current liabilities	**247,504**	**308,109**
	Total liabilities	**456,160**	**426,377**
	Total equity and liabilities	**575,837**	**548,506**

Independent auditor's report

To the Shareholders of Restaurant Brands New Zealand Limited

Our opinion

In our opinion, the accompanying financial statements of Restaurant Brands New Zealand Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and the notes to and forming part of the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of specified procedures on landlord certificates and review of Yum! Advertising Co-operative report. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter	How our audit addressed the key audit matter
Accounting for the California acquisition The Group acquired the assets of Great American Chicken Corp, Inc. and Great American Chicken LLC on 2 September 2020 as disclosed in note 26 for $119.2 million. Our audit focused on this area because the acquisition has financial significance to the Group. It is a large transaction with significant judgements and assumptions involved in identifying and determining fair value of the acquired assets and liabilities, particularly the identified intangible assets. Management, with the assistance of their independent valuation experts, have estimated acquisition fair values for the following material assets and liabilities: • Franchise rights of $58.5 million • Property, plant and equipment of $33.7 million • Right of use lease asset of $158.1 million and corresponding lease liabilities of $157.0 million. This includes management's fair value assessment of favourable and unfavourable leases • Goodwill of $26.5 million	Our audit focused on the significant management estimates and judgments used in establishing the fair values of acquired assets and liabilities. Our procedures included: • Obtaining an understanding of the acquisition, including the key terms and conditions, assets and liabilities acquired, by reading relevant agreements and documents; • Assessing and agreeing that the assets acquired and liabilities assumed constitute a business and not an asset acquisition; • Reviewing relevant information such as vendor financial statements, management's experts' valuation reports, minutes and significant contracts to assess the completeness of the acquired assets and liabilities. We did not identify any contingent assets or liabilities; • Gaining an understanding of the valuation approach and methodology undertaken by management and management's experts to identify separately identifiable intangible assets and fair value the assets and liabilities acquired; • Considering whether the recognition and measurement of acquired assets (excluding separately identifiable intangible assets noted above) and liabilities was consistent with the requirements of the accounting standards; • Assessing tax treatment of the acquisition costs and tax implications of the acquisition with the assistance of our PwC tax specialists; • Testing the completeness, accuracy and valuation of the recognition of right of use assets and lease liabilities for the acquired leases, including assessing the appropriateness of management's incremental borrowing rates with the assistance of our internal valuation experts; • Testing the completeness, accuracy, relevance and mathematical accuracy of the source data used within the valuations;

- Engaging our auditor's valuation experts to:
  a) assess the valuation approach and methodology undertaken by management in relation to franchise rights, property, plant and equipment and favourable and unfavourable leases;
  b) evaluate management's assumptions regarding the above valuations;
- Considering the independence and competence of management's valuation experts; and
- Considering the sufficiency of disclosures in the financial statements

As a result of our procedures we have no matters to report.

Goodwill impairment tests for Pizza Hut New Zealand and KFC and Taco Bell California

As disclosed in Note 15, the Group has recognised goodwill of $7.8 million relating to Pizza Hut New Zealand and $24.9 million relating to the acquisition of KFC and Taco Bell California.

Management performed an annual impairment assessment using discounted cash flow value in use (VIU) models to determine whether the carrying value of assets held by each of these cash generating units (CGUs) are recoverable.

Our audit focussed on this area as it involves estimation and judgement about future business performance which includes certain key assumptions such as sales growth, EBITDA margin, terminal year sales and EBITDA growth, the discount rate and, for Pizza Hut New Zealand, improved results due to the store sales programme.

For each of the Pizza Hut New Zealand and the KFC and Taco Bell California CGUs, the recoverable amount based on the value in use was higher than the carrying value of the CGU and as a result, no impairment charge was recognised.

In addressing the estimation and judgements in relation to future performance of the Pizza Hut New Zealand and KFC and Taco Bell California CGUs our audit procedures included:

- Gaining an understanding of the business process applied by management in preparing the impairment assessment;
- Testing the mathematical accuracy of the model used to determine the VIU of the CGU;
- Reviewing historical years' actual store sales and profitability against the original budgeted performance to determine the reliability of the budgeting process and considering the impact on forecast performance;
- Agreeing forecast future performance included in the impairment assessments to three year budgets approved by the Board of Directors;
- Challenging key assumptions used in the VIU model in relation to sales growth and EBITDA margins, terminal year sales and EBITDA growth, discount rate and, for Pizza Hut New Zealand, challenging the assumption around improved results due to the store sales programme, and assessing whether these are reasonable by understanding strategic and operational initiatives underway, along with reviewing monthly performance trends to assess whether profitability initiatives have been successful to date;

For both Pizza Hut New Zealand and KFC and Taco Bell California any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.	• Evaluating whether corporate costs had been allocated appropriately and included in the cash flows for each CGU; • With the assistance of our auditor's valuation expert, assessing the appropriateness of the terminal growth and discount rates as well as considering industry trends and external market forecasts for the industry; • Testing the calculation of the carrying amounts of the CGU assets; • Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill; and • Reviewing the financial statements to ensure appropriate identification and disclosure of key assumptions.

