



FUEL FOR THE HUMAN ENGINE



# **BURGER FUEL WORLDWIDE LIMITED ANNUAL REPORT 2019**





# **BURGER FUEL WORLDWIDE LIMITED CONSOLIDATED FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 31 MARCH 2019**

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# ANNUAL REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31 MARCH 2019

### Burger Fuel Worldwide Ltd Full Year Results for the 12 months ended 31st March 2019

#### Overview - FY19

The Directors of Burger Fuel Worldwide Limited (BFW) present the audited results for the 12 months to 31 March 2019.

**Net Profit after tax for the period was \$1,236,341 representing an increase of \$1.7M on the previous year.**

The Group has no debt, and cash reserves of \$5.5M.

BurgerFuel (unaudited) Total System Sales reduced (2.90%) to \$102M on the same period last year. Group Operating Revenue decreased by (15%) to \$21.0M, however this decline is mainly due to the sale of the company owned USA store to the Founding Director Chris Mason in March 2018, as well as some internal changes. This internal change lowers revenue from our proprietary product manufacturing operation but will ensure that this business unit becomes more financially efficient.

Revenue is largely comprised of sales from our company owned restaurants, manufacturing and long-term recurring royalties.

As at 31 March 2019 there were 78 BurgerFuel stores operating worldwide and 2 single outlets in New Zealand; one for each of our new concepts; Shake Out® & Winner Winner®.

#### BFW results for the period 1 April 2018 to 31 March 2019

|                                | 31 March<br>2019 | 31 March<br>2018 |
|--------------------------------|------------------|------------------|
|                                | \$000            | \$000            |
| Operating Revenue*             | 21,028           | 24,774           |
| Operating Expenses**           | (19,172)         | (24,809)         |
| Net Profit (Loss) Before Tax   | 1,856            | (35)             |
| Net Profit (Loss) After Tax*** | 1,236            | (463)            |

\* Revenue includes; Operating revenue & interest income.  
\*\* Expenses include; Operating expenses, depreciation, amortisation & interest expense  
\*\*\*The New Zealand entities had taxable income and were unable to utilise the foreign tax losses. The overseas entities had minimal tax.

#### The Year To Date And Group Outlook

##### New Zealand

System sales across New Zealand (56 restaurants) increased by 2.6% on the previous year. We closed our last remaining Australian franchised stores in July & August 2018.

BurgerFuel NZ continues to perform well, although we did experience less growth than we would have liked in the period. At this stage we are not undertaking third party home delivery as over time we believe it will negatively affect both the brand and individual store profitability. This decision may have impacted our growth numbers, however we remain committed to a no delivery policy at this stage. There are still some opportunities for new BurgerFuel stores to open in NZ, but we will only undertake new openings if we can achieve both the right locations as well as the accompanying franchisees.

We previously advised the market at the last AGM, that whilst we remain fully dedicated to supporting the BurgerFuel brand and driving growth within the BurgerFuel business, the Group is now also focused on the development of our other brands, Winner Winner, the chicken concept purchased by BFW in December 2017, and Shake Out, the new burger concept developed in-house. Our first Shake Out opened in November 2018 at the Smales Farm complex in Auckland. This new company owned restaurant is performing well and we are currently preparing to open more company owned and franchised Shake Out stores in the current year.

The Winner Winner chicken brand we have been working on for the past year is now also ready to roll out. We expect to open new Winner Winner restaurants in FY20.

##### The Middle East

The Middle East has been very challenging in recent years. We continue to face difficulties in those markets. The UAE, Saudi Arabia and Iraq have all experienced competitive pressures as well as internal political and economic issues over the past 2-3 years. In their own unique way each of these countries remain volatile to sales which are in general, flat or declining.

The UAE especially, continues to see a significant slowdown in the retail sector and the competitor market is becoming even more densely populated, both of which have been reflected in the slowing of sales. Our licensees in the Middle East continue to face disproportionately high rental costs, and accordingly have already closed a number of stores, with plans to close more stores that are no longer financially viable.

# ANNUAL REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31 MARCH 2019

Our licensed business in Saudi Arabia has continued to see satisfactory sales, but like our other Middle Eastern markets, they are also facing high retail rents, increasing labour costs and staff shortages due to the changes in work visa requirements. In line with our other Middle Eastern markets, our partners in Saudi are also optimising locations, working to reduce overheads and increase customer reach.

Iraq too, is facing significant challenges, and while the brand did experience positive traction in this market, the political and economic climate is now susceptible to volatility, and this is having an impact on trade. Only one store is now trading in Iraq and we expect the situation there to remain as it is, or worsen, which could mean this single store in Iraq may cease trading.

Overall, and as always, we continue to caution the market as to the future of the Middle Eastern region for BurgerFuel. These countries remain uncertain and we anticipate further declines in our revenue from this market. That said, we remain committed to supporting the BurgerFuel business in this region and will continue working closely with our partners in each country.

##### United States

In the United States we have one licenced store in Broad Ripple, Indianapolis, operated by our licensee, Chris Mason. Whilst the store has experienced a decline in sales in the past 12 months since opening, Chris remains focused on his search for an established US partner. At this stage the US store continues to trade, and we will update the market if anything changes.

##### Outlook

Last year we advised the market that BFW was transforming from a single brand, international company to a multi-brand New Zealand company. This transition is going well, and we are pleased that we have managed to absorb all the costs associated with this transition, as well as the costs to develop the new brands and provide an acceptable profit for FY19. We will continue to focus on the opening of new restaurants in NZ and we look forward to updating the market with these new openings as the year progresses.

This change in focus has prompted us to review our company name, and from the 1st July 2019 we will be known as Burger Fuel Group Limited, which is more in line with our future strategy.

As advised on the 15th February 2019, the board has sought input from KPMG's Corporate Finance team to undertake a full strategic options review of the business and to look at all potential opportunities for the Group. That review is now underway.

A further matter is the dissolution of the NZAX. The Group will be migrating to the NZSX main board and will continue to operate as a publicly listed

company.

On the 28th April 2019 we completed the last tranche of the BFW share buyback from Franchise Brands. BFW bought back and cancelled 5,963,355 (or 10%) shares in total, utilising its cash reserves. The total number of shares on issue in BFW is now 53,670,195.

The Group is focused on profit and growth, as well as development in new areas beyond the BurgerFuel brand. We thank all shareholders for their support, and we look forward to the year ahead.

Best regards

Peter Brook  
Chairman

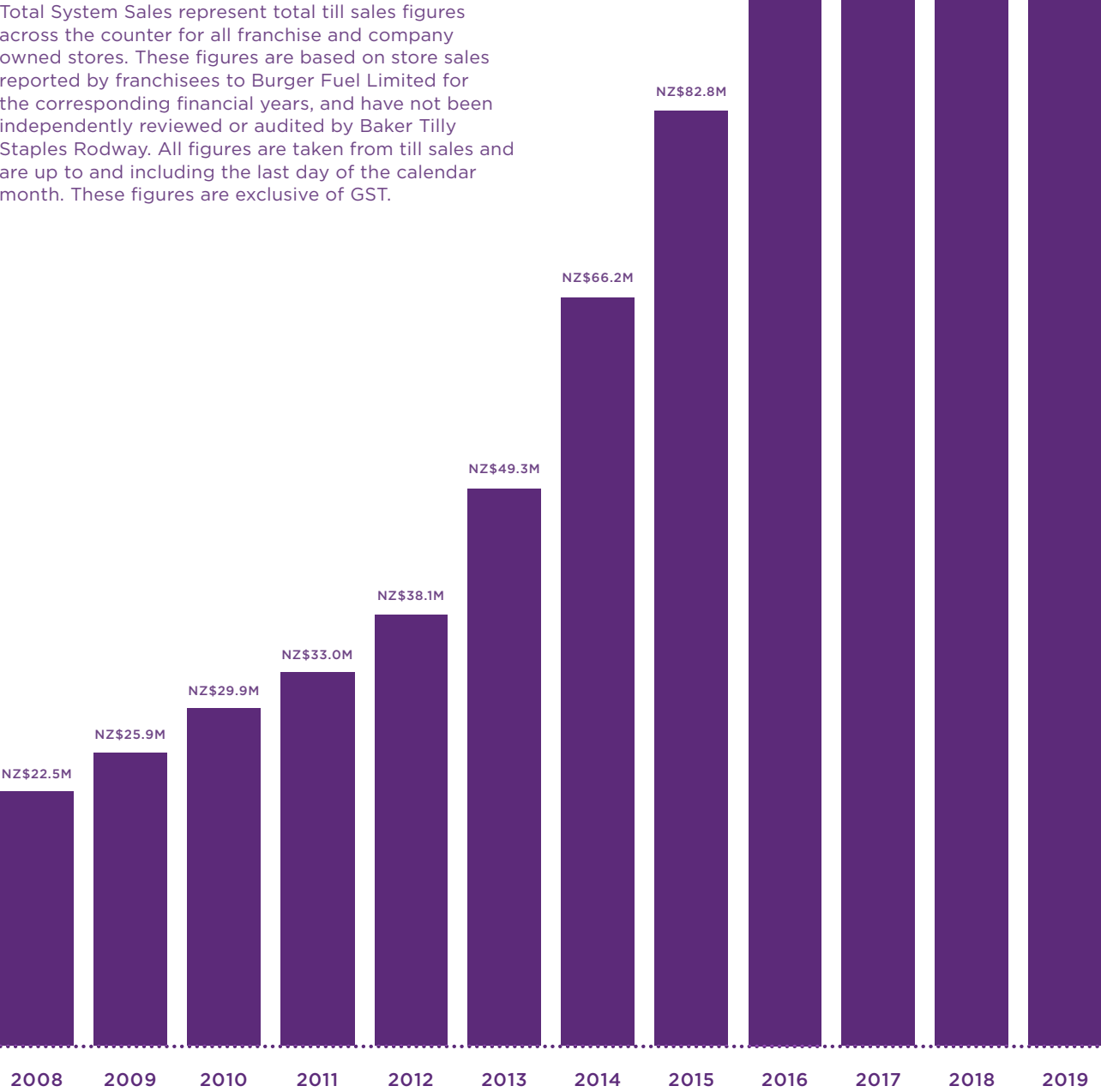
Josef Roberts  
Group CEO



# TOTAL SYSTEM SALES

## TOTAL (UNAUDITED) SYSTEM SALES

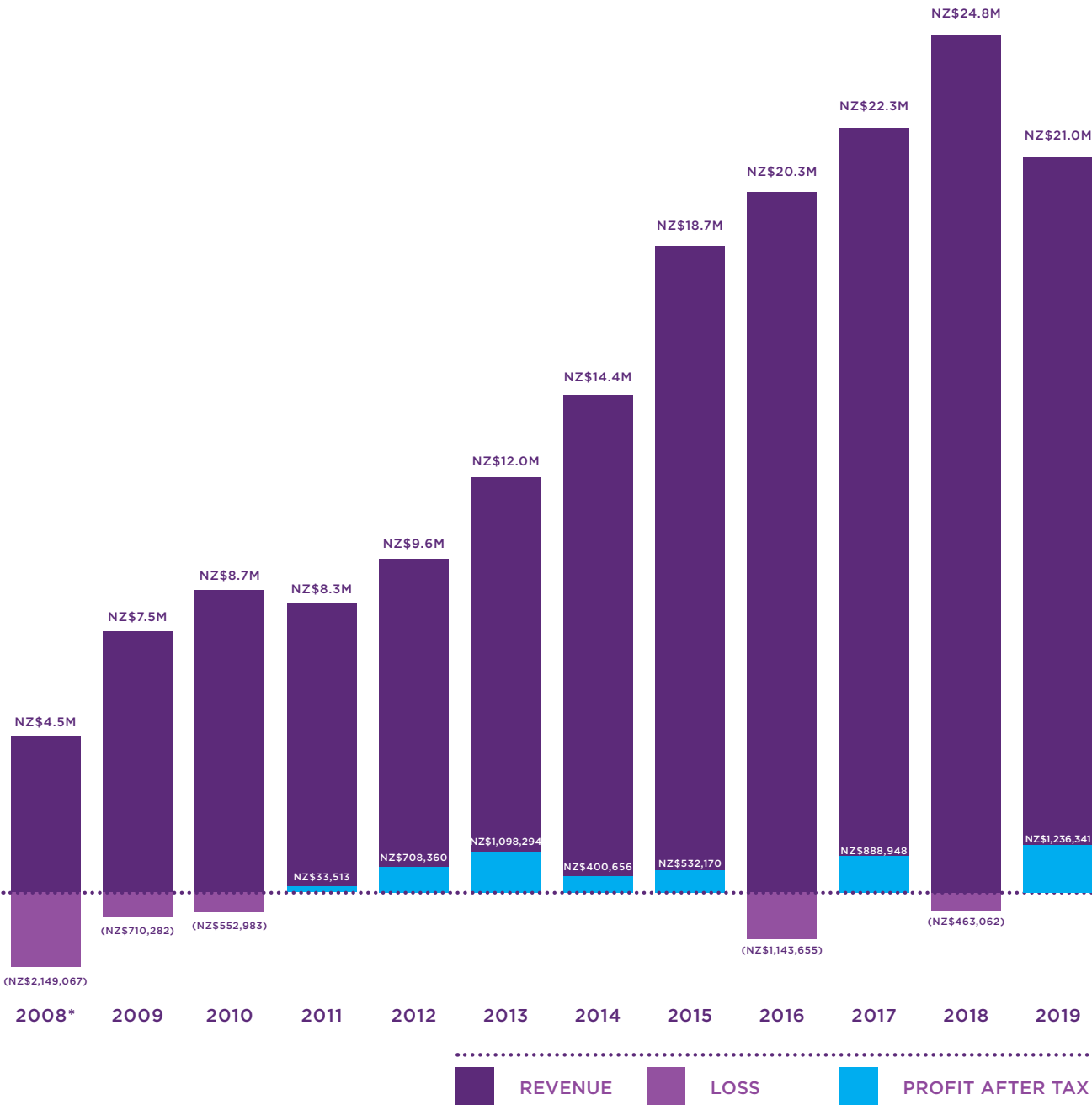
### \$102,181,305



Financial years are from 1st April to 31st March. Total system sales represent total till sales figures across the counter for all franchise and company owned stores.

# BURGER FUEL WORLDWIDE LIMITED

## REVENUE AND TRADING HISTORY



NOTE: BFW listed as a company on the NZAX on 27 July 2007  
\* 2008 reporting period is 9½ months



# THE BOARD



## MARK PIET

### CHIEF FINANCIAL OFFICER

Mark is the CFO & Company Secretary of BurgerFuel and has been with the company since 2008.

Mark is a chartered accountant & a member of Chartered Accountants Australia and New Zealand.

Prior to joining BurgerFuel, Mark worked for Deutsche Bank & The Economist in London.

## PETER BROOK

### CHAIRMAN

#### MEMBER - BFW AUDIT COMMITTEE

Peter has 20 years experience in the investment banking industry, retiring in 2000 to pursue his own business and consultancy activities.

Peter is presently Chairman of Trust Investment Management Ltd and Generate Investment Management Ltd.

Other Directorships: Argosy Property Ltd, a Trustee of the Melanesian Mission Trust Board, and a number of directorships of private companies.

## ALAN DUNN

### INDEPENDENT DIRECTOR

#### CHAIRMAN - BFW AUDIT COMMITTEE

Former CEO and Chairman of McDonald's NZ from 1993 to 2003. In 2004 Alan became Chicago based VP Operations, then Regional VP Nordics and Managing Director Sweden until retirement from McDonalds in 2007.

Other Directorships: Z Energy, NZ Post and a number of directorships of private companies.

## JOSEF ROBERTS

### GROUP CEO

Josef is the Group CEO and is responsible for the overall direction and management of the business.

Former CEO and founder of Red Bull Australasia.

