Restaurant Brands New Zealand Limited
Annual Report 31 December 2021

The world's had a rough ride these past two years and COVID-19 restrictions have tested businesses everywhere. As a multi-brand, multi-format, multi-geography company we can take comfort in the resilience that diversity lends our operations. We've had the diverse ways and means to continue to delight our customers – despite the challenges. And from market to market, we've had the best team of people to make sure of it.

ALL WAYS.

ON THE MENU

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.

FINANCIAL HIGHLIGHTS

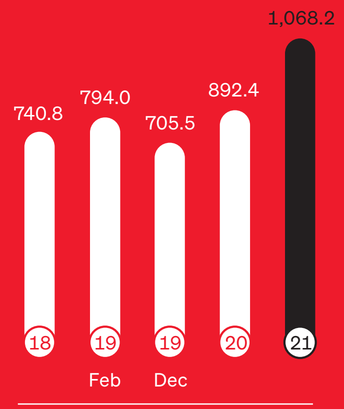
HISTORICAL SUMMARY

All figures in $NZ millions unless stated	52 weeks 26 Feb 2018	52 weeks 25 Feb 2019	44 weeks 31 Dec 2019	52 weeks 31 Dec 2020	52 weeks 31 Dec 2021
FINANCIAL PERFORMANCE					
Sales*					
New Zealand	421.4	419.8	367.5	410.4	**461.1**
Australia	151.8	191.5	169.1	214.9	**244.1**
Hawaii	167.5	182.7	168.9	215.1	**206.5**
California	–	–	–	51.9	**156.5**
Total sales	740.8	794.0	705.5	892.4	**1,068.2**
EBITDA before G&A*					
New Zealand	76.5	76.4	67.9	76.3	**83.3**
Australia	22.0	29.1	25.2	28.6	**31.6**
Hawaii	24.1	23.7	22.9	32.6	**33.9**
California	–	–	–	8.5	**23.8**
Total EBITDA	122.6	129.2	116.0	146.0	**172.7**
Operating profit	57.8	56.2	64.4	74.8	**102.1**
NPAT (reported)	35.5	35.7	30.1	30.6	**51.9**
FINANCIAL POSITION/CASH FLOW					
Share capital	148.5	154.6	154.6	154.6	**154.6**
Total equity	201.6	224.7	208.0	229.8	**289.7**
Total assets	453.0	460.3	879.9	1,180.2	**1,329.8**
Operating cash flows	67.8	71.3	87.6	111.2	**126.4**
SHARES					
Shares on issue (year end)	123,629,343	124,758,523	124,758,523	124,758,523	**124,758,523**
Number of shareholders (year end)	7,005	7,127	6,026	5,428	**5,180**
Basic earnings per share (full year reported)	28.8c	28.8c	24.1c	24.6c	**41.6c**
Ordinary dividend per share	28.0c	0c	0c	0c	**32.0c**
OTHER					
Number of stores (year end)					
New Zealand	171	142	148	137	**137**
Australia	61	61	65	70	**79**
Hawaii	82	80	74	72	**73**
California	–	–	–	69	**70**
Total stores	314	283	287	348	**359**
Number of employees					
New Zealand	3,596	3,484	3,777	4,582	**3,748**
Australia	3,275	3,360	3,887	4,055	**4,526**
Hawaii	2,185	2,007	1,935	2,055	**1,764**
California	–	–	–	1,381	**1,402**
Total employees	9,056	8,851	9,599	12,073	**11,440**

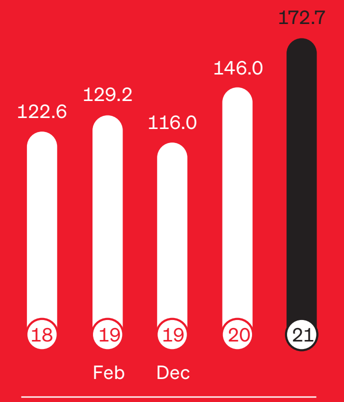
* Sales and EBITDA before G&A for each of the division may not aggregate to the total due to rounding.

YEAR IN REVIEW

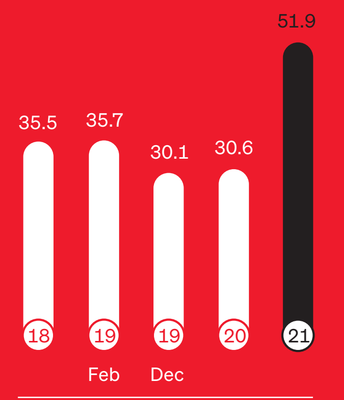
TOTAL SALES ($NZ m)



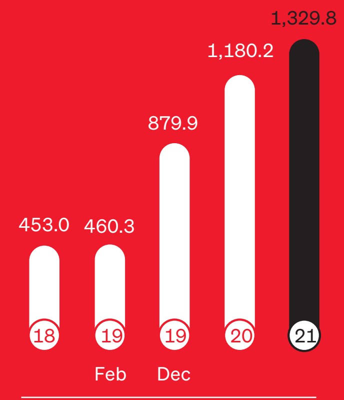
TOTAL EBITDA ($NZ m)



NPAT (REPORTED) ($NZ m)



TOTAL ASSETS ($NZ m)



TOTAL SALES
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.

TOTAL EBITDA[1]
Combined store EBITDA for the period was $172.7 million, up 18.3% on the previous year.

NET PROFIT AFTER TAX
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.

TOTAL STORES
Total store numbers increased by 11 to 359 including the acquisition of five stores in Australia and two stores in California.

TACO BELL IN THE SOUTHERN HEMISPHERE
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.

DIVIDENDS
Directors have declared a final dividend of 32.0 cents per share, payable on 22 April 2022 to all shareholders on the register as at 8 April 2022. The dividend will be paid fully imputed to NZ tax resident holders.

1 EBITDA is earnings before interest, tax, depreciation and amortisation. It is a non-GAAP financial measure and is not prepared in accordance with NZ IFRS.

AT A GLANCE

YEAR ENDED 31 DECEMBER 2021

OPEN FOR BUSINESS.

GROUP

11,440 EMPLOYEES

463 STORES — 359 OWNED, 104 FRANCHISED

54.1m HAPPY CUSTOMERS SERVED IN FY21

OUR BRANDS

KFC — YUM!

Pizza Hut — YUM!

TACO BELL — YUM!

Carl's Jr. — CKE RESTAURANTS, INC.

FINANCIAL RESULTS

$1.1b SALES

$172.7m EBITDA

$51.9m NPAT

$1.3b ASSETS

DIVISIONS

NEW ZEALAND

3,748 EMPLOYEES

241 STORES

	KFC	Pizza Hut	Taco Bell	Carl's Jr.
137 OWNED	105	6	10	16
104 FRANCHISED	5	99		

1 SUPPORT OFFICE

SUPPLY CHAIN
Managed by New Zealand logistics team

AUSTRALIA

4,526 EMPLOYEES

	KFC	Taco Bell
79 STORES ALL OWNED	71	8

1 SUPPORT OFFICE

SUPPLY CHAIN
Managed by Yum!

HAWAII (INC. GUAM AND SAIPAN)

1,764 EMPLOYEES

	Pizza Hut	Taco Bell
73 STORES ALL OWNED	36 Inc. 5 in Guam 1 in Saipan	37 Inc. 7 in Guam

1 SUPPORT OFFICE

1 CALL CENTRE

SUPPLY CHAIN
Managed by Yum!

CALIFORNIA

1,402 EMPLOYEES

	KFC	Taco Bell / KFC
70 STORES ALL OWNED	60	10

1 SUPPORT OFFICE

SUPPLY CHAIN
Managed by Yum!

RESTAURANT BRANDS. A 25 YEAR SUCCESS STORY.

1997–2022

81 STORES
43 STORES

1997
Restaurant Brands (**RBD**) formed to acquire the New Zealand operations of the KFC and Pizza Hut brands.

1998
RBD secured New Zealand franchise for Starbucks Coffee, opening its first store in Parnell, Auckland.

53 STORES

2000
Acquisition of Eagle Boys pizza business in New Zealand. Stores were subsequently rebranded to Pizza Hut.

2002
Acquisition of 51 Pizza Hut stores in Victoria, Australia.

51 STORES

2008
Sale of Pizza Hut business in Victoria, Australia.

2011
Pizza Hut starts selling a number of its smaller regional stores to independent franchisees.

Acquired the New Zealand franchise for Carl's Jr.

2012
Carl's Jr. commenced store roll out in New Zealand.

2014
Acquired seven additional Carl's Jr. stores in Auckland.

7 STORES

42 STORES

2016
Acquisition of QSR Pty Ltd, which owns 42 KFC stores in New South Wales, Australia.

82 STORES

2017
Acquisition of Pacific Island Restaurants Inc., which owns 37 Taco Bell stores and 45 Pizza Hut stores in Hawaii, Guam and Saipan.

2018
Sale of Starbucks business in New Zealand.

2019
Finaccess Capital, S.A. de C.V. through its subsidiary Global Valar S.L. completed a successful takeover for 75% of the Company's issued capital at $9.45 per share. The Company remains listed on the NZX and ASX.

2020
RBD purchased 69 KFC stores (including 11 multibrand KFC-Taco Bell stores) in Southern California.

69 STORES

2022
RBD becomes a $1b revenue company.

AFTER 25 YEARS, WE'VE EARNED OUR WINGS

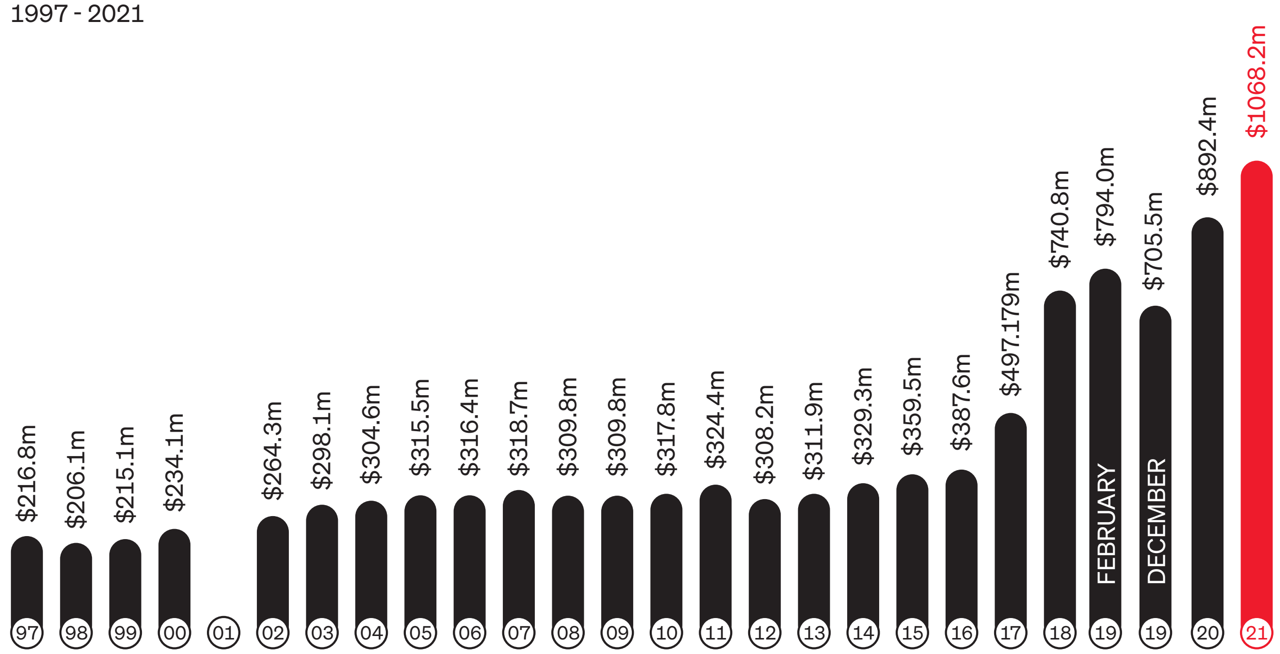
It's been 25 years since we listed on the NZX. So to those of you who decided back in 1997 to invest in Restaurant Brands may we say congratulations, it was a good decision.

Like most, we've had our fair share of ups and downs. But since the 2015 strategic decision to look for growth beyond New Zealand's shores, the business has not looked back.

That decision set the bar. One billion dollars was our initial goal, and we are proud to say we've achieved it with $1.1 billion of revenues in the past financial year. But we're on a trajectory and have a strategy to see growth continue. So in many respects this page is but a pause to reflect, just for a moment, on our billion dollar, 25 year milestone. That's it. Back to business.

$1.1 billion sales

25 YEAR COMPARISON
1997 - 2021



Proforma
12 months

Proforma
12 months change in balance date

There were no financial results issued in 2001 due to a change in balance date. The results for 1997 and 2002 are proforma results adjusted to reflect representative 12 month periods. 2019 was a 44 week period also due to a change in balance date.

CHAIRMAN AND CEO'S REPORT

WHEN ONE DOOR CLOSES, ANOTHER OPENS.

With operations spanning two hemispheres and multiple time zones we're making food somewhere, some time, all of the time. Restrictions or not, our business never sleeps.

José Parés
Chairman

Russel Creedy
Group CEO

$NZm	Dec 2021	Dec 2020	Change ($)	Change (%)
Total sales	**1,068.2**	892.4	+175.8	+19.7
Net profit after tax (NPAT)	**51.9**	30.6	+21.3	+69.3

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[1] results.

Offsetting the adverse impacts of COVID-19, the Company saw its federal Paycheck Protection Programme (PPP) loan in Hawaii forgiven resulting in an additional $11.4 million income. Also, as a result of the extended lockdown in New Zealand, the Company received $7.2 million in wage subsidies which was fully passed on to 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. Combined store EBITDA of $172.7 million was up $26.7 million or +18.3% 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.

$51.9m **NET PROFIT AFTER TAX**

[1] 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.

NEW ZEALAND OPERATIONS

Total store sales in New Zealand were $461.1 million, up $50.7 million or +12.4% on the prior year ended December 2020. The 2021 result was adversely affected by COVID-19 with 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 five weeks without trading due to COVID-19 with lost sales of approximately $40 million.

	Actual 31 Dec 2021	Actual 31 Dec 2020	Change ($)	Change (%)
Store sales ($m)	**461.1**	410.4	+50.7	+12.4%
EBITDA ($m)	**83.3**	76.3	+7.0	+9.2%
EBITDA as a % of sales	**18.1**	18.6		
Store numbers	**137**	137		

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 online "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 $7.0 million reflecting the higher sales, despite the underlying EBITDA as a percentage of sales reducing to 18.1% from 18.6% 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 consolidated 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.

$461.1m

NEW ZEALAND TOTAL STORE SALES ($m)

AUSTRALIAN OPERATIONS

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

	Actual 31 Dec 2021	Actual 31 Dec 2020	Change ($)	Change (%)
Store sales ($Am)	**230.0**	202.4	+27.6	+13.6%
EBITDA ($Am)	**29.8**	27.7	+2.1	+7.6%
EBITDA as a % of sales	**13.0**	13.7		
Store numbers	**79**	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%.

In February 2021, the Company acquired five KFC stores in Northern Sydney that have subsequently traded above expectations.

$230.0m

AUSTRALIA TOTAL STORE SALES ($Am)

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.

The Pizza Hut ordering system also continued to grow sales with over 60% of orders now performed online.

	Actual 31 Dec 2021	Actual 31 Dec 2020	Change ($)	Change (%)
Store sales ($USm)	**146.3**	139.3	+7.0	+5.0%
EBITDA ($USm)	**24.4**	21.5	+2.9	+13.5%
EBITDA as a % of sales	**16.4**	15.6		
Store numbers	**73**	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 affected 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 online. 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.

$146.3m HAWAII TOTAL STORE SALES ($USm)

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.

	Actual - 12 months 31 Dec 2021	Actual - 4 months 31 Dec 2020	Change ($)	Change (%)
Store sales ($USm)	**110.3**	35.6	+74.7	209.8%
EBITDA ($USm)	**16.8**	5.8	+11.0	189.7%
EBITDA as a % of sales	**15.2**	16.4		
Store numbers	**70**	69		

In the first full year of trading, total sales in California 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 online 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 December). 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.

$110.3m CALIFORNIA TOTAL STORE SALES ($USm)

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 4.7% which is down from 5.1% 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, $38.2 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 to the additional debt taken on to acquire the California business in September 2020. This was partially offset by 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 $1,329.8 million, up $149.7 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 $89.8 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 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.

A final dividend has been declared for 32.0 cents per ordinary share, payable on 22 April 2022 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 will be paid to all overseas shareholders at the same time.

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

FUTURE STRATEGIES

Despite the challenges of operating under ongoing COVID-19 cases, Restaurant Brands intends to continue taking a 'business as usual' approach with further growth through acquisitions, 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.

Taco Bell scrape and rebuilds in Hawaii will also further enhance the business performance.

The California acquisition is now settled in and trading well, with plans for additional stores by both new store builds and ongoing acquisitions.

The strong results achieved in 2021 confirms the wisdom of our geographic and brand diversification strategy.

STAFF APPRECIATION

This has been another challenging year for the 11,440 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.

Signed on 28 February 2022.

José Parés
Chairman of the Board

Russel Creedy
Group CEO

BUSINESS DIVERSIFICATION

For the past two years the world has been in retreat, hunkering down and not going out. Hospitality businesses everywhere have felt the brunt of COVID-19 restrictions. Yet despite the chaos, despite the stresses, we think we can be satisfied with the way we came through it and delivered our customers the best experience we possibly could.

Why is that? Our people. They have been truly amazing – pulling together and supporting each other – we can be proud of the strength of teamwork everyone has shown across the board, at all levels.

STRENGTH. INSIDE OUT

Our business has what we might call an outer resilience that ensured business continuity throughout the pandemic. In last year's report we talked about this as our business strategic strength, afforded by having operations across different time zones and cultures, different brands and unique tastes, multiple formats like drive-thru, delivery, click and collect and digital ordering. COVID-19's impact could be absorbed and dispersed.

But there's an inner resilience that's driven it, and that comes from every one of our people. It's this staff fortitude that has pulled us through one of the most protracted and difficult periods in our company's history. We might say we've become managers of chaos and have mastered – or rather got the hang of – the complexities of moving in and out of lockdown, and now of course, the squeeze of Omicron. It's been no easy ride.

CHANGES & CHALLENGES

Right from the start of it all, back in March 2020, we've had to negotiate two fundamental people issues; our people as resource, and secondly, our customers who have come to depend on us being there rain or shine. The two are, of course, intertwined.

