



## RESTAURANT BRANDS ANNOUNCES ANNUAL PROFIT RESULT

\$NZm	Dec 2021	Dec 2020	Change (\$)	Change (%)
<b>Total Sales</b>	<b>1,068.2</b>	<b>892.4</b>	<b>+175.8</b>	<b>+19.7</b>
<b>Net Profit After Tax</b>	<b>51.9</b>	<b>30.6</b>	<b>+21.3</b>	<b>+69.3</b>

### Key Points

- Our billion dollar sales target has been achieved with total sales for the year of \$1,068.2 million, up against the previous year, with full year positive same store sales growth across all four of our operating divisions.
- Reported net profit after tax of \$51.9 million for the year was up \$21.3 million on the last year, despite the ongoing adverse impact of COVID-19.
- Combined store EBITDA<sup>1</sup> (pre NZ IFRS 16) for the period was \$172.7 million, up 17.2% on the previous year.
- Total store numbers increased by 11 to 359 including the acquisition of five stores in Australia and two stores in California.
- The Taco Bell brand, launched in New Zealand and Australia (New South Wales) in late 2019, has continued to grow with 18 stores now successfully operating in these markets.
- Directors have declared a dividend of 32.0 cents per share, payable on 22 April to all shareholders on the register as at 8 April. The dividend will be paid fully imputed to NZ tax resident holders.

### Overview

The FY21 result was once again adversely affected by COVID-19 with continued disruptions across all of the company's operations, including an extended lockdown in New Zealand. However, all divisions have generally continued to trade through the crisis and consequently have achieved improved EBITDA results.

Offsetting the adverse impacts of COVID-19, the company saw its federal PPP loan in Hawaii forgiven resulting in an additional \$11.4 million income. Also, as a result of an extended lockdown in New Zealand, the Company received \$7.2 million in wage subsidies which was fully passed onto staff.

The resulting reported FY21 NPAT of \$51.9 million is up 69.3% or \$21.3 million on the prior year.

### 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 2021 (FY21) of \$51.9 million, up 69.3% on the reported NPAT of \$30.6 million for the prior period.

Direct comparisons between the two years remains difficult as both years have been adversely affected by COVID-19. This year's result also includes the \$11.4 million PPP loan forgiveness.

Total brand sales for the Company were \$1,068.2 million, up \$175.8 million on the previous year. This is primarily because of the inclusion of \$156.5 million of sales in California, up \$104.6 million on the four months of initial ownership in 2020. All four divisions produced positive same store sales.

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

Combined store EBITDA (pre-NZ IFRS 16 and Other Items) of \$172.7 million was up \$25.4 million or +17.2% on the prior year driven by the full year performance of the California division, which was \$15.3 million up on the FY20 year. EBITDA margins (as a % of sales) reduced from 16.5% to 16.2% due to continued cost pressures, particularly in New Zealand and Australia.

Restaurant Brands' store numbers at the end of the financial year totalled 359, comprising 137 in New Zealand, 73 in Hawaii, 79 stores in Australia and 70 stores in California.

### **New Zealand Operations**

Total store sales in New Zealand were \$461.1 million, up \$50.7 million or +12.4% on the prior year ending December 2020. The 2021 result was adversely affected by a Level 4 lockdown across the country (including an extended lockdown in the major Auckland region which resulted in lost sales of approximately \$26 million). Whilst last year's result was impacted by eight weeks without trading due to COVID-19 with lost sales of approximately \$40 million.

	<b>Actual 31 December 2021</b>	<b>Actual 31 December 2020</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>Store sales (\$m)</b>	<b>461.1</b>	<b>410.4</b>	+50.7	+12.4%
<b>EBITDA (\$m)</b>	<b>83.3</b>	<b>75.9</b>	+7.4	+9.7%
<b>EBITDA as a % of Sales</b>	<b>18.1</b>	<b>18.5</b>		
<b>Store Numbers</b>	<b>137</b>	<b>137</b>		

The New Zealand business was completely closed for two weeks in August 2021 as part of the COVID-19 lockdown, with the Auckland region remaining locked down for an additional three weeks, resulting in an estimated \$26 million in lost sales. The lockdown and continued restricted trading with no dine-in capacity also had a significant adverse effect on EBITDA. However, upon re-opening the business recovered well, with same store sales for the full year up +9.1%.

The underlying sales growth has been driven by another good performance by both KFC and Carl's Jr. through both the delivery and in-store channels. The new KFC on-line "click and collect" channel and the launch of the new KFC e-commerce website helped drive the strong result.

Taco Bell remains a small but growing portion of the New Zealand business sales with six stores opened during the year and sales from the four existing stores continuing to track to expectations.

EBITDA was up \$7.4 million reflecting the higher sales, despite the underlying EBITDA as a percentage of sales reducing to 18.1% from 18.5% as a result of on-going cost pressures and the distribution impact from COVID-19.

As part of the government COVID-19 response, the New Zealand business received a wage subsidy of \$7.2 million (2020: \$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 periods. There were other fixed costs incurred during the mandated lockdown which contributed to an estimated \$8.5 million drop in EBITDA before G&A costs over the closure period.

The Pizza Hut sub-franchising process continued, with seven stores sold to franchisees during the year. This included two turnkey stores. Restaurant Brands has now consolidated on six company-owned stores with independent franchisees operating 99 stores.

Overall, store numbers remained constant during the year with the seven Pizza Hut stores sold offset by three new KFC store openings and the continued roll out of Taco Bell, with six new stores opened across New Zealand including three in the South Island. Two poorly performing Carl's Jr. stores were closed and rebranded as Taco Bell and KFC stores. All nine of the new stores are trading well.

### **Australian Operations**

In NZ\$ terms, the Australian business contributed total sales of \$NZ244.1 million (up 13.6%) and a store EBITDA (excluding the effect of NZ IFRS 16) of \$NZ31.6 million (up 7.5%).

	<b>Actual 31 December 2021</b>	<b>Actual 31 December 2020</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>Sales (\$Am)</b>	<b>230.0</b>	202.4	<b>+27.6</b>	<b>+13.6%</b>
<b>Store EBITDA (\$Am)</b>	<b>29.8</b>	27.7	<b>+2.1</b>	<b>+7.6%</b>
<b>EBITDA as a % of Sales</b>	<b>13.0</b>	14.2		
<b>Store Numbers</b>	<b>79</b>	70		

Total sales in Australia were \$A230.0 million, up \$A27.6 million (or +13.6%) on last year, primarily due to the effect of additional store openings and the acquisition of five stores in Sydney in February 2021.

Continued disruption to the business due to COVID-19 included the temporary closure of all mall stores and Sydney CBD in-line stores. This, together with the extended closure of all dine-in facilities in our restaurants has had a continued adverse effect on the Australian results.

In February 2021, the company acquired five KFC stores in Northern Sydney that have subsequently traded above expectations. There has also been continued investment in KFC store upgrades with eight store refurbishments completed during the year. Four new drive-thru Taco Bell sites also opened during the year bringing total store numbers to 79, nine up on 2020.

The closure of the dine-in facilities due to COVID-19 resulted in the home delivery service continuing to grow in popularity. This has helped to maintain same store sales growth over the past 12 months at +1.4%.

Store EBITDA of \$A29.8 million (13.0% of sales) was up \$A2.1 million or +7.6% on last year. The increase was assisted by the 10 months trading from the five stores acquired in February 2021. However continued cost pressures, along with the ongoing COVID-19 disruptions, have resulted in a drop in the % EBITDA margin from 13.7% to 13.0%.

### **Hawaiian Operations**

In \$NZ terms, Hawaiian operations contributed \$NZ206.5 million in revenues and \$NZ33.9 million in EBITDA for the year. Whilst reported sales in \$NZ were down \$8.6 million due to the strengthening NZD/USD exchange rate, they were actually up by \$US7.0 million in \$US terms.

	<b>Actual 31 December 2021</b>	<b>Actual 31 December 2020</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>Sales (\$USm)</b>	<b>146.3</b>	139.3	<b>+7.0</b>	<b>+5.0%</b>
<b>Store EBITDA (\$USm)</b>	<b>24.4</b>	21.5	<b>+2.9</b>	<b>+13.5%</b>
<b>EBITDA as a % of Sales</b>	<b>16.4</b>	15.6		
<b>Store Numbers</b>	<b>73</b>	72		

Total sales in Hawaii for the period were \$US146.3 million with store level EBITDA of \$US24.4 million (16.4% as a percentage of sales vs 15.6% in the prior period).

Reported sales are up \$US7.0 million to \$US146.3 million primarily due to a strong recovery by Taco Bell after being more effected by COVID-19 in 2020. Same store sales growth was 9.1% for the year, up on the 7.7% same store sales growth in the prior year.

Taco Bell recovered strongly in 2021 after being harder hit in 2020 than Pizza Hut with the closure of its dine-in channels. Increased use of delivery channels resulted in strong growth as customers continued to move away from dining out. Use of the Taco Bell mobile ordering system has also grown substantially as the mobile ordering offers customers a touchless option.

The Pizza Hut ordering system also continued to grow sales with over 60% of orders now performed on line. Touchless deliveries coupled with real time order tracking appeals to customers wanting to know where their pizza is from the safety of their homes. The continued growth of the delivery channels combined with some

strong promotional activities such as, the *Big New Yorker Pizza* and the impact of new and refurbished stores has resulted in another strong year for the Pizza Hut brand.

Store numbers are up by one from December 2020 with one new Taco Bell and one new Pizza Hut store being opened during the year, offset by the closure of one Taco Bell. The new stores opened during the year are performing well.

### **Californian Operations**

In \$NZ terms the California operations contributed \$NZ156.5 million in full-year revenues and \$NZ23.8 million in EBITDA, up significantly on the four month period included in FY20.

	<b>Actual 12 months 31 December 2021</b>	<b>Actual 4 months 31 December 2020</b>	<b>Change (\$)</b>	<b>Change (%)</b>
<b>Sales (\$USm)</b>	<b>110.3</b>	<b>35.6</b>	+74.7	209.8%
<b>Store EBITDA (\$USm)</b>	<b>16.8</b>	<b>5.8</b>	+11.0	189.7%
<b>EBITDA as a % of Sales</b>	<b>15.2</b>	<b>16.4</b>		
<b>Store Numbers</b>	<b>70</b>	<b>69</b>		

In the first full year of trading, total sales in California for the period were \$US110.3 million, with store level EBITDA of \$US16.8 million (15.2% as a percentage of sales). The reduction in % EBITDA margin was the result of supply chain issues and cost pressures which are expected to continue into 2022.

The sales for the year were particularly strong, driven in part by two rounds of Government stimulus payments (the first in January and a larger second payment in March 2021). Both rounds of payments saw significant increases in consumer spending.

As seen across all our divisions, delivery channels continue to be key to business success. In California, the new KFC.com platform and mobile app were launched in the second half of the year with strong uptake. In addition, the national launch of the KFC on-line ordering Quick Pick-up digital sales channel is ensuring a faster, easier and more relevant experience for our customers and adding more channel capacity to our stores. The KFC.com and mobile app has also been complementary with our aggregator delivery channels.

Two new stores were acquired during the year (one in July and a second store in November). After some refurbishment, both stores were up and running well. In line with our strategy, more capital expenditure is planned for this market, including new store builds, of which three are expected to open in the first quarter of 2022. Total store numbers are 70, up from 69 at the end of 2020.

### **Corporate & Other**

General and administration (G&A) costs were \$50.0 million, up \$4.4 million from last year due to the inclusion of a full year of California G&A costs. G&A as a % of total revenue was 4.5% which is down from 4.9% for the period ended 31 December 2020. This was largely due to the effect of the closure of the New Zealand stores and the lost sales during both 2021 and 2020.

Depreciation charges of \$75.9 million for the year ended 31 December 2021 were \$11.1 million higher than the prior year primarily due to the impact of the full year of California results. Of the \$75.9 million, \$38.1 million related to right of use asset depreciation incurred under NZ IFRS 16.

Financing costs of \$36.3 million were up \$6.1 million on prior year, once again reflecting the impact of a full year's results from California. Interest on bank debt for the period ended 31 December 2021 was \$6.8 million, up \$0.4 million on last year due the additional debt taken on to acquire the California business in September 2020. This was partially offset by a lower effective interest rates following the restructure of the Group's debt facilities which was activated in May 2020.

Tax expense was \$13.9 million, in line with the prior year. The effective tax rate was 21.1% (31.2% for FY20) with a higher level of non-assessable income in the current year including the forgiveness of the PPP Loan.

### **Other Items**

Other Net Income of \$7.2 million is up from a Net Expense of \$4.8 million for the prior year. This relates to the forgiveness of the PPP loan of \$11.4 million and the acquisition costs associated with the California



acquisition of \$4.3 million in the prior year. \$4.2 million in systems development costs was also incurred this year as part of a major overhaul of the company's financial systems.

### **Cash Flow & Balance Sheet**

The total assets of the Group are \$1,329 million, up \$148.5 million primarily because of new store acquisitions and new store builds which increased the value of both property plant and equipment as well as lease assets. Equally, there has been an increase of \$88.7 million in liabilities, primarily reflecting the future discounted lease liability on leases acquired and an increase in debt drawdowns arising from the acquisition of seven stores through the year.

Operating cash flows (adjusted by \$24.5 million for NZ IFRS 16) were up \$15.2 million to \$126.4 million, reflecting the strong trading performance. The inclusion of the full year of trading for the California business has also had a positive impact on operating cash flows.

Net investing cash outflows were \$109.6 million (versus \$177.3 million last year) including the acquisition of two stores in California and five in Australia for a total of \$28.0 million. Payments for fixed assets and intangibles of \$85.5 million was up from \$59.9 million with three new KFC and ten 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 \$2.6 million received, primarily from the sale of Pizza Hut stores in New Zealand.

### **Dividend**

Directors have assessed at balance date the current and projected financial position of the company, in particular its cash flows, capital expenditure demands and debt levels.

Given both the strength of its cash flows and the fact that there are currently no significant acquisitions under consideration, the board has elected to pay a dividend to shareholders, the first since the FY18 year.

An interim dividend has been declared for 32.0 cents per ordinary share, payable on 22 April to all shareholders on the register on 8 April 2022. The dividend will be paid as fully imputed to all New Zealand resident shareholders. In addition a supplementary dividend of 5.6474 cents per share be paid to all overseas shareholders at the same time.