## TYRONE FOLEY

### CHIEF OPERATING OFFICER

Tyrone is the group COO and is responsible for the management of all departments at Head Office and daily operations in all markets around the world.

Tyrone's previous management roles have been with McDonald's and BP.



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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BURGER FUEL WORLDWIDE LIMITED

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Burger Fuel Worldwide Limited and its subsidiaries ('the Group') on pages 17 to 61, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated 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').

Our report is made solely to the Shareholders of Burger Fuel Worldwide Limited, in accordance with the Companies Act 1993. 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 Burger Fuel Worldwide Limited and the Shareholders of Burger Fuel Worldwide Limited, for our audit work, for our report or for the opinions we have formed.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor, our firm carries out other assignments for Burger Fuel Worldwide Limited and its subsidiaries in the area of taxation compliance services. The provision of these other services has not impaired our independence.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.



#### Key Audit Matter

##### Goodwill

As disclosed in Note 14 of the Group's consolidated financial statements the Group has goodwill of \$1,639,279 allocated across two of the Group's cash-generating units ('CGUs'). Goodwill was significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of the CGU's for the purpose of the required annual impairment test. The measurement of a CGU's recoverable amount includes the assessment and calculation of its 'value-in-use'.

Management has completed the annual impairment test for each of the CGUs as at 31 March 2019.

#### How our audit addressed the key audit matter

Our audit procedures among others included:

- Evaluating Management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how the CGUs are monitored and reported.
- Challenging Management's assumptions and estimates used to determine the recoverable value of its indefinite life intangible assets, including those relating to forecast revenue, cost, capital expenditure, discount rates, by adjusting for future events and corroborating the key market related assumptions to external data. Procedures included:
  - Evaluating the logic of the value-in-use calculations supporting Management's annual impairment test and testing the mathematical accuracy of these calculations;
  - Evaluating Management's process regarding the preparation and review of forecasts;
  - Comparing forecasts to Board approved forecasts;
  - Evaluating the historical accuracy of the Group's forecasting to actual historical performance;
  - Evaluating the forecast growth assumptions;
  - Evaluating the inputs to the calculation of the discount rates applied;
  - Engaging our own internal valuation experts to assess the reasonableness of the discount rates applied;
  - Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions;
  - Performing our own sensitivity analysis for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions (during both the forecast and terminal periods); and
  - Evaluating the related disclosures about indefinite life intangible assets which are included in Note 14 in the Group's consolidated financial statements.





## Key Audit Matter

### Revenue Recognition

The Group's three largest revenue streams are revenue from the sale of goods \$8,687,830, royalties of \$5,938,200 and advertising fees of \$3,854,686. On 1 April 2018, the Group adopted NZ IFRS 15 *Revenue from Contracts with Customers* ('NZ IFRS 15'). As described in Note 4, Management have assessed the impact of adoption on the Group's recognition of revenue for each of the Group's sources of revenue.

Management have concluded that:

- With respect to the sale of goods, revenue is recognised when the performance obligation is satisfied, being the point of sale;
- With respect to franchise and master licence fees, revenue is recognised as the performance obligation is satisfied, being the term of the franchise or master licence agreement, and
- With respect to royalties and advertising fees, revenue is recognised when the performance obligation is satisfied, being point of sale of goods to the franchisees' customer.

Management has concluded that the adoption of NZ IFRS 15 has only materially affected the recognition of franchise and master licence fees and an adjustment to Opening Retained Earnings was made on adoption.

The recognition of revenue was significant to our audit due to the significant judgements made by Management in relation to the timing and amount of revenue to be recognised together with the impact of the adoption of NZ IFRS 15.

## How our audit addressed the key audit matter

Our audit procedures among others included:

- Evaluating the design and operating effectiveness of the key controls over the integrity, accuracy and completeness of the sales information provided to the Group by individual franchisees.
- Evaluating and challenging Management assessment of the impact of adopting NZ IFRS 15 including:
  - Identification of the contracts with customers;
  - Identification of the performance obligations in the contracts with customers;
  - Determination of the transaction price;
  - Allocation of the transaction price to each performance obligation; and
  - Recognition of revenue when each performance obligation has been satisfied.
- Reviewing a sample of franchise and master licencing agreements to ensure Management's conclusions with regards to the adoption of NZ IFRS 15 are in line with our understanding.
- Testing Management's calculation of the contract liability relating to franchise and master licencing revenue as a result of the adoption of NZ IFRS 15.
- Agreeing the percentage of sales due from the Group's individual franchisees as royalties and advertising fees to the relevant franchisee agreement on a sample basis.
- Testing the mathematical accuracy of the royalties and advertising fee calculation undertaken by Management on a sample basis.
- Evaluating the disclosures made in Note 4 of the Group's consolidated financial statements relating to the adoption of NZ IFRS 15.
- Evaluating the disclosures made in Note 5 in the Group's consolidated financial statements relating to the Group's material categories of revenue.

## Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2019 (but does not include the consolidated financial statements and our auditor's report thereon).

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

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

If, based on the work we have performed, 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.

## Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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) 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 consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.

*Baker Tilly Staples Rodway*

**BAKER TILLY STAPLES RODWAY AUCKLAND**  
**Auckland, New Zealand**  
31 July 2019





# THE FINANCIALS



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

|                                                                        |      | 2019             | 2018             |
|------------------------------------------------------------------------|------|------------------|------------------|
|                                                                        | Note | \$               | \$               |
| Revenue                                                                | 5    | 20,899,915       | 24,689,154       |
| Operating Expenses                                                     | 6    | (18,408,971)     | (24,152,919)     |
| <b>Profit before Interest, Taxation, Depreciation and Amortisation</b> |      | <b>2,490,944</b> | <b>536,235</b>   |
| Depreciation                                                           | 11   | (577,343)        | (535,327)        |
| Amortisation                                                           | 14   | (174,648)        | (117,876)        |
|                                                                        |      | (751,991)        | (653,203)        |
| <b>Profit / (Loss) before Interest and Taxation</b>                    |      | <b>1,738,953</b> | <b>(116,968)</b> |
| Interest Income                                                        |      | 127,751          | 85,052           |
| Interest Expense                                                       |      | (10,925)         | (3,550)          |
|                                                                        |      | 116,826          | 81,502           |
| <b>Profit / (Loss) before Taxation</b>                                 |      | <b>1,855,779</b> | <b>(35,466)</b>  |
| Income Tax Expense                                                     | 7    | (619,438)        | (427,596)        |
| <b>Net Profit / (Loss) attributable to shareholders</b>                |      | <b>1,236,341</b> | <b>(463,062)</b> |
| <b>Other comprehensive income:</b>                                     |      |                  |                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i>  |      |                  |                  |
| Movement in Foreign Currency Translation Reserve                       | 20   | (52,968)         | 34,107           |
| <b>Total comprehensive income</b>                                      |      | <b>1,183,373</b> | <b>(428,955)</b> |
| Basic Earnings per Share (cents)                                       | 25   | 2.18             | (0.78)           |
| Diluted Earnings per Share (cents)                                     | 25   | 2.18             | (0.78)           |

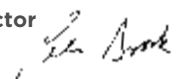
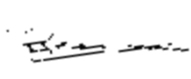


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

|                                              |      | 2019              | 2018              |
|----------------------------------------------|------|-------------------|-------------------|
| <b>Shareholders' equity</b>                  | Note | \$                | \$                |
| Contributed equity                           | 18   | 14,087,498        | 16,034,443        |
| Retained earnings                            | 19   | (2,541,498)       | (2,336,651)       |
| IPO capital costs                            | 18   | (223,432)         | (223,432)         |
| Other reserves                               | 20   | (324,083)         | (271,115)         |
|                                              |      | <b>10,998,485</b> | <b>13,203,245</b> |
| <b>Current assets</b>                        |      |                   |                   |
| Cash and cash equivalents                    | 17   | 5,503,473         | 6,300,878         |
| Trade and other receivables                  | 9    | 3,021,234         | 3,030,807         |
| Inventories                                  | 10   | 621,618           | 1,078,848         |
| Loans                                        | 13   | 170,900           | 133,000           |
|                                              |      | <b>9,317,225</b>  | <b>10,543,533</b> |
| <b>Non-current assets</b>                    |      |                   |                   |
| Property, plant and equipment                | 11   | 2,538,702         | 2,387,128         |
| Deferred tax asset                           | 7    | 715,959           | 188,180           |
| Intangible assets                            | 14   | 2,544,788         | 2,525,189         |
|                                              |      | <b>5,799,449</b>  | <b>5,100,497</b>  |
| <b>Total Assets</b>                          |      | <b>15,116,674</b> | <b>15,644,030</b> |
| <b>Current liabilities</b>                   |      |                   |                   |
| Trade and other payables                     | 15   | 1,498,449         | 1,656,880         |
| Contract Liability                           | 15   | 263,215           | -                 |
| Income tax payable                           |      | 152,013           | 448,650           |
| Provisions                                   | 16   | 414,631           | 298,405           |
|                                              |      | <b>2,328,308</b>  | <b>2,403,935</b>  |
| <b>Non-current liabilities</b>               |      |                   |                   |
| Contract Liability                           | 15   | 1,751,831         | -                 |
| Provisions                                   | 16   | 38,050            | 36,850            |
|                                              |      | <b>1,789,881</b>  | <b>36,850</b>     |
| <b>Total liabilities</b>                     |      | <b>4,118,189</b>  | <b>2,440,785</b>  |
| <b>Net assets</b>                            |      | <b>10,998,485</b> | <b>13,203,245</b> |
| Net tangible assets per share (\$ per share) | 30   | 0.14              | 0.18              |

For and on behalf of the board who approved these financial statements for issue on 31st July 2019.

Director  Director 

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

| 2019                                                                                      |      | Contributed<br>Equity | Foreign<br>Currency<br>Translation<br>Reserve | IPO<br>Capital<br>Costs | Retained<br>Earnings | Total Equity       |
|-------------------------------------------------------------------------------------------|------|-----------------------|-----------------------------------------------|-------------------------|----------------------|--------------------|
|                                                                                           | Note | \$                    | \$                                            | \$                      | \$                   | \$                 |
| Balance as at 31 March 2018                                                               |      | <b>16,034,443</b>     | <b>(271,115)</b>                              | <b>(223,432)</b>        | <b>(2,336,651)</b>   | <b>13,203,245</b>  |
| Impact of Changes in Accounting Policies                                                  | 4    | -                     | -                                             | -                       | (1,441,188)          | <b>(1,441,188)</b> |
| Balance as at 1 April 2018                                                                |      | 16,034,443            | (271,115)                                     | (223,432)               | (3,777,839)          | <b>11,762,057</b>  |
| Buy Back and cancellation of Ordinary Shares                                              |      | (1,946,945)           | -                                             | -                       | -                    | <b>(1,946,945)</b> |
| Movement in foreign currency translation reserve recognised in other comprehensive income |      | -                     | (52,968)                                      | -                       | -                    | <b>(52,968)</b>    |
| Net Profit for the year ended 31 March 2019                                               |      | -                     | -                                             | -                       | 1,236,341            | <b>1,236,341</b>   |
| Total comprehensive income                                                                |      | -                     | (52,968)                                      | -                       | 1,236,341            | <b>1,183,373</b>   |
| <b>Balance as at 31 March 2019</b>                                                        |      | <b>14,087,498</b>     | <b>(324,083)</b>                              | <b>(223,432)</b>        | <b>(2,541,498)</b>   | <b>10,998,485</b>  |

| 2018                                                                                      |      | Contributed<br>Equity | Foreign<br>Currency<br>Translation<br>Reserve | IPO<br>Capital<br>Costs | Retained<br>Earnings | Total Equity      |
|-------------------------------------------------------------------------------------------|------|-----------------------|-----------------------------------------------|-------------------------|----------------------|-------------------|
|                                                                                           | Note | \$                    | \$                                            | \$                      | \$                   | \$                |
| Balance as at 1 April 2017                                                                |      | <b>16,034,443</b>     | <b>(305,222)</b>                              | <b>(223,432)</b>        | <b>(1,873,589)</b>   | <b>13,632,200</b> |
| Movement in foreign currency translation reserve recognised in other comprehensive income |      | -                     | 34,107                                        | -                       | -                    | <b>34,107</b>     |
| Net Loss for the year ended 31 March 2018                                                 |      | -                     | -                                             | -                       | (463,062)            | <b>(463,062)</b>  |
| Total comprehensive income                                                                |      | -                     | 34,107                                        | -                       | (463,062)            | <b>(428,955)</b>  |
| <b>Balance as at 31 March 2018</b>                                                        |      | <b>16,034,443</b>     | <b>(271,115)</b>                              | <b>(223,432)</b>        | <b>(2,336,651)</b>   | <b>13,203,245</b> |



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

|                                                          |      | 2019                | 2018                |
|----------------------------------------------------------|------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>              | Note | \$                  | \$                  |
| <i>Cash was provided from:</i>                           |      |                     |                     |
| Receipts from customers                                  |      | 20,849,474          | 24,088,728          |
| Interest received                                        |      | 127,751             | 85,052              |
| Goods and services tax received / (paid)                 |      | 13,867              | (15,957)            |
|                                                          |      | <b>20,991,092</b>   | <b>24,157,823</b>   |
| <i>Cash was applied to:</i>                              |      |                     |                     |
| Payments to suppliers & employees                        |      | (17,908,340)        | (23,225,822)        |
| Interest paid                                            |      | (10,925)            | (3,550)             |
| Taxes paid                                               |      | (883,146)           | (97,507)            |
|                                                          |      | <b>(18,802,411)</b> | <b>(23,326,879)</b> |
| <b>Net cash flows provided from operating activities</b> | 26   | <b>2,188,681</b>    | <b>830,944</b>      |
| <b>Cash flows from investing activities</b>              |      |                     |                     |
| <i>Cash was provided from:</i>                           |      |                     |                     |
| Repayments from suppliers & staff                        | 13   | 8,711               | -                   |
| Sale of property, plant and equipment                    |      | 76,794              | 1,176,152           |
|                                                          |      | <b>85,505</b>       | <b>1,176,152</b>    |
| <i>Cash was applied to:</i>                              |      |                     |                     |
| Acquisition of intangible assets                         | 14   | (194,247)           | (219,090)           |
| Advances to supplier and staff                           | 13   | (46,611)            | -                   |
| Acquisition of property, plant & equipment               | 11   | (870,799)           | (1,898,729)         |
| Share buyback & cancellation                             | 18   | (1,946,945)         | -                   |
|                                                          |      | <b>(3,058,602)</b>  | <b>(2,117,819)</b>  |
| <b>Net cash flows applied to investing activities</b>    |      | <b>2,973,097</b>    | <b>(941,667)</b>    |
| Net movement in cash and cash equivalents                |      | (784,416)           | (110,723)           |
| Exchange gains / (loss) on cash and cash equivalents     |      | (12,989)            | (1,294)             |
| Opening cash and cash equivalents                        |      | 6,300,878           | 6,412,895           |
| <b>Closing cash and cash equivalents</b>                 | 17   | <b>5,503,473</b>    | <b>6,300,878</b>    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 1) REPORTING ENTITIES AND STATUTORY BASE

Burger Fuel Worldwide Limited is a Company registered under the Companies Act 1993 and is listed with the New Zealand Alternative Stock Exchange (NZAX). The Company is a Financial Markets Conduct (FMC) reporting entity for the purposes of the Financial Markets Conduct Act 2013 and its financial statements comply with that Act.

The financial statements presented are those of Burger Fuel Worldwide Limited (the 'Group'). A list of its wholly owned subsidiaries is listed in note 12 of the financial statements.

The Group operates as a franchisor of gourmet burger and chicken restaurants and is a for-profit oriented entity, incorporated and domiciled in New Zealand.