Our audit approach

Overview

Overall group materiality: $2.2 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, we:

- Performed full scope audits for all the Group's principal business units in New Zealand, Australia, Hawaii and California based on their financial significance;
- Performed specified audit procedures and analytical review procedures over three of the remaining entities.

As reported above, we have two key audit matters, being:

- Accounting for the California acquisition
- Goodwill impairment tests for Pizza Hut New Zealand and KFC and Taco Bell California

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The materiality levels applied in the full scope audits of the principal business units were calculated by reference to a portion of Group materiality appropriate to the relative scale of the business concerned.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report (but does not include the financial statements and our auditor's report thereon). The other information we obtained prior to the date of this auditor's report comprised the Historical Summary, Consolidated Income Statement, Non-GAAP Financial Measures and the Directors' statement. The remaining other information is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Philippa (Pip) Cameron.

For and on behalf of:

PricewaterhouseCoopers

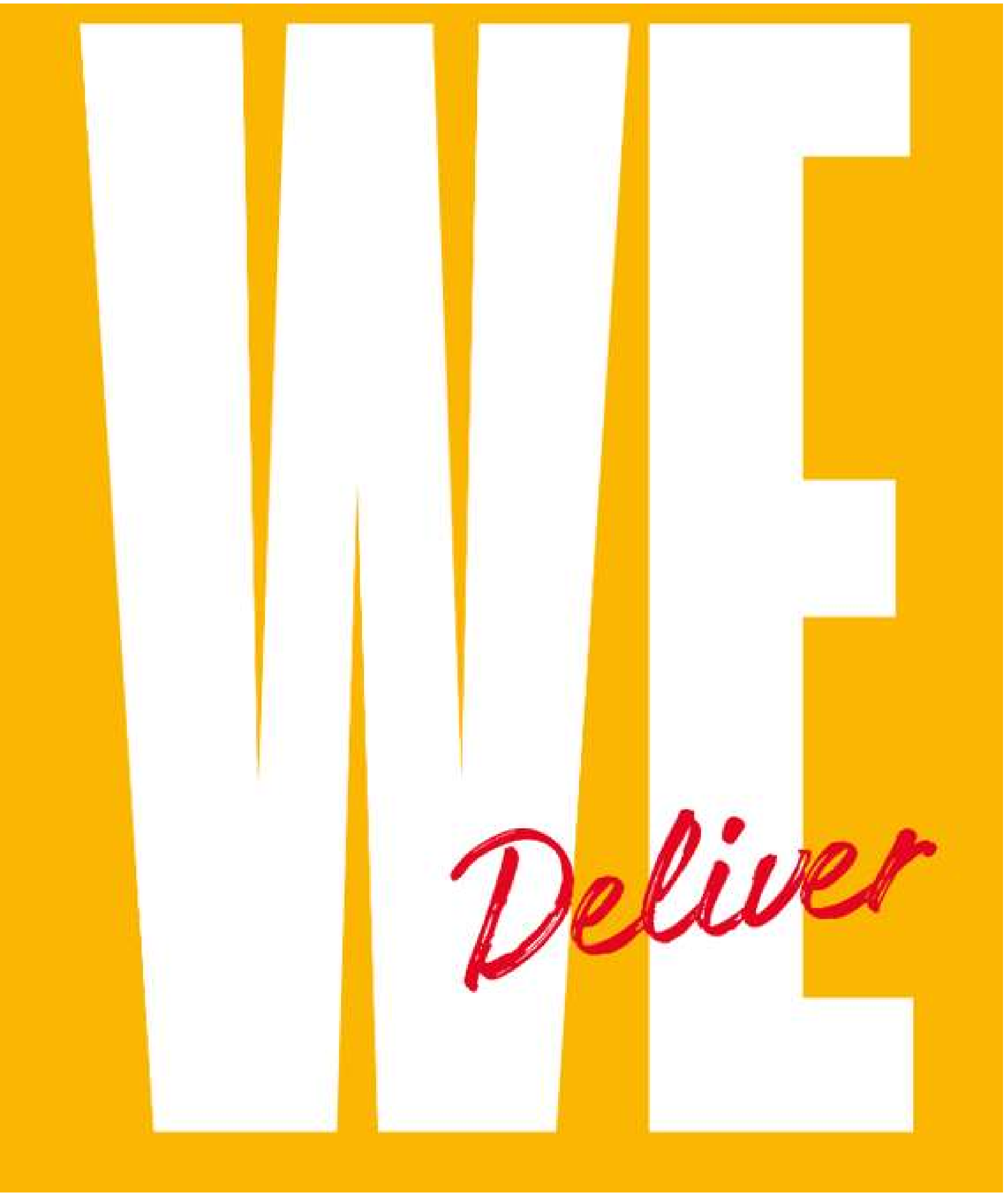
Chartered Accountants
25 February 2021

Auckland

Restaurant Brands New Zealand Limited
Results announcement to the Market

Results for announcement to the market		
Name of issuer	Restaurant Brands New Zealand Limited	
Reporting Period	52 Weeks ended 31 December 2020	
Previous Reporting Period	44 Weeks ended 31 December 2019	
Currency	NZD	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$924,728	26.0%
Total Revenue	$924,728	26.0%
Net profit/(loss) from continuing operations	$30,938	2.8%
Total net profit/(loss)	$30,938	2.8%
Interim/Final Dividend		
Amount per Quoted Equity Security	n/a	
Imputed amount per Quoted Equity Security	n/a	
Record Date	n/a	
Dividend Payment Date	n/a	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	($0.26)	$0.10
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer announcement for Restaurant Brands released to the market on 25 February 2021	
Authority for this announcement		
Name of person authorised to make this announcement	Grant Ellis	
Contact person for this announcement	Grant Ellis	
Contact phone number	+64 9 525 8710	
