Burger Fuel Group Limited (Formerly Burger Fuel Worldwide limited)
Preliminary Full Year Results
For The Year Ended 31 March 2020

Results for announcement to the market			
Name of issuer	**Burger Fuel Group Limited**		
Reporting Period	**12 months to 31 March 2020**		
Previous Reporting Period	**12 months to 31 March 2019**		
Currency	NZD		
	Amount (000s)	**Percentage change**	
Revenue from continuing operations	$ 21,869	4.0%	
Total Revenue	$ 21,869	4.0%	
Net profit/(loss) from continuing operations	$ 505	(59.1%)	
Total net profit/(loss)	$ 505	(59.1%)	
Interim/Final Dividend			
Amount per Quoted Equity Security	**Not Applicable**		
Imputed amount per Quoted Equity Security	**Not Applicable**		
Record Date	**Not Applicable**		
Dividend Payment Date	**Not Applicable**		
	Current period	**Prior comparable period**	
Net tangible assets per Quoted Equity Security	**$0.15**	**$0.14**	
A brief explanation of any of the figures above necessary to enable the figures to be understood	Group Operating Revenue increased by 4.0% on the same period last year to $21.9M. This increase in revenue is mainly due to the opening of our company owned Shake Out store at the Smales Farm complex in Takapuna, Auckland, as well as the additional interest income booked for the non-occupied leases as per the new IFRS16 lease accounting standard ($1.4M). The Group also incurred additional costs around the KPMG process, legal costs, writing off certain obsolete assets and stock write offs due to the closure of restaurants over the COVID-19 lockdown period. The Group has also undertaken significant investment in the ongoing development of the new brands.		
Authority for this announcement			
Name of person authorised to make this announcement	Mark Piet		
Contact person for this announcement	Mark Piet		
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Date of release through MAP	29/06/2020		

Burger Fuel Group Limited
Preliminary Full Year Results
For The Year Ended 31 March 2020

Chairman and Chief Executives' Review

Burger Fuel Group Ltd Preliminary Full Year Results for the 12 months ended 31st March 2020

On the 1st July 2019 Burger Fuel Worldwide Limited changed its name to Burger Fuel Group Limited to better reflect the business focus and our recent transformation into a multi-brand business. At the same time, we also migrated to the NZX main board from the NZAX.

The Group will be relying on the NZX class waiver from listing rules 3.6.1, dated 19 March 2020, which provides listed companies with an additional two months to prepare and release annual reports in acknowledgement of the challenges caused by COVID-19. The Group will be releasing the Annual Report by the 31 July 2020.

Overview – FY20

The Directors of Burger Fuel Group Limited (BFG) present the audited results for the 12 months to 31 March 2020.

Net Profit after tax for the period was $505,478 representing a 59.1% decrease on the previous year.

The Group has no debt, and cash reserves of $5.6M.

BurgerFuel Group (unaudited) Total System Sales (all three brands) reduced (2.18%) to $101.3M on the same period last year. Group Operating Revenue increased by 4.0% to $21.9M. Whilst revenue is up on FY19, this is mainly due to the opening of our company owned Shake Out store at the Smales Farm complex in Takapuna, Auckland in November 2018, as well as the additional interest income booked for the non-occupied leases as per the new IFRS 16 lease accounting standard $1.4M.

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

In FY20 we had a reduction in MENA royalty and advertising income and an internal business structure change lowered revenue from our proprietary product manufacturing operation but will ensure that this business unit becomes more financially efficient going forward.

The Group also incurred additional costs around the KPMG process, legal costs, writing off certain obsolete assets and stock write offs due to the closure of restaurants over the COVID-19 lockdown period. The Group has also undertaken significant investment in the ongoing development of the new brands.

As at 31 March 2020 there were 78 BurgerFuel, Shake Out® and Winner Winner® stores operating in NZ and worldwide.

BFG PRELIMINARY RESULTS FOR THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020

	31 March 2020	**31 March 2019**
	$000	$000
Operating Revenue *	20,459	21,028
Interest Income – IFRS 16 non-occupied leases	1,410	-
Total Income	**21,869**	**21,028**
Operating Expenses **	(18,663)	(19,172)
Depreciation Expense – IFRS 16 occupied leases	(630)	-
Interest Expense - IFRS 16 non-occupied leases	(1,410)	-
Interest Expense - IFRS 16 occupied leases	(443)	-
Total Expenses	**(21,146)**	**(19,172)**
Net Profit (Loss) Before Tax	723	1,856
Net Profit (Loss) After Tax ***	505	1,236

* Revenue includes: Operating revenue and interest income.