## 2) BASIS OF PREPARATION

### Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards as appropriate for, for-profit oriented entities. For the purposes of complying with NZ GAAP, the Group is a Tier 1 for-profit entity as defined in the XRB's Accounting Standards Framework. These financial statements also comply with International Financial Reporting Standards ("IFRS").

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency and they have been rounded to the nearest dollar.

The financial statements were approved by the Board of Directors on the date set out on page 18 of the Annual Report.

### Basis of Measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities in specific accounting policies below.

### Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The principal areas of judgments in preparing these financial statements are set out below:

#### Impairment of Receivables

The Group maintains an allowance for estimated losses expected to arise from customers being unable to make required payments. This allowance takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the Group's debtors' portfolio. In assessing the allowance, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general, macro-economic trends, are taken into account. The impairment of receivables is detailed in note 9 of the financial statements.

#### Accounting for Income Tax

Preparation of the annual financial statements requires management to make estimates as to, amongst other things, the amount of tax that will ultimately be payable, the availability of losses to be carried forward and the amount of foreign tax credits it will receive in each of the jurisdictions it operates in.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses (where applicable) only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Actual results may differ from these estimates as a result of reassessment by management or taxation authorities. Refer to note 7 for additional information on accounting for income tax.

#### Impairment of Goodwill

The Group reviews Goodwill for indicators of impairment at least on an annual basis. This requires an estimation of the fair value of the cash-generating units to which the Goodwill are allocated. Estimating the fair value amount requires management to make an estimate of the expected future cash flows from the cash-generating unit in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The Group's longer term forecasts are subject to a higher level of uncertainty as it mostly depends on consumer spending, market conditions and level of competition. For additional information on the impairment test, reference is made to note 14.1 - Intangible Assets.

## 3) SPECIFIC ACCOUNTING POLICIES

The following is a summary of specific accounting policies adopted by the Group in the preparation of the financial statements that materially affect the measurement of financial performance, cash flows and the financial position.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Revenue recognition

Accounting policy applied after 1 April 2018

Revenue arises mainly from the sale of food and beverage products from our fast-casual stores that the Group owns directly and from franchise and royalty arrangements that is has in place with franchise holders both in New Zealand and offshore.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when and as its performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services

to its customers.

The transaction price for a contract excludes any amounts collected on behalf of third parties.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position

Sale of goods

The Group is in the business of providing fast-casual food solutions to its customers and franchisees. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer or franchisee at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Management has determined the performance obligation to deliver the food & proprietary products is completed when control of goods passes to customer, revenue is recognised at this time.

Franchise fees

The Group recognises revenue derived from its franchise operations in New Zealand on a straight-line basis over a period of time that the franchise agreement is in place, which is generally 10 years. This is the period of time over which the performance obligation is satisfied. Payment is received upfront upon signing the franchise contract.

The transaction price includes a variable price consideration for the possible transfer of franchise rights. This is unknown until and if the transaction is completed. Given the high uncertainty of this transfer, the transaction price for franchise contract is not adjusted for these transferred franchise rights.

Royalties from Franchises and Master Licencing Arrangements (MLAs)

The Group recognises revenue derived from its Franchises and MLAs at a point in time, based on sales that are reported back to Company on a monthly basis for sales that occurred in that month. Payment is received on a monthly basis.

Training fees

In accordance with NZ IFRS 15, the Group recognises revenue from training over time as each 12-week training course is provided to the new operators of franchises. Payment is received upfront when the new operator signs a franchise agreement.

Advertising revenue

The Group recognises advertising revenue derived from its Franchises and MLAs at a point in time, based on sales

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

that are reported back to Company on a monthly basis for sales that occurred in that month. Payment is received on a monthly basis.

Property management fees

The Group recognises revenue from property management services over time which is 12 months.

Other revenue

Other revenue includes incentives, bonuses and rebates received by the Group from its suppliers in relation to volume of goods and services that have been purchased by franchise holders. Rebate revenue is recognised when the sale of the underlying asset is completed. Other revenues are recognised when reliable estimates of the amounts due to the Group are deemed to be highly probable.

Significant financing components

Using the practical expedient in NZ IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Accounting policies applied prior to 1 April 2018

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction to reflect the substance of the transaction. The consideration received from any multiple-component transactions are allocated to the separately identifiable component in proportion to its relative fair value.

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Franchise Fees

Franchise fees (incorporating fees from Master License Agreements) for the provision of continuing services, whether part of the initial fee or a separate fee, are recognised as revenue as the services are rendered. Fees charged for the use of continuing rights granted by the

agreement, or for other services provided during the period of the agreement are recognised as revenue as the services are provided or the rights used.

Royalties

Royalty income is recorded when it is probable that economic benefits will flow to the entity and amounts can be reliably measured. It is calculated on an accruals basis in accordance with the substance of the Franchise or Master Licence Agreement.

Training Fees

Training fee income is recognised as the twelve-week training course is provided to the new operator.

Advertising Income

Advertising income is recognised when it is probable that economic benefits will flow to the entity and amounts can be reliably measured. It is calculated on an accruals basis in accordance with the substance of the Franchise or Master Licence Agreement.

Property Management Fees

Property management fees are recognised as a one-off annual fee.

Other Income

All other income is recognised when significant risks and rewards have been transferred to the buyer, there is loss of effective control by the seller and the amount and costs can be reliably measured. It includes rebates, incentives and bonus payments received from suppliers.

c) Accounts receivable

Accounting policies applied prior to 1 April 2018

Accounts receivable are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, or financial reorganisation and default or delinquency in payment (more than 30 days overdue) are considered objective evidence of impairment. Bad debts are written off during the period in which they are identified. If these debts are subsequently collected, then a gain is recognised in profit or loss. Provisions are calculated using the expected credit loss model. This is the calculation of the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the receivable. The expected loss is determined at the difference between the carrying value and the expected recoverable amount.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

### Accounting policy applied after 1 April 2018

#### Trade receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses the impairment of all its trade receivables on a specific, rather than a collective basis. If a trade receivable is considered credit impaired (e.g. the customer has failed to meet payments as due) the expected loss is determined at the difference between the carrying value and the expected recoverable amount.

Management has assessed the information available and concluded that no provision for expected credit losses was identified.

#### d) Inventories

Inventories are stated at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is based on the first in, first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

#### e) Financial instruments

### Accounting policy applied after 1 April 2018

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with NZ IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within impairment gains (losses) of financial assets in profit or loss.

#### Subsequent measurement of financial assets

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables that fall into this category of financial instruments were previously classified as loans and receivables under NZ IAS 39. There has been no change in the carrying amounts due to this reclassification under NZ IFRS 9. These financial assets are classified at amortised cost as the Group intends to hold them and collect contractual cash flows.

##### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see overleaf).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

This category also contains any equity investment not designated at FVOCI on initial recognition, but the Group did not have any equity investments during the reporting period ended 31 March 2019.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group had no financial assets that fell into this category during the year ended 31 March 2019.

##### Financial assets at fair value through other comprehensive income (FVOCI)

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

The Group has no financial assets measured at FVTOCI.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in financial assets that are measured at amortised cost and contract assets. The amount of expected credit losses is updated at each reporting date

to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The nature of the Group's trade receivables means there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more appropriate default criterion is required.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the borrower;
- b. a breach of contract, such as a default or past due event (see (ii) above); and
- c. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write off policy

The Group writes off a financial asset when there is information indicating that the borrower is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the borrower has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period,

but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The implementation of IFRS 9 has not resulted in any changes to the Group's impairment of financial assets.

Loans Receivable at amortised cost

The Group records loans receivable for loans to suppliers and employees. The Group records these at amortised cost using the effective interest method and assess these loans for impairment under the expected credit loss model, using 12 months expected losses. This is appropriate as management have assessed each counterparty as having a low risk of default and a strong capacity to meet their contractual cash flow obligations in the near term.

Derivative financial instruments and hedge accounting

The Group has not used any derivative instruments to manage its financial risks and it has not entered into any hedging arrangements during the reporting period ended 31 March 2019.

Financial Liabilities

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group's other financial liabilities are trade and other payables, and these are usually paid within 30 days. There has been no change to classification or measurement under IFRS 9.

Accounting policies applied prior to 1 April 2018

The Group was required to classify all its financial instruments into one of the following four categories: loans and receivables, held to maturity investments, available for sale financial assets or fair value through profit or loss. Management determined the classification on initial recognition and re-evaluated this designation at every reporting date. At 31 March 2018 all of the Group's financial assets were classified as loans and receivables and all its financial liabilities were accounted for at amortised cost.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

thereafter carried at amortised cost using the effective interest method. Loans and receivables are derecognised when the rights to receive cash flows from them have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial Liabilities

These amounts represent unsecured liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group's other financial liabilities are trade and other payables, and these are usually paid within 30 days.

Derivatives and hedging activities

The Group has not used any derivative instruments to manage its financial risks and it has not entered into any hedging arrangements during the reporting period ended 31 March 2018.

f) Share Capital

Ordinary Shares

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

g) Finance Income and Expense

For all financial instruments measured at amortised cost, interest income and expense is recorded at the effective interest rate.

h) Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Property, plant and equipment are stated at cost less accumulated depreciation. The following depreciation rates have been used:

|                        |                                                     |
|------------------------|-----------------------------------------------------|
| Motor Vehicles         | 16% - 36% diminishing value & straight line (USA)   |
| Leasehold Improvements | 9% - 26.4% diminishing value & straight line (USA)  |
| Information Technology | 33% - 67% diminishing value & straight line (USA)   |
| Furniture & Fittings   | 10% - 80.4% diminishing value & straight line (USA) |
| Kitchen Equipment      | 13% - 39.6% diminishing value & straight line (USA) |
| Office Equipment       | 10% - 60% diminishing value & straight line (USA)   |

Where an asset is disposed of, the gain or loss recognised in the Statement of Comprehensive Income is calculated as the difference between the sale price and the carrying amount of the asset.

i) Leased Assets

Operating Leases

Operating lease payments are recognised as an expense in the periods the amounts are payable in the Statement of Comprehensive Income on a straight line basis.

j) Intangible Assets

The Group's intangible assets have finite useful lives with the exception of Goodwill and are stated at cost less accumulated amortisation. The intangible assets are amortised in the Statement of Comprehensive Income on a straight line basis over the period during which benefits are expected to be derived, which is up to 10 years. Where there has been an impairment in the value, the balance has been written off in the Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intangible asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income when incurred.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

As part of a business combination, an acquirer may acquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets. An example of such rights include a right to use the acquirer's trade name under a franchise agreement. A reacquired right is an identifiable intangible asset that the acquirer recognises separately from goodwill. Reacquired rights are initially valued at the present value of the expected future cash flows, which is subsequently used as cost and amortised on a straight-line basis over its useful life, being the remaining contractual period without considering contractual extension possibilities, but not exceeding 10 years.

### k) Employee Benefits

#### Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group pays contributions to superannuation plans, such as KiwiSaver and 401(k) in the US. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### l) Taxation

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted

at the balance date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### m) Goods and Services Tax (GST) & Value Added Tax (VAT)

The Statement of Comprehensive Income and Cash Flows has been prepared so that all components are stated exclusive of GST and VAT. All items in the Statement of Financial Position are stated net of GST and VAT, with the exception of receivables and payables, which include GST and VAT invoiced. The operations of the Group comprise both exempt and non-exempt supplies for GST and VAT purposes.

### n) Foreign Currency

#### Foreign Currency Transactions

Transactions in foreign currencies are translated into the functional currencies of the entities within the Group at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in the profit or loss.

#### Foreign Operations

The assets and liabilities of foreign operations are translated to New Zealand dollars at exchange rates at the reporting date. The revenue and expenses of foreign operations are translated to New Zealand dollars at the average exchange rates for the period where this rate approximates the rate at the date of the transaction.

Foreign currency differences are recognised in the Foreign Currency Translation Reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the Statement of Comprehensive Income.

### o) Statement of Cash Flows

Cash and cash equivalents comprise cash at bank and call deposits. Investing activities comprise the purchase and sale of fixed assets, acquisition of a subsidiary and intangible assets along with any funding made available or repaid from franchisees. Financing activities comprise any changes in equity and debt and the payment of dividends (if any). Operating activities include all transactions and other events that are not investing or financing activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 3) SPECIFIC ACCOUNTING POLICIES (CONTINUED)

### p) Earnings and Net Tangible Assets Per Share

The Group presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which includes share options granted to employees.

The Group also presents Net Tangible Assets Per Share for its ordinary shares and it is calculated by dividing the net tangible assets of the Group by the number of shares outstanding at the end of the year.

### q) Segment Reporting

Operating segments have been identified based on the information provided to the chief operating decision maker; being the Board of Directors.

The Group operates in four operating segments – these consist of the following geographical locations, New Zealand, Australia, United States of America and the Middle East.

There have been no changes from prior years in the measurement methods used to determine reported segment profit or loss.

### r) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 14.1 for a description of impairment testing procedures.

### s) Impairment Testing of Goodwill, Other Intangible Assets and Non-financial Assets

Impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Impairment losses for cash-generating units reduce first the carrying amount of any Goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of Goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

## 4) NEW STANDARDS ADOPTED AND NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

### (a) New Standards adopted as at 1 April 2018

#### NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers (NZ IFRS 15) replace NZ IAS 18 Revenue (NZ IAS 18), NZ IAS 11 Construction Contracts (NZ IAS 11), and several revenue-related interpretations. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. In accordance with the transition guidance, NZ IFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 4) NEW STANDARDS ADOPTED AND NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONTINUED)

The adoption of NZ IFRS 15 has mainly affected the following areas:

- Franchising fees
- Master licensing agreement fees

### Franchise Agreement fees

Under NZ IAS 18 Revenue, revenue from the sale of franchises in New Zealand for the right to operate for 10 years was recognised when the contracts between the Group and franchisees and had been signed. Revenue arising from this source was recognised in full at that point in time when the contract was signed as the Group determined that it had no further obligations to fulfil under the agreement, requiring it to defer revenue.

However, with the revenue recognition model changing from a risk and rewards determination to one of control, NZ IFRS 15 requires franchise fees to be recognised on a systematic (i.e. straight line) basis over the life of the franchise agreement, in line with the satisfaction of the Group's performance obligations, that is, the granting of franchise rights. As a result, some of the revenue that had previously been recognised under NZ IAS 18 needs to be written back and released on a straight-line basis over the remaining life of the outstanding contract periods.

### Master Licensing Agreement (MLA) fees

Under NZ IAS 18 Revenue, revenue from signing of an MLA for the right to operate for 20 years in a particular country was recognised when the MLAs had been signed. Revenue arising from this source was recognised in full at that point in time when the contract was signed as the Group determined that it had no further obligations to fulfil under the agreement, requiring it to defer revenue.

Similar to franchise fees, the MLA amounts received in cash at the time of signing the agreement, under NZ IFRS 15 are now required to be recognised over a period of time, in line with the satisfaction of the Group's performance obligations, that is, the granting of licence rights.

On the date of initial application of NZ IFRS 15 on 1 April 2018, the impact to retained earnings of the Group is as follows:

| Impact Area            | Retained Earnings Effect |
|------------------------|--------------------------|
| Franchising fees       | 1,138,106                |
| Master Licence fees    | 863,789                  |
| IFRS 15 Tax adjustment | (560,707)                |
| <b>Total</b>           | <b>1,441,188</b>         |

## NZ IFRS 9 Financial Instruments

NZ IFRS 9 Financial Instruments (NZ IFRS 9) replaces NZ IAS 39 Financial Instruments: Recognition and Measurement (NZ IAS 39). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. It also considers accounting for derivatives and hedge accounting arrangements, neither of which have been used by the Group.

When adopting NZ IFRS 9, the Group applied transitional relief that is provided for in this standard and opted not to restate prior periods. Differences arising from the adoption of NZ IFRS 9 in relation to classification, measurement and impairment have been recognised in retained earnings on the date of initial application, 1 April 2018. The Group's trade and other receivables, loans receivable and investments in financial assets measured at amortised cost, are affected by applying NZ IFRS 9's expected credit loss model. Contract assets arising from NZ IFRS 15 are also affected by applying NZ IFRS 9's expected credit loss model however the Group did not have any of these financial assets on the date of initial application.