Contact email address	Grant.ellis@rbd.co.nz	
Date of release through MAP	25/02/2021	

This report is based on accounts which have not been audited. The report is provided with the accounts which accompany this announcement.



Restaurant Brands New Zealand Limited

Annual Results to 31 December 2020 (FY20)

Russel Creedy - Group CEO
Grant Ellis - Group CFO

25 February 2021

Presentation Outline

- Key Points
- Results Overview
- New Zealand Operations
- Australian Operations
- Hawaiian Operations
- Californian Operations
- Strategy
- Outlook
- Questions

Key Points

	vs. FY 19D	vs. FY 19D (R)	FY 19	FY 19D	FY 19D (R)	**FY 20**
• Group Sales	+26.5%	+7.0%	$794.0m	$705.5m	$833.8m	$892.4m
• Reported NPAT	+2.8%	(13.2%)	$35.7m	$30.1m	$35.6m	$30.9m
• Brand EBITDA	+27.0%	+7.5%	$129.2m	$116.0m	$137.1m	$147.3m

- A strong performance despite the COVID-19 headwinds.
- California purchase (69 stores) completed on 2 September and trading above expectations following acquisition.

Note:
- *FY 19 = 12 months to 25 February 2019*
- *FY 19D = 10 months to 31 December 2019*
- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*
- *FY 20 = 12 months to 31 December 2020*

Results Overview

NPAT reduced as a result of temporary store closures from COVID-19

$m (after tax)	FY 19	FY 19D		**FY 20**	**Change $**	**Change B/(W)%**
Reported NPAT	35.7	30.1		30.9	0.8	2.8%
NZ IFRS 16 Impact	-	4.5		7.0	2.5	(55.6%)
Other (Income) and Expenses	6.5	4.0		8.8	4.8	(120.0%)
Change of Balance Date	-	7.1	*	-	(7.1)	n/a
Comparable Trading NPAT	42.2	45.7		46.7	1.0	2.2%

* Pro rata gross up 44 weeks to 52 weeks

COVID-19 – An unprecedented impact on the business

NEW ZEALAND

- All stores fully closed 26 March - 27 April (Level 4).
- Lost sales in excess of $40m. All staff were paid full wages over this time.
- Stores allowed to progressively re-open (Level 3,2,1) from 28 April to 9 June, when full trading resumed.
- Further Level 3 & Level 2 restrictions from August to October.
- Government grants of $22.0m for wages received during the Level 4 “lockdown” fully paid out to staff.
- All stores now fully open with trading back to normal.

COVID-19 – An unprecedented impact on the business

AUSTRALIA

- Temporary closure of 15 mall and inline stores.
- Store dine in closed for all of the second quarter, and intermittently during the second half of the year.
- FSDT stores performed strongly.
- Total lost sales estimated at in excess of $A5m.
- No Government support.