** Expenses include: Operating expenses, depreciation, amortisation and interest expense.

*** The New Zealand entities had taxable income and were unable to utilise the foreign tax losses. The overseas entities had minimal tax.

<u>The Year to Date and Group Outlook</u>

New Zealand

Systemwide sales across New Zealand (62 restaurants, all 3 brands) increased by 1.3% on the previous year this was mainly due to the opening of 5 new stores. The COVID-19 Alert Level 4 lockdown resulted in FY20 having 6 less days of trade which impacted the Group’s NZ sales by approx. (1.7%). Since our mid-year announcement, trading conditions in Christchurch have remained difficult, however Auckland was showing some improvement prior to the COVID-19 Alert Level 4 lockdown. The distribution of our sales has been inconsistent and is now favouring the suburbs over the city centres as office buildings remain underutilised. It remains to be seen as to whether the cities will return to pre-COVID-19 levels of pedestrian traffic.

Comparable BurgerFuel (same store) sales in NZ decreased by (2.1%) which is partly due to 6 lost days of trade caused by the lockdown. At this stage BurgerFuel NZ will continue with our policy of not undertaking third-party, home delivery as over time we believe this will negatively affect both the brand and individual store profitability. This decision is likely to have impacted our FY20 growth numbers, however we remain committed to this policy at this stage. The COVID-19 crisis delayed the opening of our new BurgerFuel store in Point Chevalier (Auckland). It has since opened and is trading well. There are still some opportunities for new BurgerFuel stores to open in the remaining main centres of New Zealand however, there is much uncertainty in the current environment and we are not able to determine at this stage what new development will be possible.

Shake Out total store sales increased by 243% in FY20. No stores have yet had a full financial year of comparable trade. The main events for Shake Out have been the opening of stores in Browns Bay (Auckland) and Palmerston North. The impending COVID-19 crisis delayed the opening of our new Hamilton East store. It has since opened and is trading well in its first few weeks. The Browns Bay Shake Out did not meet expectations and did not reopen after the COVID-19 Alert Level 4 lockdown. Shake Out has also deployed a portable pop up type operation that uses two shipping containers. It was extremely successful at music festivals and concerts but as those types of events may become less popular, it will be popping up in various locations to sell directly to the public. It is currently operating from the Trusts Arena in Henderson (Auckland).

Winner Winner total sales increased by 56.4% due to two new stores, Courtenay Place (Wellington) and Pukekohe, opening in January 2020. Both new stores were trading well, however the momentum of these two new stores has been greatly impacted by the necessity to close during the COVID-19 Level 4 lockdown. It remains to be seen how each of those stores will recover over the coming months, but we are optimistic about the Winner Winner brand.

In February and March, the two new brands represented 7.6% of total NZ sales for the group. Unfortunately, expansion plans have now stalled because of the COVID-19 crisis and any future development will depend on the future economic conditions, which at this point remain uncertain.

The Middle East

The Middle East continues to be a difficult market for BurgerFuel with each country experiencing major challenges. We announced the closure of the Iraq store as we now see no future in this country.

In the UAE we have experienced less competitive pressure, as many restaurants are closing, but increasing pressure from the overall economic conditions in the UAE. The UAE as a country is experiencing a downturn that is directly affecting the hospitality and food service industries. Together with the COVID-19 crisis, there is finally some acknowledgment that rents were unsustainable, and they are now starting to reduce. Unfortunately, the Dubai World Expo has been delayed by a year, so we are not expecting any recovery in the UAE trading conditions during FY21. Because of tough economic conditions, and then the impact of COVID-19, our Licensee in UAE has closed several stores with only 2 BurgerFuel stores now operating in Dubai and 2 in Abu Dhabi. At this stage we are uncertain of BurgerFuel's ongoing future in the UAE.