The adoption of NZ IFRS 9 has not impacted the classification and measurement of financial assets or the Group's decision not to use hedge accounting. It has however, had an impact on the way impairment losses have been calculated, although this has not resulted in any quantitative change to the amount of impairment determined.

From 1 April 2018, NZ IFRS 9 and NZ IFRS 15 have been adopted, without restating comparative information. The impact of the new standards has been recognised in the opening balance sheet of 1 April 2018. The table below summarises the adjustments recognised for each individual account. Accounts that were not affected by the changes have not been included.

|                      | 31 March<br>2018 as<br>originally<br>presented | 1 April<br>2018<br>IFRS 9<br>adjustments | 1 April<br>2018<br>IFRS 15<br>adjustments | 1 April 2018<br>restated |
|----------------------|------------------------------------------------|------------------------------------------|-------------------------------------------|--------------------------|
| Contract Liabilities | -                                              | -                                        | (2,001,895)                               | (2,001,895)              |
| Deferred Tax Asset   | 188,180                                        | -                                        | 560,707                                   | 748,887                  |
| Retained Earnings    | 13,203,245                                     | -                                        | (1,441,188)                               | 11,762,057               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 4) NEW STANDARDS ADOPTED AND NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONTINUED)

### (b) New Standards approved but not yet adopted

#### NZ IFRS 16 - Leases (effective date from 1 April 2019)

NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides much improved transparency and comparability of the Groups' lease assets and lease liabilities for investors and other users of general purpose financial statements and applies to all Tier 1 and Tier 2 for-profit reporting entities, and is effective for annual periods beginning on or after 1 January 2019.

The Standard eliminates the classification of leases as either operating leases or finance leases. Instead, there is a single lessee model which requires a lessee to recognise on its statement of financial position assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

NZ IFRS 16 will significantly impact the Group's Statement of Financial Position as they hold the head leases on all the New Zealand franchised and Company owned stores. In addition to the head office & warehouse leases, the Group at 31 March 2019 holds the head leases on all 56 Burger Fuel stores in New Zealand with 53 of these being franchised stores. The value of the leases that will be capitalised in the Group's Statement of Financial Position at 1 April 2019 is currently estimated to be \$30.7M.

#### The BFW occupied leases

The Group will be recognising an estimated \$7.2M right of use asset and an offsetting lease liability as at 1 April 2019 for the current occupied leases. These current occupied leases will be amortised to the Statement of Comprehensive Income over the expected lease term of the underlying right of use assets as depreciation expense, estimated to be \$0.6M per annum.

#### The BFW non - occupied leases

The Group will be recognising an estimated \$23.5M lease receivable and offsetting lease liability as at 1 April 2019 for the current non-occupied leases that have been licenced to the franchisees on the same terms. These current non-occupied leases will be recognised in the Statement of Comprehensive Income as interest income & interest expense over the term of the lease. This is estimated to be an expense of \$1.3M per annum in FY20 but will be negated with a lease income entry in the financial statements to recognise the fact that the leased premises have been licenced to the franchisees.

The right of use asset & lease liability amount is calculated to the lease expiry together with periods covered by an option to extend, if the Group is reasonably certain to exercise that option. The Group's operating lease commitments as at 31 March 2019 are set out in Note 22.

The indicative impacts of implementing NZ IFRS 16 are as follows for all leases that the Group is a party to:

#### Initial recognition and measurement:

- Initial measurement of the right of use ('ROU') assets (occupied leases) and lease receivable (non-occupied leases) would include the initial present value of the lease liability, the initial direct costs, prepayments made to lessor, less any lease incentives received from the lessor and restoration, removal and dismantling costs; and
- Recognition of a lease liability, which would reflect the initial measurement of the present value of lease payments, including reasonably certain renewals. The lease payments are discounted using the Group's incremental borrowing rate.
- Reduction of rent expense in the Statement of Comprehensive Income of an estimated \$760K.

#### Subsequent measurement:

- ROU asset: Depreciate the ROU asset based on NZ IAS 16 'Property, plant and equipment' and impairment test using NZ IAS 36 'Impairment of Assets';
- Lease receivable: Accrete receivable based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduce the receivable by payments made and the Lease liability: Accrete liability based on the effective interest method, using a discount rate determined at lease commencement (as long as a reassessment and a change in the discount rate have not occurred) and reduce the liability by payments made.

NZ IFRS 16 will have a material impact on the Group's financial statements and will be dependent on the leases that the Group is a party to as at the beginning of the year ended 31 March 2020. The following is an estimate of the impact on the fiscal year 2020 financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 4) NEW STANDARDS ADOPTED AND NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONTINUED)

|                    | Occupied Leases  | Non-Occupied Leases | Total Leases     |
|--------------------|------------------|---------------------|------------------|
| Right of use asset | \$7,225,814      | -                   | \$7,225,814      |
| Lease Receivable   | -                | \$23,479,443        | \$23,479,443     |
| Lease Liability    | (\$7,225,814)    | (\$23,479,443)      | (\$30,705,257)   |
|                    | -                | -                   | -                |
| Depreciation       | \$614,454        | -                   | \$614,454        |
| Interest Expense   | \$408,748        | \$1,328,178         | \$1,736,926      |
| Interest Income    | -                | (\$1,328,178)       | (\$1,328,178)    |
|                    | <b>1,023,202</b> | <b>-</b>            | <b>1,023,202</b> |

## 5) REVENUE

|                                   | 2019              | 2018              |
|-----------------------------------|-------------------|-------------------|
|                                   | \$                | \$                |
| Sale of Goods                     | 8,687,830         | 12,616,536        |
| Franchising Fees                  | 361,480           | 495,000           |
| Training Fees                     | 30,000            | 15,000            |
| Royalties                         | 5,938,200         | 6,007,718         |
| Advertising Fees                  | 3,854,686         | 3,872,596         |
| Property Management Fees          | 55,000            | 55,000            |
| Gain on Sale of Fixed Assets      | 7,576             | -                 |
| Foreign Exchange Gains / (Losses) | 40,791            | (42,290)          |
| Other Income                      | 1,924,352         | 1,669,594         |
|                                   | <b>20,899,915</b> | <b>24,689,154</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 6) EXPENSES

|                                                                              | 2019              | 2018              |
|------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                              | \$                | \$                |
| <b>Operating expenses include:</b>                                           |                   |                   |
| Cost of Sales                                                                | 3,690,870         | 6,327,304         |
| Rental and Operating Lease Costs                                             | 760,285           | 1,011,274         |
| Loss on Disposal of Property, Plant and Equipment                            | 73,477            | 190,547           |
| Loss on Disposal of US Entity (refer Note 31)                                | -                 | 880,846           |
| Directors' Fees (refer Note 24)                                              | 120,000           | 120,000           |
| Wages and Salaries                                                           | 4,687,672         | 5,149,328         |
| Contributions to a defined contribution plan                                 | 159,275           | 161,099           |
| <i>Key management personnel costs: (refer Note 24)</i>                       |                   |                   |
| - Salary and other short-term benefits                                       | 2,680,416         | 2,694,584         |
| <i>Auditors' remuneration - Audit Services - Baker Tilly Staples Rodway:</i> |                   |                   |
| - Audit of Financial Statements                                              | 88,721            | 84,870            |
| - Tax and other compliance services                                          | 35,766            | 19,208            |
| Other Operating Expenses                                                     | 3,031,875         | 3,326,541         |
| Provision for Doubtful Debts (refer Note 9)                                  | (31,709)          | 129,417           |
| Write-off of obsolete signage (refer Note 10)                                | -                 | 165,505           |
| Advertising Expenditure                                                      | 3,112,323         | 3,892,396         |
|                                                                              | <b>18,408,971</b> | <b>24,152,919</b> |

The above key management personnel costs include remuneration of the Group Chief Executive and the members of the executive team.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 7) INCOME TAX

|                                                                       | 2019           | 2018             |
|-----------------------------------------------------------------------|----------------|------------------|
|                                                                       | \$             | \$               |
| <b>Taxation expense is represented by:</b>                            |                |                  |
| Current Tax                                                           | 652,366        | 520,811          |
| Deferred Tax                                                          | (32,928)       | (93,215)         |
|                                                                       | <b>619,438</b> | <b>427,596</b>   |
| <b>Profit / (Loss) before income tax expense</b>                      | 1,855,779      | (35,466)         |
| Timing differences & non-deductible expenses:                         |                |                  |
| 50% entertainment                                                     | 50,896         | 61,337           |
| Write-off of US Debtors                                               | -              | (1,148,504)      |
| Non-deductible expenditure                                            | 189,955        | -                |
| Depreciation & Amortisation                                           | 33,832         | 12,513           |
| IFRS 15 Adjustment                                                    | 24,854         | -                |
| Accruals                                                              | 34,763         | 12,301           |
| Prepayments                                                           | (18,854)       | 4,429            |
| Make good provision                                                   | 1,200          | 1,200            |
| Holiday pay not paid out within 63 days                               | 114,660        | (20,036)         |
| Deemed Income relating to closure of US operations                    | -              | 724,518          |
| Provision for Doubtful Debts                                          | (31,709)       | 129,417          |
| US Depreciation                                                       | -              | (25,278)         |
| Other                                                                 | -              | (2,004)          |
|                                                                       | <b>399,597</b> | <b>(250,107)</b> |
| Taxable Profit / (Loss)                                               | 2,255,376      | (285,573)        |
| Profit / (Loss) made by Australian and US Entities                    | (103,354)      | 2,862,866        |
| Non-taxable Middle East Income                                        | (14,984)       | (912,287)        |
| Tax Losses utilised                                                   | -              | -                |
| Net Taxable Profit                                                    | 2,137,038      | 1,665,006        |
| <b>Taxation at the company's effective tax rate</b>                   | 598,371        | 466,202          |
| Deferred tax movement P&L                                             | (32,928)       | (93,215)         |
| Under Provision of Prior Period                                       | 53,995         | 54,609           |
| <b>Total income tax expense per statement of comprehensive income</b> | <b>619,438</b> | <b>427,596</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 7) INCOME TAX (CONTINUED)

|                                                     | 2019           | 2018           |
|-----------------------------------------------------|----------------|----------------|
|                                                     | \$             | \$             |
| <b>Reconciliation of deferred tax asset:</b>        |                |                |
| <b>Deferred tax on temporary differences</b>        |                |                |
| Opening balance                                     | 188,180        | 94,965         |
| Over provision of prior period                      | (51,244)       | 14,223         |
| Opening IFRS 15 adjustment                          | 560,707        | -              |
| Brand Asset                                         | (26,133)       | -              |
| Provision for employee benefits                     | 32,105         | (5,610)        |
| Provisions for make good                            | 336            | 336            |
| Allowance for impaired assets                       | (8,879)        | 70,000         |
| Depreciation                                        | 9,473          | 3,504          |
| Accruals                                            | 9,734          | 12,112         |
| Deferred revenue                                    | 6,959          | -              |
| Prepayments                                         | (5,279)        | (1,350)        |
|                                                     | <b>715,959</b> | <b>188,180</b> |
| <b>Opening Balance</b>                              | <b>188,180</b> | <b>94,965</b>  |
| Charged to profit or loss                           | 18,316         | 78,992         |
| Opening adjustment to retained earnings for IFRS 15 | 560,707        | -              |
| Over provision of prior period                      | (51,244)       | 14,223         |
| <b>Closing Balance</b>                              | <b>715,959</b> | <b>188,180</b> |

The Group has \$3,627,539 of unrecognised losses to be carried forward (2018: \$4,032,111). The potential benefit of these losses is \$952,832 (2018: \$1,128,991) which has not been recognised in the financial statements. The losses carried forward relate to the Australian and US operations which are not currently profitable.

The Group has recognised a deferred tax asset of \$715,959 (2018: \$188,180) with respect to other temporary differences. This has been recognised as it is probable that future taxable profit will be available to allow the asset to be utilised.

The weighted average tax rate of the Group is effectively 28% based on earnings in NZ, USA and Australia (2018: 28% based on operating in New Zealand, USA and Australia). There are no other tax jurisdictions, other than New Zealand, USA and Australia, in which the Group earns taxable income.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 8) IMPUTATION CREDITS

|                            | 2019             | 2018           |
|----------------------------|------------------|----------------|
|                            | \$               | \$             |
| Opening balance            | 641,321          | 644,468        |
| <b>Add</b>                 |                  |                |
| Provisional tax paid       | 798,995          | -              |
| Terminal tax paid          | -                | 30,784         |
| Resident withholding tax   | 22,928           | 25,747         |
|                            | 821,923          | 56,531         |
| <b>Deduct</b>              |                  |                |
| Income tax refund received | -                | (59,678)       |
|                            | -                | (59,678)       |
| Closing balance            | <b>1,463,244</b> | <b>641,321</b> |

## 9) TRADE AND OTHER RECEIVABLES

|                                                    | 2019             | 2018             |
|----------------------------------------------------|------------------|------------------|
|                                                    | \$               | \$               |
| Trade receivables                                  | 2,235,509        | 2,267,456        |
| Allowance for impaired assets                      | (218,291)        | (250,000)        |
|                                                    | 2,017,218        | 2,017,456        |
| Trade receivables – USA licence (refer Note 24)    | 261,000          | 261,000          |
| Trade receivables – USA store sale (refer Note 24) | 609,000          | 609,000          |
| Prepayments                                        | 104,997          | 70,977           |
| Sundry receivables                                 | 29,019           | 72,374           |
|                                                    | <b>3,021,234</b> | <b>3,030,807</b> |

Receivables denominated in currencies other than the presentation currency are Australian Dollars, US Dollars and UAE Dirhams and they comprise 48.1% of the trade receivables (2018: 44.9%) The total receivables impaired for the 2019 financial year are \$218,291 (2018: \$250,000).

The impairment relates to unpaid royalties & marketing levies from the Middle East. This has been individually assessed by management & the directors in relation to collectability.