There is no dividend reinvestment plan in place for this dividend.

### **Outlook**

The focus for Taco Bell in New Zealand and Australia remains on investing to build brand presence with approximately 15 additional stores expected to open by December 2022. With \$25 million in sales during FY21, the significance of the brand continues to grow as additional stores are opened. However, overall the financial impact of the brand on the Group will remain small for the coming year.

Current trading for the new year remains strong across all divisions. However, due to the continued uncertainties arising from the ongoing COVID-19 pandemic, it is difficult to provide firm guidance for FY22 at this point in time.

### **Staff Appreciation**

This has been another challenging year for the 11,400 staff members of Restaurant Brands, particularly with the uncertainty and challenges brought about by COVID-19 continuing for a second year. The entire team has done an outstanding job not only adapting to new COVID-19 challenges, but finding new and better ways to provide a great dining experience to our many satisfied customers. We also acknowledge that for many of our employees, the wider impact of COVID-19 on them and their families has been particularly difficult with some team members directly impacted by the virus.

### **Annual Shareholders' Meeting**

The Annual Shareholders' Meeting of the company will be held on Thursday 26 May 2022. Given the COVID-19 uncertainty, it is likely to be a virtual meeting.

**José Parés**  
**Chairman of the Board**

**Russel Creedy**  
**Group CEO**

**Consolidated Income Statement**  
**For the year ended 31 December 2021**

	31 Dec 2021 52 weeks		vs Prior %	31 Dec 2020 52 weeks	
<b>\$NZ000's</b>					
<b>Sales</b>					
<b>Total New Zealand sales</b>	<b>461,121</b>		<b>12.4</b>	<b>410,399</b>	
<b>Total Australia sales</b>	<b>244,104</b>		<b>13.6</b>	<b>214,923</b>	
<b>Total Hawaii sales</b>	<b>206,506</b>		<b>(4.0)</b>	<b>215,113</b>	
<b>Total California sales</b>	<b>156,516</b>		<b>n/a</b>	<b>51,924</b>	
<b>Total sales</b>	<b>1,068,247</b>		<b>19.7</b>	<b>892,359</b>	
Other revenue	46,195		42.7	32,369	
<b>Total operating revenue</b>	<b>1,114,441</b>		<b>20.5</b>	<b>924,728</b>	
Cost of goods sold	(910,643)		(18.9)	(766,053)	
<b>Gross margin</b>	<b>203,799</b>		<b>28.4</b>	<b>158,675</b>	
Distribution expenses	(8,555)		(19.8)	(7,138)	
Marketing expenses	(57,557)		(19.1)	(48,344)	
General and administration expenses	(49,974)		(9.6)	(45,596)	
Government grants	7,165		(67.5)	22,013	
Loan forgiveness	11,419		n/a	-	
Other items	(4,219)		12.6	(4,826)	
<b>Operating profit</b>	<b>102,077</b>		<b>36.5</b>	<b>74,784</b>	
Financing expenses	(36,284)		(20.1)	(30,220)	
<b>Net profit before taxation</b>	<b>65,793</b>		<b>47.6</b>	<b>44,564</b>	
Taxation expense	(13,912)		0.1	(13,920)	
<b>Net profit after taxation (NPAT)</b>	<b>51,881</b>		<b>69.3</b>	<b>30,644</b>	
		% sales			% sales
<b>Concept EBITDA before G&amp;A</b>					
<b>Total New Zealand</b>	<b>83,319</b>	<b>18.1</b>	<b>9.8</b>	<b>75,856</b>	<b>18.5</b>
<b>Total Australia</b>	<b>31,614</b>	<b>13.0</b>	<b>7.5</b>	<b>29,408</b>	<b>14.2</b>
<b>Total Hawaii</b>	<b>33,932</b>	<b>16.4</b>	<b>1.1</b>	<b>33,547</b>	<b>15.6</b>
<b>Total California</b>	<b>23,849</b>	<b>15.2</b>	<b>n/a</b>	<b>8,516</b>	<b>16.4</b>
<b>Total concept EBITDA before G&amp;A</b>	<b>172,713</b>	<b>16.2</b>	<b>17.2</b>	<b>147,327</b>	<b>16.5</b>
<b>Ratios</b>					
<b>Net tangible assets per security (net tangible assets divided by number of shares) in cents</b>	<b>8.4</b>			<b>(26.0)</b>	

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.

**Non-GAAP Financial Measures**  
**For the year ended 31 December 2021**

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 2021	31 Dec 2020
<b>EBITDA before G&amp;A, NZ IFRS 16 and other items</b>	<b>1</b>	<b>172,713</b>	<b>146,401</b>
Depreciation		(36,944)	(33,129)
Net loss on sale of property, plant and equipment (included in depreciation)		(3,619)	(1,850)
Lease depreciation		(38,129)	(30,908)
Lease costs		53,993	44,919
Amortisation (included in cost of sales)		(9,231)	(5,515)
General and administration costs (area managers, general managers and support centre)		(43,906)	(40,309)
Other income		12,364	405
Other expenses		(5,164)	(5,231)
<b>Operating profit</b>		<b>102,077</b>	<b>74,784</b>
Financing expenses		(36,284)	(30,220)
<b>Net profit before taxation</b>		<b>65,793</b>	<b>44,564</b>
Taxation expense		(13,912)	(13,920)
<b>Net profit after taxation</b>		<b>51,881</b>	<b>30,644</b>
Add back IFRS 16 impact		13,586	9,741
Taxation expense on IFRS 16 impact		(3,986)	(2,737)
<b>Total NPAT excluding the impact of NZ IFRS 16</b>	<b>2</b>	<b>61,482</b>	<b>37,942</b>

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

Restaurant Brands New Zealand Limited  
Financial statements  
For the year ended 31 December 2021

## Directors' statement

for the year ended 31 December 2021

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 2021 contained on pages 1 to 36.

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 consolidated 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 2021.

For and on behalf of the Board:



**José Parés**  
Chairman  
28 February 2022



**Emilio Fullaondo**  
Director  
28 February 2022

## Consolidated statement of comprehensive income

for the year ended 31 December 2021

\$NZ000's	Note	31 December 2021	31 December 2020
Store sales revenue	1,2	1,068,246	892,359
Other revenue	1,2	46,195	32,369
<b>Total operating revenue</b>		<b>1,114,441</b>	<b>924,728</b>
Cost of goods sold		(912,359)	(766,054)
<b>Gross profit</b>		<b>202,082</b>	<b>158,674</b>
Distribution expenses		(8,555)	(7,138)
Marketing expenses		(55,841)	(48,344)
General and administration expenses		(49,974)	(45,595)
Government grants	2	7,165	22,013
Loan forgiveness	2	11,419	-
Other income	2	945	405
Other expenses	2	(5,164)	(5,231)
<b>Operating profit</b>		<b>102,077</b>	<b>74,784</b>
Financing expenses		(36,284)	(30,220)
<b>Profit before taxation</b>		<b>65,793</b>	<b>44,564</b>
Taxation expense	16	(13,912)	(13,920)
<b>Profit after taxation attributable to shareholders</b>		<b>51,881</b>	<b>30,644</b>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		6,558	(7,874)
Derivative hedging reserve		1,820	(596)
Income tax relating to components of other comprehensive income		(370)	10
<b>Other comprehensive income for the period, net of tax</b>		<b>8,008</b>	<b>(8,460)</b>
<b>Total comprehensive income for the period attributable to shareholders</b>		<b>59,889</b>	<b>22,184</b>
<b>Basic and diluted earnings per share (cents)</b>	<b>3</b>	<b>41.58</b>	<b>24.56</b>

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

## Consolidated statement of changes in equity

for the year ended 31 December 2021

\$NZ000's	Note	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
<b>For the year ended 31 December 2020</b>						
<b>Balance at 1 January 2020</b>		<b>154,565</b>	<b>(164)</b>	<b>(1,736)</b>	<b>54,999</b>	<b>207,664</b>
<b>Comprehensive income</b>						
Profit after taxation attributable to shareholders		-	-	-	30,644	30,644
<b>Other comprehensive income</b>						
Movement in foreign currency translation reserve		-	(7,874)	-	-	(7,874)
Movement in derivative hedging reserve		-	-	(586)	-	(586)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(7,874)</b>	<b>(586)</b>	<b>-</b>	<b>(8,460)</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>(7,874)</b>	<b>(586)</b>	<b>30,644</b>	<b>22,184</b>
<b>Balance as at 31 December 2020</b>	<b>7</b>	<b>154,565</b>	<b>(8,038)</b>	<b>(2,322)</b>	<b>85,643</b>	<b>229,848</b>
<b>For the year ended 31 December 2021</b>						
<b>Balance at 1 January 2021</b>		<b>154,565</b>	<b>(8,038)</b>	<b>(2,322)</b>	<b>85,643</b>	<b>229,848</b>
<b>Comprehensive income</b>						
Profit after taxation attributable to shareholders		-	-	-	51,881	51,881
<b>Other comprehensive income</b>						
Movement in foreign currency translation reserve		-	6,558	-	-	6,558
Movement in derivative hedging reserve		-	-	1,450	-	1,450
<b>Total other comprehensive income</b>		<b>-</b>	<b>6,558</b>	<b>1,450</b>	<b>-</b>	<b>8,008</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>6,558</b>	<b>1,450</b>	<b>51,881</b>	<b>59,889</b>
<b>Balance as at 31 December 2021</b>	<b>7</b>	<b>154,565</b>	<b>(1,480)</b>	<b>(872)</b>	<b>137,524</b>	<b>289,737</b>

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



## Consolidated statement of financial position

as at 31 December 2021

\$NZ000's	Note	31 December 2021	31 December 2020
<b>Non-current assets</b>			
Property, plant and equipment	13	276,748	228,709
Right of use assets	14	576,527	517,085
Sub-lease receivable		993	1,144
Other receivables		765	-
Intangible assets	15	348,216	320,986
Deferred tax asset	16	38,711	39,911
<b>Total non-current assets</b>		<b>1,241,960</b>	<b>1,107,835</b>
<b>Current assets</b>			
Inventories	8	22,261	16,607
Trade and other receivables	9	11,012	11,394
Income tax receivable		9,452	5,271
Cash and cash equivalents	10	45,155	35,666
Held for sale – assets	11	-	551
Held for sale – assets for store developed for sale	11	-	2,833
<b>Total current assets</b>		<b>87,880</b>	<b>72,322</b>
<b>Total assets</b>		<b>1,329,840</b>	<b>1,180,157</b>
<b>Equity attributable to shareholders</b>			
Share capital	7	154,565	154,565
Reserves	7	(2,352)	(10,360)
Retained earnings		137,524	85,643
<b>Total equity attributable to shareholders</b>		<b>289,737</b>	<b>229,848</b>
<b>Non-current liabilities</b>			
Provisions	17	4,479	3,711
Deferred income	18	173	250
Loans	4	246,887	227,581
Lease liabilities	14	643,072	571,788
Deferred tax liabilities	16	1,136	-
Derivative financial instruments	5	-	2,698
<b>Total non-current liabilities</b>		<b>895,747</b>	<b>806,028</b>
<b>Current liabilities</b>			
Loans	4	-	8,058
Income tax payable		5,280	6,681
Trade and other payables	12	110,476	101,589
Provisions	17	1,304	1,608
Lease liabilities	14	25,609	23,826
Deferred income	18	770	538
Derivative financial instruments	5	917	-
Held for sale – liabilities	11	-	230
Held for sale – liabilities for stores developed for sale	11	-	1,751
<b>Total current liabilities</b>		<b>144,356</b>	<b>144,281</b>
<b>Total liabilities</b>		<b>1,040,103</b>	<b>950,309</b>
<b>Total equity and liabilities</b>		<b>1,329,840</b>	<b>1,180,157</b>

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

## Consolidated statement of cash flows

for the year ended 31 December 2021

\$NZ000's	Note	31 December 2021	31 December 2020
<b>Cash flow from operating activities</b>			
<b>Cash was provided by / (applied to):</b>			
Receipts from customers		1,114,474	924,910
Receipts from Government grants	2	7,165	22,013
Payments to suppliers and employees		(940,494)	(787,575)
Interest paid		(6,701)	(6,525)
Interest paid on leases	14	(29,450)	(23,752)
Payment of income tax		(18,619)	(17,909)
<b>Net cash from operating activities</b>		<b>126,375</b>	<b>111,162</b>
<b>Cash flow from investing activities</b>			
<b>Cash was (applied to) / provided by:</b>			
Acquisition of business	26	(27,992)	(122,002)
Payments for intangibles		(2,889)	(1,265)
Purchase of property, plant and equipment		(82,564)	(58,589)
Proceeds from the disposal of property, plant and equipment		2,620	4,451
Landlord contributions received		1,257	125
<b>Net cash used in investing activities</b>		<b>(109,568)</b>	<b>(177,280)</b>
<b>Cash flow from financing activities</b>			
<b>Cash was provided by / (applied to):</b>			
Proceeds from loans		370,529	710,217
Repayment of loans		(356,046)	(615,443)
Payments for lease principal	14	(24,543)	(21,167)
<b>Net cash from financing activities</b>		<b>(10,060)</b>	<b>73,607</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,747</b>	<b>7,489</b>
Cash and cash equivalents at beginning of the year		35,666	34,965
Opening cash balances acquired on acquisition		1,264	147
Foreign exchange movements		1,478	(6,935)
<b>Cash and cash equivalents at the end of the year</b>		<b>45,155</b>	<b>35,666</b>
Cash and cash equivalents comprise:			
Cash on hand	10	640	612
Cash at bank	10	44,515	35,054
		45,155	35,666

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

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2021

\$NZ000's	Note	31 December 2021	31 December 2020
<b>Reconciliation of profit after taxation with net cash from operating activities:</b>			
<b>Total profit after taxation attributable to shareholders</b>		<b>51,881</b>	<b>30,644</b>
<b>Add items classified as investing activities:</b>			
Loss on disposal of property, plant and equipment		2,673	1,958
		2,673	1,958
<b>Add/(less) non-cash items:</b>			
Depreciation		75,931	64,855
Loan forgiveness	2	(11,419)	-
Lease termination		(233)	(210)
(Decrease)/increase in provisions		(145)	124
Amortisation		9,231	5,516
Net (decrease) / increase in deferred tax asset		536	(4,444)
		73,901	65,841
<b>Add/(less) movement in working capital:</b>			
Increase in inventories		(5,526)	(3,633)
Decrease / (increase) in trade and other receivables		1,094	(74)
Increase in trade and other payables		7,597	15,971
(Decrease) / increase in income tax payable		(5,245)	455
		(2,080)	12,719
<b>Net cash from operating activities</b>		<b>126,375</b>	<b>111,162</b>
<b>Reconciliation of movement in term loans</b>			
<b>Opening balance</b>		<b>235,639</b>	<b>154,326</b>
Net cash flow from financing activities		14,483	94,775
Decrease / (increase) in prepaid facility costs		256	(759)
Loan forgiveness		(11,419)	-
Foreign exchange movement		7,928	(12,703)
<b>Closing balance</b>		<b>246,887</b>	<b>235,639</b>

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

## Notes to and forming part of the financial statements

For the year ended 31 December 2021

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## Basis of preparation

For the year ended 31 December 2021

### Reporting entity

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

<i>Name</i>	<i>Nature</i>
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 Restaurants 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
TPH Group Pty Limited	Non-trading

### Basis of preparation

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

- New Zealand Generally Accepted Accounting Practices (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 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, 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.