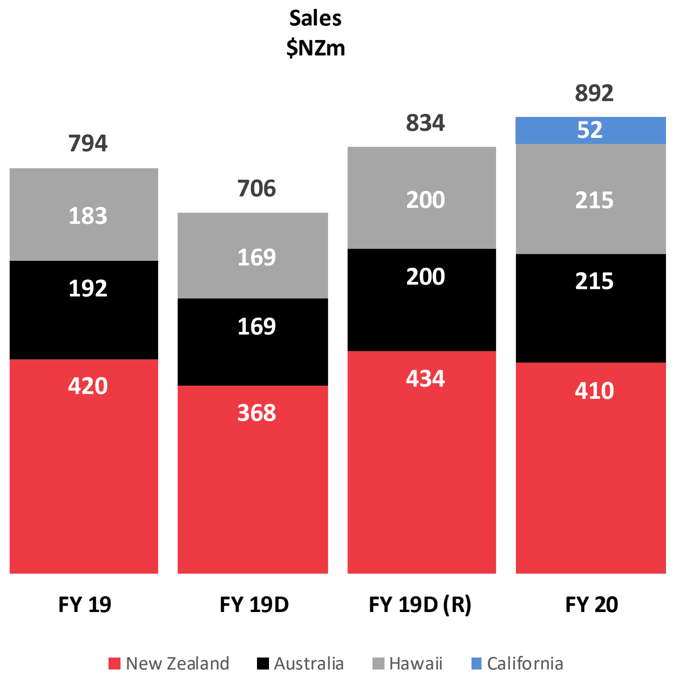
HAWAII

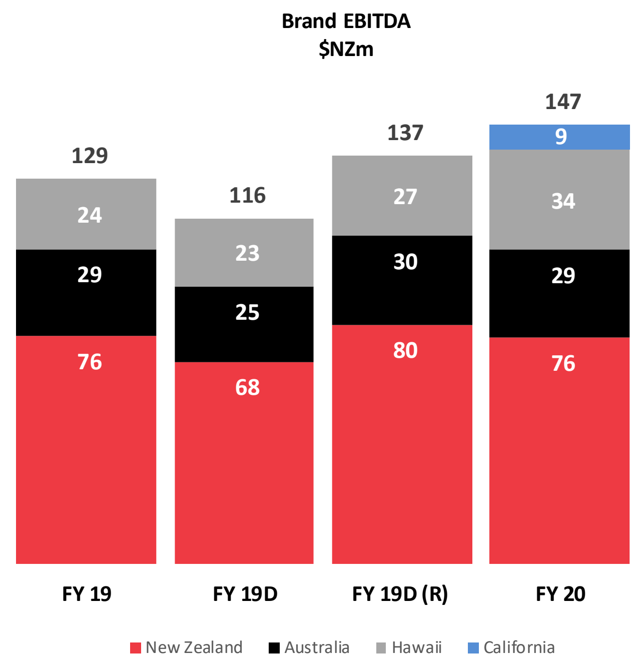
- Hawaii and Guam Taco Bell stores impacted by dine in restrictions and temporary mall store closures.
- Pizza Hut business, with a strong delivery and online offer, saw steady growth in sales and EBITDA.
- Government PPP loan of $US8.1m received.
- Stores still trading, but restrictions remain and periodic closures due to staff infections.

CALIFORNIA

- COVID-19 restrictions in place from acquisition with dine-in channels fully closed.

Lost sales and margin from NZ COVID-19 closure more than made up for by US operations





Note:

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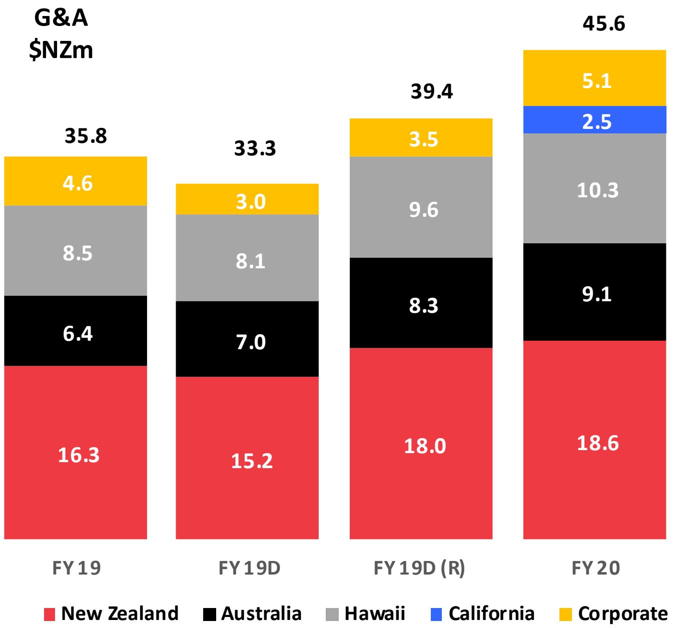
- *FY 19D = 10 months to 31 December 2019*
- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*
- *FY 20 = 12 months to 31 December 2020*

G&A costs at 4.9% of revenues including variable long term incentive remuneration and initial Taco Bell staffing costs in New Zealand & Australia



% of Revenue	4.3%	4.5%	4.5%	4.9%

Note:

- *FY 19 = 12 months to 25 February 2019*
- *FY 19D = 10 months to 31 December 2019*
- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*
- *FY 20 = 12 months to 31 December 2020*

Other Income and Expenses ("non-trading items") up on prior year with California acquisition costs

$NZm (Pre tax)

	FY 19D	**FY 20**
Gain on sale Pizza Hut stores	(0.1)	**(0.5)**
Lease termination	(0.3)	**(0.2)**
Impairment of assets & goodwill	(0.7)	**(0.1)**
Lease surrender gain	(0.3)	**-**
Leave remediation	0.4	**-**
Sundry other income & expenses	-	**0.4**
Relocation & refurbishment	3.2	**1.8**
Franchise rights amortisation	1.8	**3.1**
Acquisition costs	0.6	**4.3**
	4.6	**8.8**