To apply the requirements of NZ IFRS 9, the Group has also assessed the expected credit loss of the remaining trade and other receivables by assessing historic credit losses, current market conditions, and other factors affecting future cash flows. Management has determined that no further impairment is required under the expected credit loss model as the calculated loss rates are nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 9) TRADE AND OTHER RECEIVABLES (CONTINUED)

### Impairment provision movement:

|                       | 2019      | 2018      |
|-----------------------|-----------|-----------|
|                       | \$        | \$        |
| Opening Balance       | (250,000) | (120,583) |
| Provision Reversed    | 99,902    | -         |
| Additional Provisions | (68,193)  | (129,417) |
| Closing Balance       | (218,291) | (250,000) |

## 10) INVENTORIES

|                        | 2019           | 2018             |
|------------------------|----------------|------------------|
|                        | \$             | \$               |
| Ingredients            | 170,846        | 198,328          |
| Finished Goods         | 450,772        | 880,520          |
| <b>Total Inventory</b> | <b>621,618</b> | <b>1,078,848</b> |

Finished goods includes signage, kitchen equipment & proprietary products (BurgerFuel sauces & dry goods). During the year ended 31 march 2018, \$165,505 of obsolete signage was written off.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 11) PROPERTY, PLANT & EQUIPMENT

| 2019                                      | Motor vehicles | Office equipment | Furniture & fittings | IT               |
|-------------------------------------------|----------------|------------------|----------------------|------------------|
|                                           | \$             | \$               | \$                   | \$               |
| <b>Cost</b>                               |                |                  |                      |                  |
| Balance 1 April 2018                      | 952,001        | 108,851          | 1,229,636            | 1,245,953        |
| Additions                                 | 28,660         | 735              | 123,060              | 226,478          |
| Disposals                                 | (21,505)       | (486)            | (34,247)             | (22,994)         |
| <b>Cost at 31 March 2019</b>              | <b>959,156</b> | <b>109,100</b>   | <b>1,318,449</b>     | <b>1,449,437</b> |
| <b>Depreciation and impairment losses</b> |                |                  |                      |                  |
| Balance 1 April 2018                      | 745,403        | 74,714           | 726,355              | 963,255          |
| Depreciation for the year                 | 60,683         | 6,409            | 123,710              | 196,170          |
| Foreign exchange impact                   | (691)          | -                | -                    | (122)            |
| <b>Balance 31 March 2019</b>              | <b>805,395</b> | <b>81,123</b>    | <b>850,065</b>       | <b>1,159,303</b> |
| <b>Net Book Value</b>                     |                |                  |                      |                  |
| Balance 1 April 2018                      | 206,598        | 34,137           | 503,281              | 282,698          |
| Depreciation for the year                 | (60,683)       | (6,409)          | (123,710)            | (196,170)        |
| Additions                                 | 28,660         | 735              | 123,060              | 226,478          |
| Disposals                                 | (21,505)       | (486)            | (34,247)             | (22,994)         |
| Foreign exchange impact                   | 691            | -                | -                    | 122              |
| <b>Net Book Value at 31 March 2019</b>    | <b>153,761</b> | <b>27,977</b>    | <b>468,384</b>       | <b>290,134</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 11) PROPERTY, PLANT & EQUIPMENT (CONTINUED)

| 2019                                      | Kitchen equipment | Leasehold improvements | Total            |
|-------------------------------------------|-------------------|------------------------|------------------|
|                                           | \$                | \$                     | \$               |
| <b>Cost</b>                               |                   |                        |                  |
| Balance 1 April 2018                      | 711,013           | 1,672,597              | 5,920,051        |
| Additions                                 | 214,476           | 277,390                | 870,799          |
| Disposals                                 | (63,463)          | -                      | (142,695)        |
| <b>Cost at 31 March 2019</b>              | <b>862,026</b>    | <b>1,949,987</b>       | <b>6,648,155</b> |
| <b>Depreciation and impairment losses</b> |                   |                        |                  |
| Balance 1 April 2018                      | 329,313           | 693,883                | 3,532,923        |
| Depreciation for the year                 | 78,853            | 111,518                | 577,343          |
| Foreign exchange impact                   | -                 | -                      | (813)            |
| <b>Balance 31 March 2019</b>              | <b>408,166</b>    | <b>805,401</b>         | <b>4,109,453</b> |
| <b>Net Book Value</b>                     |                   |                        |                  |
| Balance 1 April 2018                      | 381,700           | 978,714                | 2,387,128        |
| Depreciation for the year                 | (78,853)          | (111,518)              | (577,343)        |
| Additions                                 | 214,476           | 277,390                | 870,799          |
| Disposals                                 | (63,463)          | -                      | (142,695)        |
| Foreign exchange impact                   | -                 | -                      | 813              |
| <b>Net Book Value at 31 March 2019</b>    | <b>453,860</b>    | <b>1,144,586</b>       | <b>2,538,702</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 11) PROPERTY, PLANT & EQUIPMENT (CONTINUED)

| 2018                                      | Motor vehicles | Office equipment | Furniture & fittings | IT               |
|-------------------------------------------|----------------|------------------|----------------------|------------------|
|                                           | \$             | \$               | \$                   | \$               |
| <b>Cost</b>                               |                |                  |                      |                  |
| Balance 1 April 2017                      | 1,104,942      | 108,285          | 1,143,943            | 1,049,018        |
| Additions                                 | 157,663        | 1,715            | 437,177              | 284,637          |
| Disposals                                 | (310,604)      | (1,149)          | (351,484)            | (87,702)         |
| <b>Cost at 31 March 2018</b>              | <b>952,001</b> | <b>108,851</b>   | <b>1,229,636</b>     | <b>1,245,953</b> |
| <b>Depreciation and impairment losses</b> |                |                  |                      |                  |
| Balance 1 April 2017                      | 668,926        | 68,670           | 622,397              | 779,708          |
| Depreciation for the year                 | 69,345         | 6,871            | 102,153              | 187,002          |
| Foreign exchange impact                   | 7,132          | (827)            | 1,805                | (3,455)          |
| <b>Balance 31 March 2018</b>              | <b>745,403</b> | <b>74,714</b>    | <b>726,355</b>       | <b>963,255</b>   |
| <b>Net Book Value</b>                     |                |                  |                      |                  |
| Balance 1 April 2017                      | 436,016        | 39,615           | 521,546              | 269,310          |
| Depreciation for the year                 | (69,345)       | (6,871)          | (102,153)            | (187,002)        |
| Additions                                 | 157,663        | 1,715            | 437,177              | 284,637          |
| Disposals                                 | (310,604)      | (1,149)          | (351,484)            | (87,702)         |
| Foreign exchange impact                   | (7,132)        | 827              | (1,805)              | 3,455            |
| <b>Net Book Value at 31 March 2018</b>    | <b>206,598</b> | <b>34,137</b>    | <b>503,281</b>       | <b>282,698</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 11) PROPERTY, PLANT & EQUIPMENT (CONTINUED)

| 2018                                      | Kitchen equipment | Leasehold improvements | Total            |
|-------------------------------------------|-------------------|------------------------|------------------|
|                                           | \$                | \$                     | \$               |
| <b>Cost</b>                               |                   |                        |                  |
| Balance 1 April 2017                      | 598,527           | 2,264,153              | 6,268,868        |
| Additions                                 | 434,726           | 582,811                | 1,898,729        |
| Disposals                                 | (322,240)         | (1,174,367)            | (2,247,546)      |
| <b>Cost at 31 March 2018</b>              | <b>711,013</b>    | <b>1,672,597</b>       | <b>5,920,051</b> |
| <b>Depreciation and impairment losses</b> |                   |                        |                  |
| Balance 1 April 2017                      | 269,330           | 581,676                | 2,990,707        |
| Depreciation for the year                 | 59,221            | 110,735                | 535,327          |
| Foreign exchange impact                   | 762               | 1,472                  | 6,889            |
| <b>Balance 31 March 2018</b>              | <b>329,313</b>    | <b>693,883</b>         | <b>3,532,923</b> |
| <b>Net Book Value</b>                     |                   |                        |                  |
| Balance 1 April 2017                      | 329,197           | 1,682,477              | 3,278,161        |
| Depreciation for the year                 | (59,221)          | (110,735)              | (535,327)        |
| Additions                                 | 434,726           | 582,811                | 1,898,729        |
| Disposals                                 | (322,240)         | (1,174,367)            | (2,247,546)      |
| Foreign exchange impact                   | (762)             | (1,472)                | (6,889)          |
| <b>Net Book Value at 31 March 2018</b>    | <b>381,700</b>    | <b>978,714</b>         | <b>2,387,128</b> |

The gain on sale recorded in the Statement of Comprehensive Income was \$7,576 (2018: Nil), relating to the sale of motor vehicles.

In 2018 all the assets in Australia were written off or sold to the New Zealand entity and the US entity BF Indiana Two LLC was sold to the Founding Director. (Refer note 31 for additional information on the US entity sale).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 12) INVESTMENT IN SUBSIDIARIES

The Parent Company's investment in the subsidiaries comprises shares at cost. All subsidiaries have a 31 March balance date.

| Subsidiary Companies           | Country of Incorporation | Interest Held 2019 | Interest Held 2018 |
|--------------------------------|--------------------------|--------------------|--------------------|
| BF Lease Company Limited       | New Zealand              | 100%               | 100%               |
| BF Lease Company No 1 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 2 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 3 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 4 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 5 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 6 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 7 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 8 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 9 Limited  | New Zealand              | 100%               | 100%               |
| BF Lease Company No 10 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 11 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 12 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 13 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 14 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 15 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 16 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 17 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 18 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 19 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 20 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 21 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 22 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 23 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 24 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 25 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 26 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 27 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 28 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 29 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 30 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 31 Limited | New Zealand              | 100%               | 100%               |
| BF Lease Company No 32 Limited | New Zealand              | 100%               | 100%               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 12) INVESTMENT IN SUBSIDIARIES (CONTINUED)

| Subsidiary Companies                                           | Country of Incorporation | Interest Held 2019 | Interest Held 2018 |
|----------------------------------------------------------------|--------------------------|--------------------|--------------------|
| BF Lease Company No 33 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 34 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 35 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 36 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 37 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 38 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 39 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 40 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 41 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 42 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 43 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 44 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 45 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 46 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 47 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 48 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 49 Limited                                 | New Zealand              | 100%               | 100%               |
| BF Lease Company No 50 Limited                                 | New Zealand              | 100%               | 100%               |
| Burger Fuel (Dubai) NZ Limited                                 | New Zealand              | 100%               | 100%               |
| Burger Fuel (ME) DMCC                                          | Dubai                    | 100%               | 100%               |
| Burger Fuel International Limited                              | New Zealand              | 100%               | 100%               |
| Burger Fuel (Australia) Pty Limited                            | New Zealand              | 100%               | 100%               |
| Burger Fuel (Australia) No2 Pty Limited                        | New Zealand              | 100%               | 100%               |
| Burger Fuel International Management Limited                   | New Zealand              | 100%               | 100%               |
| Burger Fuel Limited                                            | New Zealand              | 100%               | 100%               |
| BurgerFuel Henderson Limited                                   | New Zealand              | 100%               | 100%               |
| Burger Fuel Takapuna Limited                                   | New Zealand              | 100%               | 100%               |
| Winner Winner Limited                                          | New Zealand              | 100%               | 100%               |
| Shake Out Limited                                              | New Zealand              | 100%               | 100%               |
| Concept Brands Limited                                         | New Zealand              | 100%               | -                  |
| Burger Fuel Pty Limited (formerly Kincro Holdings Pty Limited) | Australia                | 100%               | 100%               |
| Burger Fuel Australia Pty Limited                              | Australia                | 100%               | 100%               |
| Burger Fuel (USA) Inc.                                         | United States of America | 100%               | 100%               |
| Burger Fuel (USA) Management Inc.                              | United States of America | 100%               | 100%               |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

12) INVESTMENT IN SUBSIDIARIES (CONTINUED)

The principal activities of the subsidiaries are:

- Burger Fuel Limited – Franchise systems – gourmet burger restaurants.
- Burger Fuel International Limited – Holds patents, trademarks and licences and holds the international Master Franchise Agreements.
- Burger Fuel International Management Limited – Owns the BurgerFuel Australia operation and holds the international Master Franchise Agreements.
- Burger Fuel (Australia) Pty Limited – Non trading.
- Burger Fuel (Australia) No2 Pty Limited – Non trading.
- Burger Fuel Australia Pty Limited – Non trading.
- Burger Fuel Pty Limited – Administration and sauce manufacturing.
- Burger Fuel (ME) DMCC – Dubai based trading company
- Burger Fuel (Dubai) NZ Limited – Holding company of the subsidiary in Dubai.
- BurgerFuel Henderson Limited – New Zealand based company trading as restaurant.
- Burger Fuel Takapuna Limited – New Zealand based company trading as restaurant.
- Burger Fuel (USA) Inc. – Non trading.
- Burger Fuel (USA) Management Inc. – USA Management Company.
- Winner Winner Limited – Non trading.
- Shake Out Limited – New Zealand based company trading as restaurant.
- Concept Brands Limited - Franchise systems – Shake Out and Winner Winner brands.
- All other companies are head lease holders for store premises in New Zealand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

13) LOANS

|                               | 2019           | 2018           |
|-------------------------------|----------------|----------------|
|                               | \$             | \$             |
| <i>Loans to Third Parties</i> |                |                |
| Advance to Supplier           | 157,606        | 133,000        |
| Advances to staff             | 13,294         | -              |
| Impairment provision          | -              | -              |
|                               | 170,900        | 133,000        |
| <b>Total Loans</b>            | <b>170,900</b> | <b>133,000</b> |
|                               |                |                |
| Current                       | 170,900        | 133,000        |
| Non-current                   | -              | -              |
|                               | <b>170,900</b> | <b>133,000</b> |

Advances to suppliers and staff

The advance to a supplier is to assist ilabb Limited with the stock holding of the BurgerFuel uniforms. The loan is interest bearing 3% (2018: 3%), secured over the uniform inventory and is repayable on demand. Two advances to staff have been made during the year that are unsecured, interest bearing (0% & 5%) and are payable in regular instalments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 14) INTANGIBLE ASSETS

| 2019                                   | Key Money     | Brand Assets   | Goodwill         | Reacquired Rights | Domain Name   | Patent        | Trade Marks      | Total            |
|----------------------------------------|---------------|----------------|------------------|-------------------|---------------|---------------|------------------|------------------|
|                                        | \$            | \$             | \$               | \$                | \$            | \$            | \$               | \$               |
| <b>Cost</b>                            |               |                |                  |                   |               |               |                  |                  |
| Balance 1 April 2018                   | 90,000        | 100,000        | 1,639,279        | 250,760           | 62,305        | 36,127        | 949,268          | <b>3,127,739</b> |
| Acquisitions                           | -             | 121,333        | -                | -                 | 13,408        | 459           | 59,047           | <b>194,247</b>   |
| <b>Balance at 31 March 2019</b>        | <b>90,000</b> | <b>221,333</b> | <b>1,639,279</b> | <b>250,760</b>    | <b>75,713</b> | <b>36,586</b> | <b>1,008,315</b> | <b>3,321,986</b> |
| <b>Amortisation</b>                    |               |                |                  |                   |               |               |                  |                  |
| Balance 1 April 2018                   | 84,957        | 2,917          | -                | 27,862            | 54,557        | 24,166        | 408,091          | <b>602,550</b>   |
| Current year amortisation              | 4,655         | 13,639         | -                | 27,862            | 20,193        | 2,817         | 105,482          | <b>174,648</b>   |
| <b>Balance 31 March 2019</b>           | <b>89,612</b> | <b>16,556</b>  | <b>-</b>         | <b>55,724</b>     | <b>74,750</b> | <b>26,983</b> | <b>513,573</b>   | <b>777,198</b>   |
| <b>Net Book Value</b>                  |               |                |                  |                   |               |               |                  |                  |
| Balance 1 April 2018                   | 5,043         | 97,083         | 1,639,279        | 222,898           | 7,748         | 11,961        | 541,177          | <b>2,525,189</b> |
| Additions                              | -             | 121,333        | -                | -                 | 13,408        | 459           | 59,047           | <b>194,247</b>   |
| Amortisation                           | (4,655)       | (13,639)       | -                | (27,862)          | (20,193)      | (2,817)       | (105,482)        | <b>(174,648)</b> |
| <b>Net Book Value at 31 March 2019</b> | <b>388</b>    | <b>204,777</b> | <b>1,639,279</b> | <b>195,036</b>    | <b>963</b>    | <b>9,603</b>  | <b>494,742</b>   | <b>2,544,788</b> |

As disclosed in Note 29 The Group purchased the “Winner Winner” brand in December 2017

