Restaurant Brands New Zealand Limited

Interim Report December 2021
For the six months ended 30 June 2021

Restaurant BRANDS

WE *Deliver*

24/7

2021. WHAT A YEAR!

Contents

About Restaurant Brands:

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

KEY HIGHLIGHTS

Total Group sales for the six months to 30 June 2021 (1H 2021) were $540.6 million, up $157.2 million on the previous half year (1H 2020). This is the result of the inclusion of the California business in 2021 and the adverse impact of COVID-19 in 2020.

Net Profit after Tax for 1H 2021 was $34.5 million (27.66 cents per share), up $23.3 million on 1H 2020. The current result includes recognition of $11.4 million of loan forgiveness under the US Paycheck Protection Program (PPP).

Brand **EBITDA** before G&A was up $26.5 million to $89.9 million, of which $12.7 million came from the inclusion of a maiden profit from the new California division. The comparison was enhanced by the effect of COVID-19 store closures in New Zealand in the 1H 2020 result*.

$540.6M
TOTAL GROUP SALES
1H 2021

$34.5M
NET PROFIT AFTER TAX
1H 2021

$89.9M
EBITDA
1H 2021

* Including government grant of $22.1 million in 1H 2020.

Group operating results

	1H 2021 $NZm	1H 2020 $NZm	Change $NZm	Change (%)
Total Group sales	**540.6**	383.4	+157.2	+41.0
Group NPAT (reported)	**34.5**	11.2	+23.3	+208.0

Directors are pleased to report that Restaurant Brands New Zealand Limited (RBD) has earned a Group Net Profit after Tax (NPAT) of $34.5 million for the six months ended 30 June 2021 (1H 2021). This is up $23.3 million on the last half-year's reported result. Although the company continues to face challenges from COVID-19 the operating results have remained strong across all divisions.

The result includes $77.3 million in sales and $12.7 million of brand EBITDA from the newly acquired California division. This, combined with the adverse effect of COVID-19 on the 1H 2020 results, compromises the opportunity for direct comparisons between the two half years' reported results. Comparisons at a reported profit level are further distorted by the recognition of $11.4 million ($US8.1 million) in relation to the PPP loan drawn down last year at the beginning of the COVID-19 pandemic, that was forgiven during the period.

After adjusting for the PPP loan, the underlying NPAT would be $23.1 million, up $11.9 million. This increase is due to rolling over the adverse effect of COVID-19 on the 1H 2020 results, the addition of the new Californian business and the strong trading results in the current year.

Total store sales hit a new high of $540.6 million, up $157.2 million or 41.0% on 1H 2020, thanks to the inclusion of $77.3 million in sales from the California business (acquired in September 2020). Very strong same store sales growth from the other divisions also contributed.

Combined brand EBITDA at $89.9 million was up $26.5 million (41.7 %) on 1H 2020*, with the increase arising from strong sales growth in the current year, a $12.7 million contribution from the California division and the COVID-19 impact on the prior year's results.

Restaurant Brands' store numbers now total 350, up 60 on the 1H 2020 – again largely due to the inclusion of 69 stores in California. This is partly offset, however, by the sale of New Zealand Pizza Hut stores to independent franchisees. There are now 132 RBD-owned stores in New Zealand, 73 in Hawaii, 69 in California and 76 stores in Australia.

* Including government grant of $22.1 million in 1H 2020.

New Zealand operations

New Zealand store sales were $239.3 million, up $64.7 million or 37.0% on 1H 2020. Particularly strong sales in KFC and Carl's Jr. made an impact here, as well as rolling the five week COVID-19 lockdown in 1H 2020 (an estimated $40.0 million in lost sales). Same store sales were up a healthy 12.5%.

EBITDA was $43.1 million, a $9.5 million or 28.3% increase on 1H 2020 as a result of the strong store sales performance and rolling the five week store closure in the June 2020 result*. EBITDA margin at 18.0% was slightly softer on prior year with some cost pressures and the mix of less profitable Taco Bell brand sales as this business continues to build.

New Zealand

	Actual 26 weeks 30 June 2021 $NZm	Actual 26 weeks 30 June 2020 $NZm	Change $NZm	Change (%)
Store sales	**239.3**	174.6	+64.7	+37.0
Store EBITDA	**43.1**	33.6*	+9.5	+28.3
EBITDA as a % of sales	***18.0***	*19.2*		
Store numbers	**132**	150		

*Including government grant of $22.1 million in 1H 2020.

The result has been led by another strong performance from KFC combined with Carl's Jr. where sales continue to grow through both the delivery and store channels. At this stage, Taco Bell contributes only a small proportion of the New Zealand business sales with the five stores opened to date continuing to track in line with expectations.

Operating profit for the NZ division (excluding the effect of NZ IFRS 16) was $28.7 million (up 68.5%).

The Pizza Hut sub-franchising process continued with seven stores sold to independent franchise operators and two new stores opened by independent franchisees over the first half year taking the total number of stores in the wider Pizza Hut network to 105. The effect of these franchisee store sales on total RBD-owned store numbers was offset by one new KFC store opening in Takanini, Auckland, and the fifth Taco Bell store (first in the South Island) opening in the Eastgate Shopping Centre, Christchurch. Both are trading ahead of expectations.

The KFC Takanini store that opened in April 2021 incorporates a range of innovations that improve sustainability, including use of solar panels and energy efficient water heating. Customer experience is also enhanced through new features such as a dual lane drive-thru and a separate click & collect area.

An additional four Taco Bell stores and two KFC stores are expected to open before the end of the year.