The Kingdom of Saudi Arabia is showing mild improvements, in part because of their populace not leaving the country for entertainment options. We expect that the ever-increasing freedoms within the country will continue to be good for the domestic hospitality & food service industry, potentially at the expense of regional entertainment hubs such as Dubai or Bahrain. Our Licensee opened a new store in the city of Jubail and has another store under construction in the city of Dammam.

Overall, and as always, we continue to caution the market as to the future of the Middle Eastern region for BurgerFuel. These countries remain very uncertain and we anticipate further declines in our revenue from the Middle East region.

United States

In the United States we have one licenced store in Broad Ripple, Indianapolis. That store has experienced a decline in sales in the past 12 months and due to the COVID-19 crisis it was forced to close on 22nd March, a few days before the New Zealand lockdown and it has not yet reopened. There are significant challenges in the USA, both with the ongoing community transmission of the COVID-19 epidemic and more recently with the arrival of major civil unrest. We are unsure about the future of BurgerFuel in the USA at this point but will update the market when we receive further information.

Outlook

BurgerFuel Group has completed its transformation to a multi-brand business and was preparing for the additional growth opportunities that the new brands had presented. The COVID-19 crisis has forced us to moderate those plans and prepare for a challenging environment in FY21 and potentially beyond that. We do not anticipate any significant store development in the next 12 months. We remain focused on safeguarding the business and reducing costs in order to endure these uncertain times and be able to take opportunities that may present themselves in the months to come.

BurgerFuel Group in conjunction with its advisors KPMG are still reviewing its options regarding a possible sale, merger, joint venture, international partnership, domestic partnership or alternative process. The Board will keep the market updated with any material developments should they occur throughout the ongoing strategic review process.

We would like to thank all shareholders, staff, franchisees, suppliers and of course our valued customers for their continued support.

Best regards,

Peter Brook
Chairman

Josef Roberts
Group CEO

Burger Fuel Group Limited
Consolidated Statement of Comprehensive Income
For The Year Ended 31 March 2020

	2020	2019
	$	$
Revenue	20,345,736	20,899,915
Operating Expenses	(17,973,431)	(18,408,971)
Profit before Interest, Taxation, Depreciation and Amortisation	**2,372,305**	**2,490,944**
Depreciation on Property, Plant and Equipment	(545,765)	(577,343)
Depreciation on Leases	(630,329)	-
Amortisation	(143,084)	(174,648)
	(1,319,178)	(751,991)
Profit / (Loss) before Interest and Taxation	**1,053,127**	**1,738,953**
Interest Income	113,223	127,751
Interest Income leases non-occupied	1,410,421	-
Interest Expense	(345)	(10,925)
Interest Expense leases occupied	(442,632)	-
Interest Expense leases non-occupied	(1,410,421)	-
	(329,754)	116,826
Profit / (Loss) before Taxation	**723,373**	**1,855,779**
Income Tax Expense	(217,895)	(619,438)
Net Profit / (Loss) attributable to shareholders	**505,478**	**1,236,341**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Movement in Foreign Currency Translation Reserve	(117,216)	(52,968)
Total comprehensive income	**388,262**	**1,183,373**
Basic Earnings per Share (cents)	**0.94**	**2.18**
Diluted Earnings per Share (cents)	0.94	2.18

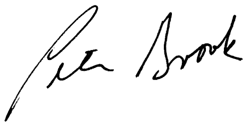
Burger Fuel Group Limited
Consolidated Statement of Financial Position
As at 31 March 2020

	2020	2019
Shareholders' equity	$	$
Contributed equity	13,818,257	14,087,498
Retained earnings	(1,980,020)	(2,541,498)
IPO capital costs	(223,432)	(223,432)
Other reserves	(441,299)	(324,083)
	11,173,506	**10,998,485**
Current assets		
Cash and cash equivalents	5,570,167	5,503,473
Trade and other receivables	3,189,334	3,021,234
Income tax receivable	184,326	-
Lease Receivable: non-occupied	1,518,310	-
Inventories	565,217	621,618
Loans	174,325	170,900
	11,201,679	9,317,225
Non-current assets		
Property, plant and equipment	2,462,017	2,538,702
Right of use asset - leases	7,828,007	-
Lease receivable non-occupied	21,238,840	-
Deferred tax asset	689,104	715,959
Loans	134,140	-
Intangible assets	2,421,445	2,544,788
	34,773,553	5,799,449
Total assets	**45,975,232**	**15,116,674**
Current liabilities		
Trade and other payables	982,062	1,498,449
COVID-19 Wage Subsidy	488,887	-
Contract Liability	412,620	263,215
Lease Liability	452,141	-
Lease Liability: non-occupied	1,518,310	-
Income tax payable	-	152,013
Provisions	436,456	414,631
	4,290,476	2,328,308
Non-current liabilities		
Contract Liability	1,625,998	1,751,831
Lease Liability	7,607,212	-
Lease Liability non-occupied	21,238,840	-
Provisions	39,200	38,050
	30,511,250	1,789,881
Total liabilities	**34,801,726**	**4,118,189**
Net assets	**11,173,506**	**10,998,485**