Operating cash flows up on prior year with strong trading and California acquisition

$NZm	FY 19	FY 19D		FY 20	
Operating Cashflow (NZ IFRS 16 adjusted)	71	72	*	**91**	*
Investing Cashflow (adjusted)	(27)	(60)		**(59)**	**
Free Cashflow	45	12		**32**	

* Adjusted for lease principal payments of $21.2m (FY 19D $16.0m) classified as financing activities under NZ IFRS 16

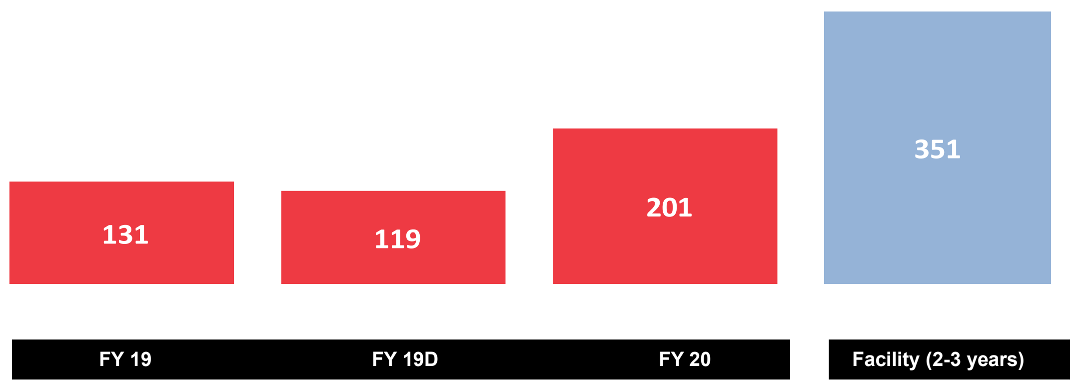
** Adjusted for $119.2m ($US80.7m) 69 store California acquisition

Note:

- *FY 19 = 12 months to 25 February 2019*
- *FY 19D = 10 months to 31 December 2019*
- *FY 20 = 12 months to 31 December 2020*

Net borrowings up with completion of RBD California settlement, somewhat mitigated by strong operating cash flows

Net Debt $NZm



Ratios

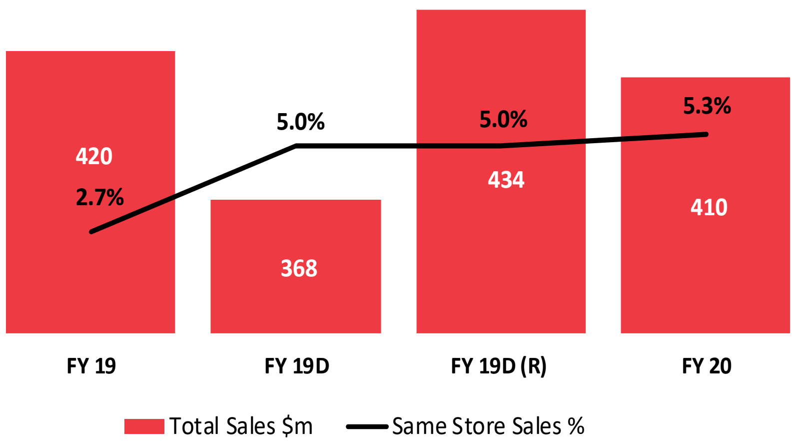
	FY 19	FY 19D	FY 20
Net Debt: EBITDA*	1.3:1	1.2:1	1.9:1
Gearing (ND:ND+E)	37%	36%	47%

** FY 19D EBITDA grossed up 44 weeks to 52 weeks, EBITDA including lease costs (pre NZ IFRS16)*

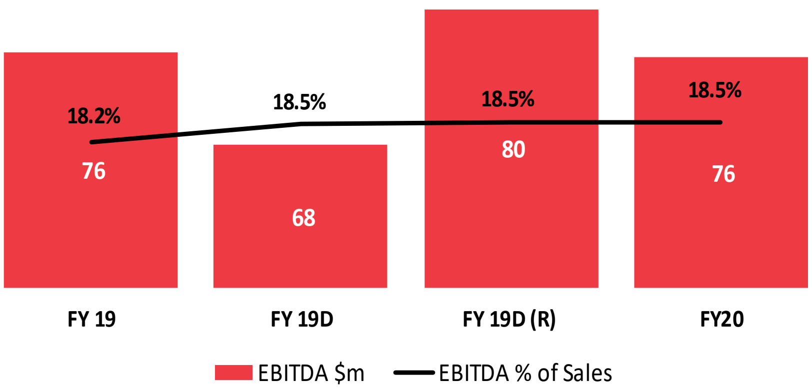
New Zealand Operations

NZ sales adversely impacted by COVID-19 closures and restrictions with EBITDA correspondingly reduced, despite Government grant