KFC is proud to be celebrating its 50th anniversary in New Zealand with the first store having opened in Royal Oak, Auckland in 1971.

Australia operations

In $NZ terms the Australian business contributed total sales of $NZ123.0 million (up 24.1%), a store EBITDA of $NZ16.3 million (up 37.9%) and operating profit (excluding the effect of NZ IFRS 16) of $NZ5.6 million (up 106.3%).

In $A terms total sales in Australia were $A114.8 million, up $A20.4 million (or 21.6%) on last year, primarily due to the acquisition of five additional KFC stores in February 2021, the effect of additional store openings, and solid same store sales growth (up 5.2 % for the half year).

Australia

	Actual 26 weeks 30 June 2021 $Am	Actual 26 weeks 30 June 2020 $Am	Change $Am	Change (%)
Sales	**114.8**	94.4	+20.4	+21.6
Store EBITDA	**15.2**	11.3	+4.0	+35.3
EBITDA as a % of sales	***13.3***	*11.9*		
Store numbers	**76**	65		

Australian operations continue to face challenges with COVID-19 lockdowns. These restrictions have adversely impacted dine-in sales across the network and many of the mall and in-line city store sales are operating below pre-COVID-19 levels. During the initial COVID-19 lockdown restrictions the Australian business successfully expanded home delivery services and generated further growth in KFC mobile ordering. Both initiatives continue to drive strong sales growth through these channels. With continued investment in existing stores in the portfolio and a particular emphasis on driving workplace safety, operational excellence and digital innovation that enhances customer experience the business has succeeded in mitigating some of the impact of the current COVID-19 restrictions.

Store EBITDA margins of $A15.2 million (13.3% of sales) were up $A4.0 million or 35.3% on last year. Although store EBITDA is up on last year this is primarily due to the increase in sales from store acquisitions and new store openings. There remain underlying cost challenges from COVID-19 as well as initial set up costs of operating Taco Bell as we look to scale the business.

Store numbers continue to grow through both new builds and acquisitions. Five KFC stores were acquired in North Sydney early in the half year and one new Taco Bell opened in Green Square Sydney. This store produced record opening day transactions this year for the entire Asia Pacific region. Four more new Taco Bells are scheduled to open by the end of the year. Two Taco Bell and three KFC stores also opened in 2H 2020.

Hawaii operations

Total sales in Hawaii for the period were $US72.7 million with store level EBITDA of $US11.6 million (15.8% of sales).

In $NZ terms the Hawaiian operations contributed $NZ101.0 million in revenues, $NZ16.0 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ19.3 million for the period. This result includes $11.4 million ($US8.1 million) in relation to the PPP loan drawn down at the onset of the COVID-19 pandemic last year, that was forgiven in June 2021.

Hawaii

	Actual 26 weeks 30 June 2021 $USm	Actual 26 weeks 30 June 2020 $USm	Change $USm	Change (%)
Sales	**72.7**	68.7	+3.9	+5.7
Store EBITDA	**11.6**	10.2	+1.4	+14.0
EBITDA as a % of sales	***15.8***	*14.8*		
Store numbers	**73**	75		

Reported sales are up $US3.9 million with same store sales up 9.9%. Both Taco Bell and Pizza Hut have shown growth on 1H 2020.

Pizza Hut's resurgence in sales and profitability experienced last year has continued into 2021. As Hawaii struggles through the ongoing pandemic, customer loyalty to a reliable and long-established brand that offers product value has helped to maintain sales momentum. This has been reinforced by enhanced delivery and customer ordering capability with Pizza Hut's web orders now accounting for more than 60% of total orders taken.

While Pizza Hut's sales flourished in 2020, Taco Bell's sales were stagnant under Hawaii's initial "stay at home" restrictions instituted in early 2020. Sales have subsequently resurged in 2021 with the recovery in tourism arising from Hawaii opening up its economy. Increased deliveries, largely through third party aggregators and digital sales through Taco Bell's mobile ordering platform also played a large role in sales growth in 2021. Prior to the pandemic, Taco Bell had no presence in the delivery market and nominal digital sales.

Overall store numbers in Hawaii are down by two from 1H 2020 following the closure of three stores late last year as part of the strategy to close some legacy dine-in restaurants. During the past six months one new Pizza Hut store has opened in Pahoa.

California operations

Total sales in California for the period were $US55.2 million with store level EBITDA of $US9.1 million (16.5% of sales).

In $NZ terms the Californian operations contributed $NZ77.3 million in revenues, $NZ12.7 million in EBITDA and an operating profit (excluding the effect of NZ IFRS 16) of $NZ4.0 million for the period. These results were above expectations at the time of completion of the California acquisition in September 2020.

California

	Actual 26 weeks 30 June 2021 $USm	Actual 26 weeks 30 June 2020 $USm	Change $USm	Change (%)
Sales	**55.2**	n/a	n/a	n/a
Store EBITDA	**9.1**	n/a	n/a	n/a
EBITDA as a % of sales	***16.5***	*n/a*		
Store numbers	**69**	n/a		

The second quarter saw record sales levels in California thanks to the launch of the new KFC Chicken Sandwich, coupled with the third round of Federal stimulus and a relaxation in COVID-19 pandemic restrictions. During June, California relaxed many of the pandemic trading restrictions allowing dining rooms to reopen.

Store numbers have remained constant at the acquisition level of 69 stores. One additional KFC store was acquired from an existing franchisee just after balance date.

Corporate and other

General and administration (G&A) costs were $24.3 million, an increase of $1.6 million on 1H 2020, largely as a result of inclusion of the California division costs. G&A as a % of total revenue was 4.3% which is much closer to the traditional run rate of 4.0% of revenues. This is a reduction from 5.7% in the prior year due to the increase in revenue and the impact of COVID-19 on the 1H 2020 results.