## Basis of preparation (continued)

For the year ended 31 December 2021

### Restatement of prior period balances

To ensure consistency and comparability with the current period and the last annual financial statements, comparative figures have been reclassified where appropriate. These changes are detailed below:

- The consolidated statement of financial position at 31 December 2020 excluded lease modifications of \$4.9 million and lease additions of \$3.6 million in error from both lease liabilities and right of use assets. This has been corrected by increasing both non-current lease liabilities and right of use assets by \$8.5 million at 31 December 2020.
- The consolidated statement of financial position at 31 December 2020 included prepaid facility fees of \$0.8 million within trade and other receivables in error, this should have been included in the non-current loans balance. This has been corrected by restating trade and other receivables and non-current loans by \$0.8 million at 31 December 2020. The reconciliation of movement in term loans within the consolidated statement of cash flows have also been corrected by this amount, including a new disclosure for decrease / (increase) in prepaid facility costs.

### New standards and amendments

There are various standards, amendments and interpretations which are published but not yet effective and were assessed as having an immaterial impact on the Group. There are no NZ IFRS, NZ IFRIC interpretations or other applicable IFRS that are effective for the first time for the financial year beginning on or after 1 January 2021 that had a material impact on the financial statements.

### Change in accounting policy

#### Software as a service

The Group previously capitalised costs incurred in configuring or customising certain suppliers' application software in certain cloud computing arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the cloud-based software over the expected terms of the cloud computing arrangements. Following the IFRS interpretations Committee (IFRIC) agenda discussion on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (ratified by International Accounting Standards Board (IASB) in April 2021), the Group has reconsidered its accounting treatment and adopted the guidance set out in the IFRIC agenda decision, which is to recognise those costs as intangible assets only if the activities create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Costs that do not result in an intangible asset are expensed as incurred, unless they are paid to the suppliers of the cloud-based software to significantly customise the cloud-based software for the Group, in which case the costs paid upfront are recorded as prepayments for services and amortised over the expected terms of the cloud computing arrangements.

As a result of this change in accounting policy, the Group has determined that certain costs relating to the implementation of cloud-based software would need to be expensed when they were incurred, as the amounts were paid to third parties who were not subcontracted by the supplier of the cloud-based software and did not create separate intangible assets controlled by the Group, or significantly customise the cloud-based software for the Group.

The change in policy has been applied retrospectively and comparative information has been adjusted. The impact on the consolidated financial statements is as follows:

- Cost of goods sold in the consolidated statement of comprehensive income for the year ended 31 December 2020 has increased by \$0.4 million
- Taxation expense in the consolidated statement of comprehensive income for the year ended 31 December 2020 has decreased by \$0.1 million. The deferred tax asset in the consolidated statement of financial position at 31 December 2020 has increased by \$0.1 million.
- Intangible assets in the consolidated statement of financial position at 31 December 2020 have reduced by \$0.9 million.
- Retained earnings in the consolidated statement of financial position at 31 December 2020 has reduced by \$0.5 million.
- Payments to suppliers and employees in the consolidated statement of cash flows for the year ended 31 December 2020 has increased by \$0.7 million. Payment for intangibles in the consolidated statement of cash flows for the year ended 31 December 2020 has reduced by \$0.7 million.
- Earnings per share for the year ended 31 December 2020 has reduced from 24.80 cents per share to 24.56 cents per share.

#### Other expenses

The Group has reviewed the expenses included in other expenses in the consolidated statement of comprehensive income and determined that amortisation of franchise rights, relocation and refurbishment costs, store closure costs, utilisation of depreciation provision, and make good on acquisition would be more appropriately included within cost of goods sold.

The change in policy has been applied retrospectively and comparative information has been adjusted. The impact on the consolidated financial statements is as follows:

- Other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2020 has reduced by \$4.2 million.
- Cost of goods sold in the consolidated statement of comprehensive income for the year ended 31 December 2020 has increased by \$4.2 million.

## Basis of preparation (continued)

For the year ended 31 December 2021

### 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 Group 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.
- 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 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.
- 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 28 February 2022 by the Board of Directors who do not have the power to amend afterwards.

Significant accounting policies and critical estimates and assumptions are disclosed in the relevant notes to the consolidated financial statements and identified using coloured boxes.



## Notes to and forming part of the financial statements

For the year ended 31 December 2021

**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 2021 \$NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Total
<b>Business segment</b>						
Store sales revenue	461,120	244,104	206,506	156,516	-	<b>1,068,246</b>
Other revenue	46,195	-	-	-	-	<b>46,195</b>
<b>Total operating revenue</b>	<b>507,315</b>	<b>244,104</b>	<b>206,506</b>	<b>156,516</b>	-	<b>1,114,441</b>
<b>EBITDA before general and administration expenses, NZ IFRS 16 and other items</b>	<b>76,154</b>	<b>31,614</b>	<b>33,932</b>	<b>23,849</b>	-	<b>165,549</b>
Government grants	7,165	-	-	-	-	<b>7,165</b>
General and administrative expenses	(13,853)	(10,870)	(8,940)	(8,146)	(2,417)	<b>(44,226)</b>
	<b>69,466</b>	<b>20,744</b>	<b>24,992</b>	<b>15,703</b>	<b>(2,417)</b>	<b>128,488</b>
Other income	945	-	11,419	-	-	<b>12,364</b>
Other expenses	95	(726)	-	(641)	(3,892)	<b>(5,164)</b>
Depreciation	(18,446)	(10,357)	(7,779)	(3,643)	(17)	<b>(40,242)</b>
Amortisation	(1,707)	(1,198)	(1,266)	(5,060)	-	<b>(9,231)</b>
<b>Operating profit before NZ IFRS 16</b>	<b>50,353</b>	<b>8,463</b>	<b>27,366</b>	<b>6,359</b>	<b>(6,326)</b>	<b>86,215</b>
Adjustment for NZ IFRS 16	8,187	4,279	1,860	1,536	-	<b>15,862</b>
<b>Operating profit</b>	<b>58,540</b>	<b>12,742</b>	<b>29,226</b>	<b>7,895</b>	<b>(6,326)</b>	<b>102,077</b>
Financing expenses	(12,470)	(10,921)	(4,854)	(8,295)	256	(36,284)
Taxation expenses	(12,200)	(447)	(3,423)	458	1,700	(13,912)
<b>Net profit after taxation (NPAT)</b>	<b>33,870</b>	<b>1,374</b>	<b>20,949</b>	<b>58</b>	<b>(4,370)</b>	<b>51,881</b>
Current assets	49,606	12,608	14,901	10,765	-	<b>87,880</b>
Non-current assets	155,956	213,672	179,764	115,048	-	<b>664,440</b>
Non-current lease assets (excluding lease deferred tax)	184,393	151,659	78,643	162,825	-	<b>577,520</b>
<b>Total assets</b>	<b>389,955</b>	<b>377,939</b>	<b>273,308</b>	<b>288,638</b>	-	<b>1,329,840</b>
<b>Capital expenditure including intangibles</b>	<b>40,312</b>	<b>21,518</b>	<b>17,706</b>	<b>5,798</b>	-	<b>85,334</b>



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

For the year ended 31 December 2021

31 December 2020 \$NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Total
<b>Business segment</b>						
Store sales revenue	410,399	214,923	215,113	51,924	-	892,359
Other revenue	32,108	-	261	-	-	32,369
<b>Total operating revenue</b>	<b>442,507</b>	<b>214,923</b>	<b>215,374</b>	<b>51,924</b>	<b>-</b>	<b>924,728</b>
<b>EBITDA before general and administration expenses, NZ IFRS 16 and other items</b>	<b>54,291</b>	<b>28,623</b>	<b>32,553</b>	<b>8,516</b>	<b>-</b>	<b>123,983</b>
Government grants	22,013	-	-	-	-	22,013
General and administrative expenses	(15,045)	(8,786)	(10,002)	(2,529)	(5,116)	(41,478)
	<b>61,259</b>	<b>19,837</b>	<b>22,551</b>	<b>5,987</b>	<b>(5,116)</b>	<b>104,518</b>
Other expenses	(366)	(594)	-	(3,711)	(155)	(4,826)
Depreciation	(15,727)	(8,684)	(6,254)	(2,728)	(11)	(33,404)
Amortisation	(1,955)	(453)	(1,402)	(1,705)	-	(5,515)
<b>Operating profit before NZ IFRS 16</b>	<b>43,211</b>	<b>10,106</b>	<b>14,895</b>	<b>(2,157)</b>	<b>(5,282)</b>	<b>60,773</b>
Adjustment for NZ IFRS 16	8,147	3,572	1,801	491	-	14,011
<b>Operating profit</b>	<b>51,358</b>	<b>13,678</b>	<b>16,696</b>	<b>(1,666)</b>	<b>(5,282)</b>	<b>74,784</b>
Financing expenses	(12,133)	(9,809)	(5,496)	(2,782)	-	(30,220)
Taxation expenses	(9,822)	(3,164)	(2,069)	1,135	-	(13,920)
<b>Net profit after taxation (NPAT)</b>	<b>29,403</b>	<b>705</b>	<b>9,131</b>	<b>(3,313)</b>	<b>(5,282)</b>	<b>30,644</b>
Current assets	32,094	10,708	23,316	6,204	-	72,322
Non-current assets	136,829	177,485	164,125	111,167	-	589,606
Non-current lease assets (excluding lease deferred tax)	179,314	126,642	63,397	148,876	-	518,229
<b>Total assets</b>	<b>348,237</b>	<b>314,835</b>	<b>250,838</b>	<b>266,247</b>	<b>-</b>	<b>1,180,157</b>
<b>Capital expenditure including intangibles</b>	<b>23,952</b>	<b>22,183</b>	<b>14,997</b>	<b>2,912</b>	<b>-</b>	<b>64,044</b>

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

\$NZ000's	31 December 2021	31 December 2020
<b>Operating profit</b>	<b>102,077</b>	<b>74,784</b>
Finance expense	(36,284)	(30,220)
<b>Net Profit before taxation</b>	<b>65,793</b>	<b>44,564</b>
Taxation expense	(13,912)	(13,920)
<b>Net profit after taxation</b>	<b>51,881</b>	<b>30,644</b>
Add back net financing impact of NZ IFRS 16	13,586	9,741
Less taxation expense on NZ IFRS 16	(3,985)	(2,737)
<b>Net profit after taxation excluding NZ IFRS 16</b>	<b>61,482</b>	<b>37,648</b>

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

For the year ended 31 December 2021

**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 2021	31 Dec 2020
Royalties paid	62,533	52,796

Royalties are recognised as an expense as revenue is earned.

**Wages and salaries**

\$NZ000's	31 Dec 2021	31 Dec 2020
Wages and salaries	310,654	254,840
Decrease/(increase) in liability for long service leave	259	16
	310,913	254,856

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**

\$NZ000's	31 Dec 2021	31 Dec 2020
Government grants	7,165	22,013

As part of the New Zealand Government's response to COVID-19 the Group received a Government wage subsidy of \$7.2 million (Dec 2020: \$22.0 million) due to an Alert Level 4 lockdown initiated in August 2021. 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.

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

For the year ended 31 December 2021

## Lease expense

\$NZ000's	31 Dec 2021	31 Dec 2020
<b>Lease expenses</b>	<b>5,222</b>	<b>4,877</b>

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 \$0.5 million (Dec 2020: \$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 \$0.3 million (Dec 2020: \$0.5 million) whilst those without abatement clauses total \$0.2 million (Dec 2020: \$0.8 million).

## Other income

\$NZ000's	31 Dec 2021	31 Dec 2020
Net gain on the sale of stores	945	405
Loan forgiveness	11,419	-
	<b>12,364</b>	<b>405</b>

## Net gain on the sale of stores

During 2021 the Group sold five Pizza Hut stores to independent franchisees resulting in a gain of \$0.9 million (Dec 2020: \$0.4 million).

## Loan forgiveness

In June 2021 the Hawaii Paycheck Protection Programme loan was forgiven by the US Small Business Association. This amount is shown on a separate line in the consolidated statement of comprehensive income due to its material nature. The loan forgiveness has been shown as a non-cash item in the cash flow reconciliation of profit after taxation with net cash from operating activities.

## Other expenses

\$NZ000's	31 Dec 2021	31 Dec 2020
Acquisition costs	(715)	(4,332)
IT system implementation	(4,189)	-
Unused franchise rights	(260)	-
Leave remediation	-	(49)
Calendar realignment	-	(50)
Impairment of assets	-	(542)
Yum! GST charge	-	(87)
Yum! royalty claim	-	(171)
<b>Total other expenses</b>	<b>(5,164)</b>	<b>(5,231)</b>

## IT system implementation

Due to a change in the accounting policy in regards to SaaS arrangements the IT system the group is implementing has been expensed during the period. A further \$1.3 million relating to other SaaS arrangements has been included in G&A costs during 2021. These costs would have been capitalised and amortised over the life of the software in previous reporting periods.