NZ Sales



NZ EBITDA



Note:
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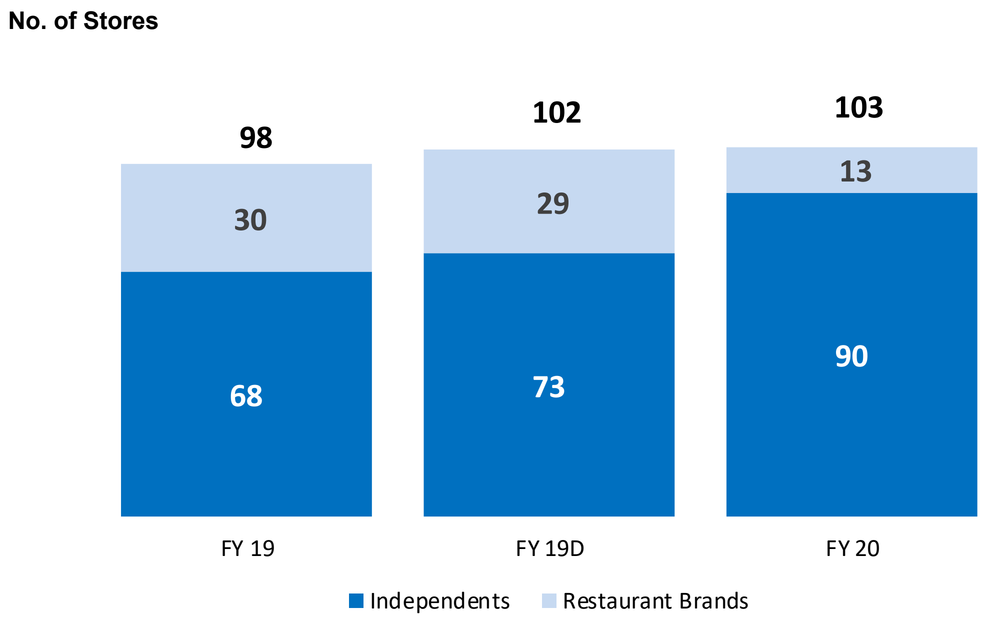
- *FY 20 = 12 months to 31 December 2020*

Sales of Pizza Hut stores to independent franchisees continues, together with increase in new store builds



Note:

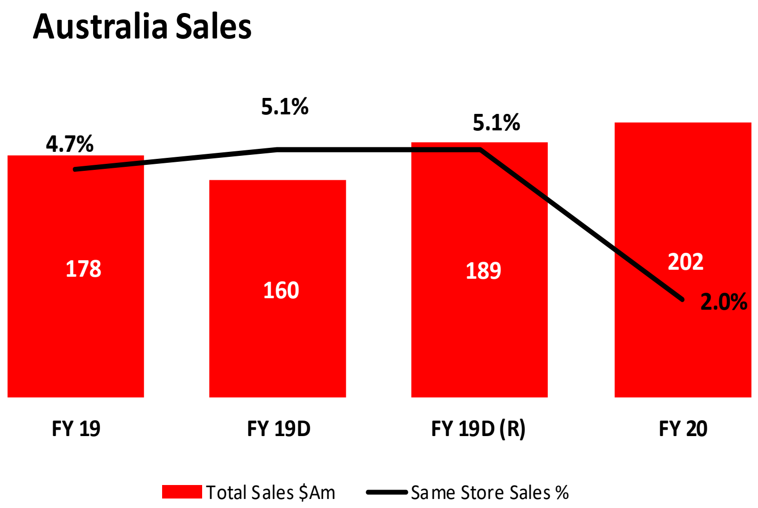
- *FY 19 = as at 25 February 2019*
- *FY 19D = as at 31 December 2019*
- *FY 20 = as at 31 December 2020*

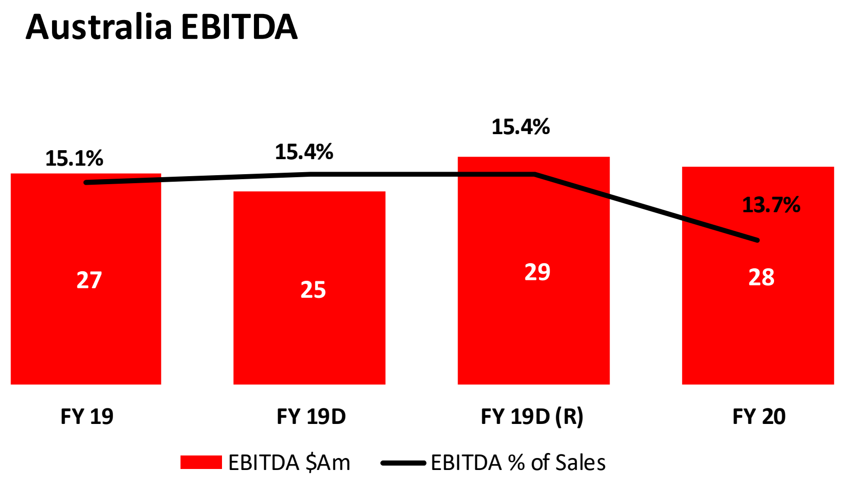
Australian Operations

KFC
FINGER LICKIN' GOOD

TACO BELL

Australian business impacted by mall store closures and dine in restrictions with COVID-19 crisis; however larger FSDT stores performed strongly