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 14) INTANGIBLE ASSETS (CONTINUED)

| 2018                                   | Key Money     | Brand Assets   | Goodwill         | Reacquired Rights | Domain Name   | Patent        | Trade Marks    | Total            |
|----------------------------------------|---------------|----------------|------------------|-------------------|---------------|---------------|----------------|------------------|
|                                        | \$            | \$             | \$               | \$                | \$            | \$            | \$             | \$               |
| <b>Cost</b>                            |               |                |                  |                   |               |               |                |                  |
| Balance 1 April 2017                   | 90,000        | -              | 1,890,039        | -                 | 53,973        | 36,127        | 838,510        | <b>2,908,649</b> |
| Adjustment                             | -             | -              | (250,760)        | 250,760           | -             | -             | -              | <b>-</b>         |
| Acquisitions                           | -             | 100,000        | -                | -                 | 8,332         | -             | 110,758        | <b>219,090</b>   |
| <b>Balance at 31 March 2018</b>        | <b>90,000</b> | <b>100,000</b> | <b>1,639,279</b> | <b>250,760</b>    | <b>62,305</b> | <b>36,127</b> | <b>949,268</b> | <b>3,127,739</b> |
| <b>Amortisation</b>                    |               |                |                  |                   |               |               |                |                  |
| Balance 1 April 2017                   | 80,302        | -              | -                | -                 | 44,960        | 23,115        | 336,297        | <b>484,674</b>   |
| Current year amortisation              | 4,655         | 2,917          | -                | 27,862            | 9,597         | 1,051         | 71,794         | <b>117,876</b>   |
| <b>Balance 31 March 2018</b>           | <b>84,957</b> | <b>2,917</b>   | <b>-</b>         | <b>27,862</b>     | <b>54,557</b> | <b>24,166</b> | <b>408,091</b> | <b>602,550</b>   |
| <b>Net Book Value</b>                  |               |                |                  |                   |               |               |                |                  |
| Balance 1 April 2017                   | 9,698         | -              | 1,890,039        | -                 | 9,013         | 13,012        | 502,213        | <b>2,423,975</b> |
| Adjustment                             | -             | -              | (250,760)        | 250,760           | -             | -             | -              | <b>-</b>         |
| Additions                              | -             | 100,000        | -                | -                 | 8,332         | -             | 110,758        | <b>219,090</b>   |
| Amortisation                           | (4,655)       | (2,917)        | -                | (27,862)          | (9,597)       | (1,051)       | (71,794)       | <b>(117,876)</b> |
| <b>Net Book Value at 31 March 2018</b> | <b>5,043</b>  | <b>97,083</b>  | <b>1,639,279</b> | <b>222,898</b>    | <b>7,748</b>  | <b>11,961</b> | <b>541,177</b> | <b>2,525,189</b> |

### 14.1) Impairment testing

#### Impairment

The goodwill of the Takapuna and Henderson stores have been impairment tested. Based on the impairment testing results, no impairment loss on Goodwill is recorded in the 2019 financial year (2018: Nil). In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount to present values. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

For the purpose of annual impairment testing, goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the Goodwill arises.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 14) INTANGIBLE ASSETS (CONTINUED)

|                                      | 2019      | 2018      |
|--------------------------------------|-----------|-----------|
|                                      | \$        | \$        |
| New Zealand Retail – Henderson Store | 701,427   | 701,427   |
| New Zealand Retail – Takapuna Store  | 937,852   | 937,852   |
| Goodwill allocation at 31 March      | 1,639,279 | 1,639,279 |

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed forecast period, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management.

The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

|                                      | Growth Rates |      | Discount Rates |      |
|--------------------------------------|--------------|------|----------------|------|
|                                      | 2019         | 2018 | 2019           | 2018 |
| New Zealand Retail – Henderson Store | 2.0%         | 2.0% | 11%            | 9.8% |
| New Zealand Retail – Takapuna Store  | 2.0%         | 2.0% | 11%            | 9.8% |

The reacquired rights will be amortised over the life of the franchise agreement at the time of purchase being 9.5 years.

### 14.2) Growth rates

The growth rates reflect the long-term average growth rates for the product line and industry of the segments (all publicly available).

### 14.3) Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

### 14.4) Cash flow assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

The Group have used different discount and growth rates to determine the value-in-use of the cash-generating units and have concluded that there has been no indication of impairment loss in Goodwill value. An increase of 2% in discount with no increase in growth rate from the 2019 year would still not have generated impairment loss.

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 15) TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

|                     | 2019             | 2018             |
|---------------------|------------------|------------------|
|                     | \$               | \$               |
| Trade payables      | 1,190,185        | 1,317,169        |
| Payroll liabilities | 6,304            | 86,127           |
| GST payable         | 197,134          | 183,266          |
| Accrued expenses    | 104,826          | 70,318           |
|                     | <b>1,489,449</b> | <b>1,656,880</b> |

Payables denominated in currencies other than the presentation currency comprise 0.5% of the trade payables (2018: 2.3%).

|                                |                  |          |
|--------------------------------|------------------|----------|
| Current Contract Liability     | 263,215          | -        |
| Non-Current Contract Liability | 1,751,831        | -        |
|                                | <b>2,015,046</b> | <b>-</b> |

|                                                      | Franchise Fees   | MLA            | Total            |
|------------------------------------------------------|------------------|----------------|------------------|
| Contract Liability                                   |                  |                |                  |
| Opening adjustment for adoption of IFRS 15           | 1,138,736        | 863,159        | 2,001,895        |
| Current year revenue recognised – IFRS 15 Adjustment | (183,484)        | (60,663)       | (244,147)        |
| Franchise fees booked to Balance Sheet in FY19       | 269,000          | -              | 269,000          |
| Revenue recognised – Franchise fees                  | (11,702)         | -              | (11,702)         |
| Balance 31 March 2019                                | <b>1,212,550</b> | <b>802,496</b> | <b>2,015,046</b> |

The contract liability amount as at the 31 March 2018 is the balance of the existing franchise and MLA fees spread over the life of the agreement which is typically 10 & 20 years in length, respectively. The remaining balance was recognised in opening retained earnings.

Any new franchise or MLA fees after 1 April 2018 are booked onto the balance sheet and are unwound to revenue over the life of the agreement.

## 16) PROVISIONS

|                                 | 2019          | 2018          |
|---------------------------------|---------------|---------------|
|                                 | \$            | \$            |
| <b>Store Closure Provision</b>  |               |               |
| Opening balance                 | 36,850        | 35,650        |
| Provisions made during the year | 1,200         | 1,200         |
| Provisions used during the year | -             | -             |
|                                 | <b>38,050</b> | <b>36,850</b> |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 16) PROVISIONS (CONTINUED)

|                                 | 2019           | 2018           |
|---------------------------------|----------------|----------------|
| <b>Holiday Pay Provision</b>    |                |                |
| Opening balance                 | 298,405        | 337,023        |
| Provisions made during the year | 178,349        | (13,424)       |
| Provisions used during the year | (62,123)       | (25,194)       |
|                                 | <b>414,631</b> | <b>298,405</b> |
| <b>Total Provisions</b>         | <b>452,681</b> | <b>335,255</b> |
| Current                         | 414,631        | 298,405        |
| Non-current                     | 38,050         | 36,850         |
| <b>Total Provisions</b>         | <b>452,681</b> | <b>335,255</b> |

### Store Closure Provision

This is the make good provision that is set aside to cover the costs of returning premises that are occupied by BurgerFuel back to their original condition, after taking into account the normal wear and tear of these premises.

### Holiday Pay Provision

This is the allocation of the 8% annual leave entitlement that each full-time and part-time employee is entitled to as part of their employment, which is accrued throughout the year

## 17) CASH AND CASH EQUIVALENTS

|                 | 2019             | 2018             |
|-----------------|------------------|------------------|
|                 | \$               | \$               |
| Cash at bank    | 3,344,795        | 3,695,192        |
| Cash on deposit | 2,158,678        | 2,605,686        |
|                 | <b>5,503,473</b> | <b>6,300,878</b> |

At balance date there is \$20,000 (2018: \$20,000) in restricted cash for bonds issued to the NZX. Refer note 22 for further information.

## 18) CONTRIBUTED EQUITY

|                                                          | Number of Shares  |                   | Share Capital     |                   |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                          | 2019              | 2018              | 2019              | 2018              |
|                                                          |                   |                   | \$                | \$                |
| Opening ordinary shares on issue                         | 59,633,550        | 59,633,550        | 16,034,443        | 16,034,443        |
| Share buyback and cancellation                           | (5,250,408)       | -                 | (1,946,945)       | -                 |
| Authorised & issued ordinary shares on issue at 31 March | <b>54,383,142</b> | <b>59,633,550</b> | <b>14,087,498</b> | <b>16,034,443</b> |
| Less: IPO Capital Costs                                  |                   |                   | (223,432)         | (223,432)         |
| Contributed Equity                                       |                   |                   | <b>13,864,066</b> | <b>15,811,011</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 18) CONTRIBUTED EQUITY (CONTINUED)

Burger Fuel Worldwide Limited was listed on the New Zealand Alternative Stock Exchange (NZAX) on the 27 July 2007. The Company has 54,383,142 authorised and fully paid ordinary shares on issue. All shares have equal voting rights and share equally in dividends and any surplus on winding up. The shares have no par value.

No Dividends were paid in the 2019 financial year (2018: NIL).

5,250,408 BFW Shares were purchased (and cancelled) from Franchise Brands LLC during the 2019 financial year. This occurred in four separate tranches with the fifth and final tranche of 712,947 to be settled on 28 April 2019. No shares were issued or cancelled during the 2018 financial year.

## 19) RETAINED EARNINGS

|                                                                                                   | 2019               | 2018               |
|---------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                   | \$                 | \$                 |
| <b>Retained Earnings / (Accumulated Losses)</b>                                                   |                    |                    |
| Closing Balance 31 March 2018                                                                     | (2,336,651)        | (1,873,589)        |
| Effect of changes in accounting policies resulting from the adoption of IFRS 15 & IFRS 9 (Note 4) | (1,441,188)        | -                  |
| Opening Balance 1 April 2018                                                                      | (3,777,839)        | (1,873,589)        |
| Net surplus / (Deficit) for the year                                                              | 1,236,341          | (463,062)          |
| <b>Closing Balance</b>                                                                            | <b>(2,541,498)</b> | <b>(2,336,651)</b> |

## 20) OTHER RESERVES

|                                             | 2019             | 2018             |
|---------------------------------------------|------------------|------------------|
|                                             | \$               | \$               |
| <b>Foreign Currency Translation Reserve</b> |                  |                  |
| Opening Balance                             | (271,115)        | (305,222)        |
| Movements                                   | (52,968)         | 34,107           |
| <b>Closing Balance</b>                      | <b>(324,083)</b> | <b>(271,115)</b> |

### Nature and Purpose of Reserves:

#### Foreign Currency Translation Reserve

Translation differences arising on the translation of the results of subsidiaries with functional currencies other than New Zealand dollars are recognised directly in the Foreign Currency Translation Reserve. The cumulative amounts are released to profit or loss upon disposal of these subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 21) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Categories of Financial Instruments

|                                    | 2019             | 2018             |
|------------------------------------|------------------|------------------|
|                                    | \$               | \$               |
| <b>Financial Assets</b>            |                  |                  |
| Cash                               | 5,503,473        | 6,300,878        |
| Loans (Current)                    | 170,900          | 133,000          |
| Trade Receivables                  | 2,887,218        | 2,887,456        |
| Sundry Receivables                 | 29,019           | 72,375           |
|                                    | <b>8,590,610</b> | <b>9,393,709</b> |
| <b>Other Financial Liabilities</b> |                  |                  |
| Trade Payables                     | 1,498,449        | 1,656,880        |

### Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk

The Management reports quarterly to the Group's audit committee, who monitors risk and policies implemented to mitigate risk exposures.

### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are analysed by sensitivity analysis. There has not been significant change to BurgerFuel's exposure to market risks or the manner in which it manages and measures the risk.

### Foreign currency risk management

The Group's foreign exchange risk is limited to its US Dollar, Australian Dollar & UAE Dirham bank accounts and the trading of its Australian, US & United Arab Emirates subsidiaries. It maintains amounts in these foreign bank accounts and transfers funds when foreign exchange rates are favourable.

### Foreign currency sensitivity analysis

The Group is mainly exposed to Australian Dollars, US Dollars and UAE Dirhams. The following table details the Group's sensitivity to a 10% increase and decrease in the NZ\$ against the Australian, UAE & USA currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in foreign currency rates.

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group. A positive number below indicates an increase in profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 21) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### GROUP

|                            | 10% Strengthening |       | 10% Weakening |       |
|----------------------------|-------------------|-------|---------------|-------|
|                            | 2019              | 2018  | 2019          | 2018  |
|                            | \$000             | \$000 | \$000         | \$000 |
| Profit / (Loss) before tax | 90                | 72    | (99)          | (79)  |
| Equity                     | 65                | 52    | (71)          | (51)  |

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group has a USD overdraft facility and has exposure to floating interest rates on this facility. This USD overdraft facility has an effect on the interest paid on the Group's cash and cash equivalent accounts.

If the interest rates had been 100 basis points higher and all other variables were held constant, the Group's operating result for the year ended 31 March 2019 would have been \$55,035 higher (2018: \$63,008 higher).

### Interest rate risk

The Group has cash flow interest rate risk from financial instruments that attract interest. Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances.

The Group manages its interest rate risk by maintaining minimal variable rate cash balances. Excess cash resources are placed into fixed rate term deposits where appropriate.

### Interest rate risk profile

| 2019                         | Weighted average effective interest rate % | Greater than 1 year | Less than 1 year | Non - interest bearing | Total            |
|------------------------------|--------------------------------------------|---------------------|------------------|------------------------|------------------|
|                              |                                            | \$                  | \$               | \$                     | \$               |
| <b>Financial Assets</b>      |                                            |                     |                  |                        |                  |
| Cash and cash equivalent     | 1.46%                                      | -                   | 5,503,473        | -                      | <b>5,503,473</b> |
| Advance to Supplier          | 3.00%                                      | -                   | 157,606          | -                      | <b>157,606</b>   |
| Advances to Staff            | 5.00%                                      | -                   | 3,540            | 9,754                  | <b>13,294</b>    |
| Trade and other receivables  | 3.75%                                      | -                   | 1,107,308        | 1,808,929              | <b>2,916,237</b> |
|                              |                                            | -                   | <b>6,771,927</b> | <b>1,818,683</b>       | <b>8,590,610</b> |
| <b>Financial Liabilities</b> |                                            |                     |                  |                        |                  |
| Trade payables               | -                                          | -                   | -                | 1,498,449              | <b>1,498,449</b> |
|                              |                                            | -                   | -                | <b>1,498,449</b>       | <b>1,498,449</b> |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 21) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

| 2018                         | Weighted average effective interest rate % | Greater than 1 year | Less than 1 year | Non - interest bearing | Total            |
|------------------------------|--------------------------------------------|---------------------|------------------|------------------------|------------------|
|                              |                                            | \$                  | \$               | \$                     | \$               |
| <b>Financial Assets</b>      |                                            |                     |                  |                        |                  |
| Cash and cash equivalent     | 1.25%                                      | -                   | 6,300,878        | -                      | <b>6,300,878</b> |
| Advance to Supplier          | 3.00%                                      | -                   | 133,000          | -                      | <b>133,000</b>   |
| Trade and other receivables  | 3.75%                                      | 870,000             | -                | 2,089,831              | <b>2,959,831</b> |
|                              |                                            | <b>870,000</b>      | <b>6,433,878</b> | <b>2,089,831</b>       | <b>9,393,709</b> |
| <b>Financial Liabilities</b> |                                            |                     |                  |                        |                  |
| Trade payables               | -                                          | -                   | -                | 1,656,880              | <b>1,656,880</b> |
|                              |                                            | <b>-</b>            | <b>-</b>         | <b>1,656,880</b>       | <b>1,656,880</b> |

### Credit risk

Credit risk is the risk that the counter party to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The credit ratings of its counterparties are continuously monitored by management and the aggregate value of transactions concluded is spread amongst approved counterparties.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash, trade debtors, loans and advances.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. The maximum credit risk exposures are:

|                                 | 2019      | 2018      |
|---------------------------------|-----------|-----------|
|                                 | \$        | \$        |
| Cash and bank balances          | 5,503,473 | 6,300,878 |
| Loans, advances and receivables | 3,087,137 | 3,092,830 |

Maximum exposures are net of any recognised provisions, and at balance date no loans or advances are past due or considered to be impaired (2018: \$Nil). Trade receivables of \$218,291 are impaired with no further amounts past due (2018: \$250,000 past due).