Many of our customers are regulars. In their minds we can't close and their favourite menu item must always be available. It's as though our restaurants have become symbols of certainty in life.

MICHAELA PAYNE

Area Coach, Taco Bell, NSW, Australia

Michaela's one of those people who epitomise tenacity, resilience, and leadership. As Area Coach for eight Taco Bell restaurants across New South Wales she dug deep and managed to support all her teams throughout one of the most challenging times ever. Long days would see her helping out on many fronts as all her restaurants struggled in the face of lockdowns, virus-induced staff shortages and travel restrictions.

"COVID-19 restrictions severely constrained us so we had to mobilise skeleton teams across New South Wales and train people up in new skills so customers could continue to get their food with the service they expect."

"Compromising on service and the quality of our food is simply not an option. So whatever, whenever and however, the customer comes first. It's something I and my team take very seriously."

ROSIE SOLOMON
Restaurant GM, Pizza Hut, Hawaii

If you need proof that leadership sets the example for others to follow then look no further than Rosie. Her team are a credit to her dedication and passion for customer service. She's full-on, everywhere greeting customers; at the counter, at the door and even at the curbside with a 'Hi, welcome to Pizza Hut'. Rosie's upbeat, enthusiastic and caring personality is infectious since her team were able to continue that same commitment to customers throughout the labour shortages associated with COVID-19 restrictions.

So when lockdowns required us to close parts of our operation, or with New Zealand's full lockdowns, all of it, it's understandable how many customers struggled to understand the changes we had to make. Yes, we've had our share of customer tensions on our restaurants' front line.

Meanwhile, our people – our teams in the restaurants, our managers across all brands and all markets – none of them, none of us, could have imagined the challenges that the past two years would bring. How we would need to protect our people from the virus and from the anxiety of uncertainty when, overnight, operations were plunged into indefinite full or partial lockdown.

Very quickly our front line managers, from Invercargill to Los Angeles, had to learn the rules of the day, be able to share them with their teams, and comfort those who found it all too much to comprehend. And then the rules might change. They learned to clean up, lock up and shut down dining areas, to suspend rosters, to cancel stock orders, preserve food or, in many cases, distributed or disposed of.

Then there were the restarts. Or the shifting up a gear as markets moved down from one COVID-19 level to the next. In New Zealand's case it meant restarting from cold. Mothballed operations needed to be up and running again within a matter of a few days. Restaurant teams would have to mobilise and new rosters prepared. Managers would need to keep their teams engaged and enthusiastic. There'd be food to order and supply lines reactivated. Everybody in the team – from management working from home to field managers and front line workers – had to know what to do, how and by when. So that when doors reopened, when customers hungry for their favourite food queued in their cars, or online orders for the delivery or click and collect options flowed through, the customer's experience would be the best we could possibly make it. Communication was paramount – it always was of course. But throughout the stop-start of the pandemic, and with management support working from home, we learned to tighten up even more on crystal clear, precise communication. To everyone, about everything. A 'what-could-possibly-go-wrong' attitude had to prevail. And it worked.

Remobilisation en masse has become an all too familiar hallmark of the pandemic. In many respects it proved harder to start operations back up than it was to close them down. All our restaurants have had to adapt fast to the changes. Like rules of engagement under the traffic light system, and vaccination mandates and vaccine passes. All sources of tension and anxiety. However, our team persisted and have worked throughout these challenges.

OMICRON

The game changed with Omicron. By and large to that point we had managed to protect our teams and weren't significantly hit by infection – the restrictions prevented that.

But with Omicron, our teams have suffered. Now managers and teams are struggling with staff shortages and isolations for weeks at a time. The stresses are different. So our response to Omicron has had to be different. Our agility, our ability to flex, to reschedule our hours, to manage our food orders and adjust our menus, to upskill, to re-roster at the drop of a hat, to step into someone else's role, at a different restaurant with a different team is the new game.

NEXT NORMAL?

Are we – all of us in this billion dollar restaurant business – stronger for what we've been through these past two years? We'd like to think so.

We're becoming more confident. We know who to call, what channels to close if we have to, and how to adjust menus. We've learned from each other across brands and markets and we've become stronger company-wide as a team. Communication, coordination, collaboration and cooperation have proved critical. And like many businesses we now have well-established support and wellbeing programmes to help our teams manage the stresses. There's a belief now that we can tackle whatever COVID-19 throws at us next. The business has shifted focus in some areas – home delivery, online ordering, click and collect took off during COVID-19 and have shown us these channels are set to grow even further. And, of course our growth strategy prevails.

We love this business, and we're extremely proud of the people who have helped to pull us through the worst. They've been extremely resilient and learned fast. After all we're a fast business. An everyday business. Open and serving our customers in all the ways that we can.

"I feel very proud to be a part of KFC in Los Angeles and especially proud of my team in the way they stepped up and made sure business continued throughout all of the COVID-19 restrictions."

ALEX CHAVEZ
Restaurant GM, KFC, California

Alex knows the KFC store operation inside out having worked with the brand in Los Angeles for the past 10 years. He started out as a Team Member and has since made his way up to Restaurant General Manager. Alex is remarkable because he is one of those people who shows great leadership qualities time and again no matter what the situation. He has been the go-to manager to help many Los Angeles KFCs find their feet during and immediately after a grand opening, or to guide a store through a transition, for example, when a store has had to close and teams need help relocating.

NETA KELEMETE
Restaurant GM, KFC, Auckland, New Zealand

"Mangere loves its KFC. Customers were queuing immediately when we came out of Level 4 lockdown and the team here was awesome in giving great service under difficult conditions."

Neta's been with KFC for 25 years. She started as a Team Member and through her passion for the brand and delighting our customers every day she has developed her career enormously. Today she heads up one of Auckland's largest and busiest stores at Mangere Central. When the Auckland region emerged from a hard lockdown, it was big stores like Neta's that shone. Through the strength of Neta's positive, can-do personality, her team was able to rise to the challenges of very tight restrictions on health, travel and contactless service and meet the needs of her Mangere community hungry for their favourite food.

OPENING UP.

Since 2020 at the start of the COVID-19 pandemic, our employees throughout the world have been preparing and delivering food to our customers. Four of our employees share with us their stories over the last two years.

Meet the employees

"I love to give our customers the best service I can – no matter what."

ROSALINDA OLIPHANT

Team member, Carl's Jr., Rotorua, New Zealand.

Rose is our guest service superstar! Her smiling face has become a trademark for the warm friendly greeting she's been giving to our Carl's Jr. customers for close on seven years now.

It's a shame that she's had to hide her smile behind a mask during COVID-19 restrictions. Nonetheless, in the face of extraordinary operational challenges and barriers to the usual customer experience – like hygiene protocols, distancing, contactless service – Rose's smiling eyes continued to shine day in day out as she engaged customers with exceptional service.

We love your commitment, Rose. You're a big part of our restaurants, the team and the local community.

"Seeing a customer really happy is so rewarding. It makes me feel good."

UBALDO NARCISO

Team member, KFC, Palmdale, California.

How's this for stepping up? When Ubaldo's KFC restaurant was under severe pressure from staff shortages, Ubaldo – normally a cook – learned to take and pack orders out front, and took it upon himself to take hospitality classes at school so he could introduce improvements in overall customer service.

If ever there's a complaint (not often), he takes it personally making sure to meet the customer and see that they are satisfied. He's learning fast and is already providing great feedback to management on how the restaurants can make even better advances in customer measures.

"The team here has helped me grow – I've truly learned a lot."

JOSEPH HANOUN

Team member, KFC, Punchbowl, NSW, Australia.

A real trooper is our Joseph. He works in an area of New South Wales that was seriously hit by COVID-19 in 2020 and 2021.

KFC restaurants there struggled to keep the doors open as staff succumbed to the virus and restrictions and lockdowns bit hard. Joseph went way beyond the call by helping out at practically every store, either covering someone else's shift or working for a few weeks because a store was short-handed.

In the 3.5 years that Joseph's been with us he's excelled, transitioning from food service to front of house and showing a real talent and attitude for what customer service is all about. So we're promoting him – Joseph will soon complete his own training as a shift supervisor.

"You do what you have to do. Being part of a great team makes it easier."

LEILANI VILLANEUVA

Team member, Taco Bell, Kapolei, Hawaii.

She may wear an everyday crew uniform but the rest of the team look up to Leilani as a leader.

Her people skills are top notch and she never has to be told what to do – she just gets on and does it. It's a terrific quality and Leilani epitomises what it means to be a team player.

Throughout the peak of the pandemic when restaurants were short-staffed she often stayed behind to cover shifts working extra hard by covering multiple stations. Good on yer Leilani.

SUSTAINABILITY REPORT

IMPROVING ALWAYS.

ENVIRONMENT, SOCIAL & GOVERNANCE

ONGOING COMMITMENT

Our purpose at Restaurant Brands is to be 'a thriving business built on brands that our employees and customers love and trust'. The pillars that underpin this - our people, our planet and our food - are of paramount importance to us and we are proud of the advances we continue to make in these areas.

SUSTAINABILITY GOVERNANCE

Throughout our company we are committed to driving sustainable growth and being good corporate citizens. Our Board oversees Restaurant Brands' sustainability performance and provides strategic input and governance on our Sustainability Framework. Major initiatives, programmes and policies under the framework are discussed and signed-off at Board level. The Audit & Risk Committee of the Board oversees all significant risks to our business through the Risk Management Framework and any sustainability or climate-related risks that are identified as critical to our business are closely monitored by the management committee and reported to the Audit & Risk Committee.

Operational responsibility and oversight for our sustainability strategy falls directly to our Executive Sustainability Committee who develop and support the Sustainability Framework, its strategic objectives and review progress. Input is provided by the Board, Department Heads and members of staff. It is the role of the Committee to develop, review, refine and aid the implementation of sustainability programmes and policies.

Each of our business units has a committed Environmental Lead, collating and providing information on a quarterly basis and providing valuable local insights to the Executive Sustainability Committee.

IMPROVING THE RECIPE

When Restaurant Brands embarked on its journey to greater sustainability we knew the path would not be straight. In the past two years COVID-19 has certainly created unforeseen twists with ongoing restaurant closures, tight labour markets and supply chain challenges. Despite this, we have made steady progress on establishing targets, measuring our achievements and developing new initiatives to drive improvement in our environmental strategies.

Our Sustainability Framework, established in 2019, has guided us to date.

Three years down the track, with many learnings under our belt, significant growth, and an ever-evolving business environment, we felt it was time to review our framework to ensure it captured industry best practice and recognised the current risks and opportunities for our business and sector. We engaged a global ESG consultancy group to conduct a peer group and gap analysis on our behalf.

The most significant finding of our review was the need to fully consider and bring climate change and greenhouse gas (GHG) emissions into our Sustainability Framework and we are pleased to have completed the first step in this process. A detailed account of our plan to integrate this follows on page 42.

So while the pillars of our framework remain, we have updated our strategic themes and reorganised the relative programmes to better accommodate our review findings. This updated framework will also guide the presentation of information on the coming pages. Come and see how we are getting on...

SUSTAINABILITY FRAMEWORK

CARING ABOUT PEOPLE AND COMMUNITIES

An inclusive and productive team focused on wellbeing

PROGRAMMES

- A diverse and inclusive work force
- Competitive remuneration
- First job
- Career progression
- Staff satisfaction and wellbeing
- Lost time injuries
- Workforce relations and monitoring
- Zero tolerance for forced or underage labour

Supporting our communities

- Charitable donations
- Local sponsorships and partnerships
- Food recovery
- Local procurement

ENVIRONMENTAL CONSCIOUSNESS

Waste management

PROGRAMMES

- Customer-facing packaging waste reduction and diversion
- Back-of-house waste reduction and diversion
- Construction waste reduction

Resource management

- Develop our Carbon Management Plan
- Energy usage
- Solar energy innovation
- Low impact home delivery
- Water management
- Green buildings

LEADING IN FOOD QUALITY

Food compliance

PROGRAMMES

- Food safety and product quality
- Food safety training
- Supply chain food safety
- Nutritional profile
- Active reduction of fats / sodium / sugar
- Hormone and steroid free
- Responsible antibiotic use

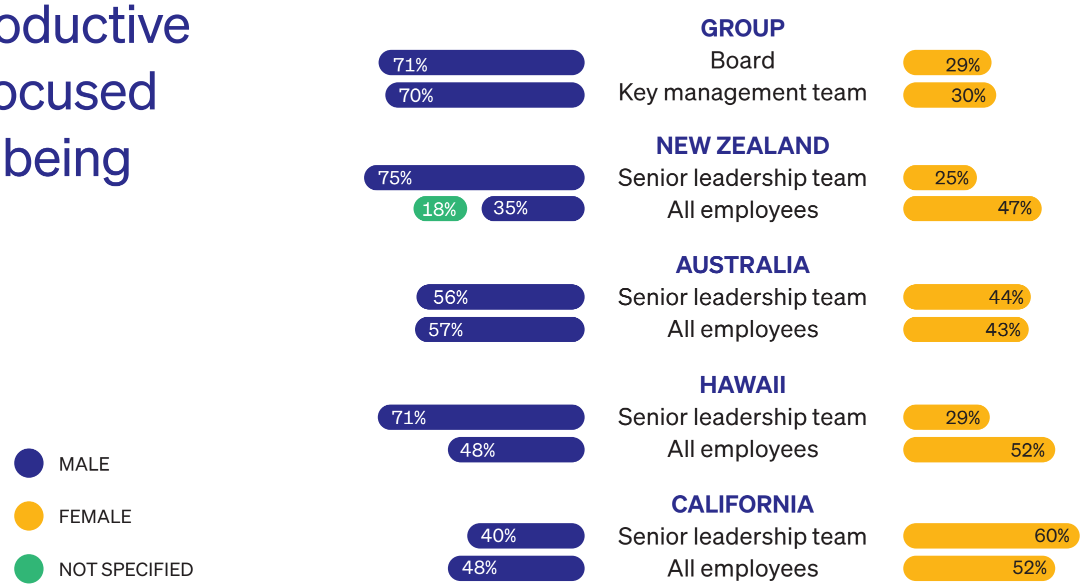
Ethical sourcing

- Supplier audit programme
- Animal welfare
- Palm oil free

CARING ABOUT PEOPLE AND COMMUNITIES

An inclusive and productive team focused on wellbeing

A DIVERSE & INCLUSIVE WORK FORCE



COMPETITIVE REMUNERATION

Our ongoing goal is to keep salary and wage levels on or above market; therefore, we benchmark market rates across the business to ensure our remuneration is competitive and our employees feel valued.

Our ongoing goal is to keep salary and wage levels on or above market.

RESTAURANT BRANDS AVERAGE HOURLY WAGE (MALE)	(FEMALE)		ADULT MINIMUM WAGE BY DIVISION As at 31 December 2021	PERCENTAGE OF EMPLOYEES ON MINIMUM WAGE
NEW ZEALAND ($NZ)				
$20.87 MALE	$21.03 FEMALE	In New Zealand our lowest rate of pay is $20.10 per hour – 10 cents above minimum wage. 38% of our employees are on this entry-level wage.	$20.00	0%
AUSTRALIA ($A)				
$17.84 MALE	$17.89 FEMALE	Australia has a large casual workforce, with 94% of all employees working on this basis. The majority of that workforce are youth, and both casual and permanent employees are paid above the minimum Fast Food Award wage of between $8.71 to $19.61 for 15 – 20 year olds.	$20.33	0%
HAWAII ($US)				
$11.09 MALE	$12.14 FEMALE	To remain competitive, Hawaii pays above the State minimum wage and our employee's 'package' also includes medical benefits and a retirement plan.	$10.10	12.5%
CALIFORNIA ($US)				
$15.96 MALE	$17.51 FEMALE	California pays the State or applicable local jurisdiction minimum wage at point of entry.	$14.00 ($15.00 IN CITY OF LOS ANGELES METROPOLITAN AREA)	24%

FIRST JOB

For many, a job at one of our restaurants is their first, and we are proud to be able to offer this opportunity. To ensure our new team members get off to the best start, we focus on these key areas:

- ease of job application,
- easy to understand, timely and engaging onboarding,
- a well prepared and welcoming induction for that 'first day',
- easy access to e-learning and a positive restaurant training environment, and
- early conversations on development and training paths including pay structure.

To better understand the significance of 'first job' roles within our company, we are now capturing data around this and will report on it in the coming years.

In the meanwhile, across the divisions, there are some exciting initiatives underway including interactive based learning experiences to engage with our workforce. Watch this space!

CAREER PROGRESSION

At Restaurant Brands, we want our people to be the best they can be.

To drive this, each of our divisions has brand and core competency training frameworks that encapsulate all the related knowledge, skills, abilities, and attributes an employee needs to be successful in their role and progress within the restaurant and business. These frameworks are used to hire, develop, measure performance and potential, and to promote, whilst also ensuring the business has the right people with the right skills to fulfil critical roles as they become available.

For greater consistency across our network and to best identify and nurture the talent of our people we are currently working on a Career Progression Framework. This is due to be launched and implemented in the coming year.

To measure Restaurant Brands' performance in supporting our people to be the best they can be, we look at the percentage of employees that make a 'Job step', or are promoted, within the year. Here's how we are doing below:

JOB STEP MOVES IN 2021

NEW ZEALAND
→ 13.3%

AUSTRALIA
→ 7.4%

HAWAII
→ 10.2%

CALIFORNIA
→ 8.8%

STAFF SATISFACTION & WELLBEING

Our people are our biggest asset, and we foster an inclusive, rewarding, and safe environment in which everyone can thrive.

To measure employee satisfaction, the divisions use a variety of surveys – some from franchisor Yum!, some at a brand level and, in New Zealand, a Restaurant Brands Engagement Survey.

STAFF SATISFACTION
(annual average score in given survey)

NEW ZEALAND
Engagement survey
66%

AUSTRALIA
KFC Voice of Champions
44%

HAWAII
Satisfaction survey
89%

CALIFORNIA
KFC Voice of Champions
64%

In Australia we have seen a 3% decrease in the KFC Voice of Champions survey, indicating further opportunities around employee engagement. We'll be focusing on building greater connection, reward, and recognition into our roles.

Although voluntary, all California employees are encouraged to complete the KFC Voice team engagement survey. The results of these surveys are reported back to Restaurant Brands, and together with KFC US, we work to develop an action plan for any improvements. Some of the questions include:

- satisfaction with job,
- recommend KFC as a great place to work,
- plan to be working for KFC in six months,
- personally committed to KFC's success, and
- energised when doing my job.