Depreciation charges of $18.8 million for the half year were $3.1 million higher than the prior year. The increase is from the California division charges ($2.1 million) and the continued high level of new store builds and store refurbishments. Depreciation of leased assets is also up $4.9 million to $18.7 million with new leases increasing the right of use asset depreciation.

Financing costs of $17.6 million were up $3.5 million on prior year primarily due to an increase in lease interest of $3.4 million resulting from both new leases and existing leases being extended. Bank interest costs were $3.4 million, $0.2 million lower than prior year with increased debt levels off-set by lower interest rates.

Tax expense was $9.4 million, up $5.4 million due to the higher earnings. The effective tax rate is 21.5%, down from 26.3% last year due to the lower relative level of assessable income in the Hawaii division with the PPP loan forgiveness.

Other expenses

Other expenses for the half year totalled $1.9 million, an increase of $0.2 million on prior year. This year's costs included acquisition costs (Australia and California) of $0.7 million and initial one-off costs associated with a new company-wide ERP system ($1.2 million) being introduced. A further $2-3 million is expected to be spent on this project over the balance of this financial year. The entire project is expected to cost in excess of $7 million and will be largely expensed.

PPP loan

In March 2020 during the onset of the COVID-19 pandemic the Hawaiian operations received $US8.1 million as a Government loan under the Paycheck Protection Program (a US Government assistance package offered to US businesses affected by the pandemic). In June 2021, the US government approved converting the PPP loan to a government grant. This resulted in $11.4 million in Other Income being recognised in the Consolidated Statement of Comprehensive Income.

NZ IFRS 16

The impact of NZ IFRS 16 on the Group accounts for the half year is a reduction of $4.5 million on after tax operating earnings (1H 2020 impact: $2.8 million).

The Consolidated Statement of Financial Position has right of use assets of $537.8 million, up $26.0 million since December 2020 due to the inclusion of the five newly acquired stores in Australia, various other new stores being opened and lease renewals. Lease liabilities of $623.8 million are also up by $33.4 million reflecting the increase in future lease commitments.

Statements of Cash Flow and Financial Position

Bank debt at the end of the half year was down to $222.3 million compared to $235.6 million at the previous year end. As at 30 June 2021, the Group had bank debt facilities totalling $NZ357.0 million available. Cash and cash equivalents decreased by $8.5 million during the period resulting in net debt reducing by $4.8 million to $195.1 million over the half year.

Operating cash flows were $62.4 million, up $24.5 million on 1H 2020 which is a direct reflection of the strong improvement in trading results vs the prior half year and the added benefit from the California acquisition. Operating cash flows in 1H 2020 also included $22.1 million from the New Zealand wage subsidy.

Net investing cash outflows at $53.2 million, versus $23.9 million in 1H 2020, include the acquisition of stores in Australia for $25.3 million. The underlying spend on new stores as well as refurbishing stores throughout the network is also up by $5.6 million.

COVID-19

The company continues to face challenges in relation to the ongoing COVID-19 pandemic including increased operating costs, continued trading restrictions in some markets and ongoing lockdowns in Australia and on 18 August New Zealand. However, there have been opportunities with increased focus on takeout and delivery channels which have helped produce strong results for this half year. Directors acknowledge the continuing efforts of all staff in helping to deliver such a strong result in what remains challenging circumstances.

Outlook

Despite the impact of COVID-19, store numbers are expected to continue to grow in the second half. New store roll outs for both the KFC and Taco Bell brands will continue in New Zealand and Australia. The Hawaiian market will see another new Taco Bell completed together with continuing scrape and rebuild refurbishments delivering significant sales growth. A new store development programme is under way in California, with up to three new KFC stores targeted for opening before year end.

The overall business continues to deliver solid results across all geographic markets and this strong performance has carried over into the second half of the year. However, whilst current trading remains strong across all divisions, the prevailing uncertainties with COVID-19, particularly in the Australian and most recently the New Zealand markets make it difficult to provide firm profit guidance.

Consolidated Income Statement

for the six months ended 30 June 2021

$NZ000's	30 June 2021 unaudited	vs Prior %	30 June 2020 unaudited
Sales			
New Zealand	239,274	*37.0*	174,603
Australia	123,027	*24.1*	99,137
Hawaii	101,024	*(7.9)*	109,697
California	77,316	*n/a*	–
Total sales	**540,641**	***41.0***	**383,437**
Other revenue	23,012	*90.9*	12,054
Total operating revenue	**563,653**	***42.5***	**395,491**
Cost of goods sold	(454,800)	*(33.8)*	(340,033)
Gross margin	**108,853**	***96.3***	**55,458**
Distribution expenses	(4,191)	*(45.2)*	(2,887)
Marketing expenses	(29,297)	*(39.7)*	(20,969)
General and administration expenses	(24,312)	*(9.1)*	(22,689)
Government grants	–	*n/a*	22,071
Loan forgiveness	11,407	*n/a*	–
Other items	(913)	*44.5*	(1,646)
Operating profit	**61,547**	***109.8***	**29,338**
Financing expenses	(17,601)	*(24.6)*	(14,128)
Net profit before taxation	**43,946**	***188.9***	**15,210**
Taxation expense	(9,440)	*(136.0)*	(4,000)
Total profit after taxation (NPAT)	**34,506**	***207.8***	**11,210**

Consolidated Income Statement (continued)

for the six months ended 30 June 2021

$NZ000's	30 June 2021 unaudited	% sales	vs Prior %	30 June 2020 unaudited	% sales
Concept EBITDA before G&A including Government grants					
New Zealand	43,050	*18.0*	*28.3*	33,562	*19.2*
Australia	16,322	*13.3*	*37.9*	11,832	*11.9*
Hawaii	15,950	*15.8*	*(2.0)*	16,272	*14.8*
California	12,746	*16.5*	*n/a*	–	*n/a*
Total concept EBITDA before G&A	**88,068**	***16.3***	***42.8***	**61,666**	***16.1***
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	(11.8)			20.5	

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.
Store sales and concept EBITDA may not aggregate to the total due to rounding.