Note:

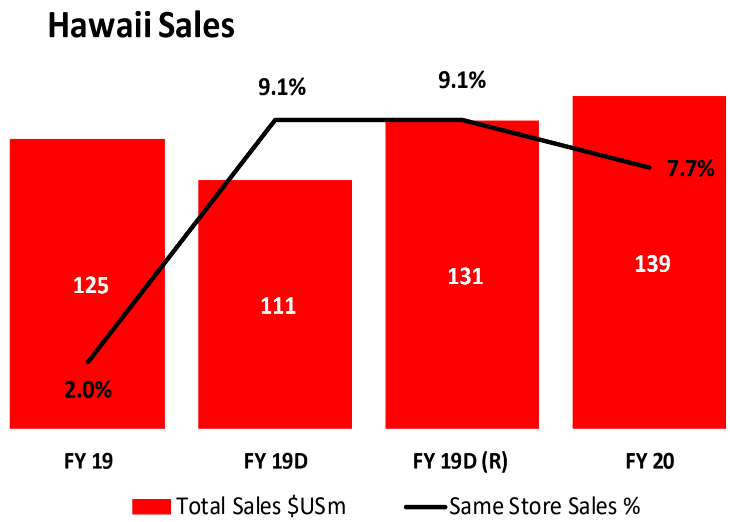
- *FY 19 = 12 months to 25 February 2019*
- *FY 19D = 10 months to 31 December 2019*
- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*
- *FY 20 = 12 months to 31 December 2020*

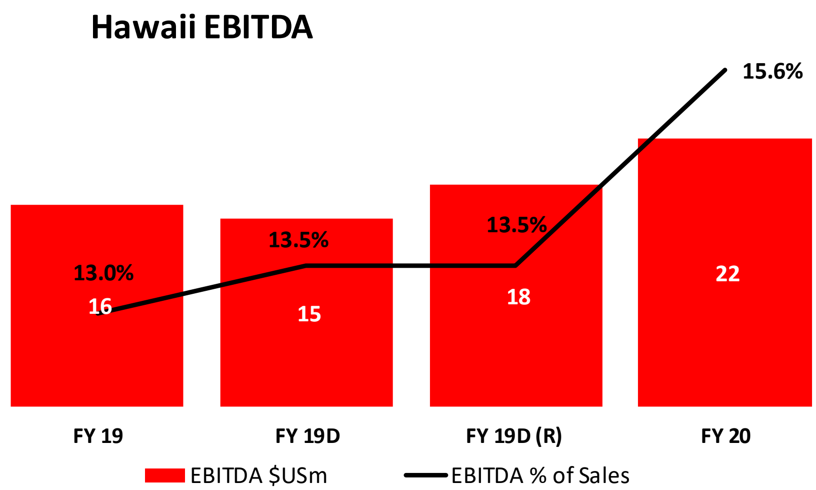
Hawaiian Operations

TACO BELL

Pizza Hut

Hawaii boosted by strong Pizza Hut performance during COVID-19, despite reduced sales and margins in Taco Bell





Note:

- *FY 19 = 12 months to 25 February 2019*
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- *FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period*
- *FY 20 = 12 months to 31 December 2020*