STAFF TURNOVER
(as a % of average total staff)

	2019	2020	2021
NEW ZEALAND	70.0%	55.8%	**74.9%** 6% involuntary
AUSTRALIA	42.6%	50.5%	**48.7%** 1% involuntary
HAWAII	60.2%	52.7%	**79.0%** 11% involuntary
CALIFORNIA	n/a	61.0%	**86.0%** 4% involuntary

Involuntary turnover is any instance where Restaurant Brands has decided to terminate an employee. This includes store closure and employment abandonment.

The nature of the QSR industry and the fact that, for many, a job in QSR is a step on their career ladder means that high turnover is a systemic feature of our business. As an indicator of workplace culture and conditions, we measure staff turnover rates against those of our peers. Our aim is to manage turnover so that it doesn't negatively impact on operations.

The uncertain environment at the beginning of the COVID-19 pandemic in 2020 resulted in very low turnover, as people across the world clung to jobs. As confidence improved in 2021, the labour force became more mobile, and there was increased competition for staff. In New Zealand, Hawaii, and California, this has driven staff turnover up to unsatisfactory levels. To improve this, we are developing new retention strategies along with improving employee satisfaction, as noted earlier.

LOST TIME INJURIES
(per million hours worked)

	2019	2020	2021
NEW ZEALAND	6.3	5.2	**10.4**
AUSTRALIA	10.0	11.9	**17.1**
HAWAII	6.2	2.5	**4.1**
CALIFORNIA	n/a	5.2	**9.1**

The safety of our employees is of utmost importance and a measure of this is the time lost to injuries. This year, across the business, we have seen a disappointing increase in these injuries.

To improve our performance and mitigate the number of injuries in the coming year, we will have a strong focus on injury prevention. This is primarily around following procedures and using the correct tools and PPE for the task, causation analysis (to gain further insights re-injury reduction) and supervision of tasks being performed, with each of the divisions deploying a safety plan addressing specific safety initiatives relative to their environment.

WORKFORCE RELATIONS & MONITORING

New Zealand operates under both collective and individual employment agreements which provide for fixed shifts for employees. All restaurant employees are required to record their hours of work and are paid accordingly. We are also compliant in paying to the collective and individual rates of pay. Payroll and HR/Recruitment teams to ensure key employment records and pay are accurate.

The Australian division operates under the KFC National Enterprise Agreement 2020 and Taco Bell Team Members Enterprise Agreement 2020. Employees in restaurants are required to record their hours of work and are paid accordingly to the hours worked. Pay records are audited annually to ensure compliance with the Enterprise Agreements.

Enterprise agreements are not a feature of the Hawaiian and Californian QSR markets, but nevertheless, our policies and processes are designed to comply with local labour laws.

Zero tolerance for forced or underage labour

Restaurant Brands has a zero-tolerance policy for forced or underage labour in effect across our business and wider supply chain. There were no known breaches of this policy in the last year, and we will continue to be vigilant in the monitoring of this.

Supporting our communities

CHARITABLE DONATIONS

Restaurant Brands is proud of its contribution to the communities we serve, delivering important economic benefits and supporting a range of community and charitable organisations.

In 2019, we established the Restaurant Brands Charitable Fund through The Gift Trust, a registered charity in New Zealand. Through this 'gifting platform', we've donated $300,000 in the past three years.

The Restaurant Brands Charitable Fund is committed to supporting youth-orientated New Zealand charities that focus their activities on improving access to education. As a large employer of young people, this cause is close to our hearts.

Through the fund, we now donate to Birthright, a provider of social services for single parents, and Manaiakalani, which supplies devices and digital learning to underprivileged families.

We are also supporting five students through tertiary study scholarships via the First Foundation.

The Restaurant Brands Charitable Fund is managed at a group level by a panel responsible for reviewing the allocation of funds on an ongoing basis to ensure that they remain relevant and valuable to our communities. It includes Restaurant Brands' executive management and Board members.

$300,000 donated in the past three years

Beneficiaries this year include:

$35,000
to the Manaiakalani Education Trust

$35,000
to the Birthright New Zealand Trust

$30,000
to First Foundation

LOCAL SPONSORSHIPS & PARTNERSHIPS

In addition to our Group charitable donations, each year, across our divisions, we assist key community organisations, offering financial, marketing and promotional support. Organisations we have supported in the past year include:

NEW ZEALAND ($NZ)

$140,154
Surf Life Saving New Zealand - KFC

$51,000
St John - Pizza Hut

$10,915
Community donations - All brands

KFC has been a gold partner of Surf Life Saving New Zealand since October 2012 and, as of 31 December 2021, has raised a total of $1.58m for this very worthy organisation. Every year the money raised in our summer appeal helps keep kiwis safer at the beach, and supports the 4,500 volunteer lifeguards on duty over the summer.

Pizza Hut has also joined forces with an iconic New Zealand charity by becoming an official partner of St John New Zealand and providing the emergency ambulance service and community health services with essential fundraising support.

We couldn't be prouder of the contribution we make to these organisations that make a difference in New Zealand communities every day.

AUSTRALIA ($A)

$37,000
KFC Youth Foundation

In Australia, a large proportion of KFC team members are under the age of 25 years, and that's a key driver behind our passion to support Australian youth. The KFC Youth Foundation was established by Yum! to help give young people mental well-being support through charity partners; The Black Dog Institute, ReachOut Australia and Whitelion, and together with KFC restaurants across Australia, we are helping young Aussies thrive. From launch, in May 2018, the KFC Youth Foundation has raised more than $A6 million.

In 2021 fundraising was limited due to restaurant closures, limited trade and cashless operations, but this year we are pleased to be offering customers the opportunity to round up their orders and include a donation, along with cashless donations.

HAWAII ($US)

$45,000
Literacy Foundation Grants & Scholarships - Pizza Hut

$27,471
Taco Bell Foundation Donations

$9,800
Taco Bell Owners Giving

$4,369
Book it - Pizza Hut

$2,550
Friends of the Library

Hawaii Pizza Hut has a long history of supporting literacy organisations. One of these organisations is 'Book It', established to motivate school students to read more books through a reward system of certificates and free pizza. Irresistible!

Another is the Literacy Fund, a donor-advised fund established at the Hawaii Community Foundation. Its main purpose is to increase reading and literacy in Hawaii. In 2021, $25,000 from the Fund was donated to three organisations; Hawaii Literacy's Bookmobile, Read to Me International 2022 conference, and Maui Hana Arts Literacy Theater Program, and $9,000 was awarded in college scholarships.

Taco Bell is also proud to support the communities where we operate. The Taco Bell Foundation is focused on youth empowerment by helping young people explore their career passion with scholarships, experience and community support. Funds are raised via national Taco Bell fundraisers like 'Round Up' where customers can donate a small amount by rounding up their check to the nearest dollar. These small donations add up quickly and fund valuable scholarships to many future leaders.

> The Taco Bell Foundation is focused on youth empowerment by helping young people explore their career passion with scholarships, experience and community support.

CALIFORNIA ($US)

$43,517
KFC Foundation /Kentucky Fried Wishes

Each year, a portion of our Californian restaurants' coleslaw sales go to the KFC Foundation. This allows us to be part of the Kentucky Fried Wishes grant programme and to make a tangible impact in our community by nominating local non-profit organisations to be the recipient of one of 11 grants nationwide.

This year we were delighted that our nominee, the Alzheimer's Association of Ventura County, was selected as one of the 11 winners and, even more so, to hand over a surprise cheque for $10,000 to the organisation on 9 September, Colonel Sanders' Birthday!

FOOD RECOVERY

Food recovery, the practice of collecting edible food that would otherwise go to landfill and distributing it to those in need, is win win. It's good for the environment and the community.

Food distributed during 2021:

KIWIHARVEST

NEW ZEALAND

26.9 TONNES

Over the past year we have partnered with KiwiHarvest to assist with food recovery and the re-distribution of chicken, bacon, cheese, beverages and fresh produce from our restaurants and distribution centres.

The 2021 tonnage reflects a large amount of perishable goods distributed when COVID-19 led to mandatory restaurant closures.

CALIFORNIA

39.24 TONNES

KFC has been donating surplus food from its US restaurants in partnership with Food Donation Connection for more than 20 years through the Harvest Program, KFC's prepared food donation programme.

This coming year each of our restaurants will appoint a supervisor in charge of leading the initiative for the donations.

AUSTRALIA

1.13 TONNES

In Australia, 1.13 tonnes of cooked chicken products were donated to OZ Harvest from three restaurants, and we will continue to explore future growth opportunities. This converted to 2,260 meals.

HAWAII

At this time, we do not have a food recovery partner in Hawaii.

LOCAL PROCUREMENT

In New Zealand we manage procurement and the supply chain for all brands and restaurants. Where possible, it is our policy to purchase local, to both support the community and reduce our the impact on the planet.

Percentage of locally based suppliers in 2021:

FRESH CONNECTION

NEW ZEALAND

76%

100% of our chicken is sourced locally, along with all fresh produce, fries, beverages, flour, oil, and pizza boxes.

Outside of New Zealand procurement is managed by our franchisor Yum! and we are dependent on the supply chain of each brand, but we are able to share the following insights:

AUSTRALIA

93% KFC

80% TACO BELL

All KFCs in Australia use 100% local chicken, bread, flour, canola oil for cooking and fresh produce are sourced from Australian farmers and suppliers (approximately 85% of all ingredients).

Both brands currently source some packaging, uniforms and restaurant equipment internationally, along with Taco Bell's sauces and rice.

CALIFORNIA AND HAWAII

In the US, the supply chain is managed by Restaurant Supply Chain Solutions; a Yum! Brands co-operative. Whilst they do not track domestic vs international spend, they only look to international supply if there isn't a domestic supply option. For packaging, a small quantity of paper bags are sourced internationally along with resin, gloves, straws, and cutlery. That equates to < 15% of our total packaging spend coming from international sources.

ENVIRONMENTAL CONSCIOUSNESS

Packaging and resource management

CUSTOMER-FACING PACKAGING WASTE REDUCTION & DIVERSION

The packaging used to serve and transport our food to our customers makes up a large amount of our total waste and we constantly strive to reduce and divert this wherever possible, in ways big and small.

To better understand the progress we are making and the opportunity to improve upon it, we would ideally assess the levels of our packaging sent to landfills not only by us, but also by our customers. This is a challenge with every division having operational differences and having limited control over how our customers dispose of their waste when purchased via drive-thru or delivery.

In New Zealand and Australia, all general waste is compacted before going to landfill. We are keen to have increased visibility on the tonnage of this waste and are working with our contractors to achieve this.

In Australia, KFC are continuing to partner with industry, waste service providers, and packaging suppliers to innovate on solutions that will take a full life cycle approach, including options for end-of-life upcycling initiatives.

In California, it is mandatory to have separate waste recycling containers in each restaurant. Currently, this waste is then measured in cubic feet. With our focus being on tonnage, we are exploring the best way to extrapolate this information from what we know and are considering options for reducing the quantity sent to the landfill.

PACKAGING INNOVATION

Globally, the Taco Bell brand is working on reducing the number of packaging items in its portfolio and designing packaging that uses fewer materials. This year the brand launched a collaboration with TerraCycle, a company that specialises in hard-to-recycle materials, to tackle recycling of its iconic hot sauce packets. The effort is an industry first, and we look forward to hearing the details of a national US recycling pilot programme later in the year.

KFC Australia is also keenly focused on keeping its packaging out of landfills. For more than ten years, they have been members of the Australian Packaging Covenant Organisation (APCO), a not-for-profit organisation leading the development of a circular economy for packaging in Australia. KFC uses APCO's online packaging evaluation tool to determine how to improve its packaging's recyclability and manage its environmental impact. KFC is also using the APCO evaluation tool to validate packaging and enable the use of the APCO Australasian Recycling Label Program, an on-pack labelling scheme that is helping consumers to recycle correctly and supporting brand owners to design packaging that is recyclable at end-of-life. Together they are currently exploring ways to make the KFC bucket recyclable. That's exciting stuff for our business!

In New Zealand, Restaurant Brands has also joined APCO as an International Affiliate Member, which gives us access to information and training on sustainable packaging. What's more, the membership allows us to be part of a problem solving collective, working in collaboration with local and global sustainability leaders in government, industry, community groups and academia.

We are currently exploring ways to optimise the benefits made available through this membership and to make progress on reducing our packaging waste.

SUSTAINABLE PAPER-BASED PACKAGING

In New Zealand, 88% of front-of-house packaging is made from responsibly managed forests and recycled sources. We'll be working with our suppliers to get to 100% in the near future.

Internationally, our major franchisor, Yum! has made a global commitment to purchase 100% of all paper-based packaging with fibre from responsibly managed forests and recycled sources by the end of 2022. California and Australia have achieved this goal, and Hawaii is working with its supplier to gather the information.

PLASTIC REDUCTION

Restaurant Brands is committed to reducing plastics across the business and is making great in-roads.

TARGET:

Phase out plastic bags, straws and lids by 2025.

% PHASED OUT:

New Zealand	70%
Australia	95%
Hawaii	N/A
California	N/A

Despite delays caused by COVID-19 lockdowns, New Zealand is making good progress on achieving its target ahead of time. Plastic straws will begin phasing out from March 2022. In December 21 our plastic spoons transitioned to wooden ones, and we are now focused on either eliminating all other single use plastic or moving them to recycled materials.

Australia is close to achieving its target and has its eye on further improvements. Taco Bell has moved all packaging, except drink cups, to recyclable material. KFC has phased out plastic straws, and cutlery packs, replacing them with paper straws and wooden cutlery and paper wraps packs which include an unbleached serviette, ahead of Single Use Packaging Bans across jurisdictions. In 2022 KFC will continue to progress toward having frozen carbonated drink cups and lids transitioned to polyethylene terephthalate (PET) together with moving our potato and gravy containers from rigid polystyrene to polypropylene (PP).

Yum! has set itself the following targets:

KFC GLOBAL 2025 COMMITMENT:
Make all customer-facing plastic packaging recoverable or reusable.

TACO BELL GLOBAL 2025 COMMITMENT:
Make all consumer-facing packaging recyclable, compostable or reusable.

KFC GLOBAL TARGET:
Purchase 100% of our paper-based packaging with fibre from responsibly managed forests and recycled sources by the end of 2020. KFC has achieved this in Australia.

BACK-OF-HOUSE WASTE REDUCTION & DIVERSION

CARDBOARD

In New Zealand, Australia and California, all back-of-house cardboard waste is recycled. Hawaii has the challenge that some restaurants have no access or space to store cardboard for recycling, nor is it mandated by the council. They are currently recycling at 51.7%.

New Zealand and Australia are partnering with industry-leading innovators on waste diversion and circular economy programmes. We continue to look for ways to support circular economies in the materials we use to build restaurants, for example, purchasing carpark curbs and car stops made from upcycled plastics. We are excited about the possibilities in this space and look forward to sharing more advancements.

COOKING OIL RECYCLING

Across our business, we recycle 100% of expired oil. This recycled oil then goes into the production of bio-diesel – a renewable, clean-burning diesel with lower emissions.

CONSTRUCTION WASTE REDUCTION

80% of landfill waste comes from the construction industry and that's why, in Auckland, New Zealand we partner with Junk-Run to reduce this massive impact by sorting, reusing or recycling as much site waste as possible from our new builds and refurbishments. This year it was disappointing to see this initiative disrupted by COVID-19 restrictions but it will be back up and running as soon as we can.

Climate impact

DEVELOP OUR CARBON MANAGEMENT PLAN

As a global food retail business Restaurant Brands is impacted by, and contributes to, climate change. This year, we embarked on a journey to better understand the opportunities and risks this presents and, most immediately, to be in a position to measure and set targets to bring our carbon footprint down.

The first step to reducing our impact is to find out what it looks like now. We've been collecting and disclosing key data related to energy use and waste since 2019, but this can go a lot further. To help us we've partnered with a New Zealand sustainability consultancy.

Yum! has set a Science-Based Target across all of their company and franchised restaurants.

46% REDUCTION IN GHG EMISSIONS BEFORE 2030*

OVER THE NEXT 12 MONTHS WE INTEND TO:

1. **Define our organisation's carbon footprint scope including setting the boundaries and determining the base year for benchmarking against. This is underway.**
2. **Develop a measurement plan and tool – a roadmap of what data we will collect and when, and a tool to do so efficiently.**
3. **Calculate and report our base year footprint.**
4. **Third-party verification of data to assure compliance with the ISO standards.**
5. **Develop a Carbon Management Plan.**

We are excited to have this plan in place and to be making progress against it. Our aim is to share our base year footprint in our 2022 Annual Report along with more information on our carbon boundaries and how our data is sourced and analysed. From there, we'll be identifying emission 'hotspots', setting targets and working to reduce our footprint year on year.

*From baseline of 2019

9.2% decrease in MWh per $million sales across measurable divisions.

ENERGY USAGE

Restaurant Brands measures energy in MWh and MWh per $million sales. The current target is to reduce the latter year on year, but as part of our commitment to climate action, we will set more ambitious targets and document them in the plan detailed on the previous page.

MWh of electricity used:

	2020	2021
New Zealand	38,095	**37,889**
Australia	19,319	**21,676**
Hawaii	12,774	**12,031**
California	n/a	**3,684**

MWh of electricity used per $million sales:

	2020	2021
New Zealand	93	**82**
Australia	95	**94**
Hawaii	109	**97**
California	n/a	**134**

Across the divisions, we can see continued improvement, attributable in part to ongoing investment into more advanced cooking equipment.

In the future, we will also report on gas energy consumption and have begun to collect this data.

LED LIGHTING

To enhance our energy efficiency, we're transitioning to LED lighting. We've started with all new restaurants and refurbishments and will be broadening this to established restaurants in the near future.

Here's how we are tracking:
(% of restaurants with LED lighting)

New Zealand	47%
Australia	45%
Hawaii	47%
California	33%

We are working towards having 100% LED lights by the end of 2023.

TAKANINI RESTAURANT SOLAR PANELS

SOLAR ENERGY INNOVATION

In our restaurants, the ovens, grills, fryers, freezers, drink machines, ice-makers, lighting, and air-conditioners are in constant use. Whilst we are realistic about how much of this can be offset by producing solar energy, we are optimistic that as technology improves, the amount of energy created will increase. We want to maximise the opportunity this presents and reduce our demand on the grid.