Non-GAAP financial measures

for the six months ended 30 June 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 including Government grants, G&A 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 **Store 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 **Store** refers to the Group's 10 operating divisions comprising the four New Zealand brands (KFC, Pizza Hut, Taco Bell and Carl's Jr.), the two Australia brands (KFC and Taco Bell), the two Hawaii brands (Taco Bell and Pizza Hut) and the two California brands (Taco Bell and KFC). 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.

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.

Non-GAAP financial measures (continued)

for the six months ended 30 June 2021

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

$NZ000's	Note*	**30 June 2021 unaudited**	**30 June 2020 unaudited**
EBITDA including Government grants, before G&A and other items	1	**89,944**	62,462
Depreciation		**(17,618)**	(14,973)
Net loss on sale of property, plant and equipment (included in depreciation)		**(1,160)**	(661)
Lease depreciation		**(18,695)**	(13,832)
Lease costs		**26,265**	20,716
Amortisation (included in cost of sales)		**(4,460)**	(1,916)
General and administration costs – area managers, general managers and support centre		**(23,223)**	(20,812)
Loan forgiveness		**11,407**	–
Other items		**(913)**	(1,646)
Operating profit		**61,547**	29,338
Financing expenses		**(17,601)**	(14,128)
Net profit before taxation		**43,946**	15,210
Taxation expense		**(9,440)**	(4,000)
Net profit after taxation		**34,506**	11,210
Add back NZ IFRS 16 impact		**6,184**	3,952
Income tax on NZ IFRS 16 impact		**(1,724)**	(1,161)
Total NPAT excluding the impact of NZ IFRS 16	2	**38,966**	14,001

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

Consolidated statement of comprehensive income

for the six months ended 30 June 2021

$NZ000's	Note	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Store sales revenue		**540,641**	383,437	892,359
Other revenue		**23,012**	12,054	32,369
Total operating revenue		**563,653**	395,491	924,728
Cost of goods sold		**(454,800)**	(340,033)	(766,054)
Gross profit		**108,853**	55,458	158,674
Distribution expenses		**(4,191)**	(2,887)	(7,138)
Marketing expenses		**(29,297)**	(20,969)	(48,344)
General and administration expenses		**(24,312)**	(22,689)	(45,595)
Government grants		**–**	22,071	22,013
Loan forgiveness	3,10	**11,407**	–	–
Other income	3	**945**	–	405
Other expenses	3	**(1,858)**	(1,646)	(5,231)
Operating profit		**61,547**	29,338	74,784
Finance expenses		**(17,601)**	(14,128)	(30,220)
Profit before taxation		**43,946**	15,210	44,564
Taxation expense		**(9,440)**	(4,000)	(13,920)
Profit after taxation attributable to shareholders		**34,506**	11,210	30,644
Other comprehensive income:				
Exchange differences on translating foreign operations		**4,944**	6,615	(7,874)
Derivative hedging reserve		**898**	(1,355)	(596)
Income tax relating to components of other comprehensive income		**(186)**	152	10
Other comprehensive income net of tax		**5,656**	5,412	(8,460)
Total comprehensive income attributable to shareholders		**40,162**	16,622	22,184
Basic and diluted earnings per share (cents)	4	**27.66**	8.99	24.56

For and on behalf of the Board:

José Parés
Chairman
24 August 2021

Emilio Fullaondo
Director

Consolidated statement of changes in equity

for the six months ended 30 June 2021

$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the period ended 31 December 2020					
Balance at the beginning of the period	**154,565**	**(164)**	**(1,736)**	**54,971**	**207,636**
Comprehensive income					
Profit after taxation attributable to shareholders	–	–	–	11,210	11,210
Other comprehensive income					
Movement in foreign currency translation reserve	–	6,615	–	–	6,615
Movement in derivative hedging reserve	–	–	(1,203)	–	(1,203)
Total other comprehensive income	–	6,615	(1,203)	–	5,412
Total comprehensive income	**–**	**6,615**	**(1,203)**	**11,210**	**16,622**
Unaudited balance as at 30 June 2020	**154,565**	**6,451**	**(2,939)**	**66,181**	**224,258**
Comprehensive income					
Profit after taxation attributable to shareholders	–	–	–	19,434	19,434
Other comprehensive income					
Movement in foreign currency translation reserve	–	(14,489)	–	–	(14,489)
Movement in derivative hedging reserve	–	–	617	–	617
Total other comprehensive income	**–**	**(14,489)**	**617**	**–**	**(13,872)**
Total comprehensive income	**–**	**(14,489)**	**617**	**19,434**	**5,562**
Audited balance as at 31 December 2020	**154,565**	**(8,038)**	**(2,322)**	**85,615**	**229,820**