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

For the year ended 31 December 2021

**3. Earnings per share**

	31 Dec 2021	31 Dec 2020
<b>Basic earnings per share</b>		
Profit after taxation attributable to the shareholders (\$NZ000's)	51,881	30,644
Weighted average number of shares on issue (000's)	124,759	124,759
Basic earnings per share (cents)	41.58	24.56
<b>Diluted earnings per share</b>		
Profit after taxation attributable to the shareholders (\$NZ000's)	51,881	30,644
Weighted average number of shares on issue (000's)	124,759	124,759
Basic earnings per share (cents)	41.58	24.56

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 2021	31 Dec 2020
<b>Secured bank loans denominated in:</b>		
NZD	10,000	20,000
AUD	80,671	51,151
USD	156,719	165,248
<b>Secured bank loans</b>	<b>247,390</b>	<b>236,399</b>

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

Current	-	8,058
Term	247,390	228,341
<b>Secured bank loans</b>	<b>247,390</b>	<b>236,399</b>

Included within the Group's loans as at 31 December 2020 is \$11.3 million (\$8.1 million current) relating to the PPP Loan. This was included within the proceeds from loans within the 31 December 2020 consolidated statement of cash flows. The loan was with First Hawaiian Bank. The loan was forgiven by the US Small Business Association in June 2021 (Refer note 2).

\$NZ000's	31 Dec 2021	31 Dec 2020
Secured bank loans	247,390	236,399
Less prepaid facility fees	(503)	(760)
<b>Loan balance</b>	<b>246,887</b>	<b>235,639</b>

Included in the loans balance in the consolidated statement of financial position is \$0.5 million (Dec 2020: \$0.8 million) relating to prepaid facility fees that are being amortised over the term of the loan facilities.

**Facilities**

On 24 February 2020 the Group entered into new loan facility agreements. The facilities are split between NZD, USD and AUD tranches, most of the tranches are three year terms with the remainder expiring in four years.

The Group has loan facilities in place totalling \$359.8 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.

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

For the year ended 31 December 2021

**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	3.03%	0.80%	(56)
25 January 2017	\$A15 million	25 January 2022	2.52%	0.04%	(99)
14 November 2017	\$A20 million	14 November 2022	2.50%	0.05%	(467)
22 May 2017	\$US10 million	1 June 2022	2.06%	0.10%	(159)
29 June 2017	\$US10 million	1 July 2022	2.02%	0.10%	(136)
<b>Total</b>					<b>(917)</b>

**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 \$2.7 million across various properties leased in New Zealand and Australia, a standby letter of credit of \$3.7 million in California, and a standby letter of credit in Hawaii of \$0.4 million.

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),
- 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 2020: 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 2021	31 Dec 2020
Financing expense – lease	29,450	23,752
Finance expense – bank	6,834	6,468
<b>Financing expenses</b>	<b>36,284</b>	<b>30,220</b>

Included within the period ended 31 December 2021 is \$29.5 million (Dec 2020: \$23.8 million) of interest relating to leases recognised in accordance with NZ IFRS 16.

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.

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

For the year ended 31 December 2021

**5. Derivatives and hedge accounting**

\$NZ000's	31 Dec 2021	31 Dec 2020
<b>Term</b>		
Fair value of interest rate swaps	917	2,698
<b>Financing expenses</b>	<b>917</b>	<b>2,698</b>
Change in fair value of interest rate swaps	1,781	(481)
Change in value of hedge item used to determine hedge effectiveness	(1,781)	481

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 2020: Nil). The fair values are classified as level two.

The fixed interest rates of the swaps used to hedge range between 1.92% and 2.48% (Dec 2020: 1.86% to 2.75%) and the variable rates of the loans are between 0.04% and 0.8% above the applicable bank bill rates. Refer to 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.

**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.

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

For the year ended 31 December 2021

## Financial assets and financial liabilities by category

\$NZ000's	31 Dec 2021	31 Dec 2020
<b>Loans and receivables</b>		
Trade receivables	3,717	3,749
Other receivables	1,332	2,334
Cash and cash equivalents	45,155	35,666
	<b>50,204</b>	<b>41,749</b>
<b>Derivatives used for hedging</b>		
Derivative financial instruments - liabilities	917	2,698
	<b>917</b>	<b>2,698</b>
<b>Financial liabilities at amortised cost</b>		
Loans (excluding prepaid facility fees)	247,390	236,398
Trade and other payables (excluding indirect and other taxes and employee benefits)	77,677	70,223
	<b>325,067</b>	<b>306,621</b>

## 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 United States dollars.

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

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

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

## (b) Interest rate risk

The Group's main interest rate risk arises from bank loans. 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 2020: \$A35 million), \$NZ10 million to 2022 (Dec 2020: \$NZ10 million to 2022) and \$US20 million to 2022 (Dec 2020: \$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 treasury policy.



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

For the year ended 31 December 2021

**(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 rates	Total	Less than 1 year	Between 1 and 5 years
<b>31 Dec 2021</b>				
Cash on hand	-	640	640	-
Cash at bank	0.25%	24,115	24,115	-
Money market deposit	0.70%	20,400	20,400	-
Bank term loan – principal (NZD)	7.83%	(10,000)	-	(10,000)
Bank term loan – principal (AUD)	3.13%	(80,671)	-	(80,671)
Bank term loan – principal (USD)	2.25%	(156,719)	-	(156,719)
Bank term loan – expected interest	2.76%	(8,047)	(4,858)	(3,189)
Derivative financial instruments	-	(762)	(762)	-
Trade and other payables (excluding indirect and other taxes and employee benefits)	-	(77,087)	(77,087)	-
		(288,131)	(37,552)	(250,579)
<b>31 Dec 2020</b>				
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)

Prudent liquidity risk management implies the availability of funding through adequate amounts 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 \$359.8 million (Dec 2020: \$350.6 million) available at variable rates. The amount undrawn at balance date was \$112.5 million (Dec 2020: \$125.5 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.

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

\$NZ000's	31 Dec 2021	31 Dec 2020
Within one year	56,801	51,831
One to five years	224,436	197,672
Beyond 5 years	802,240	724,669
	1,083,477	974,172

This includes future lease 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 2020: 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.



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

For the year ended 31 December 2021

**(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 2021 it is estimated that a general increase of one percentage point in interest rates would decrease the Group profit before income tax by approximately \$1.7 million (Dec 2020: \$1.5 million), however equity would increase \$0.1 million (Dec 2020: \$1.3 million). A one percentage point decrease in interest rates would increase the Group profit before income tax by approximately \$2.4 million (Dec 2020: \$2.2 million), however equity would increase by \$1.8 million (Dec 2020 \$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 2021 number	31 Dec 2021 \$NZ000's	31 Dec 2020 Number	31 Dec 2020 \$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 2020: 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 2021	31 Dec 2020
	(1,480)	(8,038)

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 2021	31 Dec 2020
	(872)	(2,322)

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

**WORKING CAPITAL****8. Inventories**

\$NZ000's	31 Dec 2021	31 Dec 2020
Raw materials and consumables	22,261	16,607

Inventories recognised as an expense during the period ended 31 December 2021 amounted to \$269.9 million (Dec 2020: \$222.9 million). This is included in cost of goods sold.

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.

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

For the year ended 31 December 2021

**9. Trade and other receivables**

\$NZ000's	31 Dec 2021	31 Dec 2020
Trade receivables	3,717	3,749
Prepayments	5,963	5,311
Other receivables	1,332	2,334
	<b>11,012</b>	<b>11,394</b>

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

NZD	7,016	6,912
AUD	1,781	1,748
USD	2,215	2,734
	<b>11,012</b>	<b>11,394</b>

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 2021	31 Dec 2020
Cash on hand	640	612
Cash at bank	44,515	35,054
	<b>45,155</b>	<b>35,666</b>

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

NZD	23,829	8,218
AUD	6,944	5,855
USD	14,382	21,593
	<b>45,155</b>	<b>35,666</b>

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 2021	31 Dec 2020
Assets for stores developed for sale	-	2,833
Liabilities for store developed for sale	-	(1,751)

This related to new Pizza Hut stores developed for sale in New Zealand which were actively marketed for sale and expected to be sold. Included as part of the balances was \$1.8 million of lease liabilities and \$1.7 million of right of use 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. There were three stores classified as held for sale in 2020, two of these were sold to franchisees whilst one store was retained and reclassified as an owned store during 2021.

**12. Trade and other payables**

\$NZ000's	31 Dec 2021	31 Dec 2020
Trade payables	45,443	41,265
Other payables and accruals	32,234	28,958
Employee benefits	24,476	21,297
Indirect and other taxes	8,323	10,069
	<b>110,476</b>	<b>101,589</b>

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

NZD	60,944	60,736
AUD	20,890	18,621
USD	28,642	22,232
	<b>110,476</b>	<b>101,589</b>

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.

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

For the year ended 31 December 2021

## LONG TERM ASSETS

## 13. Property, plant and equipment

\$NZ000's	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
Cost							
<b>Balance as at 31 December 2019</b>	<b>4,375</b>	<b>225,841</b>	<b>109,835</b>	<b>1,870</b>	<b>196</b>	<b>14,705</b>	<b>356,822</b>
Additions	—	—	—	—	—	59,905	59,905
Acquisition of business	—	26,361	7,036	258	—	490	34,145
Transfers from work in progress	—	37,507	18,141	164	—	(55,812)	—
Disposals	—	(6,183)	(6,554)	(191)	—	—	(12,928)
Movement in exchange rates	92	(3,406)	(1,455)	(2)	—	(373)	(5,144)
<b>Balance as at 31 December 2020</b>	<b>4,467</b>	<b>280,120</b>	<b>127,003</b>	<b>2,099</b>	<b>196</b>	<b>18,915</b>	<b>432,800</b>
Additions	—	—	—	—	—	82,445	82,445
Acquisition of business	—	3,418	832	—	—	—	4,250
Transfers from work in progress	—	54,717	16,102	487	—	(71,306)	—
Disposals	—	(18,246)	(20,785)	(426)	(196)	—	(39,653)
Reclassifications	—	1,264	(3,385)	—	—	—	(2,121)
Movement in exchange rates	(15)	3,756	1,518	12	—	405	5,676
<b>Balance as at 31 December 2021</b>	<b>4,452</b>	<b>325,029</b>	<b>121,285</b>	<b>2,172</b>	<b>—</b>	<b>30,459</b>	<b>483,397</b>
Accumulated depreciation							
<b>Balance as at 31 December 2019</b>	<b>—</b>	<b>(109,169)</b>	<b>(66,873)</b>	<b>(992)</b>	<b>(196)</b>	<b>—</b>	<b>(177,230)</b>
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
<b>Balance as at 31 December 2020</b>	<b>—</b>	<b>(126,024)</b>	<b>(73,450)</b>	<b>(1,208)</b>	<b>(196)</b>	<b>—</b>	<b>(200,878)</b>
Charge	—	(23,413)	(13,636)	(410)	—	—	(37,459)
Disposals	—	14,567	18,421	299	196	—	33,483
Reclassification	—	(582)	2,703	—	—	—	2,121
Movement in exchange rates	—	(702)	(750)	(4)	—	—	(1,456)
<b>Balance as at 31 December 2021</b>	<b>—</b>	<b>(136,154)</b>	<b>(66,712)</b>	<b>(1,323)</b>	<b>—</b>	<b>—</b>	<b>(204,189)</b>
Impairment provision							
<b>Balance as at 31 December 2019</b>	<b>—</b>	<b>(3,897)</b>	<b>86</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,811)</b>
Charge	—	(97)	(108)	—	—	—	(205)
Reclassification	—	517	(517)	—	—	—	—
Utilised/disposed	—	692	111	—	—	—	803
<b>Balance as at 31 December 2020</b>	<b>—</b>	<b>(2,785)</b>	<b>(428)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,213)</b>
Charge	—	(170)	(173)	—	—	—	(343)
Utilised/disposed	—	914	316	—	—	—	1,230
Movement in exchange rates	—	(114)	(20)	—	—	—	(134)
<b>Balance as at 31 December 2021</b>	<b>—</b>	<b>(2,155)</b>	<b>(305)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2,460)</b>
Carrying amounts							
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
<b>Balance as at 31 December 2021</b>	<b>4,452</b>	<b>186,720</b>	<b>54,268</b>	<b>849</b>	<b>—</b>	<b>30,459</b>	<b>276,748</b>

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

For the year ended 31 December 2021

## Depreciation expense

\$NZ000's	31 Dec 2021	31 Dec 2020
Depreciation expense	<b>36,623</b>	33,811
Sale of property, plant and equipment		
Net loss on disposal of property, plant and equipment (included in depreciation expense)	(3,619)	(1,850)
Net gain on disposal of property, plant and equipment (included in other expenses)	945	405

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	4-5 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 judgments and can be significantly impacted by changes in the business or economic conditions.

Property, plant and equipment and right of use 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 growth rate is calculated based on continuous sales growth at a minimum projected inflation estimated at 2.0%.

Management has assessed individual restaurant assets to identify whether impairment indicators existed as at balance date for associated property, plant and equipment and right of use assets. The COVID-19 pandemic has continued to have an impact on the financial performance of each of the Group's segments.

Management's review focussed particularly on the restaurants (cash-generating units) within the Australian segment as the impacts of COVID-19 during the year caused by extended lockdown restrictions have significantly adversely affected trading. Restaurant property, plant and equipment and right-of-use assets for Australia amounted to \$81.9 million and \$152.9 million respectively as at 31 December 2021. The restaurants most affected were CBD and mall locations which were closed for an extended period of time during the year and only resumed operations when restrictions began to ease in October 2021. Following a review of store performance and consideration of other impairment indicators, the Group determined that there were six restaurants within the Australian segment that required a calculation of the recoverable amount as there were impairment indicators. The key assumptions used in the value in use calculations were as follows:

Key assumptions	Percentage used (%)
Sales Growth	2.0 - 75.4
EBITDA margin	4.1 - 17.5
EBITDA margin terminal year	21.7
Terminal growth rate	2.0
Discount rate	7.8

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

For the year ended 31 December 2021

The significant change in sales growth and EBITDA margin as a percentage reflects the return to normal trading levels following significant restrictions for some stores in 2021. The sales growth from 2023 returns to normal levels at approximately 4%, except for one store which is in a location catering primarily to international students that is expected to grow by 15% in 2023 before returning to normal growth levels thereafter.