This year we launched our first pilot restaurant that utilises solar energy. Located in Auckland, New Zealand the Takanini KFC restaurant initially showed a lower than expected yield of 5% of the restaurant's energy consumption, but as we moved into the summer months this rose to 30% and 50% in December and January respectively. We are greatly encouraged by this result and remain confident that improved panel design and roof orientation will continue to increase the yield.

In addition to the Takanini restaurant, we have plans to launch a further pilot restaurant in New Zealand, plus one restaurant in California and ten in Australia, in the coming year. These trials will be a focus of our Carbon Management Plan and will be of great interest in markets such as Australia, where grid electricity has a large carbon footprint, and self-generated solar has the potential to reduce this significantly.

LOW IMPACT HOME DELIVERY

Home delivery continues to be an important part of our revenue stream and is an area of focus in regards to reducing our impact on the planet. As such, in New Zealand, where we deliver some of our orders inhouse, we have developed and introduced a new Driver Management Software. The software ensures the orders across all our brands are distributed in the most efficient way, thereby reducing the number of kilometres per order.

In Australia and California, delivery is outsourced to food delivery aggregators such as Door Dash, Deliveroo and Uber Eats and is under the management of Yum! who have stated their goal is to reduce their GHG emissions by 46% by 2030. Reducing emissions associated with home delivery is part of their Carbon Management Plan for achieving this goal.

WATER MANAGEMENT

Our recent review highlighted the need to understand our water consumption better and to assess water stress across our divisions. As a first step, we are looking to collect and measure water usage data across the divisions.

In Australia, in partnership with a third-party supplier, KFC has commenced capturing water usage data throughout our restaurants to give us insights as we develop our future water-saving initiatives.

GREEN BUILDINGS

With all-new builds, Restaurant Brands is looking for ways to reduce or eliminate the negative impacts that the restaurants might have on our climate and natural environment, and to preserve our precious natural resources. We have the greatest control over this in New Zealand, where all builds are managed inhouse.

This year, one innovation that has made a positive impact on the environment and our bottom-line was the installation of an integrated hot water and fresh air tempering system into our Rolleston restaurant. The first of its kind in New Zealand, the system resulted in a reduction in electricity usage of 72.6 MWh, with an annual estimated savings of $10,900. It is now being installed across all KFC restaurants in this division.

LEADING IN FOOD QUALITY

Beyond compliance

FOOD SAFETY & PRODUCT QUALITY

The safety and quality of our food are fundamental to our business.

All restaurants are inspected by the relevant local food safety bodies and have a Food Control Plan in place to ensure food sold is safe and suitable.

In addition to local inspections, all Yum! restaurants; KFC, Pizza Hut, Taco Bell, are subject to brand audits. Brand audits include a food safety component along with brand standards (including health and safety), and restaurants are audited by a third-party, approved by Yum! globally.

Our aim is to exceed an 85% rating on the Yum! Standard, significantly above the food safety standards prescribed by local food safety regulations.

Here's how we performed:

	2020	2021
New Zealand	98%	**98%**
Australia	85%	**92%**
Hawaii	93%	**95%**
California	n/a	**93%**

Note: there were no food safety audits carried out in California between 2 September and 31 December 2020 (the first four months of our ownership).

FOOD SAFETY TRAINING

All staff must complete our food safety training programme before they enter a restaurant. This is part of the restaurant staff induction programme as well as a requirement for all other staff before they spend time in a restaurant.

100% of restaurant staff complete food safety training

SUPPLY CHAIN FOOD SAFETY

In Australia, Hawaii and California, Yum! manages the supply chain, and they uphold an industry-leading food safety programme, including processes for auditing suppliers and mitigating risk across their global supply chain. Food safety audit outcomes are reported as a performance tier, ranging from Tier 1 (top Tier) to 4 and No Tier. The 85% Yum! Standard represents the percentage of supplier audits achieving Tier 1 & Tier 2.

In New Zealand, in addition to all achieving the local standards, 68% of our suppliers achieve Tier 1 and 2 of the Yum! standard, and we aim to grow this through a continuous programme of improvement.

NUTRITIONAL PROFILE

All nutritional information, including the amount of fats, sodium and sugar in our menu items, is listed on our brand websites, with the exception of Taco Bell in Australia, where the brand is still new, and the information is yet to be compiled.

In Australia, Hawaii and California, kilojoules are also available on restaurant menus.

HORMONE & STEROID FREE
All our chicken is hormone and steroid free. Our suppliers must comply with this policy to ensure our customers enjoy the highest quality product.

RESPONSIBLE ANTIBIOTIC USE
We are dedicated to animal health, and this may necessitate the use of antibiotics to maintain or restore health. In these instances, antibiotics are used only for this purpose and at levels that are not significant in human medicines.

Sodium reduction

Taco Bell Black Beans
↓ 81%

Taco Bell Black Tortillas
↓ 50%

KFC Burger mayo
Carl's Jr. Ranch sauce
Pizza Hut Ranch sauce
Carl's Jr. Memphis BBQ sauce
KFC Supercharged sauce
↓ 20%

Pork Carnitas supplied to Taco Bell
↓ 14%

ACTIVE REDUCTION OF FATS, SODIUM & SUGAR

Restaurant Brands is committed to providing food that not only can our customers love and trust, that tastes good and is good.

We continually drive sustainable nutrition improvements, across our core food categories to address the public health nutrients of concern; saturated fat, sodium and sugar.

In New Zealand, to achieve these improvements, we scrutinize each menu item and every ingredient to see where we can make reductions in these concern areas.

For the past two years our focus has centred around sodium, and we are pleased to report a sodium reduction in nine key ingredients.

In the coming year, there will be further improvements to sodium levels, reductions in sugar for KFC burger buns and dinner rolls and, through the work of our beverage provider, Coca-Cola Europacific Partners, a reduction of sugar in our drinks.

In Australia, KFC are taking big steps on the journey to improve the nutrition and transparency of the menu. This includes sodium reduction, where they've reduced the sodium levels across the core chicken menu options by 6.3% together with introducing more choices such as, Crunch Bowl.

KFC has also continued to develop nutrition guardrails for menu items, include more pantry ingredients across menus for nutritional improvements and progressed work to remove additives and artificial ingredients by 2025.

SUPPLIER AUDIT PROGRAMME

In New Zealand, where we control our supply chain, all suppliers are carefully selected, undergo due diligence and are audited on an annual basis to ensure they meet our ethical standards. Our standards are based on the combination of the Yum! Supplier Code of Conduct and other best practice guidelines.

Australia, Hawaii and California are part of the Yum! supply chain and all their suppliers must adhere to their Supplier Code of Conduct which sets basic requirements of all of suppliers whether they provide food or beverages, packaging or equipment. All suppliers are audited on a regular basis.

ANIMAL WELFARE

All New Zealand manufacturing sites that produce meat and meat products supplied to Restaurant Brands must meet the requirements of the Animal Welfare Act and are audited by both SPCA and Asure Quality.

We have a proud history of working with New Zealand's two largest chicken suppliers, Tegel and Ingham's. These two companies are committed to following all the right animal welfare codes and guidelines and ensuring the humane treatment of all their birds.

Tegel and Ingham's are members of the poultry industry body PIANZ which ensures that producers meet exacting standards in animal welfare, stockmanship and food safety. PIANZ works closely with the Ministry for Primary Industries and the National Animal Welfare Committee to review and develop new or enhanced standards. The Code standards are set by an independent Government appointed group of welfare experts. The poultry supplied to KFC by Tegel and Ingham's is raised in barns to tightly regulated and monitored standards.

The other divisions (Australia, Hawaii and California) rely on Yum!'s supply chain controls as outlined in their Global Animal Welfare Policy. Their commitment to animal health and well-being is steadfast and guided by the holistic, science-based Sustainable Animal Protein Principles. Specifically, they are committed to the Five Freedoms in guiding the overall approach to animal welfare through the supply chain.

In 2020, KFC announced new global chicken key welfare indicators (KWIs) as a critical next step on its animal welfare journey. The KWIs address mobility while chickens are raised, overall chicken health, minimisation of medical interventions, chicken mortality and mental and physical stress. These KWIs will serve as the foundation for animal welfare metrics across this brand.

Yum! KFC has also set a global target for 100% cage-free eggs by 2025. Currently, in New Zealand, all our whole eggs are cage-free, and we are working with ingredient suppliers across our brands to achieve this.

FIVE FREEDOMS OF ANIMAL WELFARE

FREEDOM FROM HUNGER & THIRST	FREEDOM FROM DISCOMFORT	FREEDOM FROM PAIN, INJURY OR DISEASE	FREEDOM TO EXPRESS NORMAL BEHAVIOUR	FREEDOM FROM FEAR & DISTRESS

PALM OIL FREE

Historically, Restaurant Brands has targeted having no products containing palm oil.

Here's how we are tracking against that:

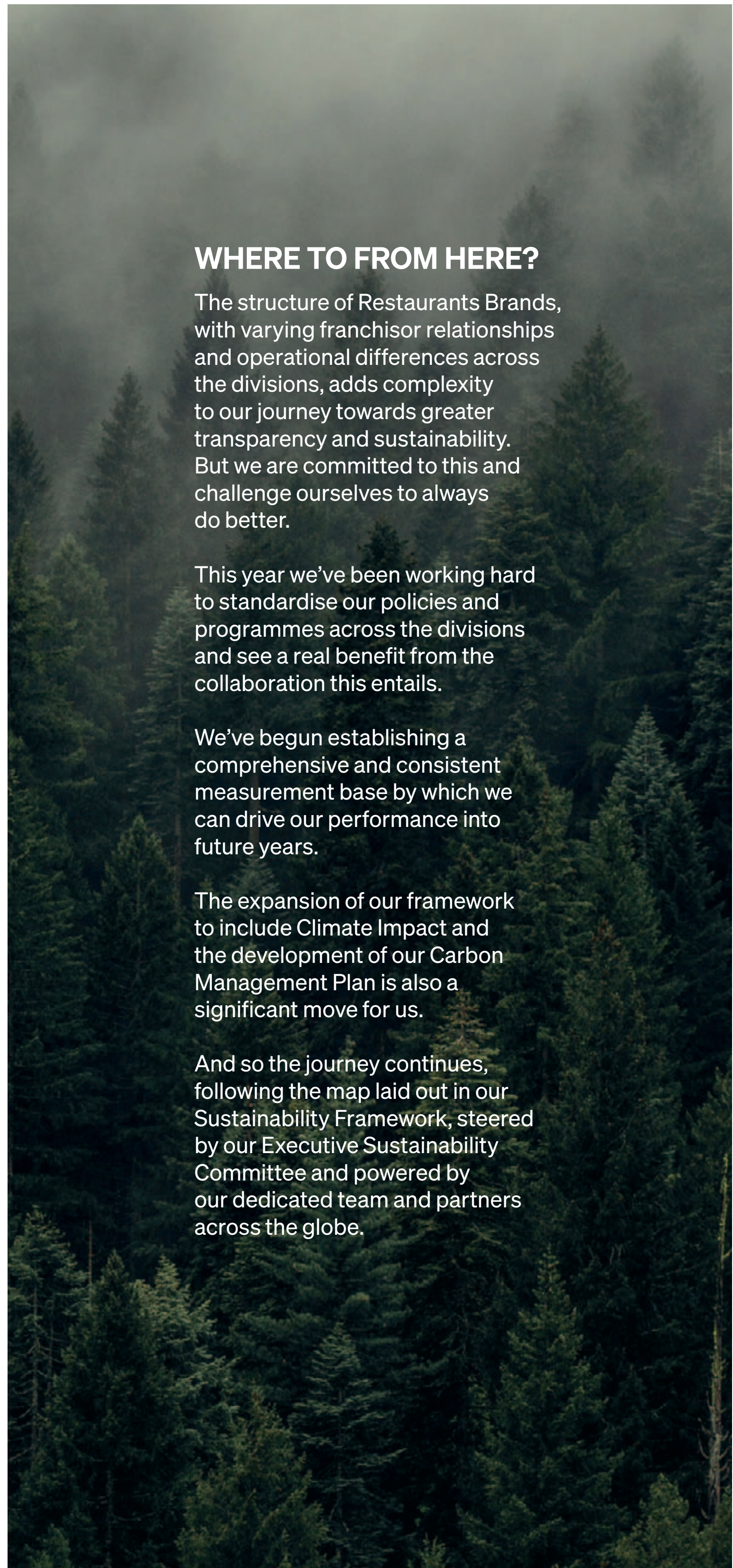
New Zealand	99%*
Australia	99%*
Hawaii	N/A
California	N/A

*Working on the 1% with our food suppliers

Globally, in 2019 our Australia, California and Hawaii divisions achieved their goal of sourcing 100% of palm oil used for cooking from responsibly managed sources, with third-party certification from the Roundtable on Sustainable Palm Oil (RSPO).

Further than this, Yum! have endorsed the New York Declaration on Forests and the private sector goal of eliminating deforestation from the production of agriculture commodities such as beef, soy, palm oil and paper products and collectively committed to ending natural forest loss by 2030.

New Zealand has just five products and Australia three products remaining using palm oil, and in these instances, the oil is also RSPO Certified and used for functional purposes such as tortilla production.



WHERE TO FROM HERE?

The structure of Restaurants Brands, with varying franchisor relationships and operational differences across the divisions, adds complexity to our journey towards greater transparency and sustainability. But we are committed to this and challenge ourselves to always do better.

This year we've been working hard to standardise our policies and programmes across the divisions and see a real benefit from the collaboration this entails.

We've begun establishing a comprehensive and consistent measurement base by which we can drive our performance into future years.

The expansion of our framework to include Climate Impact and the development of our Carbon Management Plan is also a significant move for us.

And so the journey continues, following the map laid out in our Sustainability Framework, steered by our Executive Sustainability Committee and powered by our dedicated team and partners across the globe.

UNWRAPPING PLANS FOR FUTURE GROWTH

OPERATIONS REPORT

NEW ZEALAND

Total store sales were up $50.7 million to $461.1 million an increase of 12.4%. Growth was across all brands with particularly strong results from KFC and Carl's Jr. Reported growth was further assisted by a lesser COVID-19 impact with the Government mandated closures at Alert Level 4 for two weeks compared to five weeks last year. Same store sales were 9.1% for the year, up from 5.3% last year. It is estimated that the Government-mandated full store closures resulted in lost sales of $26 million in 2021 compared to $40 million in 2020.

It was a great achievement for our operations teams, to navigate through the COVID-19 Level 4 lockdown and reopen safely and smoothly. COVID-19 lockdowns did present significant challenges; however we were well prepared and were able to offer increased contactless channels to consumers. Our supply chain also planned ahead to address any potential stock shortages. We were also proud to support awareness around COVID-19 vaccinations, working with the 90% Project with our "post-jab" Lolli-Popcorn Chicken giveaway.

KFC remains the key contributor to the New Zealand operations. The brand once again delivered a strong result with both sales and profit performance well up on last year's reported numbers. The strong result was enhanced by the KFC online delivery channel which continued to grow and the opening of a new online "click and collect" channel, leveraging the launch of a new KFC e-commerce website.

KFC celebrated its 50 year anniversary in New Zealand, with its first store opening at Royal Oak in 1971. Unfortunately celebrations planned to mark this historic day were impacted by New Zealand going into COVID-19 Alert Level 4. KFC continues to play a big part in kiwi culture with high brand awareness and great partnerships with Cricket NZ, Super Rugby and Surf Life Saving NZ.

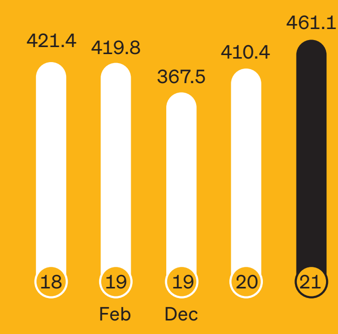
KFC was proud to open its first eco-friendly dual drive-thru KFC store in Takanini, Auckland, with a second eco-friendly store to be opened in early 2022. We've also continued refurbishing and upgrading our stores to add more capacity and making a more welcoming environment for customers and team members alike.

Carl's Jr. same store sales were also significantly up on last year due to the positive impact from the use of third party delivery providers. The brand also continues to refine its menu to meet the demands of the customers to ensure we offer a high quality dining experience.

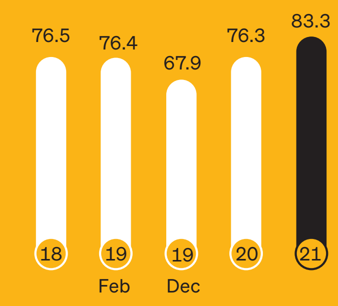
The Pizza Hut brand continues to evolve on the back of successful promotional activity supplemented by successful product innovation including the launch of 'The Limo'. Pizza Hut New Zealand received a number of global and regional Yum! awards for the brand's strong performance.

Pizza Hut sales from company stores were down on the prior year, reflecting a reduction in company-owned store numbers through the year with seven stores sold to independent franchisee operations, however sales across the entire 105 store network were up on prior year.

TOTAL SALES ($NZ m)



EBITDA ($NZ m)



STORES

137

STAFF

3,748

With ten Taco Bell restaurants now opened in New Zealand, including the first restaurant in the South Island, this brand continues to gain momentum. This is despite the adverse impact of COVID-19 lockdowns as many of the restaurants are dine-in facilities only and therefore were affected to a greater degree by COVID-19 restrictions in the Auckland region.

EBITDA before G&A costs for the New Zealand business was $83.3 million, up $7.0 million reflecting the increased sales; however it was adversely impacted by rising costs. The EBITDA margin for New Zealand was 18.1%, which is down on last year. This is a result of increased cost pressures and supply chain challenges, together with higher operating costs from COVID-19.

Total company owned restaurants remained at 137 due to seven Pizza Hut restaurants being sold to franchisees during the period. Off-setting the sale of company owned Pizza Hut restaurants was the opening of six new Taco Bell restaurants in Sylvia Park, Auckland, Dunedin South, Dunedin, Fairy Springs, Rotorua, Airport, Auckland (change of brands from Carl's Jr.), Bush Inn, Christchurch and Eastgate, Christchurch as well as three new KFC restaurants opened in Takanini, Auckland, Sylvia Park, Auckland, and Avondale, Auckland (change of brand from Carl's Jr.).

The New Zealand business has also seen significant restaurant reinvestment with nine stores remodelled over the year and another 34 store refurbishments planned during FY22. The full year impact of the major refurbishments and the ten new stores completed during FY21, together with continued high levels of marketing expenditure, continued new product innovation (with some exciting products still in the pipeline) will drive sales growth. Increased costs including rising labour costs and potential supply chain issues will continue to put pressure on EBITDA margins.