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2021

$NZ000's	Share capital	Foreign currency translation reserve	Derivative hedging reserve	Retained earnings	Total
For the six month period ended 30 June 2021					
Comprehensive income					
Profit after taxation attributable to shareholders	**–**	**–**	**–**	**34,506**	**34,506**
Other comprehensive income					
Movement in foreign currency translation reserve	–	4,944	–	–	4,944
Movement in derivative hedging reserve	–	–	712	–	712
Total other comprehensive income	**–**	**4,944**	**712**	**–**	**5,656**
Total comprehensive income	**–**	**4,944**	**712**	**34,506**	**40,162**
Unaudited balance as at 30 June 2021	**154,565**	**(3,094)**	**(1,610)**	**120,121**	**269,982**

Consolidated statement of financial position

as at 30 June 2021

$NZ000's	Note	As at 30 June 2021 unaudited	As at 30 June 2020 unaudited	As at 31 December 2020 audited
Non-current assets				
Property, plant and equipment	5	**242,931**	185,772	228,709
Right of use assets	6	**537,838**	360,535	511,823
Sub-lease receivable		**1,062**	991	1,144
Intangible assets		**345,785**	255,828	320,958
Deferred tax asset		**37,746**	41,682	39,911
Total non-current assets		**1,165,362**	844,808	1,102,545
Current assets				
Inventories		**16,811**	12,230	16,607
Trade and other receivables		**9,933**	8,814	11,394
Income tax receivable		**6,422**	963	5,271
Cash and cash equivalents		**27,155**	58,220	35,666
Held for sale – assets	8	**–**	3,883	551
Held for sale – assets for stores developed for sale	9	**1,096**	4,054	2,833
Total current assets		**61,417**	88,164	72,322
Total assets		**1,226,779**	932,972	1,174,867
Equity attributable to shareholders				
Share capital		**154,565**	154,565	154,565
Reserves		**(4,704)**	3,512	(10,360)
Retained earnings		**120,121**	66,181	85,615
Total equity attributable to shareholders		**269,982**	224,258	229,820
Non-current liabilities				
Provisions		**4,086**	3,837	3,711
Deferred income		**212**	290	250
Loans	10	**222,252**	174,026	227,581
Lease liabilities		**598,797**	414,868	566,526
Derivative financial instruments		**1,839**	3,598	2,698
Total non-current liabilities		**827,186**	596,619	800,766
Current liabilities				
Loans	10	**–**	3,612	8,058
Income tax payable		**3,854**	2,008	6,681
Trade and other payables		**97,025**	80,200	101,589
Provisions		**1,416**	1,540	1,608
Lease liabilities		**24,982**	20,501	23,826
Deferred income		**1,641**	77	538
Held for sale – liabilities	8	**–**	1,942	230
Held for sale – liabilities for stores developed for sale	9	**693**	2,215	1,751
Total current liabilities		**129,611**	112,095	144,281
Total liabilities		**956,797**	708,714	945,047
Total equity and liabilities		**1,226,779**	932,972	1,174,867

Consolidated statement of cash flows

for the six months ended 30 June 2021

$NZ000's	Note	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Cash flows from operating activities				
Cash was provided by/(applied to):				
Receipts from customers		**564,221**	395,644	924,910
Receipts from Government grants	3	**–**	22,072	22,013
Payments to suppliers and employees		**(471,847)**	(356,455)	(787,575)
Interest paid		**(3,414)**	(3,024)	(6,525)
Interest paid on leases		**(14,241)**	(10,837)	(23,752)
Payment of income tax		**(12,353)**	(9,487)	(17,909)
Net cash from operating activities		**62,366**	37,913	111,162
Cash flows from investing activities				
Cash was (applied to)/provided by:				
Acquisition of business	13	**(25,277)**	–	(122,002)
Payment for intangible assets		**(1,613)**	(964)	(1,265)
Purchase of property, plant and equipment		**(28,966)**	(23,399)	(58,589)
Proceeds from disposal of property, plant and equipment		**2,649**	91	4,451
Landlord contributions received		**–**	362	125
Net cash used in investing activities		**(53,207)**	(23,910)	(177,280)
Cash flows from financing activities				
Cash was provided by/(applied to):				
Proceeds from loans		**178,081**	374,179	710,217
Repayment of loans		**(185,720)**	(354,534)	(615,443)
Payments for lease principal		**(12,024)**	(9,880)	(21,167)
Net cash (used in)/from financing activities		**(19,663)**	9,765	73,607
Net (decrease)/increase in cash and cash equivalents		**(10,504)**	23,768	7,489
Cash and cash equivalents at beginning of the period		**35,666**	34,965	34,965
Opening cash balances acquired on acquisition		**1,264**	–	147
Foreign exchange movements		**729**	(513)	(6,935)
Cash and cash equivalents at the end of the period		**27,155**	58,220	35,666
Cash and cash equivalents comprise:				
Cash on hand		**632**	480	612
Cash at bank		**26,523**	57,740	35,054
		27,155	58,220	35,666