Californian Operations

KFC
FINGER LICKIN' GOOD

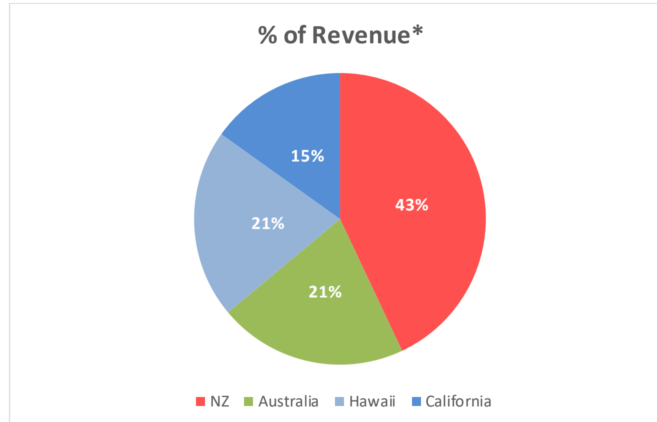
TACO BELL

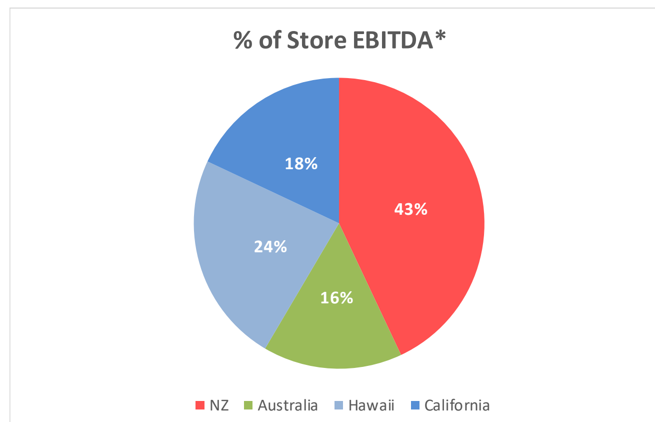
69 Store California acquisition successfully concluded on 2 September for $US80.7m

- Smooth transfer of ownership.
- Full senior leadership team in place (CEO – Raziel Valiente, CFO – Allan Wong Kam).
- Despite COVID-19, first four months' trading well up on prior year.
- Three new KFC sites in progress for FY21.
- Initial discussions with potential acquisition targets.

Completion of US acquisition places final piece on RBD beach head expansion strategy

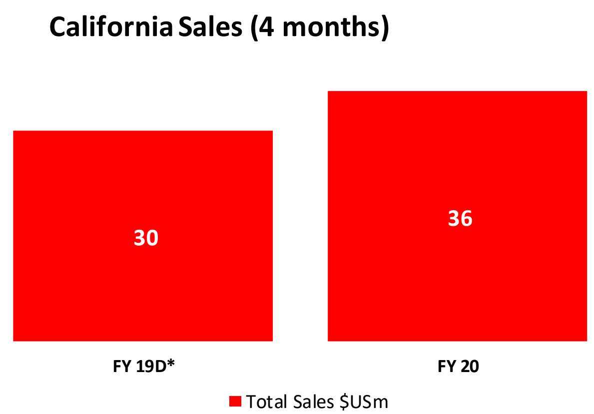
- Future expansion in US to come from store builds and smaller franchise acquisition.
- Confirms wisdom of geographic and brand diversification strategy.
- Offshore operations will comprise over 50% of RBD sales in FY21.
- With additional US business RBD expects to reach its $1billion dollar revenue target next year.

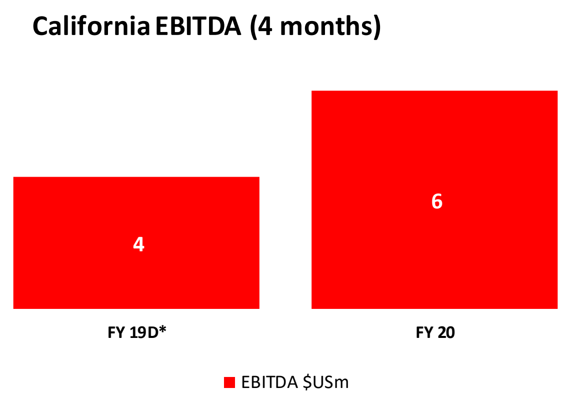




**FY20 existing businesses with California acquisition annualised.*

California acquisition exceeding expectations in first four months of ownership





* *FY 19D represents pro-forma 16 weeks prior year trading (pre RBD acquisition).*

Strategy – Next Steps

RBD has now established a presence in each of its four key operating markets and has a store growth strategy for each market.

Continue to deliver organic same-store sales and profit growth through: operational improvements, store refurbishments, channel enhancements, innovative marketing, new product development, and staff attraction/retention initiatives.

	New Zealand	Australia	Hawaii	California
KFC	• New store builds.	• New store builds. • Acquire smaller franchises. • Position for major acquisition opportunity.	• Establish first RBD store in Hawaii by 2022.	• New store builds. • Acquire smaller franchises.
Pizza Hut	• Formalize structure and grow store network as master franchisee.	—	• Continue RR exit strategy (delco replacements). • Build new delcos where appropriate.	—
Taco Bell	• Accelerate new store roll out.	• Accelerate new store roll out.	• Continue store transformation strategy.	• Maintain current business.
Carl's Jr.	• Recommence store builds in smaller format. • Close/rebrand loss making stores.	—	—	—

Outlook

Despite the challenges of operating under COVID-19 restrictions RBD intends to take a "business as usual" approach and continue with further growth through acquisition, store refurbishments and new store roll outs.

New KFC and Taco Bell store builds will continue to drive sales and profit enhancement in New Zealand and Australia. The Taco Bell scrape and rebuilds in Hawaii will further assist that result.

The addition of the California 69 store acquisition will lift sales and earnings in FY21 and provide a strong base for future mainland US expansion.

Despite solid sales and margins in the beginning of FY21, continuing COVID-19 trading restrictions and with the possibility of further outbreaks mean that RBD is not providing firm guidance for the FY21 results at this stage.

Questions

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