There remains uncertainty around COVID-19, as we expect the pandemic to bring further challenges during 2022. In some cases, despite all safety precautions, certain stores' ability to operate at full capacity will be impacted where staff members are required to self-isolate, an issue facing much of the hospitality industry in New Zealand and previously experienced in other divisions during 2021.

KFC was proud to open its first eco-friendly dual drive-thru KFC store in Takanini, Auckland.

A 50 YEAR KIWI LOVE AFFAIR

1971 – 2021

It's 1971 and New Zealand welcomes its first international fast food restaurant brand to Royal Oak in Auckland. Tom Power is there as restaurant manager with Colonel Sanders himself opening the first KFC restaurant. Staffing up in preparation for the big day was by no means easy and Tom had persuaded whoever he could to join him in this completely new venture. He even stopped and asked Dianne who he saw on the side of the road whether she was interested. She was. And Tom and Dianne have been together ever since.

50 years on and the love has spread to a nation. KFC has become a part of many New Zealanders' lives. But it's not all nostalgia. KFC has moved with the times and stayed relevant to its ever growing loyal base of customers.

Restaurant designs are very different now. Technology has opened up new channels like digital kiosks, online ordering, click-and-collect and delivery.

The menu has flexed a little too. New Zealand was one of the first markets to introduce a chicken burger, and who can forget the impact of the famous Double Down. But the menu has by and large remained the same and Kiwis like it that way.

Certain good things in life don't need to change. In KFC's case the best has stayed the same, though we're sure too that the best is yet to come.

OPENING NEW DOORS IN AUSTRALIA

OPERATIONS REPORT

AUSTRALIA

Total sales were up by $29.2 million to $NZ244.1 million, driven by the addition of nine new stores during the year as well as organic growth from the existing stores and the continued roll out of the home delivery network. In February 2021 the Company acquired five KFC stores in Northern Sydney from an independent franchisee which contributed $15.9 million in sales for the year. The impact of the Taco Bell store roll out was also positive contributing over $5.4 million in additional sales, with four new stores opening throughout the year. The sales performance from existing stores resulted in the same store sales growth for the division of 1.4% for the year.

The successful introduction of delivery order processes into the KFC business through website and app during the year helped drive sales. Despite the good overall sales results the year has been particularly challenging with COVID-19 causing temporary closure of mall and in-line stores particularly those in central Sydney. The impact of COVID-19 on our people was particularly hard-felt in the second half of the year, COVID-19 also created additional challenges in our supply chain. There are however positive signs that this is now settling down with less impact expected in 2022.

Profitability also remained strong, with EBITDA before G&A costs of $NZ31.6 million, up $3.0 million due in part to the five acquired KFC stores. The increase in EBITDA before G&A has been achieved despite the continued costs associated with COVID-19 restrictions with mall stores closed for an extended period, significant downturn in the inner city trading as well as the long term closures of the dine-in option in most of our stores.

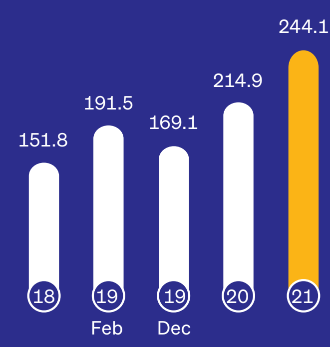
As a % of sales, store EBITDA was 13.0%, which is down from 13.3% last year. Once again this was a direct effect of the various restrictions and lockdown challenges combined with rising costs through the Company's supply chain.

COVID-19 also impacted our ability to open new and redevelop existing stores. Despite the many challenges during the year, four new Taco Bell stores opened. We also continued to reinvest in the KFC brand with eight stores receiving major upgrades. The full impact of these investments will help drive sales and profitability in 2022.

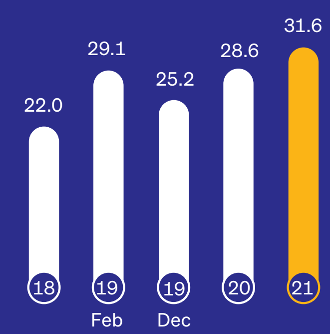
The investment in new stores and major refurbishments is expected to continue in the FY22 particularly with the Taco Bell brand which expects to open up to ten new stores along with two new KFC stores. Major refurbishments are also set to continue for the KFC branded stores with over 20 stores scheduled for upgrades. We will also look at opportunities to open our first Taco Bell outside of NSW.

Although the ongoing impact of COVID-19 is hard to determine, the positive results from the Australian operations are expected to continue into the new financial year as the economy is forecast to rebound strongly from a difficult 2021. We will also continue to gain the benefits of the new store builds and refurbishments. Continued supply issues and cost pressures will however limit this recovery.

TOTAL SALES ($NZ m)



EBITDA ($NZ m)



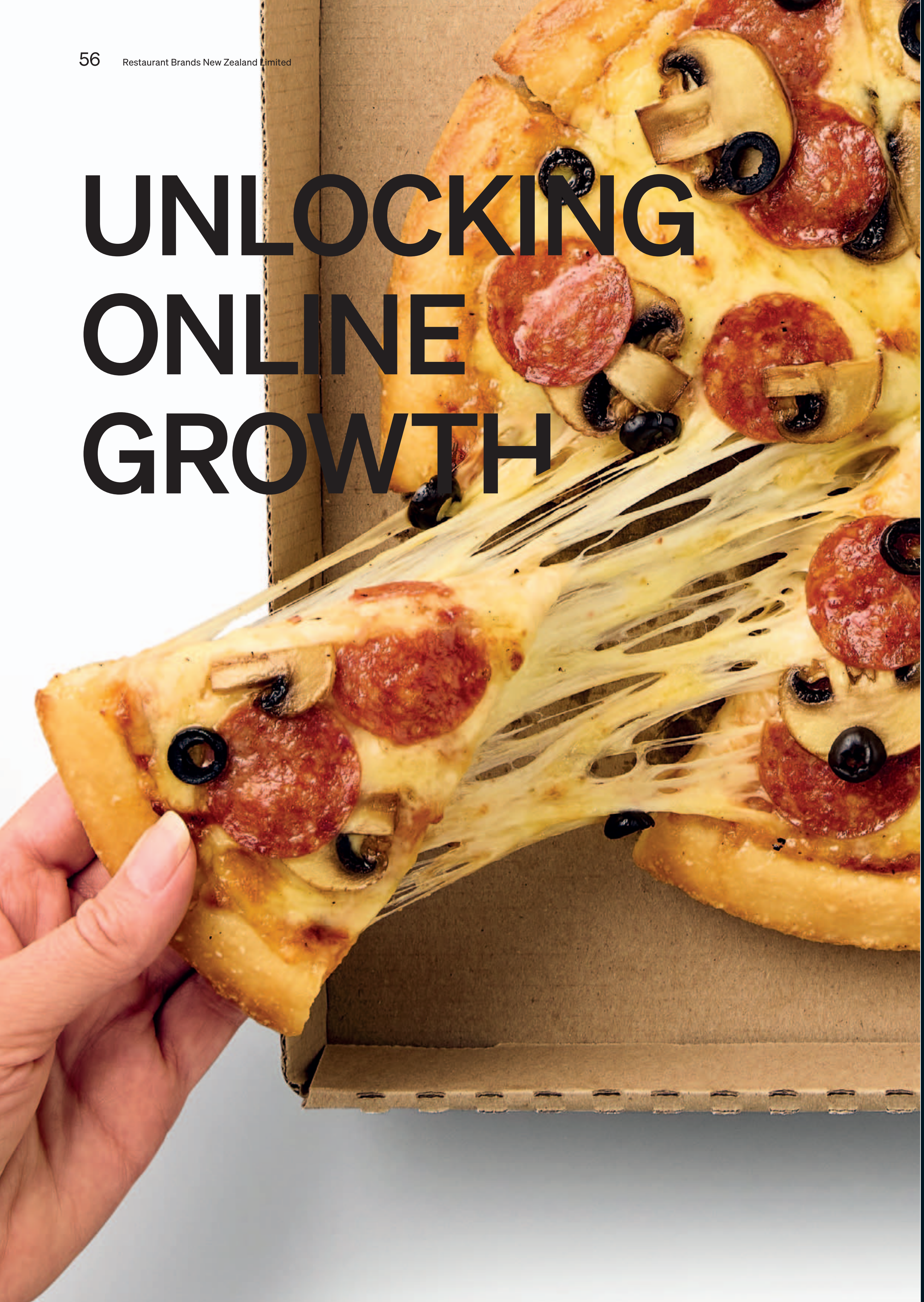
STORES

79

STAFF

4,526

UNLOCKING ONLINE GROWTH



OPERATIONS REPORT

HAWAII

Total store sales were down $8.6 million to $NZ206.5 million due to the strengthening of the USD/NZD exchange rate. In $US terms sales were up notably $US7.0 million or 5% due to strong same store sales growth of 9.1% for the year.

Taco Bell aggregator deliveries for the full year fueled significant growth, as customers increasingly consumed meals at home during the COVID-19 pandemic. The Taco Bell mobile ordering channel ("click and collect") also grew under the pandemic, as it offered customers a touchless option. Pick-up is available in the drive-thru lane or in-store, appealing to all customers. Mobile ordering also allowed for a full suite of customisation and trade-ups, while paying digitally.

The Pizza Hut online ordering channel also continued to grow. By December 2021, online orders grew to 64% of sales. Touchless deliveries, coupled with real time order tracking appeals to customers in the current environment. The Big New Yorker Pizza continued to be a sales mix leader, consistently resulting in strong sales growth. Hawaii is the only State where the Big New Yorker is available.

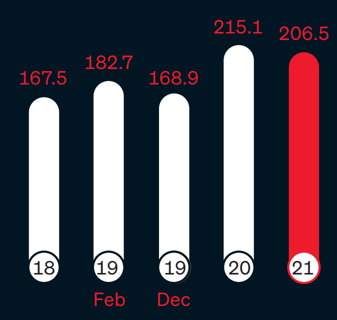
Total store numbers increased by one to 73 with two new stores, one Taco Bell at Ka Makana Alii and one Pizza Hut store at Pahoa. Both stores are performing significantly above expectations. This was offset by the closure of one Taco Bell store.

In addition to new stores the continued strategy to relocate and refurbish stores has also helped maintain the strong sales performance. During the year the relocation of our Taco Bell in Kihei resulted in weekly sales more than doubling, primarily with the addition of a drive-thru (the old location was a mall based in-line store). Similar improvements were also seen with full renovations for the Kahului Taco Bell store.

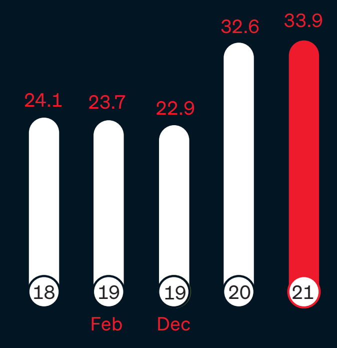
Profitability remained strong, with EBITDA before G&A costs of $NZ33.9 million up 4.2% despite the adverse effect of the exchange rate. Both brands had strong EBITDA before G&A results above the previous year. As a % of sales, EBITDA was 16.4%, which is up from 15.1% last year. This increase is driven largely by the success of the Pizza Hut brand over prior year, whilst the Taco Bell EBITDA as a percentage of sales has also increased from last year.

In 2022, we have two new Taco Bell stores scheduled to open and in addition three planned Pizza Hut stores relocations, moving from large restaurant based delivery stores to Delivery-Carryout (Delco) stores. Whilst this is expected to drive strong sales growth, there remains uncertainty around the impact of COVID-19 and in particular the timing on lessening restriction on tourism. Despite this uncertainty sales and margin performance is expected to continue at last year's levels for FY22 financial year with the Hawaii operations expected to deliver another strong result.

TOTAL SALES ($NZ m)



EBITDA ($NZ m)



STORES

73

STAFF

1,764

LIFTING THE LID ON NEW STORE DESIGNS

OPERATIONS REPORT

CALIFORNIA

Total sales for the year were $NZ156.5 million, significantly up on the four months' trading last year with the division established in September 2020.

The strong sales were assisted by the Government stimulus payments, with the US Federal Government providing two payments, in January and March. Both rounds of stimulus saw significant increases in consumer spending and the second payment, along with the launch of the new KFC Chicken Sandwich, saw California post record monthly sales in April, exceeding $US10 million.

The strong demand across the country combined with constraints on supply chain from COVID-19 and the mid-February winter storm on poultry supply resulted in product shortages and allocation limits from our suppliers. Our stores had to manage customer expectations when we ran out of some of their favourite menu items. However, with a focus on customer service and operations, we were able to continue to grow sales and continue to work on ensuring we have operations that are consistently ahead of the KFC US benchmarks.

Two KFC stores were acquired during the year from independent franchisees in Adelanto and Central Los Angeles. We continue our strategy of looking to add existing KFC stores that complement our existing network or to secure corridors of potential growth from infill stores.

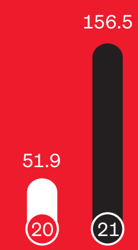
The increase in EBITDA before G&A costs to $NZ23.8 million were driven by the strong sales. EBITDA before G&A as a percentage of sales was 15.2% which was down from 16.4% last year. The drop in EBITDA as a percentage of sales reflects the supply chain issues as well as increased cost pressures which are expected to continue into 2022.

We will be opening three new stores in California in February and March 2022, with up to five more new stores planned to open later in the year. The first trio of stores will be the first new builds on the US mainland for Restaurant Brands and also some of the first to showcase the next generation of KFC 'American Showman' store design with new features to help with digital sales and improvements designed to enhance the guest experience.

We will continue to work with KFC US on new product innovation trials including a Beyond Fried Chicken promotion using plant-based meatless alternative which was launched nationwide in early 2022.

Our challenges in 2022 will include the effects of inflation, continuing shortages in the labour market and continuing to deal with the pandemic environment. Solid further growth will come from bringing on new stores with our full development programme introducing some innovations in store design.

TOTAL SALES ($NZ m)



EBITDA ($NZ m)

STORES

70

STAFF

1,402

BOARD OF DIRECTORS

JOSÉ PARÉS

Chairman and Non-Executive Director

Term of office
Appointed Director 1 April 2019 and appointed Chairman 10 July 2019. Last re-elected 2019 Annual Meeting

Board committees
Member of the Audit and Risk Committee

José is the Chief Executive Officer of Finaccess Capital. He is also the Chairman of the Board and an Executive Chairman of AmRest Holdings SE. During his professional career he has been director of the Board of Crown Imports, Chicago, Il, the Vice Chairman of the Board of MMI, Toronto, Canada, director of the Board of DIFA, Mexico and former member of the Beer Chamber of Mexico.

Previously, José worked for 19 years at Grupo Modelo (Mexico), in various positions, including as the Vice President of Marketing and Sales International where he oversaw growth of Grupo Modelo's annual revenues from $US1 billion to $US3 billion.

José graduated from Universidad Panamericana, Mexico (Business and Finance) and completed his MBA at ITAM, Mexico as well as the Business D-1 Program at IPADE, Mexico and Executive Programme at Wharton, San Francisco.

EMILIO FULLAONDO

Independent Non-Executive Director

Term of office
Appointed Director 1 April 2019. Last re-elected 2019 Annual Meeting

Board committees
Chairman of the Audit and Risk Committee, Member of the Remunerations and Nominations Committee and the Health and Safety Committee.

Emilio is a senior executive with over 23 years of experience in the beer industry. Emilio worked in a number of finance roles for Grupo Modelo, including four years as Chief Financial Officer. Following the acquisition of Grupo Modelo by AB InBev in 2013, Emilio oversaw significant cultural and organisational changes at AB InBev (Mexico) as Vice President, Human Resources (to 2017) and Vice President, Projects until his resignation in January 2019.

Emilio is currently a director and Chairman of the Audit and Control Committee of AmRest Holdings SE.

Emilio graduated from ITAM, Mexico (Public Accountant) and completed his MBA at the same institution as well as the Executive Management (AD) Program at IPADE, Mexico.

CARLOS FERNÁNDEZ

Non-Executive Director

Term of office
Elected Director 10 July 2019

Over the last 30 years, Carlos Fernandez has held positions in various business sectors. He was the CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Grupo Modelo. From the time he was named CEO, up to 2013, this group consolidated its position as the leading brewing company in Mexico, the seventh biggest worldwide and the world's biggest beer exporter.

He has also served on the boards of national and international companies, including Banco Santander, SA (Spain), Anheuser Busch (US), Emerson Electric Co. (US), Seeger Industrial (Spain), Grupo Televisa (Mexico), Crown Imports Ltd. (US), Inbursa (Mexico) and Mexican Stock Exchange (Bolsa Mexicana de Valores). He has served on the advisory board of Grupo Modelo and has also been a member of the international advisory board at Banco Santander, S.A. and a director of Grupo Financiero Santander Mexico S.A.B de C.V.

Carlos is currently Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. - a company of which he was founder and which controls 75% of Restaurant Brands ordinary shares and is also active in Mexico, Europe, Asia and the US. He is also a Proprietary Director of AmRest Holdings SE, S.A. and a non-executive director of Inmobiliaria Colonial, S.A.

Carlos is an industrial engineer and has also studied on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Direccion de Empresa).

LUIS MIGUEL ÁLVAREZ

Non-Executive Director

Term of office
Elected Director 10 July 2019

Board committees
Member of the Remunerations and Nominations Committee

Luis Miguel is a Board Member, Audit Committee Member and Investment Committee Member of Finaccess, S.A.P.I. de C.V. (since 2013). He is also the Founder & CEO of Compitalia, S.A. de C.V., a family investment company business which primarily invests directly in target companies through equity holdings and real estate investments, primarily in sectors such as: consumer goods, restaurants, real estate projects and financial funds.

For over 25 years Luis Miguel occupied different positions within several Grupo Modelo entities (including the Vertical Companies director of Grupo Modelo, S.A.B. de C.V., President & General Manager of Gmodelo Agriculture, LLC., Idaho Falls, Idaho, Vice President & General Manager of Gmodelo Agriculture, Inc.). During his time at Grupo Modelo, Luis Miguel held various board positions within the group, including: Alternate Board Member and Executive Committee Member of Grupo Modelo, S.A.B. de C.V., Board Member and Executive Committee Member of InteGrow Malt, LLC., as well as Board Member of Impulsora Agricola, S.A. and International CO2 Extraction LLC.