Based on the calculations, which in each case showed a recoverable amount higher than the respective carrying value of assets, no impairment was considered necessary.

Although the other CGUs were adversely impacted by COVID-19 it was to a lesser degree. California and Hawaii were not subject to significant restrictions and New Zealand's Alert Level 4 closures were for a limited period. No impairment indicators were noted for these CGUs.

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 judgments**

There are a number of judgments 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 judgment 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 assets (ROU assets)**

\$NZ000's	note	31 Dec 2021	31 Dec 2020
Opening balance		517,085	353,937
Right of use assets acquired on acquisition of businesses	26	19,072	159,310
Depreciation		(38,194)	(30,908)
Adjustments to existing right of use assets		27,070	12,077
Additions		39,838	33,398
Foreign exchange movement		11,656	(10,729)
<b>Closing balance</b>		<b>576,527</b>	<b>517,085</b>

Additions relate 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.

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

For the year ended 31 December 2021

## Lease liabilities

\$NZ000's	note	31 Dec 2021	31 Dec 2020
Opening balance		595,614	425,083
Lease liabilities asset acquired on acquisition of businesses	26	19,072	158,244
Cash flow payments		(54,857)	(45,843)
Interest		28,993	23,752
Adjustments to existing lease liabilities		27,786	12,281
Additions		39,510	33,052
Foreign exchange movement		12,563	(10,955)
<b>Closing balance</b>		<b>668,681</b>	<b>595,614</b>
Current lease liabilities		25,609	23,826
Non-current lease liabilities		643,072	571,788
<b>Closing balance</b>		<b>668,681</b>	<b>595,614</b>

The weighted average incremental borrowing rate applied to lease additions during the year was 4.2% (Dec 2020: 4.6%).

## 15. Intangibles

\$NZ000's	Note	Goodwill	Franchise fees	Concept development costs	Acquired software costs	Total
Cost						
<b>Balance as at 31 December 2019</b>		<b>228,672</b>	<b>30,119</b>	<b>1,290</b>	<b>11,586</b>	<b>271,667</b>
Additions		—	1,958	—	—	1,958
Acquisition of business		29,187	58,512	—	—	87,699
Transfer from work in progress		—	—	—	1,489	1,489
Disposals		(1,322)	(3,765)	(489)	(2,480)	(8,066)
Movement in exchange rates		(7,249)	(4,419)	—	—	(11,668)
<b>Balance as at 31 December 2020</b>		<b>249,278</b>	<b>82,405</b>	<b>801</b>	<b>10,595</b>	<b>343,079</b>
Additions		—	2,689	—	200	2,889
Acquisition of business	26	18,152	5,840	—	—	23,992
Disposals		(327)	(1,583)	—	(552)	(2,462)
Reclassification from property, plant and Equipment		—	—	—	2,121	2,121
Movement in exchange rates		6,992	3,765	—	—	10,757
<b>Balance as at 31 December 2021</b>		<b>274,095</b>	<b>93,116</b>	<b>801</b>	<b>12,364</b>	<b>380,376</b>
Accumulated amortisation						
<b>Balance as at 31 December 2019</b>		<b>(831)</b>	<b>(12,633)</b>	<b>(1,220)</b>	<b>(8,312)</b>	<b>(22,996)</b>
Charge		—	(4,168)	(5)	(1,343)	(5,516)
Disposals		—	3,336	489	2,190	6,015
Movement in exchange rates		—	404	—	—	404
<b>Balance as at 31 December 2020</b>		<b>(831)</b>	<b>(13,061)</b>	<b>(736)</b>	<b>(7,465)</b>	<b>(22,093)</b>
Charge		—	(8,151)	(5)	(1,076)	(9,232)
Disposals		—	1,392	—	350	1,742
Reclassification from property, plant and Equipment		—	—	—	(2,121)	(2,121)
Movement in exchange rates		—	(456)	—	—	(456)
<b>Balance as at 31 December 2021</b>		<b>(831)</b>	<b>(20,276)</b>	<b>(741)</b>	<b>(10,312)</b>	<b>(32,160)</b>

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

## Carrying amounts

Balance as at 31 December 2019	227,841	17,486	70	3,274	248,671
Balance as at 31 December 2020	248,447	69,344	65	3,130	320,986
<b>Balance as at 31 December 2021</b>	<b>273,264</b>	<b>72,840</b>	<b>60</b>	<b>2,052</b>	<b>348,216</b>



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

For the year ended 31 December 2021

**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 takeaway 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.

**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.

**Amortisation**

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

\$NZ000's	31 Dec 2021	31 Dec 2020
Amortisation of intangibles	<b>9,232</b>	5,516

**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 2021	31 Dec 2020
KFC Australia	<b>112,800</b>	96,896
KFC New Zealand	<b>6,528</b>	6,528
Pizza Hut New Zealand	<b>7,433</b>	7,787
Pizza Hut and Taco Bell Hawaii	<b>118,669</b>	112,374
KFC and Taco Bell California	<b>27,834</b>	24,862
Total goodwill	<b>273,264</b>	248,447

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 four year financial plan as approved by the Board of Directors.

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

For the year ended 31 December 2021

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

Brand	31 Dec 2021	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2020	31 Dec 2020
	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 Australia	4.1 - 5.1	14.4 - 15.2	15.5	4.3	15.3	15.3
KFC New Zealand	4.1 - 5.2	20.8 - 21.3	21.3	4.1	20.1	20.1
Pizza Hut New Zealand	3.0 - 5.1	8.3 - 9.5	10.0	1.1	5.3	5.3
Pizza Hut and Taco Bell Hawaii	3.0 - 6.9	10.3 - 20.0	10.6 - 20.2	3.5-6.1	7.7-20.0	7.7-20.0
KFC and Taco Bell California	(4.7) - 3.5	15.0 - 17.0	18.0	2.0	16.5	16.5

The key assumptions in each cash-generating unit are broadly consistent with the prior year with the exception of:

Pizza Hut New Zealand – the disposal of unprofitable stores has been considered in developing future key assumptions and therefore sales and EBITDA margins are expected to significantly improve compared to prior year assumptions.

Pizza Hut and Taco Bell Hawaii – The improvement in EBITDA margin reflects the strong performance of the Pizza Hut brand which is expected to continue.

KFC and Taco Bell California – all key assumptions are relatively consistent with the prior year other than sales growth where it is expected to decrease in 2022 to adjust for Government stimulus packages provided in 2021 that are not expected to recur in the future.

The terminal growth rate is calculated based on the 2025 year and assumes a continuous sales growth of a minimum of projected inflation estimates of 2.0% (Dec 2020: 1.5%).

The weighted average post-tax cost of capital discount rate for each cash generating units is set out below:

Brand	31 Dec 2021	31 Dec 2020
	Weighted average post-tax cost of capital %	Weighted average post-tax cost of capital %
KFC Australia	7.8	7.8
KFC New Zealand	7.8	7.8
Pizza Hut New Zealand	10.9	10.9
Pizza Hut and Taco Bell Hawaii	8.0	8.0
KFC and Taco Bell California	8.0	8.0

The weighted average cost of capital calculation was reviewed in 2020 based on capital asset pricing model (CAPM) methodology using market inputs at the time. For 2021, management has assessed changes in current market inputs and have determined that there has been no significant change that would change the overall weighted average post-tax cost of capital from the previous year.

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 has 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 growth rate - This is the growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with expected long-term inflation for each territory in which the CGU operates.
- The discount rate - The rate used to reflect specific risks relating to the relevant segments and the countries in which they operate.

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

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

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

In respect of the California brands of KFC and Taco Bell, which was a recent acquisition in September 2020, an increase to 8.1% in the weighted average post-tax cost of capital would cause the carrying amount to equal its recoverable amount, this is an increase of 0.1% on the weighted average post-tax cost of capital.



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

For the year ended 31 December 2021

## OTHER NOTES

## 16. Taxation

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

## Taxation – consolidated statement of comprehensive income

The total taxation expense is analysed as follows:

\$NZ000's	Note	31 Dec 2021		31 Dec 2020
Total profit before taxation for the period	1	65,793		44,564
Taxation expense	1	(13,912)		(13,920)
Net profit after income tax		51,881		30,644
Taxation expense using the Company's domestic tax rate	(28.0%)	(18,422)	(28.0%)	(12,478)
Non-assessable income		3,094	4.9%	-
Other		978	0.6%	(1,813)
Adjustments due to different jurisdictions		437	0.7%	371
		(13,912)	(21.8%)	(13,920)
Taxation expense comprises:				
Current tax expense		(13,257)		(18,364)
Deferred tax expense		(655)		4,444
		(13,912)		(13,920)

## Imputation credits

The below 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 2020: 28% New Zealand, 30% Australia and 21% USA).

\$NZ000's	31 Dec 2021	31 Dec 2020
Imputation credits available for subsequent reporting periods	35,435	21,909

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

For the year ended 31 December 2021

## Taxation – consolidated statement of financial position

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

\$NZ000's	Assets		Liabilities		Net	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Property, plant and equipment	10,354	9,766	(5,608)	(174)	4,746	9,592
Inventory	39	57	-	-	39	57
Accounts receivable	-	-	(274)	(287)	(274)	(287)
Provisions	6,995	6,830	-	-	6,995	6,830
Intangibles	1,214	38	(3,414)	(1,958)	(2,200)	(1,920)
Leases	25,762	22,054	-	-	25,762	22,054
Other	2,507	3,585	-	-	2,507	3,585
	46,871	42,330	(9,296)	(2,419)	37,575	39,911

\$NZ000's	Balance 31 December 2019	Opening balance on acquisition	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
Accounts receivable	(172)	-	(111)	-	(4)	(287)
Provisions	4,463	-	(2,355)	-	12	6,830
Intangibles	(365)	-	(1,763)	-	208	(1,920)
Leases	19,679	(70)	2,522	-	(77)	22,054
Other	2,070	-	2,590	(872)	(203)	3,585
	36,492	(70)	4,444	(872)	(83)	39,911

\$NZ000's	Balance 31 December 2020	Opening balance on acquisition	Recognised in consolidated statement of comprehensive income	Recognised in equity	Foreign currency translation	Balance 31 December 2021
Property, plant and equipment	9,592	-	(4,817)	-	(29)	4,746
Inventory	57	-	(18)	-	-	39
Accounts receivable	(287)	-	12	-	1	(274)
Provisions	6,830	-	119	-	46	6,995
Intangibles	(1,920)	(1,290)	1,304	-	(294)	(2,200)
Leases	22,054	-	3,619	-	89	25,762
Other	3,585	-	(874)	(370)	166	2,507
	39,911	(1,290)	(655)	(370)	(21)	37,575

The Hawaii and California divisions have a net deferred tax liability of \$1.1 million which cannot be offset against the deferred tax assets held in the other divisions, therefore this is classified as a non-current liability in the consolidated statement of financial position.

\$NZ000's	31 Dec 2021
Deferred tax assets	38,711
Deferred tax liabilities	(1,136)
	37,575

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

For the year ended 31 December 2021

**17. Provisions**

NZ\$000's	Employee provisions	Make good provisions	Total
<b>Balance at 31 December 2020</b>	<b>2,243</b>	<b>3,076</b>	<b>5,319</b>
Opening balance acquired on acquisition	131	-	131
Created during the period	394	970	1,364
Used during the period	(779)	(105)	(884)
Released during the period	-	(135)	(135)
Foreign exchange movement	(5)	(7)	(12)
<b>Balance at 31 December 2021</b>	<b>1,984</b>	<b>3,799</b>	<b>5,783</b>
<b>31 December 2021</b>			
Non-current	680	3,799	4,479
Current	1,304	-	1,304
<b>Total</b>	<b>1,984</b>	<b>3,799</b>	<b>5,783</b>

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**

NZ\$000's	
<b>Balance at 31 December 2020</b>	<b>788</b>
Opening balance acquired on acquisition	-
Created during the period	2,595
Used during the period	(2,465)
Released during the period	-
Foreign exchange movement	25
<b>Balance at 31 December 2021</b>	<b>943</b>
<b>31 December 2021</b>	
Non-current	173
Current	770
<b>Total</b>	<b>943</b>

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

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

For the year ended 31 December 2021

**19. Related party transactions****Parent and ultimate controlling party**

The immediate parent of the Group is Finaccess Restauración, S.L. and the ultimate parent company is Grupo Finaccess S.A.P.I de C.V.

**Transactions with entities with key management or entities related to them**

During the period the Group received internal audit services from Finaccess Servicios Corporativos S.A. De C.V a subsidiary of Grupo Finaccess S.A.P.I de C.V the ultimate parent company of the Group. Acquired services totalling \$0.1 million have been included in the consolidated statement of comprehensive income of which no amount remains owing at balance date. These transactions were at arm's length and performed on normal commercial terms.

Apart from directors' fees and key management remuneration, there were no other related party transactions with key management or any Directors or entities associated with 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, and Group Chief Integration Officer.

\$NZ000's	31 Dec 2021	31 Dec 2020
Key management – total benefits	5,556	5,700
Directors fees	488	420

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

**Total Group CEO Remuneration**

\$NZ000's	Salary	Short term incentive	Long term incentives	Total remuneration
31 December 2021	1,147	553	-	1,700
31 December 2020	1,023	1,279	-	2,302

**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.

In May 2021 a payment of \$0.6 million (Dec 20: \$0.9 million) was paid in lieu of a share price based incentive scheme, as no long term incentive scheme has been agreed. The Board also agreed to pay \$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 2021	31 Dec 2020
Store development	17,966	6,817

**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 2020: nil).

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

For the year ended 31 December 2021

**22. Subsequent events**

The directors have declared a fully imputed final dividend of 32.0 cents per share for the year ended 31 December 2021. There are no other subsequent events that would have a material effect on these financial statements.

**23. Fees paid to auditor**

\$NZ000's	31 Dec 2021	31 Dec 2020
<b>Audit of financial statements</b>		
Audit and review of financial statements – PwC	977	714
<b>Other services – performed by PwC</b>		
Specified procedures on landlord certificates	6	3
Review of Yum! advertising co-operative report	11	6
<b>Total other services</b>	<b>17</b>	<b>9</b>
<b>Total fees paid to auditors</b>	<b>994</b>	<b>723</b>

The above audit fee includes \$0.1 million relating to the 2020 audit.