Consolidated statement of cash flows (continued)

for the six months ended 30 June 2021

Reconciliation of profit after taxation with net cash from operating activities

$NZ000's	Note	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Total profit after taxation attributable to shareholders		**34,506**	11,210	30,644
Add items classified as investing activities:				
Loss on disposal of property, plant and equipment		**371**	468	1,958
		371	468	1,958
Add/(less) non-cash items:				
Depreciation		**36,313**	28,805	64,855
Loan forgiveness	3	**(11,407)**	–	–
Lease termination		**(61)**	–	(210)
(Decrease)/increase in provisions		**(240)**	(96)	124
Amortisation of intangible assets		**4,461**	1,916	5,516
Net decrease/(increase) in deferred tax asset		**1,062**	(4,597)	(4,444)
		30,128	26,028	65,841
Add/(less) movement in working capital:				
(Increase)/decrease in inventories		**(101)**	249	(3,633)
Decrease/(increase) in trade and other receivables		**3,303**	737	(74)
(Decrease)/increase in trade creditors and other payables		**(2,055)**	89	15,971
(Decrease)/increase in income tax payable		**(3,786)**	(868)	455
		(2,639)	207	12,719
Net cash from operating activities		**62,366**	37,913	111,162
Reconciliation of movement in term loans				
Opening balance		**235,639**	154,326	154,326
Net cash flow movement		**(7,639)**	19,645	94,775
Decrease/(increase) in prepaid facility costs		**122**	(948)	(759)
Loan forgiveness		**(11,407)**	–	–
Foreign exchange movement		**5,537**	4,615	(12,703)
Closing balance		**222,252**	177,638	235,639

Notes to and forming part of the consolidated financial statements

for the six months ended 30 June 2021

1. General information

The reporting entity is the consolidated group (the "Group") comprising the parent 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, USA, Saipan and Guam.

The Company is listed on the New Zealand Stock Exchange ("NZX") and the Australian Securities Exchange ("ASX") and is an FMC reporting entity and subject to the Financial Markets Conduct Act 2013 legislative provisions. The Group is designated as a for-profit entity for financial reporting purposes.

Statutory base

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

Reporting framework

These financial statements for the six months ended 30 June 2021 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting and should be read in conjunction with the financial statements published in the Annual Report year ended 31 December 2020. The accounting policies have been applied on a basis consistent with those used and described in the audited consolidated financial statements for the year ended 31 December 2020.

The unaudited interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP").

The Group has a negative working capital balance as the nature of the business results in most sales being conducted on a cash basis. At 30 June 2021 the Group has bank facilities totalling $357.0 million and has the ability to fully pay debts as they fall due. At balance date the amount undrawn was $134.1 million.

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 30 June 2020 included $3.2 million in relation to make good provisions within lease liabilities in error; this balance should have been included within provisions. This error has been corrected by restating both non-current lease liabilities and provisions as at 30 June 2020 by $3.2 million.

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

for the six months ended 30 June 2021

- The consolidated statement of financial position at 30 June 2020 included $US8.1 million ($NZ12.7 million) relating to the Hawaii Paycheck Protection Program (PPP) loan within deferred income in error; this balance should have been included in the loans balance. This error has been corrected by restating current deferred income and loans as at 30 June 2020 by $US8.1 million (Current loans: $NZ3.6 million, Non-current loans $NZ9.1 million). The consolidated statement of cash flows for the six months ended 30 June 2020 included the PPP loan within receipts from Government grants under operating activities in error; this cash flow should have been presented as proceeds from loans within financing activities. This has been corrected by restating cash flows in relation to receipts from Government grants and proceeds from loans by $US8.1 million ($NZ13.3 million) for the six months ended 30 June 2020. The reconciliation of profit after taxation with net cash from operating activities included $NZ13.3 million in the increase in trade creditors and other payables, as part of the movement in working capital. The $NZ13.3 million has been removed from the trade creditors and other payable balance within the working capital movement calculation. The reconciliation of movement in term loans within the consolidated statement of cash flows for the six months ended 30 June 2020 has also been corrected by restating the net cash flow movement to include the PPP loan for $US8.1 million ($NZ13.3 million) and restating the foreign exchange movement to include the impact of translation of the loan of $NZ0.6 million.
- The consolidated statement of financial position at 31 December 2020 excluded a lease modification of $3.3 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 $3.3 million at 31 December 2020.
- The consolidated statement of cash flows for the six months ended 30 June 2020 included $1.0 million of cash in transit as cash on hand in error; this should have been disclosed as cash at bank. This has been corrected by restating the cash on hand and cash at bank balances by $1.0 million at 30 June 2020.
- The consolidated statement of financial position at 31 December 2020 and 30 June 2020 included prepaid facility fees of $0.8 million and $0.9 million respectively 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 in the prior periods by $0.8 million in 31 December 2020 and $0.9 million in 30 June 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 in the prior periods.

New standards and amendments

There are various standards, amendments and interpretations which 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.

Notes to and forming part of the consolidated financial statements (continued)
for the six months ended 30 June 2021

Change in accounting policies

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 (for the six months ended 30 June 2020: $0.3 million).
- Taxation expense in the consolidated statement of comprehensive income for the year ended 31 December 2020 has decreased by $0.1 million (for the six months ended 30 June 2020: $0.1 million). The deferred tax asset in the consolidated statement of financial position at 31 December 2020 has increased by $0.1 million (30 June 2020: $0.1 million).
- Intangible assets in the consolidated statement of financial position at 31 December 2020 have reduced by $0.9 million (30 June 2020: $0.8 million).
- Retained earnings in the consolidated statement of financial position at 31 December 2020 has reduced by $0.5 million (30 June 2020: $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 (for the six months ended 30 June 2020: $0.4 million). Payment for intangibles in the consolidated statement of cash flows for the year ended 31 December 2020 has reduced by $0.7 million (for the six months ended June 2020: $0.4 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 (for the six months ended 30 June 2020: 9.15 cents per share to 8.99 cents per share).

Notes to and forming part of the consolidated financial statements (continued)
for the six months ended 30 June 2021

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 (for the six months ended 30 June 2020: $0.9 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 (for the six months ended 30 June 2020: $0.9 million).

2. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The Group is split into 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, EBITDA before general and administration expenses and operating profit before NZ IFRS 16. EBITDA refers to earnings before interest, taxation, depreciation and amortisation. Operating profit refers to earnings before interest and taxation.