Luis Miguel is currently a Proprietary director of AmRest Holdings SA and a member of the Appointments & Remuneration Committee. He also serves as a board member of other private and not for profit organisations.

He is an industrial engineer with studies on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa).

HUEI MIN (LYN) LIM

MNZM
Independent Non-Executive Director

Term of office
Elected Director 10 July 2019

Board committees
Chairman of the Health and Safety Committee, Member of the Audit and Risk Committee and the Remunerations and Nominations Committee

Lyn Lim has diverse board and committee Chair experience and is culturally competent. She is experienced in investment structures, risk management, HR, HSW, AML, dispute management and compliance.

She is on the Boards of General Capital Limited and Auckland Regional Amenities Funding Board. She is also a trustee of the Asia New Zealand Foundation and Chair of the Middlemore Foundation.

Lyn has served on the Boards of the AUT, New Zealand Shareholders' Association, Public Trust (and chaired the Human Resources and Remuneration Committee), the New Zealand China Trade Association, the Hong Kong and New Zealand Business Association, was the Chair of the New Zealand Chinese Youth Trust and held the positions of Trustee, Deputy Chair and Chair of Foundation North (the biggest and leading philanthropic entity in New Zealand). She has been a member of ANZ Private Bank External Advisory Board and has served as a council member of the Auckland District Law Society Inc.

Lyn holds an LLB (Hons) from the University of Canterbury and has 30 years of legal practice specialising in commercial, corporate and governance issues and dispute resolution.

In 2017, Lyn was appointed as a Member of the New Zealand Order of Merit for her services to New Zealand-Asia relations and governance. Lyn is a Chartered Member of the New Zealand Institute of Directors, a member of the New Zealand Law Society and a member and Vice Chair of the Women in Business Committee of the Inter-Pacific Bar Association.

STEPHEN WARD

Independent Non-Executive Director

Term of office
Elected Director 10 July 2019

Board committees
Chairman of the Remunerations and Nominations Committee, Member of the Audit and Risk Committee and the Health and Safety Committee

Stephen Ward is a professional director with diverse corporate governance experience in New Zealand and Australia together with extensive expertise as a corporate and commercial lawyer in New Zealand.

Stephen is a non-executive director of Sydney Airport Limited and the Chair of its Safety, Security and Sustainability Committee. Stephen is the non-executive Chair of SecureFuture Wiri Limited. He is the Deputy Chair of the National Provident Fund Trust Board and Chair of its Audit and Risk Committee.

Stephen is also a non-executive director of TCF Commercial Finance New Zealand Limited and Renaissance Holdings (NZ) Limited. Stephen is the Independent Chair of the Advisory Council for the Financial Dispute Resolution Service. He holds voluntary positions on the Boards of Wellington Free Ambulance, and The Life Flight Trust.

Stephen holds an LLB from the University of Canterbury, is a member of the New Zealand Law Society and is a Chartered Member of the New Zealand Institute of directors.

MARIA ELENA (MALENA) PATO-CASTEL

Independent Non-Executive Director

Term of office
Appointed Director 1 April 2021

Malena has over 33 years of experience in the Fast Moving Consumer Goods and Retail Hospitality industries in the US and Europe, including senior regional roles at Unilever and Yum! Brands. Prior to her retirement from the company in 2020, Malena spent nine years in various roles at AmRest Holdings SE (six of which as a member of the AmRest Exec Committee). Her appointments included President for AmRest Spain and, most recently Chief Proprietary Brands Officer with responsibilities extending across markets in Spain, China, France, Portugal and Germany.

Malena served on the board of various Yum! Brands subsidiaries that operated Pizza Hut and KFC stores in Spain and has extensive experience as an owner/operator of KFC branded restaurants in Europe as a co-founder and managing director of a restaurant operating company that grew from 14 to more than 130 restaurants prior to being acquired by AmRest.

Malena is fluent in English, French and Spanish and holds a Business Administration and Management (ADE) degree from the ICADE School of Business and Economics.

Consolidated income statement

for the year ended 31 December 2021

$NZ000's	31 Dec 2021 52 weeks	% sales	vs Prior %	31 Dec 2020 52 weeks	% sales
Sales					
Total New Zealand sales	461,120		12.4	410,399	
Total Australia sales	244,104		13.6	214,923	
Total Hawaii sales	206,506		(4.0)	215,113	
Total California sales	156,516		201.4	51,924	
Total sales	1,068,246		19.7	892,359	
Other revenue	46,195		42.7	32,369	
Total operating revenue	1,114,441		20.5	924,728	
Cost of goods sold	(912,359)		(19.1)	(766,054)	
Gross margin	202,082		27.4	158,674	
Distribution expenses	(8,555)		(19.9)	(7,138)	
Marketing expenses	(55,841)		(15.5)	(48,344)	
General and administration expenses	(49,974)		(9.6)	(45,595)	
Government grants	7,165		(67.5)	22,013	
Loan forgiveness	11,419		n/a	–	
Other items	(4,219)		12.6	(4,826)	
Operating profit	102,077		36.5	74,784	
Financing expenses	(36,284)		(20.1)	(30,220)	
Net profit before taxation	65,793		47.6	44,564	
Taxation expense	(13,912)		0.1	(13,920)	
Net profit after taxation (NPAT)	51,881		69.3	30,644	
EBITDA before G&A					
Total New Zealand	83,319	18.1	9.2	76,304	18.6
Total Australia	31,614	13.0	10.4	28,623	13.3
Total Hawaii	33,932	16.4	4.2	32,553	15.1
Total California	23,849	15.2	180.0	8,516	16.4
Total EBITDA before G&A	172,714	16.2	18.3	145,996	16.4
Ratios					
Net tangible assets per security (net tangible assets divided by number of shares) in cents	8.4			(26.0)	

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.
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 assess 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
EBITDA before G&A, NZ IFRS 16 and other items	1	172,714	146,401
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		(43,907)	(40,309)
Other income		12,364	405
Other expenses		(5,164)	(5,231)
Operating profit		102,077	74,784
Financing expenses		(36,284)	(30,220)
Net profit before taxation		65,793	44,564
Taxation expense		(13,912)	(13,920)
Net profit after taxation		51,881	30,644
Add back IFRS 16 impact		13,586	9,741
Taxation expense on IFRS 16 impact		(3,986)	(2,737)
Total NPAT excluding the impact of NZ IFRS 16	2	61,482	37,942

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

Financial statements December 2021

Contents	Page

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

The results are for the year ended 31 December 2021 as compared to the year ended 31 December 2020.

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

Section	Note Reference
Performance	1-3
Funding and equity	4-7
Working capital	8-12
Long term assets	13-15
Other notes	16-27

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

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 66 to 104.

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 judgements 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 Dec 2021	31 Dec 2020
Store sales revenue	1,2	1,068,246	892,359
Other revenue	1,2	46,195	32,369
Total operating revenue		1,114,441	924,728
Cost of goods sold		(912,359)	(766,054)
Gross profit		202,082	158,674
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)
Operating profit		102,077	74,784
Financing expenses		(36,284)	(30,220)
Profit before taxation		65,793	44,564
Taxation expense	16	(13,912)	(13,920)
Profit after taxation attributable to shareholders		51,881	30,644
Other comprehensive income:			
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
Other comprehensive income for the period, net of tax		8,008	(8,460)
Total comprehensive income for the period attributable to shareholders		59,889	22,184
Basic and diluted earnings per share (cents)	3	41.58	24.56

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

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 Dec 2021	31 Dec 2020
Non-current assets			
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
Total non-current assets		1,241,960	1,107,835
Current assets			
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
Total current assets		87,880	72,322
Total assets		1,329,840	1,180,157
Equity attributable to shareholders			
Share capital	7	154,565	154,565
Reserves	7	(2,352)	(10,360)
Retained earnings		137,524	85,643
Total equity attributable to shareholders		289,737	229,848
Non-current liabilities			
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
Total non-current liabilities		895,747	806,028
Current liabilities			
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
Total current liabilities		144,356	144,281
Total liabilities		1,040,103	950,309
Total equity and liabilities		1,329,840	1,180,157

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 Dec 2021	31 Dec 2020
Cash flow from operating activities			
Cash was provided by/(applied to):			
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)
Net cash from operating activities		126,375	111,162
Cash flow from investing activities			
Cash was (applied to)/provided by:			
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
Net cash used in investing activities		(109,568)	(177,280)
Cash flow from financing activities			
Cash was provided by/(applied to):			
Proceeds from loans		370,529	710,217
Repayment of loans		(356,046)	(615,443)
Payments for lease principal	14	(24,543)	(21,167)
Net cash (used)/from financing activities		(10,060)	73,607
Net increase in cash and cash equivalents		6,747	7,489
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)
Cash and cash equivalents at the end of the year		45,155	35,666
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 Dec 2021	31 Dec 2020
Reconciliation of profit after taxation with net cash from operating activities			
Total profit after taxation attributable to shareholders		51,881	30,644
Add items classified as investing activities:			
Loss on disposal of property, plant and equipment		2,673	1,958
		2,673	1,958
Add/(less) non-cash items:			
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 increase/(decrease) in deferred tax asset		536	(4,444)
		73,901	65,841
Add/(less) movement in working capital:			
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
Net cash from operating activities		126,375	111,162
Reconciliation of movement in term loans			
Opening balance		235,639	154,326
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)
Closing balance		246,887	235,639

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

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:

Name	Nature
Restaurant Brands Limited	Restaurant operating
Restaurant Brands Australia Pty Limited	Restaurant operating
QSR Pty Limited	Restaurant operating
Taco Aloha Inc.	Restaurant operating
Hawaii Pizza Hut Inc.	Restaurant operating
Pizza Hut of Guam, Inc.	Restaurant operating
Pizza Hut of Saipan, Inc.	Restaurant operating
TB Guam Inc.	Restaurant operating
RBD California 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 Practice ("NZ GAAP")
- Part 7 of the Financial Markets Conduct Act 2013
- NZX Main Board Listing Rules

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

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments as identified in the accompanying notes. The financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The 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.

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.

Basis of preparation (continued)

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

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.

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

for the year ended 31 December 2021

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

31 December 2020 $NZ000's	New Zealand	Australia	Hawaii	California	Corporate support function	Total
Business segment						
Store sales revenue	410,399	214,923	215,113	51,924	–	892,359
Other revenue	32,108	–	261	–	–	32,369
Total operating revenue	**442,507**	**214,923**	**215,374**	**51,924**	**–**	**924,728**
EBITDA before general and administration expenses, NZ IFRS 16 and other items	**54,291**	**28,623**	**32,553**	**8,516**	**–**	**123,983**
Government grants	22,013	–	–	–	–	22,013
General and administration expenses	(15,045)	(8,786)	(10,002)	(2,529)	(5,116)	(41,478)
	61,259	**19,837**	**22,551**	**5,987**	**(5,116)**	**104,518**
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)
Operating profit before NZ IFRS 16	**43,211**	**10,106**	**14,895**	**(2,157)**	**(5,282)**	**60,773**
Adjustment for NZ IFRS 16	8,147	3,572	1,801	491	–	14,011
Operating profit	**51,358**	**13,678**	**16,696**	**(1,666)**	**(5,282)**	**74,784**
Financing expenses	(12,133)	(9,809)	(5,496)	(2,782)	–	(30,220)
Taxation expenses	(9,822)	(3,164)	(2,069)	1,135	–	(13,920)
Net profit after taxation (NPAT)	**29,403**	**705**	**9,131**	**(3,313)**	**(5,282)**	**30,644**
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
Total assets	**348,237**	**314,835**	**250,838**	**266,247**	**–**	**1,180,157**
Capital expenditure including intangibles	23,952	22,183	14,997	2,912	–	64,044

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

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

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.

Lease expenses

$NZ000's	31 Dec 2021	31 Dec 2020
Lease expenses	5,222	4,877

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	–
	12,364	405

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 (PPP) 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)
Total other expenses	**(5,164)**	**(5,231)**

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

for the year ended 31 December 2021

IT system implementation

Due to a change in 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.

3. EARNINGS PER SHARE

	31 Dec 2021	31 Dec 2020
Basic earnings per share		
Profit after taxation attributable to the shareholders ($NZ000's)	51,881	30,644
Weighted average number of shares on issue (000's)	124,759	124,759
Basic earnings per share (cents)	41.58	24.56
Diluted earnings per share		
Profit after taxation attributable to the shareholders ($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
Secured bank loans denominated in:		
NZD	10,000	20,000
AUD	80,671	51,151
USD	156,719	165,248
Secured bank loans	247,390	236,399

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
Secured bank loans	247,390	236,399

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)
Loan balance	246,887	235,639

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.

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)
Total					**(917)**

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 banks 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.

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

for the year ended 31 December 2021

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
Financing expenses	36,284	30,220

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.

5. DERIVATIVES AND HEDGE ACCOUNTING

$NZ000's	31 Dec 2021	31 Dec 2020
Term		
Fair value of interest rate swaps	917	2,698
Financing expenses	917	2,698
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.

Financial assets and financial liabilities by category

$NZ000's	31 Dec 2021	31 Dec 2020
Loans and receivables		
Trade receivables	3,717	3,749
Other receivables	1,332	2,334
Cash and cash equivalents	45,155	35,666
	50,204	41,749
Derivatives used for hedging		
Derivative financial instruments – liabilities	917	2,698
	917	2,698
Financial liabilities at amortised cost		
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
	325,067	306,621

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

for the year ended 31 December 2021

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) 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.

(c) Liquidity risk

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

$NZ000's	Effective interest rate	Total	Less than 1 year	Between 1 and 5 years
31 Dec 2021				
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)
31 Dec 2020				
Cash on hand		612	612	–
Cash at bank	0.25%	32,054	32,054	–
Money market deposit	0.20%	3,000	3,000	–
Bank term loan – principal (NZD)	4.36%	(20,000)	–	(20,000)
Bank term loan – principal (AUD)	4.66%	(51,151)	–	(51,151)
Bank term loan – principal (USD)	2.43%	(165,247)	(8,058)	(157,189)
Bank term loan – expected interest	3.08%	(16,689)	(5,378)	(11,311)
Derivative financial instruments	–	(2,466)	(1,719)	(747)
Trade and other payables (excluding indirect and other taxes and employee benefits)	–	(69,653)	(69,653)	–
		(289,540)	(49,142)	(240,398)

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.

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

for the year ended 31 December 2021

(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.

(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.

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
	11,012	11,394

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
	11,012	11,394

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.

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

for the year ended 31 December 2021

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
	45,155	35,666

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
	45,155	35,666

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
	110,476	101,589

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
	110,476	101,589

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

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

LONG TERM ASSETS

13. PROPERTY, PLANT AND EQUIPMENT

$NZ000's	Land	Leasehold improvements	Plant, equipment and fittings	Motor vehicles	Leased plant and equipment	Capital work in progress	Total
Cost							
Balance as at 31 December 2019	**4,375**	**225,841**	**109,835**	**1,870**	**196**	**14,705**	**356,822**
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)
Balance as at 31 December 2020	**4,467**	**280,120**	**127,003**	**2,099**	**196**	**18,915**	**432,800**
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
Balance as at 31 December 2021	**4,452**	**325,029**	**121,285**	**2,172**	**–**	**30,459**	**483,397**
Accumulated depreciation							
Balance as at 31 December 2019	**–**	**(109,169)**	**(66,873)**	**(992)**	**(196)**	**–**	**(177,230)**
Charge	–	(20,943)	(12,286)	(378)	–	–	(33,607)
Disposals	–	3,572	4,850	165	–	–	8,587
Movement in exchange rates	–	516	859	(3)	–	–	1,372
Balance as at 31 December 2020	**–**	**(126,024)**	**(73,450)**	**(1,208)**	**(196)**	**–**	**(200,878)**
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)
Balance as at 31 December 2021	**–**	**(136,154)**	**(66,712)**	**(1,323)**	**–**	**–**	**(204,189)**
Impairment provision							
Balance as at 31 December 2019	**–**	**(3,897)**	**86**	**–**	**–**	**–**	**(3,811)**
Charge	–	(97)	(108)	–	–	–	(205)
Reclassification	–	517	(517)	–	–	–	–
Utilised/disposed	–	692	111	–	–	–	803
Balance as at 31 December 2020	**–**	**(2,785)**	**(428)**	**–**	**–**	**–**	**(3,213)**
Charge	–	(170)	(173)	–	–	–	(343)
Utilised/disposed	–	914	316	–	–	–	1,230
Movement in exchange rates	–	(114)	(20)	–	–	–	(134)
Balance as at 31 December 2021	**–**	**(2,155)**	**(305)**	**–**	**–**	**–**	**(2,460)**
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
Balance as at 31 December 2021	**4,452**	**186,720**	**54,268**	**849**	**–**	**30,459**	**276,748**

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	**36,623**	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 judgements and estimates

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

Property, plant and equipment and 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 effected 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 effected 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

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 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 detailed assumptions utilised.

14. NZ IFRS 16 – LEASES

Key estimates and judgements

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

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

Right of use 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)
Closing balance		**576,527**	517,085

Additions relate to new leases entered into by the Group.

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

for the year ended 31 December 2021

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

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

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

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

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

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

Lease liabilities

$NZ000's	Note	31 Dec 2021	31 Dec 2020
Opening balance		595,614	425,083
Lease liabilities 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)
Closing balance		**668,681**	**595,614**
Current lease liabilities		25,609	23,826
Non-current lease liabilities		643,072	571,788
Closing balance		**668,681**	**595,614**

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						
Balance as at 31 December 2019		**228,672**	**30,119**	**1,290**	**11,586**	**271,667**
Additions		–	1,958	–	–	1,958
Acquisition of business		29,187	58,512	–	–	87,699
Transfer from work in progress		–	–	–	1,489	1,489
Disposals		(1,332)	(3,765)	(489)	(2,480)	(8,066)
Movement in exchange rates		(7,249)	(4,419)	–	–	(11,668)
Balance as at 31 December 2020		**249,278**	**82,405**	**801**	**10,595**	**343,079**
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
Balance as at 31 December 2021		**274,095**	**93,116**	**801**	**12,364**	**380,376**
Accumulated amortisation						
Balance as at 31 December 2019		**(831)**	**(12,633)**	**(1,220)**	**(8,312)**	**(22,996)**
Charge		–	(4,168)	(5)	(1,343)	(5,516)
Disposals		–	3,336	489	2,190	6,015
Movement in exchange rates		–	404	–	–	404
Balance as at 31 December 2020		**(831)**	**(13,061)**	**(736)**	**(7,465)**	**(22,093)**
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)
Balance as at 31 December 2021		**(831)**	**(20,276)**	**(741)**	**(10,312)**	**(32,160)**

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
Balance as at 31 December 2021		**273,264**	**72,840**	**60**	**2,052**	**348,216**

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

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	9,232	5,516

Significant judgements and estimates – impairment testing

Impairment testing is an area where estimates and judgements 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	112,800	96,896
KFC New Zealand	6,528	6,528
Pizza Hut New Zealand	7,433	7,787
Pizza Hut and Taco Bell Hawaii	118,669	112,374
KFC and Taco Bell California	27,834	24,862
Total goodwill	273,264	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.