Burger Fuel Group Limited
Consolidated Statement of Financial Position As at 31 March 2020

	2020	2019
Net tangible assets per share ($ per share)	0.15	0.14

For and on behalf of the board who approved these financial statements for issue on 29th June 2020.



Director

Director

Burger Fuel Group Limited
Consolidated Statement of Changes in Equity
For The Year Ended 31 March 2020

2020	Contributed Equity $	Foreign Currency Translation Reserve $	IPO Capital Costs $	Retained Earnings $	**Total Equity** $
Balance as at 31 March 2019	**14,087,498**	**(324,083)**	**(223,432)**	**(2,541,498)**	**10,998,485**
Impact of Changes in Accounting Policies	-	-	-	**56,000**	**56,000**
Balance as at 1 April 2019	**14,087,498**	**(324,083)**	**(223,432)**	**(2,485,498)**	**11,054,485**
Buy Back and cancellation of ordinary shares	(269,241)	-	-	-	**(269,241)**
Movement in foreign currency translation reserve recognised in other comprehensive income	-	(117,216)	-	-	**(117,216)**
Net Profit for the year ended 31 March 2020	-	-	-	505,478	**505,478**
Total comprehensive income	-	(117,216)	-	505,478	**388,262**
Balance as at 31 March 2020	**13,818,257**	**(441,299)**	**(223,432)**	**(1,980,020)**	**11,173,506**

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

Burger Fuel Group Limited
Consolidated Statement of Cash Flows
For The Year Ended 31 March 2020

	2020	2019
	$	$
Cash flows from operating activities		
Cash was provided from:		
Receipts from customers	20,260,648	20,849,474
Interest received	113,223	127,751
Interest Income non- occupied leases	1,410,421	-
Goods and services tax received / (paid)	(5,547)	13,867
	21,778,745	20,991,092
Cash was applied to:		
Payments to suppliers & employees	(18,066,261)	(17,908,340)
Interest paid	(345)	(10,925)
Interest Expense non- occupied leases	(1,410,421)	-
Interest on leases	(442,632)	-
Taxes paid	(527,380)	(883,146)
	(20,447,039)	(18,802,411)
Net cash flows provided from operating activities	**1,331,706**	**2,188,681**
Cash flows from investing activities		
Cash was provided from:		
Repayments from suppliers & staff	12,436	8,711
Sale of property, plant and equipment	50,054	76,794
Lease receivable - non-occupied	1,443,697	-
	1,506,187	85,505
Cash was applied to:		
Acquisition of intangible assets	(21,507)	(194,247)
Advances to franchisee and staff	(150,000)	(46,611)
Acquisition of property, plant & equipment	(512,459)	(870,799)
Share buyback & cancellation	(269,241)	(1,946,945)
	(953,207)	(3,058,602)
Net cash flows applied to investing activities	**(552,980)**	**(2,973,097)**
Cash flows from financing activities		
Cash was applied to:		
Lease Liability	(398,984)	-
Lease Liability – non-occupied	(1,443,697)	-
Net cash flows applied to financing activities	**(1,842,681)**	**-**
Net movement in cash and cash equivalents	42,005	(784,416)
Exchange gains / (loss) on cash and cash equivalents	24,689	(12,989)
Opening cash and cash equivalents	5,503,473	6,300,878
Closing cash and cash equivalents	**5,570,167**	**5,503,473**

Burger Fuel Group Limited

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.