**24. Donations**

\$NZ000's	31 Dec 2021	31 Dec 2020
Donations	549	396

**25. Business combinations**

On 23 February 2021 the Group acquired five KFC stores in New South Wales, Australia for \$17.3 million through the purchase of 100% of the shares in TPH Group Pty Ltd.

The acquisition provided increased presence within the current trading territory. The goodwill on acquisition represents synergies from combining operations with the current store network as well as additional trading strength within the current trading territory. The goodwill is not deductible for tax purposes.

TPH contributed \$15.9 million in sales and \$1.4 million in profit after taxation attributable to shareholders in the period ended 31 December 2021. Had TPH's results been consolidated for the full year ended 31 December 2021, TPH would have contributed \$19.0 million in sales and profit after taxation attributable to shareholders of \$1.7 million.

The loan of \$8.0 million was repaid to the previous owner as part of the settlement. Therefore in the consolidated statement of cash flows cash applied to the acquisition of business is \$25.3 million, including both the net consideration and the settlement of the loan to the previous owner.

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

For the year ended 31 December 2021

\$NZ000's	31 Dec 2021
Net consideration	17,283
Net consideration is made up as follows:	
Cash paid	17,283
Total net consideration	17,283
Property, plant and equipment	4,073
Right of use assets	11,953
Intangibles – reacquired franchise rights	4,645
Intangibles – franchise fees	248
Cash and cash equivalents	1,264
Trade and other receivables	167
Income tax receivable	91
Inventory	63
Lease liabilities	(11,953)
Loan	(7,994)
Deferred tax liability	(1,298)
Provisions	(134)
Trade and other payables	(418)
Total identified assets and liabilities	707
Goodwill	16,576

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 and 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.

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 an active secondary market was identified.

**KFC California acquisitions**

During the year the Group acquired two KFC stores in California for a total of \$2.7 million, one in July and one in December 2021. The stores contributed sales of \$1.1 million resulting in a net loss after tax of \$0.1 million in the consolidated statement of comprehensive income. The acquisition gives rise to \$1.6 million of goodwill.

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

For the year ended 31 December 2021

**26. 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 2021 of the closed group consisting of RBNZ, QSR, Restaurant Brands Australia Holdings Pty Limited and Restaurant Brands Australia Pty Limited.

	31 Dec 2021	31 Dec 2020
\$NZ000's		
<b>Financial information in relation to:</b>		
<b>(i) Statement of profit and loss and other comprehensive income</b>		
Operating revenue	244,104	214,923
Earnings before interest and taxation	6,405	8,576
Finance expense	(10,666)	(9,863)
Loss before taxation	(4,261)	(1,287)
Taxation expense	374	(1,721)
<b>Loss after taxation</b>	<b>(3,887)</b>	<b>(3,008)</b>
<i>Items that may be reclassified subsequently to the statement of comprehensive income:</i>		
Exchange differences on translating foreign operations	(418)	577
Derivative hedge reserve	1,253	(31)
Taxation expense relating to components of other comprehensive income	(370)	10
Other comprehensive income net of tax	465	556
<b>Total comprehensive income</b>	<b>(3,422)</b>	<b>(2,452)</b>
<b>(ii) Summary of movements in retained earnings</b>		
Retained earnings at the beginning of the period	119,677	122,129
Total comprehensive income	(3,422)	(2,452)
<b>Retained earnings at the end of the year</b>	<b>116,125</b>	<b>119,677</b>

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

For the year ended 31 December 2021

\$NZ000's	31 Dec 2021	31 Dec 2020
(iii) <b>Statement of financial position</b>		
<b>Non-current assets</b>		
Property, plant and equipment	81,883	67,930
Right of use assets	151,859	126,642
Intangible assets	120,846	100,401
Deferred tax asset	10,754	9,139
Investment in subsidiaries	239,353	239,353
<b>Total non-current assets</b>	<b>604,695</b>	<b>543,465</b>
<b>Current assets</b>		
Inventories	1,432	1,244
Trade and other receivables	2,249	2,473
Income tax receivable	2,361	3,355
Amounts receivable from subsidiaries	-	16,019
Cash and cash equivalents	27,745	9,150
<b>Total current assets</b>	<b>33,787</b>	<b>32,241</b>
<b>Total assets</b>	<b>638,482</b>	<b>575,706</b>
<b>Equity attributable to shareholders</b>		
Share capital	154,565	154,565
Reserves	(4,450)	(4,915)
Retained earnings	(33,990)	(30,104)
<b>Total equity attributable to shareholders</b>	<b>116,125</b>	<b>119,546</b>
<b>Non-current liabilities</b>		
Provisions	2,312	1,671
Lease liabilities	161,762	133,958
Loans	90,671	71,151
Derivative financial instruments	-	1,876
<b>Total non-current liabilities</b>	<b>254,775</b>	<b>208,656</b>
<b>Current liabilities</b>		
Trade and other payables	22,962	20,596
Provisions	950	1,054
Derivative financial instruments	622	-
Lease liabilities	9,105	7,946
Amounts payable to subsidiaries	233,943	217,908
<b>Total current liabilities</b>	<b>267,582</b>	<b>247,504</b>
<b>Total liabilities</b>	<b>522,357</b>	<b>456,160</b>
<b>Total equity and liabilities</b>	<b>638,482</b>	<b>575,706</b>



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

### 27. COVID-19

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 \$7.2 million (Dec 2020: \$22.0 million) under the New Zealand Wage Subsidy Scheme. 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.

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, \$0.5 million (Dec 2020: \$1.3 million) in rent relief has been included as negative variable rental payments in the consolidated statement of comprehensive income.

Property, plant and equipment: Property, plant and equipment are stated at historical cost less depreciation and impairment. Impairment testing was completed and no impairment identified, having factored into forecasts the anticipated ongoing effects of COVID-19 such as increased costs. Refer note 13 for further details in regards to the impairment testing.

Goodwill: Following recovery of operations any lockdown or restricted trading period, COVID-19 and the resulting economic impacts, as assessed at this reporting period, is not an external indicator of impairment. Impairment testing was completed and no impairment identified, having factored into forecasts the anticipated ongoing effects of COVID-19 such as increased costs.

No other significant measurement impacts were noted. No impact on the going concern status of the Group has been identified as a result of COVID-19.



## Independent auditor's report

To the shareholders of Restaurant Brands New Zealand Limited

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### 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 2021, 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).

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### What we have audited

The Group's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 the financial statements, which include significant accounting policies and other explanatory information.

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### 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.

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### 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 the Yum! Advertising co-operative report. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These relationships and provision of other services has not impaired our independence as auditor of the Group.

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### 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.

Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment tests for KFC Australia and KFC and Taco Bell California</b></p> <p>As at balance date, the Group has recognised goodwill of \$112.8 million relating to KFC Australia and \$27.8 million relating to KFC and Taco Bell California. The Australian business unit has been impacted by COVID-19 during the year, which has had a significant adverse effect on trading circumstances due to extended lockdown restrictions causing store closures and reducing sales and profitability. As the California business unit was acquired in September 2020 with FY21 being the first full year of trading under the Group, the impairment model is sensitive to small changes in assumptions.</p> <p>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 these cash generating units (CGUs) are recoverable. The discounted cash flows are based on the four year budgets approved by the Board of Directors.</p> <p>Our audit focussed on the KFC Australia CGU due to the impacts of COVID-19 and the inherent judgement involved in estimating future business performance, which includes certain key assumptions such as sales growth, EBITDA margin, EBITDA margin terminal year, terminal growth rate and the discount rate. We focussed on the California CGU due to it being recently acquired as well as the ongoing impacts of COVID-19 on the business.</p> <p>The recoverable amount based on the VIU model was higher than the carrying value of both CGUs and as a result, no impairment charge was recognised.</p>	<p>In addressing the estimation and judgements in relation to future performance of the KFC Australia and KFC and Taco Bell CGUs, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the business process applied by management in preparing the impairment assessment;</li> <li>• 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;</li> <li>• Agreeing forecast future performance included in the impairment assessments to four year budgets approved by the Board of Directors;</li> <li>• Challenging key assumptions used in the VIU model in relation to sales growth, costs and EBITDA margins, terminal year sales and EBITDA growth and discount rate, and assessing whether these are reasonable by understanding strategic and operational initiatives underway, along with reviewing recent monthly performance trends to assess the recovery in sales upon stores re-opening;</li> <li>• Evaluating whether corporate costs had been allocated appropriately and included in the cash flows for each CGU;</li> <li>• 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;</li> <li>• Testing the calculation of the carrying amounts of the CGU assets;</li> <li>• Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill; and</li> <li>• Reviewing the financial statements to ensure appropriate identification and disclosure of key assumptions.</li> </ul>

Description of the key audit matter	How our audit addressed the key audit matter
<p>For the KFC Australia CGU, 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 KFC and Taco Bell California CGU, an increase from 8% to 8.1% in the weighted average post-tax cost of capital would cause the carrying amount to equal its recoverable amount.</p> <p>Refer to note 15 of the financial statements.</p>	
<p><b>Impairment assessment of restaurant property, plant and equipment and right of use assets for KFC Australia</b></p> <p>As disclosed in note 13, the Group has recognised property, plant and equipment of \$81.9 million and right of use assets of \$152.9 million relating to KFC Australia.</p> <p>Accounting standards require an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. For the purposes of restaurant property, plant and equipment and right of use asset impairment testing, each individual restaurant is considered to be a separate CGU.</p> <p>The Group has identified impairment indicators for certain restaurants in KFC Australia which have experienced prolonged closure periods due to COVID-19 restrictions. For these restaurants, management has performed value in use calculations to assess whether the associated carrying amounts of restaurant property, plant and equipment and right of use assets are recoverable.</p> <p>This area is a key focus of our audit due to the inherent judgement in assumptions used in impairment testing including the uncertainty as to the ongoing impact of COVID-19 on forecast sales, costs and EBITDA margins for each restaurant.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Considering the appropriate composition of each cash-generating unit;</li> <li>• Gaining an understanding of the business process applied by management in preparing the impairment assessment;</li> <li>• Reviewing monthly restaurant performance data to analyse how stores have recovered where COVID-19 related restrictions have been eased;</li> <li>• Reviewing historical years' actual restaurant sales and profitability against the original budgeted performance to determine the reliability of the budgeting process and considering the impact on forecast performance and understanding the impacts of COVID-19 on operations during the year;</li> <li>• Challenging key assumptions used in the VIU model in relation to sales growth, EBITDA margin, EBITDA margin terminal year, terminal growth rate and discount rate by performing sensitivity analyses;</li> <li>• Challenging key assumptions used within the impairment indicators assessment such as forecast sales, costs and margin assumptions and assessing whether these are reasonable when taking into account ongoing uncertainty from COVID-19. This includes considering the potential for future restaurant closures and the impact of this on future sales and recovery of costs; and</li> <li>• Considering whether the disclosures in the financial statements complied with the requirements of the accounting standards.</li> </ul>

Description of the key audit matter	How our audit addressed the key audit matter
<p>The key assumptions used in management's discounted cash flow models for restaurants identified to have impairment indicators are sales growth, EBITDA margin, EBITDA margin terminal year, terminal growth rate and discount rate.</p> <p>There was no impairment recorded as a result of the impairment tests of individual restaurant property, plant and equipment and right of use assets as the recoverable amounts exceeded the carrying amounts.</p>	

## Our audit approach

### Overview



Overall group materiality: \$3.282 million, which represents approximately 5% of profit before taxation.

We chose profit before taxation 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:

- Goodwill impairment tests for KFC Australia and KFC and Taco Bell California
- Impairment assessment of restaurant property, plant and equipment and right of use assets for KFC Australia

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.

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**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. We performed full-scope audits for all of the Group's principal business units in New Zealand, Australia, California and Hawaii.

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.

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**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.

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**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.

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**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.

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants  
28 February 2022

Auckland





# **Restaurant Brands New Zealand Limited**

**Annual Results to 31 December 2021  
(FY21)**

**Russel Creedy - Group CEO  
Grant Ellis - Group CFO**

**28 February 2022**



## Presentation Outline

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

## Key Points

	vs. FY 20	FY 19D	FY 19D (R)	FY 20	FY 21
• Group Sales	+19.7%	\$705.5m	\$833.8m	\$892.4m	\$1,068.2m
• Reported NPAT	+69.3%	\$30.1m	\$35.6m	\$30.6m	\$51.9m
• Brand EBITDA	+17.2%	\$116.0m	\$137.1m	\$147.3m	\$172.6m

- Group sales exceeded the long signalled target of \$1B.
- A strong performance despite the COVID-19 headwinds.
- California purchase (69 stores) completed on 2 September 2020 - full year's trading included in FY21.
- Dividend of 32.0 cents per share declared, payable on 22 April

**Note:**

- 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
- FY 21 = 12 months to 31 December 2021

# Results Overview

## NPAT increases on full year trading of California acquisition and solid same store sales growth

<i>\$m (after tax)</i>	FY 20	FY 21	Change \$	Change B/(W)%
Reported NPAT	30.6	51.9	21.3	69.3%
NZ IFRS 16 Impact	7.0	9.6	2.6	(37.1%)
Other (Income) and Expenses	4.8	(7.2)	(12.0)	250.0%
Comparable Trading NPAT	42.4	54.3	11.9	28.1%

## COVID-19 – A continuing impact on the business

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### NEW ZEALAND

- All stores fully closed 18 August - 31 August, with Auckland stores remained fully closed until 21 September (Level 4).
- Lost sales from full store closures in excess of \$26m. All staff were paid full wages over this time.
- Various other restrictions on dine-in trading during the year.
- Government grants of \$7.2m for wages received during the Level 4 “lockdown” fully paid out to staff.



## COVID-19 – An unprecedented impact on the business

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### AUSTRALIA

- Temporary closure of 15 mall and inline stores.
- Various other restrictions on dine-in trading during the year.
- FSDT stores performed strongly.
- No Government support.