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

Brand	31 Dec 2021 Sales growth 2022-2024 %	31 Dec 2021 EBITDA margin 2022-2024 %	31 Dec 2021 EBITDA margin terminal year %	31 Dec 2020 Sales growth 2021-2023 %	31 Dec 2020 EBITDA margin 2021-2023 %	31 Dec 2020 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 unit is set out below:

Brand	31 Dec 2021 Weighted average post-tax cost of capital %	31 Dec 2020 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.

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

for the year ended 31 December 2021

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.

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

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:

	Assets		Liabilities		Net	
$NZ000's	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	(9,269)	(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

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

for the year ended 31 December 2021

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

17. PROVISIONS

$NZ000's	Employee provisions	Make good provisions	Total
Balance at 31 December 2020	**2,243**	**3,076**	**5,319**
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)
Balance at 31 December 2021	**1,984**	**3,799**	**5,783**
31 December 2021			
Non-current	680	3,799	4,479
Current	1,304	–	1,304
Total	**1,984**	**3,799**	**5,783**

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

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

18. DEFERRED INCOME

$NZ000's	
Balance at 31 December 2020	**788**
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
Balance at 31 December 2021	**943**
31 December 2021	
Non-current	173
Current	770
Total	**943**

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.

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.

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

for the year ended 31 December 2021

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).

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
Audit of financial statements		
Audit and review of financial statements – PwC	977	714
Other services – performed by PwC		
Specified procedures on landlord certificates	6	3
Review of Yum! advertising co-operative report	11	6
Total other services	17	9
Total fees paid to auditors	994	723

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.

$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.

$NZ000's	31 Dec 2021	31 Dec 2020
Financial information in relation to:		
(i) Statement of profit and loss and other comprehensive income		
Operating revenue	244,104	214,923
Earnings before interest and taxation	6,405	8,576
Financing expenses	(10,666)	(9,863)
Loss before taxation	(4,261)	(1,287)
Taxation expense	374	(1,721)
Loss after taxation	(3,887)	(3,008)
Items that may be reclassified subsequently to the statement of comprehensive income:		
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
Total comprehensive income	(3,422)	(2,452)
(ii) Summary of movements in retained earnings		
Retained earnings at the beginning of the period	119,677	122,129
Total comprehensive income	(3,422)	(2,452)
Retained earnings at the end of the year	116,125	119,677

$NZ000's	31 Dec 2021	31 Dec 2020
(iii) Statement of financial position		
Non-current assets		
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
Total non-current assets	604,695	543,465
Current assets		
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
Total current assets	33,787	32,241
Total assets	638,482	575,706
Equity attributable to shareholders		
Share capital	154,565	154,565
Reserves	(4,450)	(4,915)
Retained earnings	(33,990)	(30,104)
Total equity attributable to shareholders	116,125	119,546
Non-current liabilities		
Provisions	2,312	1,671
Lease liabilities	161,762	133,958
Loans	90,671	71,151
Derivative financial instruments	–	1,876
Total non-current liabilities	254,775	208,656
Current liabilities		
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
Total current liabilities	267,582	247,504
Total liabilities	522,357	456,160
Total equity and liabilities	638,482	575,706

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

for the year ended 31 December 2021

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

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).

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.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of specified procedures on landlord certificates and review of 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

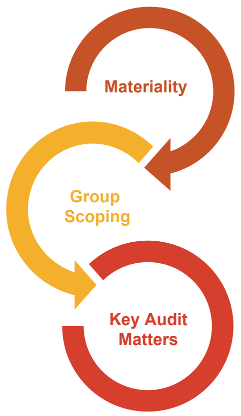
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we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

Description of the key audit matter	How our audit addressed the key audit matter
Goodwill impairment tests for KFC Australia and KFC and Taco Bell California 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. 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. 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. 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. 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. Refer to note 15 of the financial statements.	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: • Gaining an understanding of the business process applied by management in preparing the impairment assessment; • Reviewing historical years' actual store sales and profitability against the original budgeted performance to determine the reliability of the budgeting process and considering the impact on forecast performance; • Agreeing forecast future performance included in the impairment assessments to four year budgets approved by the Board of Directors; • 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; • Evaluating whether corporate costs had been allocated appropriately and included in the cash flows for each CGU; • With the assistance of our auditor's valuation expert, assessing the appropriateness of the terminal growth and discount rates as well as considering industry trends and external market forecasts for the industry; • Testing the calculation of the carrying amounts of the CGU assets; • Performing a sensitivity analysis over key assumptions to determine whether reasonably possible changes would result in impairment of goodwill; and • Reviewing the financial statements to ensure appropriate identification and disclosure of key assumptions.

pwc

Description of the key audit matter	How our audit addressed the key audit matter
Impairment assessment of restaurant property, plant and equipment and right of use assets for KFC Australia 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. 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. 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. 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. 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. 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.	Our audit procedures included: • Considering the appropriate composition of each cash-generating unit; • Gaining an understanding of the business process applied by management in preparing the impairment assessment; • Reviewing monthly restaurant performance data to analyse how stores have recovered where COVID-19 related restrictions have been eased; • 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; • 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; • 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 • Considering whether the disclosures in the financial statements complied with the requirements of the accounting standards.

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.

Materiality

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

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

How we tailored our group audit scope

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

Other information

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

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

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants   Auckland

28 February 2022

Other Information

Contents | Page

Shareholder information

as at 25 February 2022 (unless otherwise stated)

1. Stock exchange listings

The Company's ordinary shares are dual listed on the main Board equity securities markets operated by the NZX and ASX.

2. Distribution of security holders and security holdings

Size of Holding	Number of security holders		Number of securities	
1 to 499	2,492	48.38%	505,636	0.41%
500 to 999	865	16.79%	592,512	0.47%
1,000 to 4,999	1,468	28.50%	2,852,555	2.29%
5,000 to 9,999	181	3.51%	1,203,681	0.96%
10,000 to 49,999	116	2.25%	2,123,707	1.70%
50,000 to 99,999	12	0.23%	748,372	0.60%
100,000 to 499,999	7	0.14%	1,902,110	1.52%
500,000 to 999,999	4	0.08%	2,508,637	2.01%
1,000,000 Over	6	0.12%	112,321,313	90.03%
	5,151	**100.00%**	**124,758,523**	**100.00%**

Geographic distribution				
New Zealand	4,945	96.00%	120,258,762	96.39%
Australia	125	2.43%	4,323,401	3.47%
Rest of World	81	1.57%	176,360	0.14%
	5,151	**100.00%**	**124,758,523**	**100.00%**

3. 20 largest registered holders of quoted equity securities

	Number of ordinary shares	Percentage of ordinary shares
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>[1]	96,719,441	77.53%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients <A/C - NZCSD <Cham24>	5,243,837	4.20%
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	4,051,823	3.25%
Custodial Services Limited <A/C 4>	2,909,863	2.33%
Hobson Wealth Custodian Limited <Resident cash A/C>	2,045,897	1.64%
National Nominees Limited - NZCSD <NNLZ90>	1,350,452	1.08%
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	838,958	0.67%
New Zealand Depository Nominee Limited <A/C 1 cash account>	608,174	0.49%
Custodial Services Limited <A/C 1>	545,678	0.44%
Accident Compensation Corporation - NZCSD <ACCI40>	515,827	0.41%
BNP Paribas Nominees (NZ) Limited - NZCSD <COGN40>	460,856	0.37%
BNP Paribas Nominees (NZ) Limited - NZCSD	399,494	0.32%
Simplicity Nominees Limited - NZCSD	318,474	0.26%
FNZ Custodians Limited	291,900	0.23%
JA Hong Koo & Pyung Keum Koo	160,000	0.13%
Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	141,009	0.11%
Hobson Wealth Custodians Limited <Equities DTA A/C>	130,377	0.10%
BNP Paribas Nominees (NZ) Limited - NZCSD	97,043	0.08%
Hobson Wealth Custodians Limited <Resident DRP account>	76,601	0.06%
David Mitchell Odlin	68,241	0.05%
	116,973,945	**93.76%**

[1] Included in HSBC Nominees (New Zealand) Limited is 93,568,919 shares owned by Global Valar, S.L.

Shareholder information (continued)

as at 25 February 2022 (unless otherwise stated)

4. Substantial product holders

The following shareholder had given notices as at 27 March 2019, in accordance with subpart 5 of part 5 of the New Zealand Finance Market Conduct Act 2013 that they were substantial product holders in the Company and held a relevant interest in the number of ordinary shares shown below.

	Date of notice	Number of ordinary shares	Percentage of voting securities
Finaccess Restauración, S.L.	27 March 2019	93,568,892	75.00%

5. Shares on issue

As at 31 December 2021, the total number of ordinary shares of the Company was 124,758,523.

6. Directors' security holdings

As at 31 December, Stephen Ward has an interest in 15,000 fully paid ordinary shares in RBD.
As at 31 December, Lyn Lim has an interest in 7,500 fully paid ordinary shares in RBD.

7. NZX waivers

No waivers have been granted by the NZX during the financial year ended 31 December 2021.

Statutory information

for the year ended 31 December 2021

1. Directorships

The names of the Directors of the Company as at 31 December 2021 are set out on pages 60 and 61 of this annual report.

Grant Ellis and Russel Creedy are Directors of all subsidiary companies.

Arif Khan is a Director of Restaurant Brands Limited, RB Holdings Limited, RBDNZ Holdings Limited, Restaurant Brands Properties Limited, RBP Holdings Limited, Restaurant Brands Pizza Limited, RBN Holdings Limited and Restaurant Brands Nominees Limited.

Ashley Jones is a Director of Restaurant Brands Australia Pty Limited, Restaurant Brands Australia Holdings Pty Limited, QSR Pty Limited and TPH Group Pty Limited.

Kevin Kurihara is a Director of RBD US Holdings Limited, Pacific Island Restaurant Inc., TD Foods Group Inc., Taco Aloha Inc., Hawaii Pizza Hut Inc. Pizza Hut of Guam, Inc., Pizza Hut of Saipan, Inc. and TB Guam, Inc.

2. Directors and remuneration

NZ$000's	Total remuneration
J Parés	75
E Fullaondo	90
C Fernández	–
LM Álvarez	75
H M Lim	90
S Ward	90
M Pato-Castel	68
	488

3. Entries recorded in the interests register

The follow entries were recorded in the interest register of the Company and its subsidiaries during the year ended 31 December 2021.

(a) Share dealings of Directors

On 1 April 2021, Stephen Ward acquired an interest in 15,000 fully paid ordinary shares as a trustee of Talisman No1 Trust. The shares were acquired for $189,150.

On 1 April 2021, Lyn Lim acquired an interest in 7,500 fully paid ordinary shares acquired by Aman Trust. The shares were acquired for $94,575.

(b) Loans to Directors

There were no loans to Directors during the year ended 31 December 2021.

Statistory information (continued)

for the year ended 31 December 2021

(c) General disclosure of interest

In accordance with section 140 (2) of the Companies Act 1993, Directors of the Company have made general disclosures of interest in writing to the Board of positions held in other named companies or parties as follows:

Name	Position	Party
J Parés	Executive chairman	AmRest Holdings SE
	Director	Grupo Finaccess S.A.P.I de C.V.
	President	Finaccess Capital USA
E Fullaondo	Director	AmRest Holdings SE
C Fernández	Chairman	Grupo Finaccess S.A.P.I de C.V.
	Director	AmRest Holdings SE
	Director	Inmobiliaria Colonial, S.A.
LM Álvarez	Chairman	Compitalia, S.A. de C.V.
	Director	Finaccess, S.A.P.I. de C.V.
	Director	Global Beverage Team
	Director	AmRest Holdings SA
H M Lim	Director	Asia New Zealand Foundation
	Director	Auckland Regional Amenities Funding Board
	Chair	Middlemore Foundation
S Ward	Director	Sydney Airport Limited
	Chairman	SecureFuture Wiri Limited
	Director	TCF Commercial Finance New Zealand Limited
	Chairman	Advisory Council to the Financial Dispute Resolution Service
	Deputy Chair	National Provident Fund
	Director	Windoma Holdings Limited
	Deputy chairman	Life Flight Trust
	Board member	Wellington Free Ambulance
	Trustee	Wellington Free Ambulance Trust
	Director	Renaissance Holdings (NZ) Limited
	Consultant	Simpson Grierson

(d) Directors' indemnity and insurance

The Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as Directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a deed of indemnity indemnifying all Directors to the extent permitted by section 162 of the Companies Act 1993.

4. Employees' remuneration

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

			Number of employees	
			Dec 2021	Dec 2020
$100,000	–	$109,999	**22**	22
$110,000	–	$119,999	**11**	7
$120,000	–	$129,999	**8**	16
$130,000	–	$139,999	**3**	10
$140,000	–	$149,999	**13**	9
$150,000	–	$159,999	**7**	10
$160,000	–	$169,999	**3**	1
$170,000	–	$179,999	**2**	2
$180,000	–	$189,999	**2**	3
$190,000	–	$199,999	**4**	2
$200,000	–	$209,999	**3**	2
$210,000	–	$219,999	**2**	5
$230,000	–	$239,999	**4**	5
$240,000	–	$249,999	**4**	3
$250,000	–	$259,999	**1**	2
$260,000	–	$269,999	**2**	2
$270,000	–	$279,999	**1**	–
$280,000	–	$289,999	**1**	–
$300,000	–	$309,999	**3**	–
$350,000	–	$359,999	**–**	1
$360,000	–	$369,999	**–**	–
$370,000	–	$379,999	**1**	–
$380,000	–	$389,999	**1**	–
$420,000	–	$429,999	**–**	2
$450,000	–	$459,999	**–**	1
$460,000	–	$469,999	**–**	–
$480,000	–	$489,999	**1**	–
$580,000	–	$589,999	**1**	–
$640,000	–	$649,999	**1**	–
$930,000	–	$939,999	**1**	–
$1,260,000	–	$1,269,999	**–**	1
$1,700,000	–	$1,709,999	**1**	–
$2,300,000	–	$2,309,999	**–**	1
			103	107

5. Subsidiary Company Directors

No employee of the Company appointed as a Director of the Company or its subsidiaries receives, or retains any remuneration or benefit, as a Director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosure under note 4 above.

Statement of corporate governance

for the year ended 31 December 2021

Overview

Restaurant Brands New Zealand Limited (the "**Company"**) is listed on the NZX Main Board and as a Foreign Exempt Listing on the ASX (both under the ticker code "RBD").

The Board is committed to having best-practice governance structures and principles and to following the guiding values of the Company: integrity, respect, continuous improvement and service. In this part of the annual report, we provide an overview of the Company's corporate governance framework. It is structured to follow the recommendations set out in the NZX Corporate Governance Code (the "**NZX Code**") and discloses how the Company is applying these recommendations.

The Board considers that as at 31 December 2021, the corporate governance practices it has adopted are in compliance with the NZX Code other than Recommendation 2.9 (stating that an issuer should have an independent chair of the Board).

An explanation as to why this Recommendation has not been adopted is provided under Principle 2 on page 117.

Principle 1 – Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Group Ethical Conduct Policy

The Company's Group Ethical Conduct Policy sets out the ethical standards the Board expects all Directors, officers, employees, contractors and agents to adhere to when they represent the Company and its subsidiaries. The policy covers a wide range of areas including: standards of professional behaviour, compliance with laws and policies, conflicts of interest, gifts and entertainment and proper use of Company assets and information. The policy requires the reporting of breaches (or suspected breaches) of the policy.

In addition, each geographic business unit of the Company (i.e. New Zealand, Australia and United States) (referred to as a **Local Operating Division**) is empowered to adopt specific policies and/or procedures that complement, enhance or supplement the general standards set out in the Group Ethical Conduct Policy if appropriate for that Local Operating Division.

The Group Ethical Conduct Policy is available on the Company's website and is subject to biennial reviews.

Interests register

The Board maintains an interests register. In considering matters affecting the Company, Directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict has been disclosed, the Director takes no further part in receipt of information or participation in discussions on that matter.

Group Securities (Insider Trading) Policy

The Group Securities (Insider Trading) Policy details the Company's securities trading policy and includes restrictions on and procedures for Directors and employees trading in the Company's financial products. In particular, the policy:

- prohibits trading by an individual holding non-public material information about the Company;
- requires all Directors, officers, employees and contractors of the Company to obtain permission before trading can occur; and
- prohibits Directors, the Group CEO, Group CFO and direct reports to the Group CEO and Group CFO from trading outside of set 8 week trading windows that follow:
  - the release of half and full year results; or
  - the issuance of a "cleansing statement" under the Financial Markets Conduct Act 2013.

Principle 2 – Board composition & performance

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Responsibilities of the Board

The Board is responsible for the proper direction and control of the Company's activities and is the ultimate decision-making body of the Company. The Board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation. The Board Charter is available for viewing on the Company's website.

The key responsibilities of the Board under the Board Charter include setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

Delegation

The Board has delegated responsibility for the day-to-day leadership and management of the Company to the Group Chief Executive Officer ("**Group CEO"**) who is required to do so in accordance with Board direction. The Group CEO's performance is reviewed each year by the Board. The review includes a formal performance appraisal against measured objectives together with a qualitative review.

The Board has approved a schedule of delegated authorities affecting all aspects of the Company's operation. This is reviewed from time to time as to appropriateness and levels of delegation.

Composition and focus

The Company's constitution prescribes a minimum of three Directors and, as at 31 December 2021, the Board comprised seven non-executive Directors (including the Chairman). As at the date of publication of this annual report, the Board comprises seven non-executive Directors (including the Chairman).

Profiles of the current Directors, together with a summary of skill sets is included in the "Board of Directors" section of this annual report and on the Company's website.