2020	**New Zealand**	**Australia**	**Middle East**	**USA**	**Consolidated**
	$	$	$	$	$
Revenue					
Sales	8,324,238	-	89,253	-	**8,413,491**
Royalties	4,876,942	-	791,785	15,498	**5,684,225**
Franchising fees	140,758	-	-	-	**140,758**
Franchise Fees IFRS15 Adjustment	175,476	-	46,543	13,077	**235,096**
Training fees	110,000	-	-	-	**110,000**
Property management fees	53,000	-	-	-	**53,000**
Advertising fees	3,581,227	-	143,941	-	**3,725,168**
Foreign exchange gain	(74,525)	(17,095)	(11,485)	245,997	**142,892**
Sundry income	1,694,215	1,937	65,243	79,711	**1,841,106**
Interest received	67,076	1,009	834	44,304	**113,223**
Interest Leases	1,410,421	-	-	-	**1,410,421**
Total Revenue	**20,358,828**	**(14,149)**	**1,126,114**	**398,587**	**21,869,380**
Interest Expense	214	40	-	91	**345**
Interest Expense Leases Occupied	442,632	-	-	-	**442,632**
Interest Expense Leases non occupied	1,410,421	-	-	-	**1,410,421**
Depreciation	542,143	-	3,622	-	**545,765**
Depreciation Leases	630,329	-	-	-	**630,329**
Amortisation	143,084	-	-	-	**143,084**
Segment Result before Income Tax	(313,999)	147,473	588,948	300,951	723,373
Income Tax Expense	219,190	-	-	(1,295)	217,895
Segment Assets	44,383,022	542,381	97,178	952,651	45,975,232
Segment Liabilities	34,698,950	10,611	92,165	-	34,801,726

<u>Acquisition of Property, Plant & Equipment & Intangible Assets</u>

Other	533,996	-	-	-	**533,966**

Burger Fuel Group Limited

SEGMENT REPORTING (CONTINUED)

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

Acquisition of Property, Plant & Equipment & Intangible Assets

Other	1,063,470	-	-	-	**1,063,470**

Burger Fuel Group Limited

SUBSEQUENT EVENTS

COVID-19 Pandemic

The Group earns revenue from their franchisees, company owned stores and their sauce manufacturing operation.
The COVID-19 pandemic and responses inhibited general activity and confidence levels within the community, the economy and the operations of the Group's business. When the country went into Alert level 4 lockdown on the 26th March 2020 all stores in NZ closed, as did the US. The MENA region closed some stores and ran limited services in others. The NZ stores reopened in Level 3 on the 28th April 2020 with limited services, providing click and collect, kerbside pickup and delivery services in some stores. The US store remains closed.

While the impact of COVID-19 remains uncertain as at the date of signing these financial statements, the Group continues to monitor developments and will initiate plans to mitigate adverse impacts and maximise opportunities.

<u>In response to the COVID-19 pandemic, management has</u>:

Implemented appropriate health and safety responses to ensure the continuity of its business operations under each of the Alert Levels, whilst complying with the applicable public health and social measures for that level.

Implemented measures to reduce operating costs and capital expenditures (where applicable deferring nonessential capital projects).

Applied for the COVID-19 'Wage Subsidy Scheme' developed by the New Zealand Government, which is available to certain New Zealand businesses that are adversely affected by the COVID-19 pandemic. The group received a total of $744,516 across 8 subsidiary companies, with $488,887 of this amount received in the FY20 financial year, thus impacting our cash position as at 31 March 2020. The remainder of the $744,516 was received in FY21. This wage subsidy will be taken to the Statement of Comprehensive Income as other income, and allocated over 12 weeks from the 1 April 2020, thus increasing the Group's FY21 revenue by $744,516.

Approached landlords for rent relief during the lockdown periods. The group received rent relief on all occupied sites and the franchise system also received short-term rent relief packages. This rent relief occurred in FY21 from 1 April 2020.

These financial statements have been prepared based upon conditions existing at the end of the reporting period, 31 March 2020, and considering those events occurring subsequent to that date, up to the date of the signing of these financial statements (29 June 2020), that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 pandemic occurred before 31 March 2020, its impacts are considered an event that is indicative of conditions that arose prior to reporting period. Accordingly, as at the date of the signing of these financial statements, all reasonably known and available information with respect to the COVID-19 pandemic, has been taken into consideration and all reasonably determinable adjustments have been made in preparing these financial statements.