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.

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

for the six months ended 30 June 2021

30 June 2021 $NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Consolidated half year unaudited
Business segments						
Store sales revenue	239,274	123,027	101,024	77,316	–	540,641
Other revenue	23,012	–	–	–	–	23,012
Total operating revenue	**262,286**	**123,027**	**101,024**	**77,316**	**–**	**563,653**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	**44,926**	**16,322**	**15,950**	**12,746**	**–**	**89,944**
General and administration expenses	(7,024)	(4,995)	(3,915)	(3,585)	(2,760)	(22,279)
	37,902	**11,327**	**12,035**	**9,161**	**(2,760)**	**67,665**
Loan forgiveness	–	–	11,407	–	–	11,407
Other expenses	(10)	(358)	–	(686)	(804)	(1,858)
Depreciation	(8,309)	(4,922)	(3,484)	(2,055)	(8)	(18,778)
Amortisation	(900)	(489)	(620)	(2,450)	–	(4,459)
Operating profit before NZ IFRS 16	**28,683**	**5,558**	**19,338**	**3,970**	**(3,572)**	**53,977**
Adjustments for NZ IFRS 16	3,977	2,039	819	735	–	7,570
Operating profit	**32,660**	**7,597**	**20,157**	**4,705**	**(3,572)**	**61,547**
Current assets	28,582	11,639	12,779	8,417	–	61,417
Non-current assets	323,177	110,198	83,750	109,337	–	626,462
Non-current lease assets (excluding deferred tax)	178,499	144,617	59,691	156,093	–	538,900
Total assets	**530,258**	**266,454**	**156,220**	**273,847**	**–**	**1,226,779**

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

for the six months ended 30 June 2021

30 June 2020 $NZ000's	New Zealand	Australia	Hawaii	Corporate support function	Consolidated half year unaudited
Business segments					
Store sales revenue	174,603	99,137	109,697	–	383,437
Other revenue	11,931	–	123	–	12,054
Total operating revenue	**186,534**	**99,137**	**109,820**	**–**	**395,491**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	**13,281**	**11,832**	**16,272**	**–**	**41,385**
Government grants	22,071	–	–	–	22,071
General and administrative expenses	(8,866)	(4,280)	(4,741)	(3,919)	(21,806)
	26,486	**7,552**	**11,531**	**(3,919)**	**41,650**
Other expenses	(635)	(171)	–	(841)	(1,647)
Depreciation	(7,811)	(4,465)	(3,353)	(5)	(15,634)
Amortisation	(968)	(222)	(726)	–	(1,916)
Operating profit before NZ IFRS 16	**17,072**	**2,694**	**7,452**	**(4,765)**	**22,453**
Adjustments for NZ IFRS 16	4,197	1,756	932	–	6,885
Operating profit	**21,269**	**4,450**	**8,384**	**(4,765)**	**29,338**
Current assets	48,290	11,533	28,341	–	88,164
Non-current assets	261,994	119,166	102,122	–	483,282
Non-current lease assets (excluding deferred tax)	178,281	115,621	67,624	–	361,526
Total assets	**488,565**	**246,320**	**198,087**	**–**	**932,972**

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

for the six months ended 30 June 2021

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

$NZ000's	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Operating profit	**61,547**	29,338	74,784
Financing expenses	**(17,601)**	(14,128)	(30,220)
Net profit before taxation	**43,946**	15,210	44,564
Taxation expense	**(9,440)**	(4,000)	(13,920)
Net profit after taxation	**34,506**	11,210	30,644
Add back net financial impact of NZ IFRS 16	**6,184**	3,952	9,741
Less taxation expense of NZ IFRS 16	**(1,724)**	(1,161)	(2,737)
Net profit after taxation excluding NZ IFRS 16	**38,966**	14,001	37,648

3. Profit before taxation

$NZ000's	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Profit before taxation			
The profit before taxation is calculated after charging/(crediting) the following items:			
Royalties paid	**31,683**	22,956	52,796
Lease expense	**4,460**	2,007	4,877
New Zealand Government wage subsidy	**–**	(22,071)	(22,013)
Loan forgiveness	**11,407**	–	–
Rent relief	**–**	(1,146)	(1,309)
Net gain on sale of stores	**945**	–	405
Other expenses	**(1,858)**	(1,646)	(5,231)

Lease expenses

This relates to short term and variable lease costs included in the consolidated statement of comprehensive income not included in NZ IFRS 16 costs.

New Zealand Government wage subsidy

In April 2020 the Group received $22.1 million as a wage subsidy for its New Zealand division. This money was applied against wages and salaries between March and June 2020. This amount is shown as a separate line item in the consolidated statement of comprehensive income due to its material nature. The amount received was also included in the consolidated statement of cash flows as part of receipts from Government grants.

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

for the six months ended 30 June 2021

Loan forgiveness

In June 2021 the Hawaii PPP loan (note 10) was forgiven by the US Small Business Association. This amount is shown as a separate line item 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.

As part of the June 2020 financial statements this was classified as deferred income however it has been reclassified to loans in the comparatives in these financial statements.

Rent relief

During 2020 the Group received rent relief of $1.3 million (June 2020: $1.1 million). This has been included as a negative variable rent within the consolidated statement of comprehensive income. Contracts with abatement clauses total $0.5 million (June 2020: $0.5 million) whilst those without abatement clauses total $0.8 million (June 2020: $0.6 million).