As at 31 December 2021, Emilio Fullaondo, Huei Min (Lyn) Lim, Maria Elena (Malena) Pato-Castel and Stephen Ward were considered by the Board to be independent under the NZX Listing Rules as they are not executives of the Company and do not have any direct or indirect interests or relationships that could reasonably influence, in a material way, their decisions in relation to the Company. José Parés, Carlos Fernández and Luis Miguel Álvarez were considered to not be independent as they represent a significant shareholding.

The Board does not have a policy on a minimum number of independent Directors.

The Board elected to not adopt Recommendation 2.9 (stating that an issuer should have an independent chair of the Board) of the NZX Corporate Governance Code during 2021 on the basis that, with the Board consisting of a majority of independent Directors, it is appropriate for a shareholder holding 75% of the Company's shares (i.e. Finaccess) to be represented by the chair of the Board. The chairs of all sub-committees of the Board (being the Audit & Risk, Health & Safety and Remuneration & Nominations Committees) are independent Directors.

The roles of Chairman and Group Chief Executive Officer are exercised by separate persons. In addition to committee responsibilities (below), individual Board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

Shareholding

There is no prescribed minimum shareholding for Directors, refer to the "Shareholder Information" section of this annual report for more detail.

Directors may purchase shares upon providing proper notice of their intention to do so and in compliance with the operation of the Company's Group Securities (Insider Trading) Policy (see above).

Statement of corporate governance (continued)

for the year ended 31 December 2021

Nomination and appointment

The Board has adopted a Director Nomination and Appointment Procedure. This procedure is administered by the Remuneration and Nominations Committee and includes guidelines relating to Board composition, considerations for new Director appointments and the process by which potential Directors are nominated and assessed.

Written agreement

The Director Nomination and Appointment Procedure requires the terms of appointment for all new Directors to be set out in a formal letter of appointment and also stipulates that new Directors are to receive induction training regarding the Company's values and culture, governance framework, the Group Ethical Conduct Policy, Board and Committee policies, processes and key issues, financial management and business operations.

Diversity

The Company and the Board are committed to promoting a diverse and inclusive workplace. This is outlined in the Group Diversity Policy which is available on the Company's website. The Company endeavours to ensure diversity at all levels of the organisation to ensure a balance of skills and perspectives are available in the service of its shareholders and customers.

As at 31 December 2021, the gender balance of the Company's Directors, officers and all employees is as follows:

	Directors				Officers*				Employees			
	Dec 2021		Dec 2020		Dec 2021		Dec 2020		Dec 2021		Dec 2020	
Female	2	29%	1	17%	3	30%	3	33%	5,171	45%	6,175	51%
Male	5	71%	5	83%	7	70%	6	67%	5,579	49%	5,898	49%
Not specified									690	6%		
Total	7	100%	6	100%	10	100%	9	100%	11,440	100%	12,073	100%

* "Officers" is defined in the NZX Listing Rules as only including those members of management who report directly to the Board or report directly to a person who reports to the Board. As at 31 December 2021, the Group CEO is the only direct report to the Board and the Group CFO, CPO, CLCO, CMO, CCIO and four Local Operating Division CEOs are the only direct reports to the Group CEO.

The Group Diversity Policy requires the Remuneration and Nominations Committee to develop and recommend to the Board a set of measurable goals for the Company to drive achievement of the objectives of the policy. The Board considers that the performance of the Company during the period ended 31 December 2021 in relation to most of the systemic elements of the Group Diversity Policy was satisfactory.

Board appraisal and training

The Board has adopted a performance appraisal programme by which it biennially monitors and assesses individual and Board performance. The most recent review covering the performance of the Board, the Board committees and individual Directors against the relevant charters, corporate governance policies and agreed goals and objectives was carried out with the assistance of an external facilitator.

The Company does not impose any specific training requirements on its Directors but does expect all Directors to carry out appropriate training to enable them to effectively perform their duties. New Directors complete an induction programme with company senior management.

Access to resources and advice

Directors may seek their own independent professional advice to assist with their responsibilities. During the 2021 financial year, no Director sought their own independent professional advice, but the Board sought external advice and/or assistance with respect to the design and implementation of an enhanced Risk Management Framework.

Re-election

Pursuant to the requirements of the NZX Listing Rules, Directors of the Company must not hold office (without re-election) past the third Annual Shareholders' Meeting following their appointment or three years (whichever is later) but may seek re-election at that meeting.

Meetings

The Board normally meets eight to ten times a year and, in addition to reviewing normal operations of the Company, approves a strategic plan and annual budget each year.

Board meetings are usually scheduled annually in advance, although additional meetings may be called at shorter notice.

Directors receive formal proposals, management reports and accounts in advance of all meetings.

The Group CEO and Group CFO are regularly invited to attend Board meetings and participate in Board discussion. Directors also meet with other senior executives on items of particular interest.

Board and committee meeting attendance for the period ended 31 December 2021 was as follows:

Name	Board meetings held	Board meetings attended	Audit and Risk Committee meetings held	Audit and Risk Committee meetings attended	Health and Safety Committee meetings held	Health and Safety Committee meetings attended	Remuneration and Nominations Committee meetings held	Remuneration and Nominations Committee meetings attended
L M Álvarez	11	11	5	n/a	3	n/a	3	3
J Parés	11	11	5	5	3	n/a	3	n/a
E Fullaondo	11	11	5	5	3	3	3	3
C Fernández	11	10	5	n/a	3	n/a	3	n/a
S Ward	11	11	5	4	3	2	3	3
H M Lim	11	11	5	5	3	3	3	3
M Pato-Castel*	11	8	5	n/a	3	n/a	3	n/a

* Malena Pato-Castel was appointed as an independent non-executive Director, effective 1 April 2021 .

Principle 3 – Board committees

"The Board should use committees where this will enhance effectiveness in key areas, while retaining Board responsibility."

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

Audit and Risk Committee

As at 31 December 2021, the members of the Audit and Risk Committee were Emilio Fullaondo (Chair), José Parés, Stephen Ward and Lyn Lim. This committee is constituted to monitor the veracity of the financial data produced by the Company, ensure controls are in place to minimise the opportunities for fraud or for material error in the accounts and to oversee the operation of the Company's Risk Management Framework (discussed in more detail in the "Risk Management Framework" section under Principle 6). A majority of the committee's members must be independent Directors and executive Directors may not be members of the committee.

The Audit and Risk Committee meets two to four times a year. External auditors of the Company, senior management and executives performing internal audit management from within the Company attend by invitation. The external auditors also meet separately with the Audit and Risk Committee with no members of management present.

The Audit and Risk Committee has adopted a charter setting out the parameters of its relationship with internal and external audit functions. The charter (which is available on the Company's website) requires, among other things, five yearly reviews of the external audit relationship and audit partner rotation.

Remuneration and Nominations Committee

As at 31 December 2021, the members of the Remuneration and Nominations Committee were Stephen Ward (Chair), Lyn Lim, Emilio Fullaondo and Luis Miguel Álvarez. This committee is constituted to administer the Director Nomination and Appointment Procedure, approve appointments of senior executives of the Company (principally the Group CEO and those reporting directly to the Group CEO) and make recommendations to the Board in relation to terms of remuneration for non-executive Directors and senior executives. It also reviews any company-wide incentive and share option schemes as required and recommends remuneration packages for Directors to the shareholders.

The Remuneration and Nominations Committee has adopted a written charter which is available on the Company's website.

Statement of corporate governance (continued)

for the year ended 31 December 2021

Health and Safety Committee

As at 31 December 2021, the members of the Health and Safety Committee were Lyn Lim (Chair), Stephen Ward and Emilio Fullaondo. This committee is constituted to assist the Board to provide leadership and policy in discharging its health and safety governance duties. In particular, the Health and Safety Committee is responsible for administering the Company's Health and Safety Framework, monitoring and assessing the Company's Health and Safety performance and developing Health and Safety targets/objectives for the business.

The Terms of Reference for the Health and Safety Committee are set out in the Board Health and Safety Charter which is available on the Company's website.

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

Takeover protocols

The Board has adopted a set of Takeover Procedures and Protocols to be followed if there is a takeover offer for the Company. The Takeover Procedures and Protocols provides for the formation of a committee of independent Directors to consider and manage a takeover offer in accordance with the Takeovers Code.

Principle 4 – Reporting and disclosure

"The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."

Continuous Disclosure Policy

The Board and Company are committed to promoting shareholder and market confidence through open, timely and accurate communication in compliance with the Company's continuous disclosure obligations under the NZX and ASX Listing Rules and the Financial Markets Conduct Act 2013. The Company's Group Continuous Disclosure Policy contains processes and procedures for ensuring that there is full and timely disclosure of market sensitive information to all shareholders and other market participants and also outlines the responsibilities in relation to the identification, reporting, review and disclosure of material information. The Board has appointed a Disclosure Officer to administer this policy.

Charters and policies

Copies of the Company's key governance documents (including the Board Charter, Committee Charters, Group Diversity Policy, Group Continuous Disclosure Policy, Group Director and Senior Executive Remuneration Policy, Group Code of Ethical Conduct and Group Securities (Insider Trading) Policy are available in the "Governance" section of the Company's website.

Financial reporting

The Board is committed to ensuring integrity and timeliness in its financial reporting and providing information to shareholders and the wider market which reflects a considered view on the present and future prospects of the Company.

The Audit and Risk Committee oversees the quality and integrity of the Company's external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews the Company's full and half year financial statements and makes recommendations to the Board concerning the application of accounting policies and practice, areas of judgement, compliance with accounting standards, stock exchange and legal requirements as well as the results of the external audit.

While the Audit and Risk Committee ultimately oversees the quality of the Company's external financial reporting, the Company's management also provides confirmation in writing to the Board that the Company's external financial reports represent a true and fair representation of the financial performance of the Company.

Non-financial reporting

The Company's Environmental, Social and Governance Report is set out earlier in this annual report. The Company continues to develop its environmental, social and governance reporting framework.

Principle 5 – Remuneration

"The remuneration of Directors and executives should be transparent, fair and reasonable."

Board remuneration

The Company's approach to the remuneration of Directors and senior executives is set out in the Company's Director and Senior Executives Remuneration Policy. The Board's Remuneration and Nominations Committee reviews Director and senior executive remuneration and makes recommendations to the Board after taking into account the requirements of the policy. The Remuneration and Nominations Committee's membership and role are set out in more detail under Principle 3 above.

The total pool of Director fees authorised at the Annual Shareholders' Meeting on 21 June 2018 was $475,000 per annum. At the time the total pool was authorised, the Company had five Directors. On 24 June 2021, the Board resolved to increase the Directors' fees pool in accordance with NZX Listing Rule 2.11.3 by $172,500 to $647,500 per annum to allow for Directors' fees to be paid to the two additional Directors that joined the Board since the pool was last increased on 21 June 2018.

No Directors currently take a portion of their remuneration under a performance-based equity compensation plan, although a number of Directors do hold shares in the Company. Directors do not receive additional remuneration or benefits in connection with any Directorship they may hold of subsidiaries of the Company.

The terms of any retirement payments to Directors are prescribed in the Company's constitution and require prior approval of shareholders at a general meeting. No retirement payments have been made to any Director.

The Company has insured all of its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as Directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a Deed of Indemnity, indemnifying all Directors to the extent permitted by section 162 of the Companies Act 1993.

Group Chief Executive Officer remuneration

The remuneration arrangements in place for the Group CEO consist of a base salary and a short term incentive scheme. Details of the Group CEO remuneration arrangements (including the amounts paid in 2020 and 2021 financial periods) are set out in Note 19 to the 31 December 2021 financial statements in this annual report.

Statement of corporate governance (continued)

for the year ended 31 December 2021

Principle 6 – Risk management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk management framework

The Company has a Risk Management Framework for identifying, monitoring, managing and controlling the material risks faced by the business. While the Board is ultimately responsible for the effectiveness of the Company's Risk Management Framework, the Audit and Risk Committee administers the Risk Management Framework and:

- receives and reviews regular risk reporting from management;
- provides recommendations to the Board in relation to:
  - key/material risk identification and appetite levels;
  - whether the Company's processes for managing risks are sufficient; and
  - incidents involving serious fraud or other material break-down/failing of the Company's internal controls;
- periodically reviews:
  - key/material risks that have been identified and the controls in place to manage them; and
  - the Company's business activities to identify likely sources of new risks; and
- confirms the robustness of the Risk Management Framework to the Board on an annual basis.

The Committee is required to review the Risk Management framework at least biennially and conducts regular deep dive assessments of each key/material risk to the Company's business and the associated business controls management have put in place to manage/mitigate these risks.

In managing the Company's business risks, the Board approves and monitors additional policies and processes in such areas as:

- Internal Audit – regular checks are conducted by operations and financial staff on all aspects of store operations.
- Treasury Management – exposure to interest rate and foreign exchange risks is managed in accordance with the Company's treasury policy.
- Financial Performance – full sets of management accounts are presented to the Board at every meeting. Performance is measured against an annual budget with periodic forecast updates.
- Capital Expenditure – all capital expenditure is subject to relevant approval levels with significant items approved by the Board. The Board also monitors expenditure against approved projects and approves the capital plan.

Insurance

The Company has insurance policies in place covering most areas of risk to its assets and business. These include material damage and business interruption cover at all of its sites. Policies are reviewed and renewed annually with reputable insurers.

Health and safety

The Company's Health and Safety Committee is responsible for reviewing and making recommendations to the Board in respect of the Company's health and safety policies, procedures and performance. The Committee's primary responsibility is to ensure that the systems used to identify and manage health and safety risks are fit for purpose and are being effectively implemented, reviewed and continuously improved. The Committee is also responsible for developing health and safety targets/objectives for the business.

Management and the Committee receive detailed reporting on lead and lag indicators of health and safety performance including health and safety incidents, injury rates by severity and mechanism, identified hazards and outputs from local, area and regional employee health and safety forum meetings. The Company has dedicated health and safety experts who investigate incidents, analyse hazard/incident trends to identify and mitigate potential health and safety risks and review, develop and monitor compliance with health and safety processes and procedures.

At an individual store level, comprehensive policies and procedures for carrying out tasks in a safe manner are in place and regularly reviewed to ensure they remain fit-for-purpose. Staff are trained in these policies and procedures as part of their induction. Registers are kept of potential hazards at each store and regular reviews/audits of compliance with health and safety processes and procedures are carried out by internal staff and external providers.

Reporting of lag indicators of Health and Safety performance is contained in the Environmental, Social and Governance Section of this annual report. It is expected that more comprehensive reporting on the Company's health and safety performance will be provided in the future as the Company's environmental, social and governance framework continues to develop.

Principle 7 – Auditors

"The Board should ensure the quality and independence of the external audit process."

External auditor

Oversight of the Company's external audit arrangements is the responsibility of the Audit and Risk Committee. The Committee operates under the Audit and Risk Committee Charter which (among other things) requires the Committee to:

- recommend the appointment of the external auditor;
- set the remuneration and review the performance of the external auditor;
- set the scope and work plan of the annual audit and half year review (along with the external auditor and management);
- ensure that no unreasonable restrictions are placed on the external auditor by the Board or management;
- ensure that open lines of communication are maintained between the Board, internal audit, management and the external auditor; and
- ensure the independence of the external auditor by:
  - reviewing the nature and scope of professional services outside of the external statutory audit role proposed to be provided by the external auditor and approving or declining their use in light of the requirement for external auditor independence;
  - monitoring any approved services outside of the external statutory audit role provided by the external auditors to ensure that the nature and scope of such professional services does not change in a manner that could be perceived as impacting on the external auditor's independence;
  - reviewing the nature and scope of professional audit services proposed to be provided by firms other than the external auditor and approving or declining their use in light of the requirement for external auditor independence; and
  - reviewing and approving or declining any proposed employment by the Company or its subsidiaries of any former audit partner or audit manager.

The Audit and Risk Committee receives an annual confirmation from the external auditor as to their independence from the Company. The external auditor regularly meets with the Committee (including meetings without management present) and attends the Company's Annual Shareholders' Meeting where the lead audit partner is available to answer questions from shareholders.

PwC have been the Company's auditors since 2008.

Internal audit

The Audit and Risk Committee is responsible for the integrity and effectiveness of the Company's internal audit function. The Company has an internal audit team that performs assurance and compliance reviews across the Company's operations as part of an annual programme of work agreed with the Audit and Risk Committee. While the internal audit function has historically focussed on loss-prevention and fraud, it also carries out reviews of the wider control environment within the Company.

Statement of corporate governance (continued)

for the year ended 31 December 2021

Principle 8 – Shareholder rights & relations

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder communication

The Board places importance on effective shareholder communication. Half year and annual reports are published each year and posted on the Company's website, together with quarterly sales releases, profiles of Directors and key members of management, key governance documents and copies of investor presentations. From time to time the Board may communicate with shareholders outside this regular reporting regime.

Shareholders are provided with the option of receiving communications from the Company electronically.

Consistent with best practice and of the Company's continuous disclosure obligations under the NZX Listing Rules, external communications that may contain market sensitive data are released through NZX and ASX in the first instance. Further communication is encouraged with press releases through mainstream media. The Board formally reviews its proceedings at the conclusion of each meeting to determine whether there may be a requirement for a disclosure announcement.

Shareholder meetings

Shareholder attendance at annual meetings is encouraged and the Board allows extensive shareholder debate on all matters affecting the Company. The Company complies with its obligations under the Companies Act 1993 and the NZX Listing Rules in relation to obtaining shareholder approval for major decisions/actions that may change the nature of the Company shareholders have invested in.

Notice of the Company's Annual Shareholders' Meeting will be available at least 20 working days prior to the date of the meeting.

In accordance with the requirements of Rule 6.1.1 of the NZX Listing Rules, voting at the Annual Shareholders' Meeting will be carried out by way of a poll on the basis of one share, one vote.

Corporate directory

Directors

José Parés (Chairman)
Emilio Fullaondo
Carlos Fernández
Luis Miguel Álvarez
Stephen Ward
Huei Min (Lyn) Lim
Maria Elena (Malena) Pato-Castel (from 1 April 2021)

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T: 61 3 9415 4083
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E: enquiry@computershare.co.nz

Auditors

PricewaterhouseCoopers

Solicitors

Bell Gully
Harmos Horton Lusk
Meredith Connell
Squire Patton Boggs
Corrs Chambers Westgarth
Cades Schutte

Bankers

Westpac Banking Corporation
J.P. Morgan
Rabobank
Bank of China

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Financial calendar

Annual meeting

26 May 2022

Financial year end

31 December 2022

Annual profit announcement

February 2023

Notes

RESTAURANTBRANDS.CO.NZ