### HAWAII

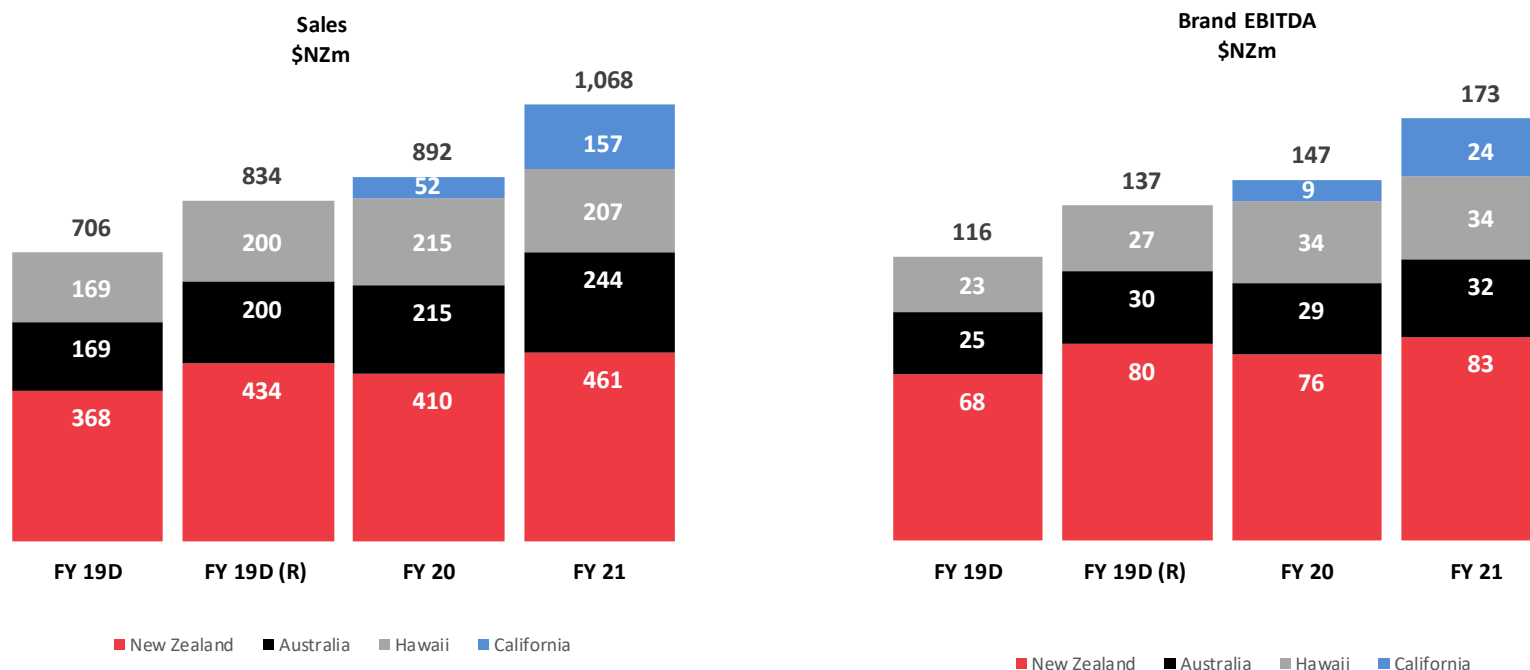
- Hawaii and Guam Taco Bell stores recovered from dine-in restrictions and temporary mall store closures.
- Pizza Hut business maintained it's growth with a strong delivery and online offer.
- Government PPP loan of \$US8.1m (drawn during 2020) has been forgiven.

### CALIFORNIA

- COVID-19 dine in restrictions in place were mitigated by all stores having drive-thru functions.



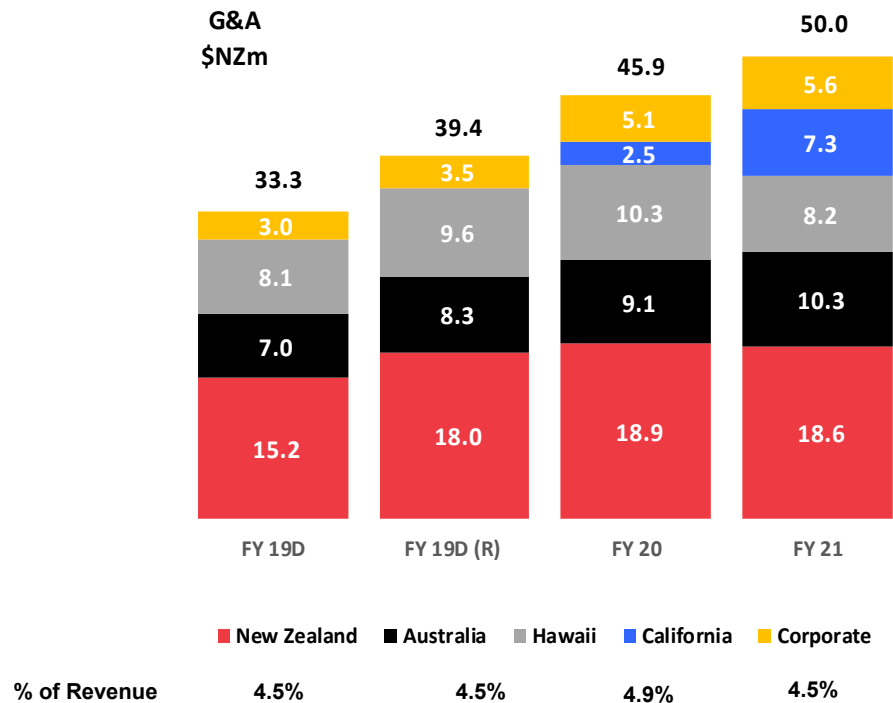
## Lost sales and margin from COVID-19 store closures more than made up for by full year of California operations and strong same store sales



**Note:**

- 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
- FY 21 = 12 months to 31 December 2021

## G&A costs stable at 4.5% of revenues, including initial Taco Bell staffing costs in New Zealand & Australia



**Note:**

- 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
- FY 21 = 12 months to 31 December 2021



**Other Income and Expenses (“non-trading items”) primarily consists of Hawaii PPP loan forgiven, partly offset by ERP implementation costs**

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*\$NZm (Pre tax)*

	FY 20	FY 21
Loan Forgiveness	-	(11.4)
Gain on sale Pizza Hut stores	(0.4)	(0.9)
Impairment of assets & goodwill	0.5	-
Sundry other income & expenses	0.4	0.2
Acquisition costs	4.3	0.7
ERP Implementation	-	4.2
Net Other (Income) & Expenses	4.8	(7.2)

**Operating cash flows up on prior year with strong trading and California acquisition.  
Investing cash flows higher on catch up of prior year's COVID-19 related delays.**

<b>\$NZm</b>	<b>FY 19D</b>	<b>FY 20</b>	<b>FY 21</b>
Operating Cashflow ( NZ IFRS 16 adjusted)	72	90 *	102 *
Investing Cashflow (adjusted)	(60)	(58) **	(82) ***
Free Cashflow	12	32	20

\* Adjusted for lease principal payments of \$24.5m (FY 20 \$21.2m) classified as financing activities under NZ IFRS 16

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

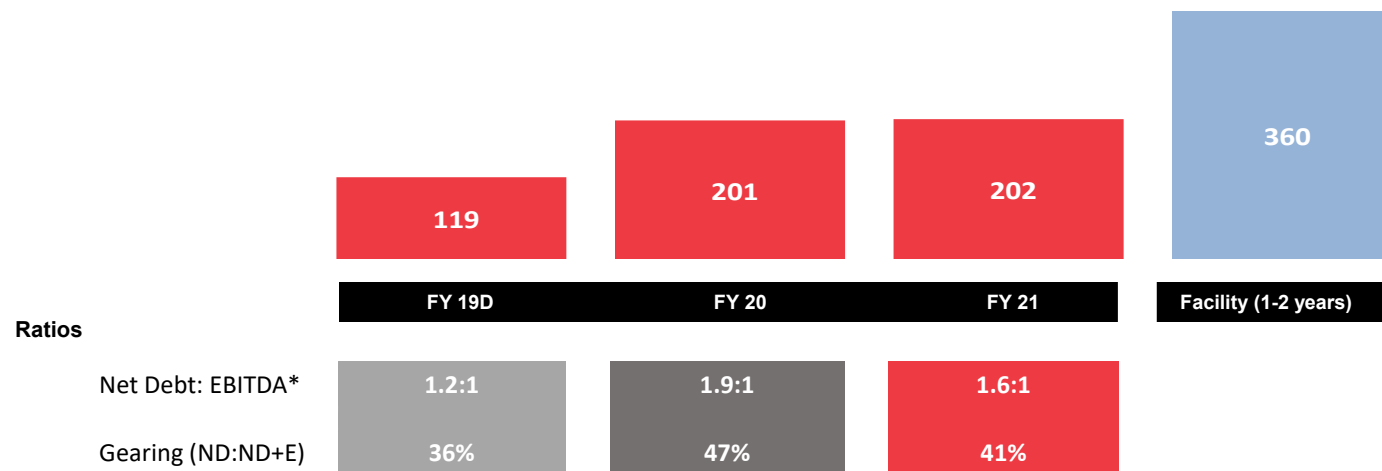
\*\*\* Adjusted for \$27.5m (\$A23.3m) 5 store Australia acquisition

**Note:**

- FY 19D = 10 months to 31 December 2019
- FY 20 = 12 months to 31 December 2020
- FY 21 = 12 months to 31 December 2021

## Net borrowings stable with improved debt ratios from strong trading performance

Net Debt \$NZm



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

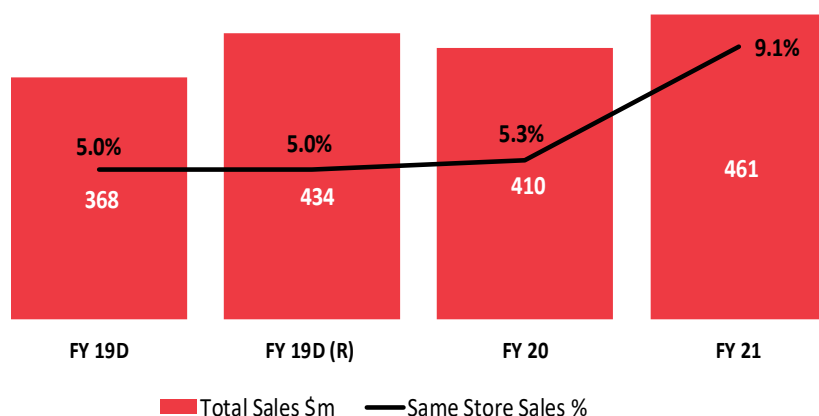
## New Zealand Operations

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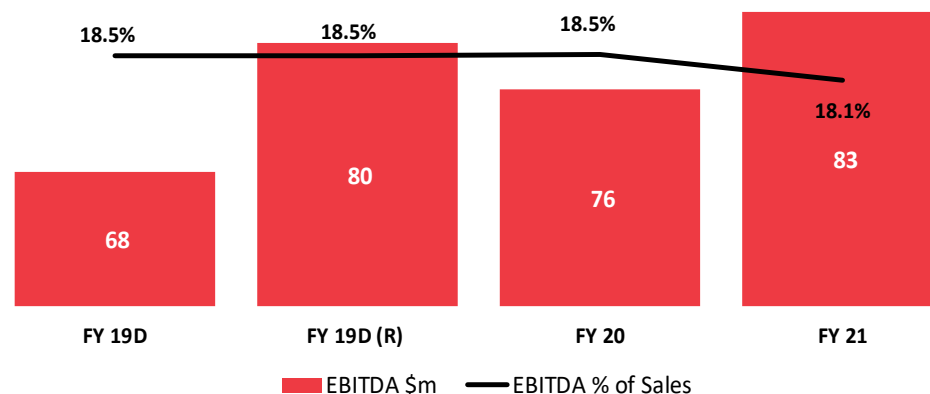


## NZ sales impact of COVID-19 closures and restrictions offset by strong same store sales. EBITDA % drops slightly on higher sales mix of new Taco Bell stores

NZ Sales



NZ EBITDA



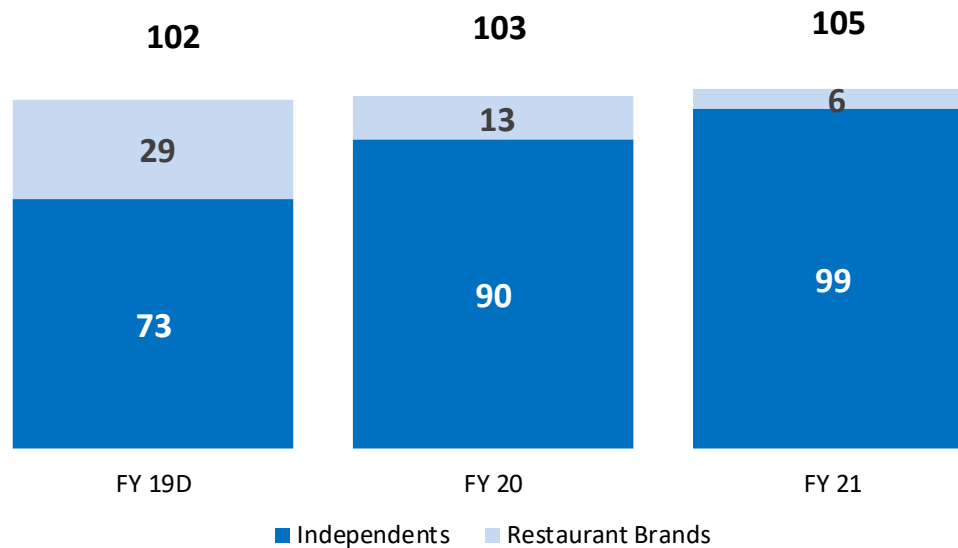
**Note:**

- 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
- FY 21 = 12 months to 31 December 2021

## Sales of Pizza Hut stores to independent franchisees complete, with new store builds for independent franchisees to continue

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No. of Stores



**Note:**

- FY 19D = as at 31 December 2019
- FY 20 = as at 31 December 2020
- FY 21 = as at 31 December 2021