Net gain on sales of stores

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

Other expenses

$NZ000's	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Non-recurring:			
Acquisition costs	**(650)**	(813)	(4,332)
ERP implementation	**(1,208)**	–	–
Leave remediation	**–**	(19)	(49)
Calendar realignment costs	**–**	(50)	(50)
Impairment of assets	**–**	(593)	(542)
Yum! GST charge	**–**	–	(87)
Yum! Royalty claim	**–**	(171)	(171)
Total other expenses	**(1,858)**	(1,646)	(5,231)

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

for the six months ended 30 June 2021

4. Earnings per share

	30 June 2021 unaudited	30 June 2020 unaudited	31 December 2020 audited
Basic and diluted earnings per share			
Profit after taxation attributable to the shareholders ($NZ000's)	**34,506**	11,210	30,644
Weighted average number of shares on issue (000's)	**124,759**	124,759	124,759
Basic and diluted earnings per share (cents)	**27.66**	8.99	24.56

Shares on issue

As at 30 June 2021, the total number of ordinary shares on issue was 124,758,523 (June 2020: 124,758,523).

5. Property, plant and equipment

Additions and disposals

During the six months ended 30 June 2021, the Group acquired assets with a total cost of $28.3 million (June 2020: $23.5 million) and disposed of assets with a total cost of $3.4 million (June 2020: $5.7 million) primarily being to the sale of various Pizza Hut stores.

6. Right of use assets

Additions and modifications

During the six months ended 30 June 2021, the Group had lease additions and modifications of $37.4 million (June 2020: $15.6 million). There has been a $1.7 million reduction to the right of use assets (June 2020: nil) due to the sale of Pizza Hut stores to independent franchisees.

7. Related party transactions

Transactions with key management or entities related to them

During the period the Group received internal audit services from Finaccess Servicios Corporativos SA DE CV a subsidiary of Grupo Finaccess S.A.P.I de C.V the ultimate parent company of the Group. Acquired services totalling $50,000 have been included in the consolidated statement of comprehensive income of which $20,000 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.

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

for the six months ended 30 June 2021

8. Assets classified as held for sale

There was $1.7 million at June 2020 relating to right of use assets and $1.9 million relating to lease liabilities associated with the stores held for sale. This relates to existing New Zealand Pizza Hut stores that were being actively marketed and were immediately available for sale. It was expected that these stores would be sold within the next 12 months.

9. New stores developed for sale

This relates to new Pizza Hut stores developed for sale in New Zealand which are being actively marketed for sale and are expected to be sold within 12 months. Included as part of the balance is $0.7 million (June 2020: $2.2 million) of lease liabilities and $0.7 million (June 2020: $2.1 million) of right of use assets associated with these stores.

10. Loans

Included within the Group's loans at 30 June 2020 was $12.7 million ($US8.1 million) relating to a Paycheck Protection Program (PPP) loan received by the Hawaii division as part of the USA Government response to COVID-19. In June 2021 the Group received notification from the Small Business Association in the USA that the full balance of the loan had been forgiven. Due to its material nature the loan forgiveness has been disclosed as a separate line in the consolidated statement of comprehensive income.

11. Capital commitments

The Group has capital commitments totalling $19.2 million (June 2020: $4.5 million) which are not provided for in these financial statements.

12. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Group (June 2020: nil).

13. 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.

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

for the six months ended 30 June 2021

TPH contributed $6.4 million in sales revenue and $0.5 million in profit after taxation attributable to shareholders in the period ended 30 June 2021. Had TPH's results been consolidated for the full half year period ended 30 June 2021, TPH would have contributed $9.2 million in sales revenue and profit after taxation attributable to shareholders of $0.7 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.

$NZ000's	
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
Lease right of use assets	11,953
Intangibles – acquired franchise rights	4,645
Intangibles – franchise fees	248
Cash	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.

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

for the six months ended 30 June 2021

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.

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

14. Fair value measurements of financial instruments

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

15. 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.

16. COVID-19 and goodwill impairment

The Group has reviewed all assets for indicators of impairment, including goodwill, however due to the strong trading performance across all cash generating units there are no indicators of impairment noted.

17. Subsequent events

On 18 August 2021, following an outbreak of COVID-19 within New Zealand, the New Zealand Government initiated an alert level 4 lockdown. Under alert level 4, the Group's operations in New Zealand were deemed a non-essential service and as a result all stores were closed.

The current store closures will have an adverse impact on the Group's financial results and there remains some uncertainty surrounding the length of the alert level 4 lockdown. Experience from the previous move from alert level 4 to alert level 3 showed that the New Zealand stores recovered quickly and stores with take-away or drive through options experienced increased volumes under level 3.

Should the level 4 lockdown continue for an extended period the Group will continue to evaluate its position and assess its options to minimise the financial impact.

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

Independent auditor's review report

To the shareholders of Restaurant Brands New Zealand Limited

Report on the consolidated financial statements

Our conclusion

We have reviewed the consolidated financial statements of Restaurant Brands New Zealand Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that these accompanying consolidated financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 June 2021, and its financial performance and cash flows for the six month period then ended, in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410 (Revised)). Our responsibility is further described in the Auditor's responsibility for the review of the financial statements section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. Other than in our capacity as auditor and providers of specified procedures on landlord certificates and review of Yum! Advertising Co-operative report, we have no relationship with, or interests in, the Group.

Directors' responsibility for the financial statements

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

Auditor's responsibility for the review of the financial statements

Our responsibility is to express a conclusion on the consolidated financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. A review of consolidated financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these consolidated financial statements.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
24 August 2021

Auckland

Corporate directory

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José Parés Gutiérrez (Chairman)
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Financial calendar

Financial year end
31 December 2021

Annual profit announcement
February 2022