### Cash

The Group's major concentration of credit risk relates to cash deposits with ASB Limited in New Zealand, CBA Bank Limited in Australia & Bank of America Merrill Lynch.

### Receivables

The Group has a credit policy, which is used to manage its exposure to credit risk. As part of this policy, limits on exposures have been set, lending is subject to defined criteria and loans are monitored on a regular basis. The trade receivable are payable on the 10th of the following month and loans are subject a loan agreement which stipulates monthly repayments or payable on demand. No security is held.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 21) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### Capital management

The Group's capital includes share capital, reserves and retained earnings as shown in the Statements of Financial Position. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the required capital structure the Group may issue new shares, sell assets to reduce debt and/or adjust amounts paid to investors.

The Group is not subject to any externally imposed capital requirements.

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Group maintains sufficient funds to meet the commitments based on historical and forecasted cash flow requirements. The exposure is being reviewed on an ongoing basis from daily procedures to monthly reporting.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. All payables are due within 6 months of balance date (2018: 6 months).

The Group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

## 22) COMMITMENTS

### Lease Commitments

Operating leases relate to the store leases. Non-cancellable operating lease rentals are payable as follows:

|                            | 2019<br>Total future minimum payments | 2018<br>Total future minimum payments |
|----------------------------|---------------------------------------|---------------------------------------|
|                            | \$                                    | \$                                    |
| Less than one year         | 3,322,224                             | 2,959,767                             |
| Between one and five years | 3,915,507                             | 2,692,496                             |
| More than five years       | 565,402                               | 179,596                               |
|                            | <b>7,803,133</b>                      | <b>5,831,859</b>                      |

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. The Group holds the head lease over all of its franchisee sites and in turn licenses each of these sites to its franchisees under the same terms and conditions. At balance date, the current annual rent expense of leases under this arrangement including occupied leases, was \$3,654,182 (2018: \$3,544,384).

### Capital Commitments

At 31 March 2019, the Group has no contractual commitments (2018: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 22) COMMITMENTS (CONTINUED)

### Indemnity / Guarantees

BurgerFuel has deposits in place to cover certain commitments the banks have provided:

|          | 2019                          | 2018                          |
|----------|-------------------------------|-------------------------------|
|          | Total future minimum payments | Total future minimum payments |
|          | \$                            | \$                            |
| NZX Bond | 20,000                        | 20,000                        |
|          | <b>20,000</b>                 | <b>20,000</b>                 |

## 23) CONTINGENCIES

The Group has no contingencies at balance date (2018: Nil).

## 24) RELATED PARTY TRANSACTIONS

### Transactions with Related Parties

During the year the following related party transactions took place:

| Group                                                        | Relationship        | Nature of transaction           | 2019<br>\$ | 2018<br>\$ |
|--------------------------------------------------------------|---------------------|---------------------------------|------------|------------|
| Neo Corporate Trustees Limited & Redmond Enterprises Limited | Common Directorship | Consultancy Expenses Paid       | 635,250    | 605,000    |
| Trumpeter Consulting Limited                                 | Common Directorship | Directors Fees                  | 50,000     | 50,000     |
| Peter Brook                                                  | Director            | Directors Fees                  | 70,000     | 70,000     |
| 66 Surrey Limited                                            | Director            | Head Office Rental              | 465,101    | 438,002    |
| Trumpeter Consulting Limited                                 | Common Directorship | Consultancy Expenses Paid       | 16,000     | 44,000     |
| Christopher Mason                                            | Major Shareholder   | Purchased USA Licence agreement | -          | 261,000    |
| Christopher Mason                                            | Major Shareholder   | Purchased USA Store             | -          | 609,000    |

The Burger Fuel Worldwide Limited Chief Executive Officer is the sole director of Neo Corporate Trustees Limited, Redmond Enterprises Limited & 66 Surrey Limited. The head office rental is the premises at 66 Surrey Crescent, Grey Lynn, Auckland and the Redmond Enterprises & Neo Corporate Trustees Limited consultancy fee relates to the remuneration of the CEO.

The Burger Fuel USA licence agreement was sold to the Founding Director Christopher Mason for NZD\$261,000. This transaction occurred on the 5th March 2018. At the same time Christopher Mason also purchased the equity of the Group's US subsidiary company BF Indiana Two LLC for NZD\$609,000. This company owned the BurgerFuel store in Indianapolis, USA. Christopher Mason also purchased the Burger Fuel USA Franchising Inc company which was non-trading and had no assets as at transaction date. As at 31 March 2019 the \$261,000 licence fee & \$609,000 sale proceeds were still outstanding (2018: \$261,000 licence fee and \$609,000 sale proceeds outstanding). These amounts are payable within 24 months of the transaction date and are secured over Chris Mason's BFW shares. Interest of 3.75% is payable on the outstanding balance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 24) RELATED PARTY TRANSACTIONS (CONTINUED)

### Key Management Compensation

Key management personnel compensation costs include remuneration of the Group Chief Executive, Founding Director, Directors and the members of the executive team. The compensation paid or payable to key management for employee services is shown above.

|                                                 | 2019             | 2018             |
|-------------------------------------------------|------------------|------------------|
|                                                 | \$               | \$               |
| Salaries and other short-term employee benefits | 2,680,416        | 2,694,584        |
| KiwiSaver Employer Contribution                 | 49,406           | 46,827           |
| Directors' Fees                                 | 120,000          | 120,000          |
|                                                 | <b>2,849,822</b> | <b>2,861,411</b> |

## 25) EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the profit attributed to owners of the Group by the weighted average number of ordinary shares in issue during the year.

|                                                             | 2019       | 2018       |
|-------------------------------------------------------------|------------|------------|
|                                                             | \$         | \$         |
| Surplus / (Deficit) attributable to the owners of the Group | 1,236,341  | (463,062)  |
| Weighted average number of ordinary shares on issue         | 56,697,165 | 59,633,550 |
| Basic earnings / (loss) per share (cents)                   | 2.18       | (0.78)     |
| Diluted earnings / (loss) per share (cents)                 | 2.18       | (0.78)     |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There is no difference between the basic and diluted number of shares on issue.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 26) RECONCILIATION OF NET SURPLUS / (DEFICIT) AFTER TAXATION TO NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES

|                                                                                           | 2019               | 2018             |
|-------------------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                           | \$                 | \$               |
| Net surplus / (deficit) after tax                                                         | 1,236,341          | (463,062)        |
| <b>Add: Non-cash items</b>                                                                |                    |                  |
| Amortisation                                                                              | 174,648            | 117,876          |
| Depreciation                                                                              | 577,343            | 535,327          |
| Deferred tax asset                                                                        | 32,928             | 93,215           |
| Deferred tax asset – IFRS 15 adjustment to retained earnings                              | (560,707)          | -                |
| Loss on disposal of property, plant and equipment                                         | 73,477             | 190,547          |
| Loss on Disposal of US Entity                                                             | -                  | 880,846          |
| Unrealised exchange loss / (gain)                                                         | (40,791)           | 42,290           |
| IFRS 15 Adjustment to retained earnings                                                   | (1,441,188)        | -                |
| Provision for Doubtful Debts                                                              | 31,709             | 129,417          |
|                                                                                           | <b>(1,152,581)</b> | <b>1,989,518</b> |
| <b>Add: Items classified as investing or financing activities</b>                         |                    |                  |
| Gain on sale of assets                                                                    | (7,576)            | -                |
| <b>Add: Working capital movements</b>                                                     |                    |                  |
| (Increase) / decrease in trade and other receivables                                      | 41,282             | (655,384)        |
| (Increase) / decrease in inventories                                                      | 457,230            | 95,261           |
| (Decrease) / increase in taxation payable                                                 | (296,637)          | 236,873          |
| Increase / (decrease) in accounts payable and accruals, provisions and contract liability | 1,910,622          | (372,262)        |
|                                                                                           | 2,112,497          | (695,512)        |
| <b>Net cash flows provided from operating activities</b>                                  | <b>2,188,681</b>   | <b>830,944</b>   |

## 27) SEGMENT REPORTING

### Operating Segments

The Group operates in four operating segments; these operating segments have been divided into the following geographical regions, New Zealand, Australia, USA and the Middle East. All the segment's operations are made up of franchising fees, royalties and sales to franchisees. The segments are in the business of Franchise Systems - Gourmet Burger Restaurants. New Zealand's segment result is also due to the amortisation of intangible assets.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 27) SEGMENT REPORTING (CONTINUED)

| 2019                                                                           | New Zealand       | Australia     | Middle East      | USA            | Consolidated      |
|--------------------------------------------------------------------------------|-------------------|---------------|------------------|----------------|-------------------|
|                                                                                | \$                | \$            | \$               | \$             | \$                |
| <b>Revenue</b>                                                                 |                   |               |                  |                |                   |
| Sales                                                                          | 8,592,548         | -             | 95,282           | -              | <b>8,687,830</b>  |
| Royalties                                                                      | 4,872,084         | -             | 1,064,777        | 1,339          | <b>5,938,200</b>  |
| Franchising fees                                                               | 300,186           | -             | 48,217           | 13,077         | <b>361,480</b>    |
| Training fees                                                                  | 30,000            | -             | -                | -              | <b>30,000</b>     |
| Property management fees                                                       | 55,000            | -             | -                | -              | <b>55,000</b>     |
| Advertising fees                                                               | 3,640,806         | -             | 213,880          | -              | <b>3,854,686</b>  |
| Foreign exchange gain                                                          | (52,884)          | (24,053)      | 29               | 117,699        | <b>40,791</b>     |
| Sundry income                                                                  | 1,341,460         | 80,169        | -                | 510,299        | <b>1,931,928</b>  |
| Interest received                                                              | 86,185            | 1,067         | -                | 40,499         | <b>127,751</b>    |
| <b>Total Revenue</b>                                                           | <b>18,865,385</b> | <b>57,183</b> | <b>1,422,185</b> | <b>682,913</b> | <b>21,027,666</b> |
| <b>Interest Expense</b>                                                        | 10,087            | 838           | -                | -              | <b>10,925</b>     |
| <b>Depreciation</b>                                                            | 572,522           | -             | 4,821            | -              | <b>577,343</b>    |
| <b>Amortisation</b>                                                            | 174,648           | -             | -                | -              | <b>174,648</b>    |
| <b>Segment Result before Income Tax</b>                                        | 1,042,405         | 51,669        | 663,002          | 98,703         | <b>1,855,779</b>  |
| <b>Income Tax Expense</b>                                                      | 617,956           | -             | -                | 1,482          | <b>619,438</b>    |
| <b>Segment Assets</b>                                                          | 13,749,506        | 372,111       | 120,059          | 874,998        | <b>15,116,674</b> |
| <b>Segment Liabilities</b>                                                     | 4,017,543         | -             | 62,370           | 38,276         | <b>4,118,189</b>  |
| <b>Acquisition of Property, Plant &amp; Equipment &amp; Intangible Assets.</b> |                   |               |                  |                |                   |
| <b>Other</b>                                                                   | 1,063,470         | -             | -                | -              | <b>1,063,470</b>  |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 27) SEGMENT REPORTING (CONTINUED)

| 2018                                    | New Zealand       | Australia      | Middle East      | USA              | Consolidated      |
|-----------------------------------------|-------------------|----------------|------------------|------------------|-------------------|
|                                         | \$                | \$             | \$               | \$               | \$                |
| <b>Revenue</b>                          |                   |                |                  |                  |                   |
| Sales                                   | 10,734,127        | 132,722        | 144,806          | 1,604,881        | <b>12,616,536</b> |
| Royalties                               | 4,674,358         | 140,126        | 1,193,234        | -                | <b>6,007,718</b>  |
| Franchising fees                        | 495,000           | -              | -                | -                | <b>495,000</b>    |
| Training fees                           | 15,000            | -              | -                | -                | <b>15,000</b>     |
| Property management fees                | 55,000            | -              | -                | -                | <b>55,000</b>     |
| Advertising fees                        | 3,527,531         | 105,434        | 239,631          | -                | <b>3,872,596</b>  |
| Foreign exchange gain                   | 57,671            | (37,082)       | 20               | (62,899)         | <b>(42,290)</b>   |
| Sundry income                           | 1,473,212         | 14,106         | 129,678          | 52,598           | <b>1,669,594</b>  |
| Interest received                       | 84,037            | 1,015          | -                | -                | <b>85,052</b>     |
| <b>Total Revenue</b>                    | <b>21,115,936</b> | <b>356,321</b> | <b>1,707,369</b> | <b>1,594,580</b> | <b>24,774,206</b> |
| <b>Interest Expense</b>                 | 3,514             | 36             | -                | -                | <b>3,550</b>      |
| <b>Depreciation</b>                     | 528,194           | -              | 7,133            | -                | <b>535,327</b>    |
| <b>Amortisation</b>                     | 117,876           | -              | -                | -                | <b>117,876</b>    |
| <b>Segment Result before Income tax</b> | 2,303,494         | (162,871)      | 912,287          | (3,088,376)      | <b>(35,466)</b>   |
| <b>Income Tax Expense</b>               | 444,452           | -              | -                | (16,856)         | <b>427,596</b>    |
| <b>Segment Assets</b>                   | 14,100,561        | 504,861        | 102,706          | 935,902          | <b>15,644,030</b> |
| <b>Segment Liabilities</b>              | 2,551,850         | (216,682)      | 23,456           | 82,161           | <b>2,440,785</b>  |

## Acquisition of Property, Plant & Equipment & Intangible Assets.

|       |         |   |     |           |                  |
|-------|---------|---|-----|-----------|------------------|
| Other | 784,111 | - | 770 | 1,332,938 | <b>2,117,819</b> |
|-------|---------|---|-----|-----------|------------------|

## 28) SUBSEQUENT EVENTS

Since balance date BFW has bought back & cancelled 712,947 BFW shares from Franchise Brands. This has reduced the total number of BFW shares to 53,670,195. This had no impact on the Consolidated Statement of Comprehensive Income but will reduce the Group's cash and cash equivalents and equity by NZD\$269,240. (2018 Subsequent events: 3,143,355 shares bought back from Franchise Brands on 17 July 2018 which occurred in the current year).

## 29) ACQUISITION OF BRAND ASSETS

### Acquisition of "Winner Winner" Brand Asset

On 18th December 2017, the Group acquired the Intellectual Property rights to Winner Winner, with the view to becoming the concept Franchisor. Winner Winner currently has one store in Hamilton. This outlet has not been purchased by BFW. It will continue to be operated by the founders of Winner Winner, but will now become the first franchised store under BFW.

The Brand Asset purchase was for \$100,000 and this will be amortised on a straight line basis over 10 years. In 2019 BFW purchased an additional \$121,333 of Intellectual property for the Winner Winner Brand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

## 30) NET TANGIBLE ASSET PER SHARE

The net tangible asset per share is calculated by dividing the net tangible assets of the Group by the total number of ordinary shares in issue during the year.

|                                              | 2019        | 2018        |
|----------------------------------------------|-------------|-------------|
|                                              | \$          | \$          |
| Total Assets                                 | 15,116,674  | 15,644,030  |
| Less Intangible Assets                       | (3,260,747) | (2,713,369) |
| Total Tangible Assets                        | 11,855,927  | 12,930,661  |
| Total Liabilities                            | (4,118,189) | (2,440,785) |
| Net Tangible Assets                          | 7,737,738   | 10,489,876  |
| Total ordinary shares on issue               | 54,383,142  | 59,633,550  |
| Net Tangible Assets per share (\$ per Share) | 0.14        | 0.18        |

## 31) DISPOSAL OF SUBSIDIARIES

On 5th March 2018 the Group disposed of BF Indiana Two LLC, the subsidiary that owned and operated the Company owned store in Indiana USA.

The subsidiary was disposed of for a consideration of \$609,000. The consideration relating to the sale was deferred for a period of 24 months from the date of the transaction.