## Australian Operations

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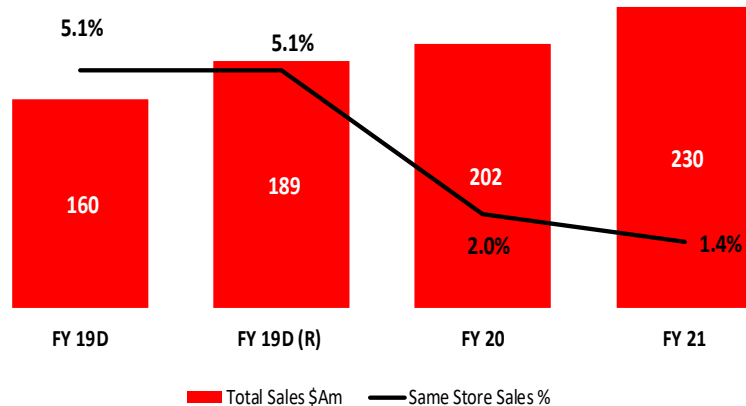


**KFC**  
FINGER LICKIN' GOOD

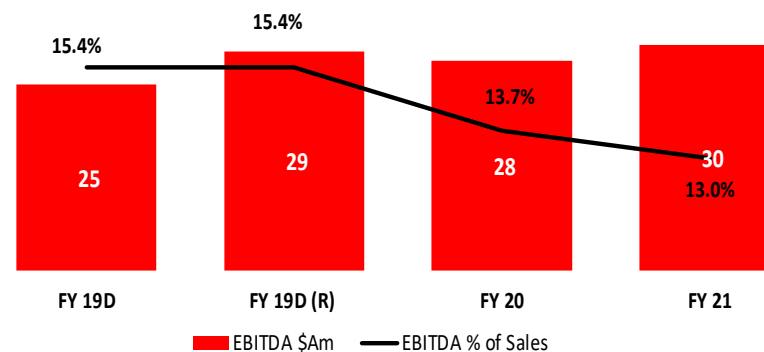
  
**TACO BELL**

## Australian business continues to be impacted by lower sales in mall and CBD stores from COVID-19 crisis; however larger FSDT stores performed strongly

Australia Sales



Australia EBITDA



**Note:**

- 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
- FY 21 = 12 months to 31 December 2021



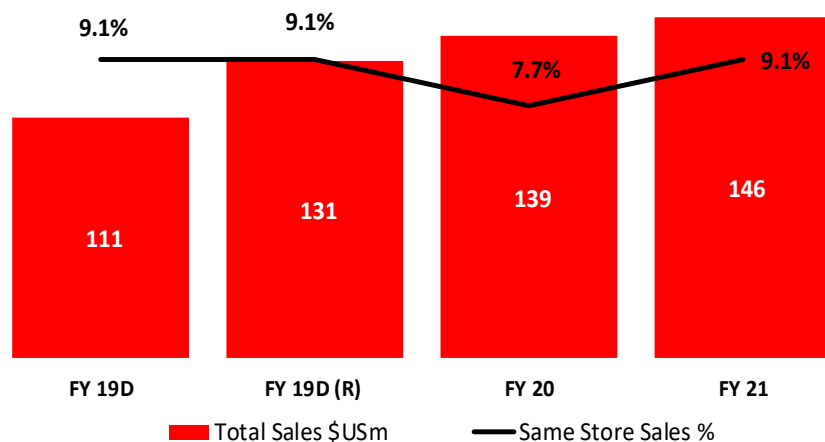
## Hawaiian Operations

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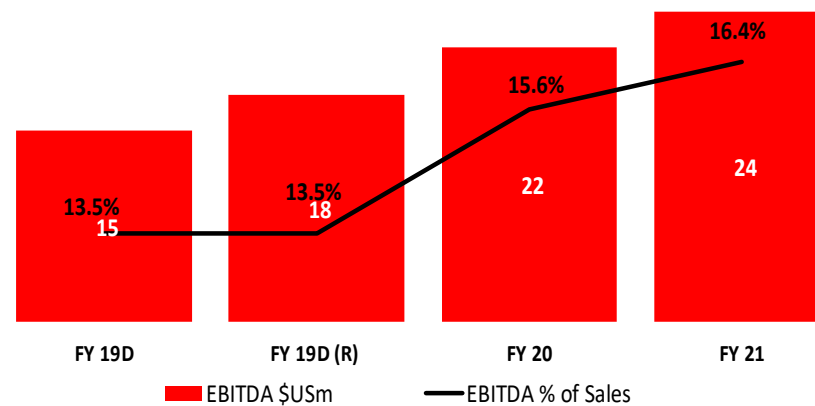


## Hawaii boosted by recovery of sales and margin lost during initial stages of COVID-19, with Pizza Hut maintaining prior year trading gains

### Hawaii Sales



### Hawaii EBITDA



**Note:**

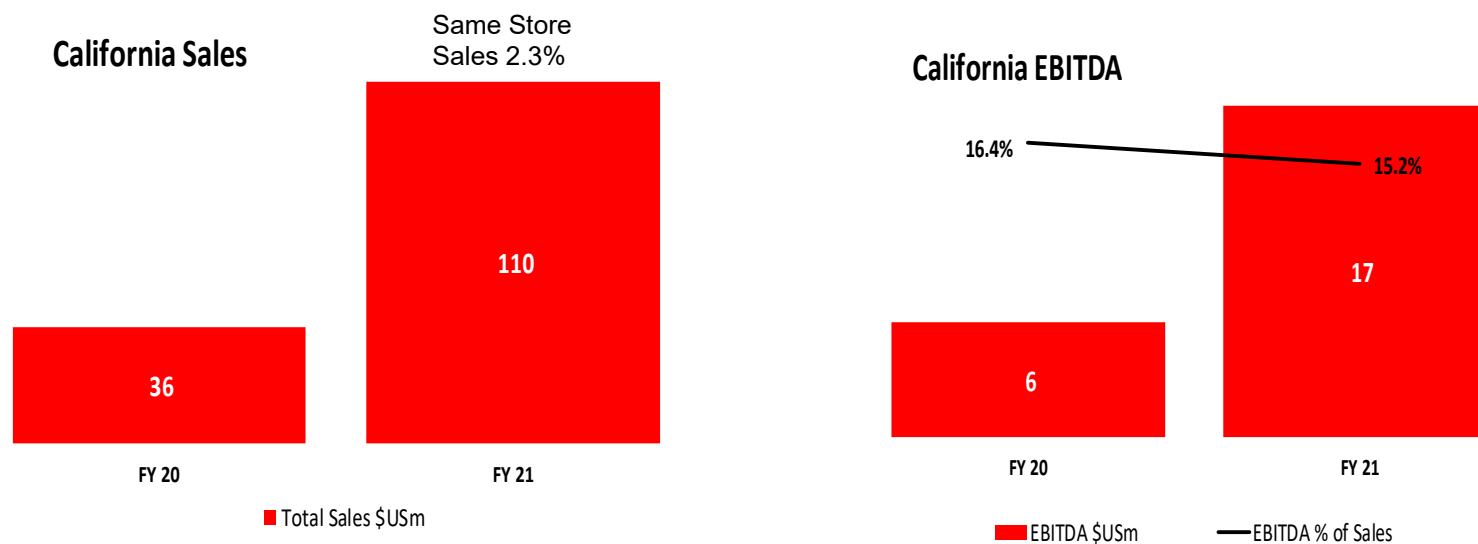
- FY 19D = 10 months to 31 December 2019
- FY 19D (R) = Restated FY 19D (pro rata) for equivalent 12 month period
- FY 20 = 12 months to 31 December 2020
- FY 21 = 12 months to December 2021

## Californian Operations

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## California acquisition exceeded expectations in first full year of ownership



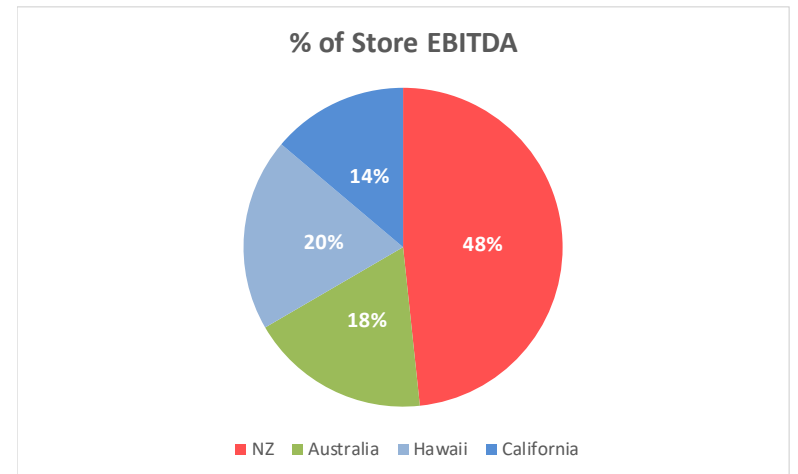
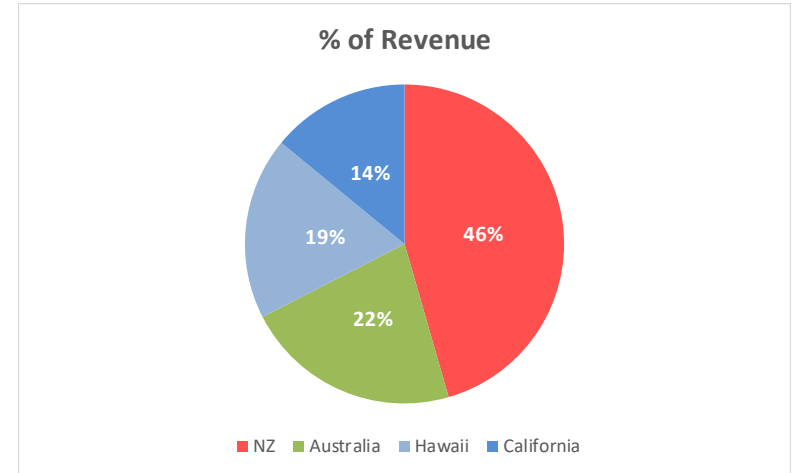
**Note:**

- FY 20 = 4 months to 31 December 2020
- FY 21 = 12 months to 31 December 2021

## Completion of US acquisition places final piece on RBD beachhead expansion strategy

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- With additional US business and strong sales growth RBD reached its \$1billion dollar revenue target.
- Future expansion in US to come from store builds and smaller franchise acquisition.
- Confirms wisdom of geographic and brand diversification strategy.



## Outlook

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Despite the challenges of operating under ongoing COVID-19 cases RBD intends to continue 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 California acquisition is well settled in and trading well, with plans for additional stores by both new store builds and ongoing minor acquisitions near existing stores.

Despite solid sales and margins in the beginning of FY22, continued uncertainty in the trading environment due to COVID-19 mean that RBD is not providing firm guidance for the FY22 results at this stage.

# Questions

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The information in this presentation:

- Is provided by Restaurant Brands New Zealand Limited ("**RBD**") for general information purposes and does not constitute investment advice or an offer of or invitation to purchase RBD securities.
- Includes forward-looking statements. These statements are not guarantees or predictions of future performance. They involve known and unknown risks, uncertainties and other factors, many of which are beyond RBD's control, and which may cause actual results to differ materially from those contained in this presentation.
- Includes statements relating to past performance which should not be regarded as reliable indicators of future performance.
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- Should be read in conjunction with RBD's audited consolidated financial statements for the 12 months ending 31 December 2021 and NZX and ASX market releases.
- Includes non-GAAP financial measures including "EBITDA". These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. However, they should not be used in substitution for, or isolation of, RBD's audited consolidated financial statements. We monitor EBITDA as a key performance indicator and we believe it assists investors in assessing the performance of the core operations of our business.
- Has been prepared with due care and attention. However, RBD and its directors and employees accept no liability for any errors or omissions.
- Contains information from third parties RBD believes reliable. However, no representations or warranties are made as to the accuracy or completeness of such information.

Please note: all cash amounts in this form should be provided to 8 decimal places

Section 1: Issuer information				
Name of issuer	Restaurant Brands New Zealand Limited			
Financial product name/description	Final dividend			
NZX ticker code	RBD			
ISIN (If unknown, check on NZX website)	NZRBDE0001S1			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	08/04/2022			
Ex-Date (one business day before the Record Date)	07/04/2022			
Payment date (and allotment date for DRP)	22/04/2022			
Total monies associated with the distribution <sup>1</sup>	\$39,922,727			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZ Dollars			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$0.44444444			
Gross taxable amount <sup>3</sup>	\$0.44444444			
Total cash distribution <sup>4</sup>	\$0.32000000			
Excluded amount (applicable to listed PIEs)	\$0.00000000			
Supplementary distribution amount	\$0.05647059			
Section 3: Imputation credits and Resident Withholding Tax <sup>5</sup>				
Is the distribution imputed	Fully imputed	X		
	<del>Partial imputation</del>			
	<del>No imputation</del>			

<sup>1</sup> Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

<sup>2</sup> "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

<sup>3</sup> "Gross taxable amount" is the gross distribution minus any excluded income.

<sup>4</sup> "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

<sup>5</sup> The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.



If fully or partially imputed, please state imputation rate as % applied <sup>6</sup>	28%	
Imputation tax credits per financial product	\$0.12444444	
Resident Withholding Tax per financial product	\$0.02222222	
<b>Section 4: Distribution re-investment plan (if applicable)</b>		
DRP % discount (if any)	%	
Start date and end date for determining market price for DRP	[dd/mm/yyyy]	[dd/mm/yyyy]
Date strike price to be announced (if not available at this time)	[dd/mm/yyyy]	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)		
DRP strike price per financial product	\$	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	[dd/mm/yyyy]	
<b>Section 5: Authority for this announcement</b>		
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	28/02/2022	

<sup>6</sup> Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.



NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

## Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

Results for announcement to the market		
Name of issuer	Restaurant Brands New Zealand Limited	
Reporting Period	Year ended 31 December 2021	
Previous Reporting Period	Year ended 31 December 2020	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$1,114,441	20.5%
Total Revenue	\$1,114,441	20.5%
Net profit/(loss) from continuing operations	\$51,881	69.3%
Total net profit/(loss)	\$51,881	69.3%
Interim/Final Dividend		
Amount per Quoted Equity Security	\$ 0.32	
Imputed amount per Quoted Equity Security	\$0.1244	
Record Date	08/04/2022	
Dividend Payment Date	22/04/2022	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.08	(\$0.26)
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 28 February 2022	
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	28/02/2022	

Audited financial statements accompany this announcement.