NEW STANDARDS ADOPTED

NZ IFRS 16 – Leases

NZ IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. NZ IFRS 16 replaces NZ IAS 17 *Leases.* It provides much improved transparency and comparability of the Group's 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 significantly impacts the Group's Statement of Financial Position as they hold the head leases on most of the New Zealand franchised stores and all of the company owned stores. In addition to the head office, company owned stores & warehouse leases, the Group at 31 March 2020 holds the head leases on 53 franchised Burger Fuel stores in New Zealand.

The Group has elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on previous assessments of whether leases are onerous applying NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- Applied the exemption to not recognise right-of-use assets and liabilities of leases with remaining lease term of 12 months or less.
- Applied the exemption to not recognise right-of-use assets and liabilities of leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight, such as in determining the lease term for contracts that contain options to extend or terminate a lease.

The Group has elected to apply the modified retrospective approach to the adoption of NZ IFRS 16. Under this approach the right-of-use assets (and lease receivable) are measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

<u>The BFG occupied leases</u>

The Group recognised $7.1M right of use asset and an offsetting lease liability as at 1 April 2019 for the current occupied leases. This led to the recognition of a deferred tax asset of $2.0M and a corresponding deferred tax liability of $2.0M. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of the lease liability was 6.3%. These current occupied leases are amortised to the Statement of Comprehensive Income over the expected lease term of the underlying right of use assets as depreciation expense.

<u>The BFG non- occupied leases</u>

Previously, the Group classified all its subleases as operating leases under NZ IAS 17. On transition to NZ IFRS 16, these leases were reassessed and classified as finance leases, since the subleases were for the whole of the remaining terms of the head leases. These subleases have been accounted for as new finance leases entered into at the date of initial application.

At transition, the right-of-use assets recognised from the head leases were disposed by entering into finance leases. Since the interest rate implicit in the subleases cannot be readily determined, the discount rates used for the head leases were used for measuring the finance lease receivables associated with the subleases. Since the sublease contracts are further like-for-like when compared to the head lease (e.g. same duration and payments), no gain or loss was recognised on the disposal of the right-of-use assets and the initial recognition of the finance lease receivables. Subsequently, the interest income from the subleases is further equal to the interest expense incurred on the related head leases.

The Group recognised $23.3M lease receivable and offsetting lease liability as at 1 April 2019 for the non-occupied leases that have been sub-let to the franchisees on the same terms. This led to the recognition of a deferred tax asset of $6.5M and a corresponding deferred tax liability of $6.5M. As the deferred tax asset and deferred tax liability arise in the same tax jurisdiction, the entity has offset the asset and liability and therefore no deferred tax recognised on the non-occupied leases. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of the lease liability was 6.3%. These non-occupied leases are recognised in the Statement of Comprehensive Income as interest income & interest expense over the term of the lease. This expense was $1.4M in FY20 but is negated with a lease income entry in the financial statements to recognise the fact that the leased premises have been sub-let to the franchisees.

The right of use asset, lease receivable & 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 adoption of NZ IFRS 16 resulted in a reduction of rent expense in the Statement of Comprehensive Income of $841K (2019: $760K if reporting under IFRS 16).

Reconciliation

	Occupied	Non-occupied	Total
31 March 2019 lease commitments (including limited liability clauses)	2,534,692	5,268,442	7,803,134
Adjustment to full lease term (excluding limited liability clauses)	7,601,754	28,910,669	36,512,423
Impact of discounting to present value at 1 April 2019	(3,040,888)	(10,877,540)	(13,918,428)
Carrying amount of lease liability at 1 April 2019	7,095,558	23,301,571	30,397,129

Burger Fuel Group Limited
Company Directory
As at 31 March 2020

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

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Level 9, Tower Centre
45 Queen Street
Auckland 1010

Accountants
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Level 4
152 Fanshawe Street
Auckland 1011

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529 Fifth Avenue
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KPMG
18 Viaduct Harbour Avenue,
Auckland 1140

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

Solicitors
Dentons Kensington Swan, 18 Viaduct Harbour Avenue, Auckland 1011.
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