As a result of the sale control was lost over the following assets:

### Current Assets

|                           |               |
|---------------------------|---------------|
| Cash and Cash Equivalents | 1,384         |
| Inventory - Raw Materials | 40,533        |
| Inventory - Uniforms      | 17,395        |
|                           | <b>59,312</b> |

### Non-Current Assets

|                                |                  |
|--------------------------------|------------------|
| Property, Plant and Equipment  | 752,885          |
| Leasehold Improvements         | 560,262          |
|                                | <b>1,313,147</b> |
| Write back of Rent Free Period | (131,713)        |
| Capital Written off            | 249,100          |
| Net Assets Disposed of         | <b>1,489,846</b> |

**As a result of the sale the Group has recorded a loss on disposal. The loss is calculated as follows:**

|                        |                  |
|------------------------|------------------|
| Consideration Received | 609,000          |
| Net Assets disposed of | 1,489,846        |
| Loss on Disposal       | <b>(880,846)</b> |



## SHAREHOLDER INFORMATION

### FOR THE YEAR ENDED 31 MARCH 2019

#### Remuneration of Directors

|                                                                  | 2019<br>12 Months | 2018<br>12 Months |
|------------------------------------------------------------------|-------------------|-------------------|
|                                                                  | \$                | \$                |
| Peter Brook                                                      | 70,000            | 70,000            |
| Christopher Mason (resigned as a director on the 5th March 2018) | -                 | 402,292           |
| Josef Roberts                                                    | 635,250           | 605,000           |
| Alan Dunn                                                        | 50,000            | 50,000            |

#### Remuneration of Employees (Excluding Executive Directors)

|                     | 2019<br>12 Months<br>Number of Employees | 2018<br>12 Months<br>Number of Employees |
|---------------------|------------------------------------------|------------------------------------------|
| \$100,000-\$110,000 | 5                                        | 1                                        |
| \$110,000-\$120,000 | 3                                        | 1                                        |
| \$120,000-\$130,000 | -                                        | 2                                        |
| \$130,000-\$140,000 | 1                                        | -                                        |
| \$140,000-\$150,000 | 3                                        | 2                                        |
| \$150,000-\$160,000 | -                                        | 1                                        |
| \$170,000-\$180,000 | 1                                        | 2                                        |
| \$200,000-\$210,000 | 1                                        | 1                                        |
| \$220,000-\$230,000 | -                                        | 1                                        |
| \$230,000-\$240,000 | 1                                        | -                                        |
| \$240,000-\$250,000 | 1                                        | -                                        |
| \$250,000-\$260,000 | 1                                        | -                                        |

#### Statement of Directors and Officers Interests

Directors and Officers held the following equity securities in the Company:

|                        | Beneficially held<br>at 31/03/19 | Non-beneficially<br>held at 31/03/19 | Beneficially held<br>at 31/03/18 | Non-beneficially<br>held at 31/03/18 |
|------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Peter Brook            | 336,596                          | -                                    | 336,596                          | -                                    |
| Christopher Mason      | 6,586,309                        | -                                    | 6,586,309                        | -                                    |
| Josef Roberts          | 33,376,335                       | -                                    | 33,223,473                       | -                                    |
| Alan Dunn              | 324,656                          | -                                    | 324,656                          | -                                    |
| Tyrone Foley (Officer) | 14,874                           | -                                    | 14,874                           | -                                    |
| Mark Piet (Officer)    | 21,667                           | -                                    | 21,667                           | -                                    |

John Pfannenbecker resigned as a director on the 2nd November 2017  
Christopher Mason resigned as a director on the 5th March 2018

## SHAREHOLDER INFORMATION

### FOR THE YEAR ENDED 31 MARCH 2019

The following share transactions took place during the financial year

|                        | Date of<br>Transaction | Shares<br>Acquired<br>(Disposed) | Consideration Paid<br>(received) | Nature of<br>relevant interest      |
|------------------------|------------------------|----------------------------------|----------------------------------|-------------------------------------|
| Peter Brook            | -                      | -                                | -                                | Shares Held in Associated Trust     |
| Christopher Mason      | -                      | -                                | -                                | Shares Held in Associated Trust     |
| Josef Roberts          | -                      | 152,862                          | -                                | Shares Held in an Independent Trust |
| Alan Dunn              | -                      | -                                | -                                | Shares Held in Associated Trust     |
| Tyrone Foley (Officer) | -                      | -                                | -                                | Beneficial Owner                    |
| Mark Piet (Officer)    | -                      | -                                | -                                | Beneficial Owner                    |

#### Substantial Security Holders

The following information is given pursuant to section 293 of the Financial Markets Conduct Act 2013. As at 31 March 2019, details of the Substantial Security Holders in the company and their relevant interests in the company's shares are as follows:

| Substantial Security Holder    | Number of Voting Securities | %      |
|--------------------------------|-----------------------------|--------|
| Mason Roberts Holdings Limited | 39,962,644                  | 73.48% |
| E&P Foundation Trustee Limited | 2,747,138                   | 5.05%  |

The total number of voting securities of the Company on issue at 31 March 2019 was 54,383,142 fully paid ordinary shares.



SHAREHOLDER INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2019

Twenty Largest Security Holders as at 31 March 2019

| Shareholder                             | Number of Shares | %     |
|-----------------------------------------|------------------|-------|
| MASON ROBERTS HOLDINGS LIMITED          | 39,962,644       | 73.5% |
| E & P FOUNDATION TRUSTEE LIMITED        | 2,747,138        | 5.1%  |
| NATIONAL NOMINEES NEW ZEALAND LIMITED   | 1,969,393        | 3.6%  |
| FRANCHISE BRANDS LLC                    | 712,947          | 1.3%  |
| CUSTODIAL SERVICES LIMITED              | 692,370          | 1.3%  |
| CARTALLEN TRUSTEE LIMITED               | 478,623          | 0.9%  |
| JBWERE (NZ) NOMINEES LIMITED            | 369,296          | 0.7%  |
| PETER CLYNTON BROOK                     | 336,596          | 0.6%  |
| TRUMPETER TRUSTEES (2007) LIMITED       | 324,656          | 0.6%  |
| ASB NOMINEES LIMITED                    | 160,000          | 0.3%  |
| STERLING NOMINEES LIMITED               | 140,886          | 0.3%  |
| BRIAN KELLY LIMITED                     | 133,400          | 0.3%  |
| CITIBANK NOMINEES (NEW ZEALAND) LIMITED | 133,267          | 0.3%  |
| LAPHROAIG TRUSTEE COMPANY (NZ) LIMITED  | 123,576          | 0.2%  |
| MATTHEW JAMES PRINGLE                   | 75,000           | 0.1%  |
| BRAD WILLIAM MCFARLANE                  | 70,470           | 0.1%  |
| INVESTMENT CUSTODIAL SERVICES LIMITED   | 65,500           | 0.1%  |
| FORSYTH BARR CUSTODIANS LIMITED         | 60,100           | 0.1%  |
| JONATHAN LAURIE BUCKLEY                 | 57,915           | 0.1%  |
| ROSEMARY ELIZABETH DOWLER               | 50,000           | 0.1%  |
|                                         | 48,663,777       | 89.6% |

SHAREHOLDER INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2019

Domicile of Security Holdings

| Location             | Holders | Units      | Units % |
|----------------------|---------|------------|---------|
| NZ                   | 2,366   | 53,315,100 | 98.04%  |
| U.S.A.               | 15      | 756,280    | 1.39%   |
| Australia            | 89      | 172,577    | 0.32%   |
| United Kingdom       | 17      | 65,340     | 0.12%   |
| United Arab Emirates | 4       | 49,017     | 0.09%   |
| Canada               | 4       | 5,058      | 0.01%   |
| Singapore            | 1       | 3,500      | 0.01%   |
| France               | 2       | 3,000      | 0.01%   |
| Austria              | 1       | 2,000      | 0.01%   |
| China                | 1       | 2,000      | 0.00%   |
| Japan                | 2       | 1,870      | 0.00%   |
| Ireland              | 1       | 1,600      | 0.00%   |
| Germany              | 1       | 1,500      | 0.00%   |
| Hong Kong            | 1       | 1,000      | 0.00%   |
| Norway               | 1       | 1,000      | 0.00%   |
| Taiwan               | 1       | 1,000      | 0.00%   |
| South Africa         | 1       | 1,000      | 0.00%   |
| Switzerland          | 1       | 300        | 0.00%   |
|                      | 2,509   | 54,383,142 | 100.0%  |





# SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

## Spread of Security Holders

| Shareholding Size      | Number of Holders | Total Shares Held | %      |
|------------------------|-------------------|-------------------|--------|
| 1 – 99                 | 7                 | 232               | 0.0%   |
| 100 – 199              | 34                | 4,359             | 0.0%   |
| 200 – 499              | 165               | 57,399            | 0.1%   |
| 500 – 999              | 170               | 111,764           | 0.2%   |
| 1,000 – 1,999          | 1,356             | 1,513,056         | 2.8%   |
| 2,000 – 4,999          | 503               | 1,272,811         | 2.3%   |
| 5,000 – 9,999          | 135               | 769,866           | 1.4%   |
| 10,000 – 49,999        | 119               | 1,989,878         | 3.7%   |
| 50,000 – 99,999        | 6                 | 378,985           | 0.7%   |
| 100,000 – 499,999      | 9                 | 2,200,300         | 3.8%   |
| 500,000 – 999,999      | 2                 | 1,405,317         | 2.6%   |
| 1,000,000 – 99,999,999 | 3                 | 44,679,175        | 82.4%  |
|                        | 2,509             | 54,383,142        | 100.0% |

# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2019

The Board of Directors is responsible for the corporate governance of the Group. “Corporate Governance” involves the direction and control of the business by the Directors and the accountability of Directors to shareholders and other stakeholders for the performance of the Group and compliance with applicable laws and standards.

## Role of the Board

The Board is elected by the Shareholders of the Company. At each Annual Meeting one third of the directors will retire by rotation. The Directors to retire are those who wish to retire, or those who have been longest in office since last being elected.

The Board of Directors is responsible for the overall direction of Burger Fuel Worldwide Limited’s business and affairs on behalf of all shareholders. The Board’s key role is to ensure that corporate management is continuously and effectively striving for above-average performance, taking account of risk.

The Board:

- Establishes the objectives of Burger Fuel Worldwide Limited;
- Approves major strategies for achieving these objectives;
- Oversees risk management and compliance;
- Sets in place the policy framework within which BurgerFuel operates; and
- Monitors management performance against this background.

The Board has delegated the day-to-day leadership and management of the Group to the Group Chief Executive Officer and the Chief Operating Officer.

The Board monitors financial results and compares them to annual plans and forecasts / budgets on a regular basis, and on a quarterly basis reviews the Group’s performance against its strategic planning objectives.

## Board size and Composition

Unlike the NZX Listing Rules for NZSX listed companies, the NZAX Listing Rules do not require that the Company have any independent directors. However, in the interests of good governance, and notwithstanding that there is no requirement under the NZAX Listing Rules, the Directors have decided to adopt a governance policy whereby at least two of the Directors of the Board will be “independent” as defined in the NZX Listing Rules. The size and composition of the Board is determined by the

Company’s constitution. As at 31 March 2019, there were three Directors, a Chief Operating Officer, and a Chief Financial Officer / Company Secretary. The Chairman of the Board and the Chairman of the Audit Committee are non-executive and independent of the role of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

## Audit Committee

Although not required by the NZAX Listing Rules, to assist the Board in the execution of its responsibilities, an Audit Committee is in operation.

## (i) Risk Management

The Audit Committee is required to establish a framework of internal control mechanisms to ensure proper management of the Group’s affairs and that key business and financial risks are identified and controls and procedures are in place to effectively manage those risks. The Audit Committee is accountable to the Board for the recommendation of the external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the annual audit process.

## (ii) Additional Assurance

The Committee provides the Board with additional assurance regarding the accuracy of financial information for inclusion in the Group’s annual report, including the financial statements. The Committee is also responsible for ensuring that Burger Fuel Worldwide Limited has an effective internal control framework. These controls include the safeguarding of assets, maintaining proper accounting records, complying with legislation, including resource management and health and safety issues, ensuring the reliability of financial information and assessing and reviewing business risk. The Committee also deals with governmental and New Zealand Stock Exchange requirements.

## (iii) Share Trading Policy

The Company has adopted a formal Securities Trading Policy (“Policy”) to address insider trading requirements.

The Policy is modelled on the Listed Companies Association Securities Trading Policy and Guidelines and is administered by the Audit Committee and restricts share trading in a number of ways.

## (iv) Insurance and Indemnification

Burger Fuel Worldwide Limited provides indemnity insurance cover to directors, officers and employees of the Group except where there is conduct involving a wilful breach of duty, improper use of inside information or criminality.



# CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 MARCH 2019

Directors & Officers Board & Audit Committee Attendance Record

| Directors                                               | Board Meetings | Audit Committee Meetings |
|---------------------------------------------------------|----------------|--------------------------|
| Peter Brook (Chair)                                     | 6              | 3                        |
| Josef Roberts                                           | 6              | 3                        |
| Alan Dunn                                               | 6              | 3                        |
| Officers                                                |                |                          |
| Tyrone Foley (Chief Operating Officer)                  | 6              | 3                        |
| Mark Piet (Chief Financial Officer / Company Secretary) | 6              | 3                        |

Constitution

A full copy of the Company’s constitution is available on the Company’s website (www.burgerfuel.com).

Board Remuneration

Directors are entitled to Directors’ fees, reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors.

Peter Brook, the Chairman, receives an annual fee of \$70,000 and Alan Dunn the independent, non-executive Director receives an annual fee of \$50,000. The Company Secretary attends to all company secretarial and corporate governance matters.

Conflict of Interest

The Board has guidelines dealing with the disclosure of interests by Directors and the participation and voting at Board meetings where any such interests are discussed. The Group maintains an interests register in which particulars of certain transactions and matters involving Directors must be recorded.

# COMPANY DIRECTORY

AS AT 31 MARCH 2019

Registered Office

Grant Thornton New Zealand Limited  
152 Fanshawe Street  
Auckland 1011

Company Number

1947191

Date of Incorporation

14 June 2007

Directors

Peter Brook - Chairman (Independent)  
Alan Dunn (Independent)  
Josef Roberts (Executive)

Board Executives

Tyrone Foley (Chief Operating Officer)  
Mark Piet (Chief Financial Officer / Company Secretary)

Business Headquarters

66 Surrey Crescent  
Grey Lynn  
Auckland 1021

Auditor

Baker Tilly Staples Rodway  
Level 9, Tower Centre  
45 Queen Street  
Auckland 1010

Accountant

Grant Thornton New Zealand Limited  
Level 4, 152 Fanshawe Street  
Auckland 1011

Bridgepoint Group Accounting Pty Ltd  
Suite 301, 8 West Street,  
North Sydney  
NSW 2060  
Australia

Citrin Cooperman  
529 Fifth Avenue  
New York, NY 10017  
USA

Bankers

ASB Bank Limited  
CBA Bank Limited (Australia)  
Emirates NBD (UAE)  
Bank of America Merrill Lynch (USA)

Solicitors

Kensington Swan, 18 Viaduct Harbour Avenue,  
Auckland 1011.

Wiggin and Dana LLP, Two Liberty Place,  
50 S. 16th Street, Suite 2925, PA, 19102, USA.

FC Law Partners P.O Box 133238, Auckland 1146.

Missingham Law, P.O Box796,  
Shortland Street Mail Centre, Auckland 1140.

Corporate Council Limited Solicitors,  
P.O Box 37-322, Parnell, Auckland 1151.

Katz Korin Solicitors, 334 N. Senate AveIndianapolis, IN  
46205, USA.

Buddle Findlay, 83 Victoria Street, Christchurch 8140.



