



Guzman y Gomez (Holdings) Limited

ABN 25 125 554 743

Interim Report - 31 December 2023

Guzman y Gomez (Holdings) Limited

Contents

31 December 2023



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General information

The interim financial statements covers Guzman y Gomez (Holdings) Limited as a consolidated entity consisting of Guzman y Gomez (Holdings) Limited (the 'Company' or 'GYG') and the entities it controlled (the 'consolidated entity') at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Guzman y Gomez (Holdings) Limited's functional and presentation currency.

Guzman y Gomez (Holdings) Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 5
126-130 Phillip Street
Sydney NSW 2000

Principal place of business

Level 2
64-76 Kippax Street
Surry Hills NSW 2010

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2024. The directors have the power to amend and reissue the financial statements.



The directors present their report, together with the financial statements, on the consolidated entity (the 'consolidated entity') consisting of Guzman y Gomez (Holdings) Limited (the 'Company' or 'GYG') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

The following persons were directors of Guzman y Gomez (Holdings) Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Appointment date
Mr Steven Todd Marks	Appointed 23 May 2007
Mr Robert Jacob Hazan	Appointed 30 May 2007
Mr Stephen Craig Jermyn	Appointed 18 July 2014
Mr Gaetano Alfred Russo	Appointed 18 July 2014
Mr Bruce Eaton Buchanan	Appointed 25 August 2016
Mr Hilton Brett	Appointed 13 August 2018
Mr Thomas Donald Mckenzie Cowan	Appointed 13 August 2018
Ms Jacqueline Coombes	Appointed 24 June 2020
Ms Marina Joanou	Appointed 23 February 2023

Company secretary

Claudine Mary Tarabay is the appointed Company Secretary.

Principal activities

The principal activities of the consolidated entity during the course of the half-year was the sale of Mexican inspired food through a chain of quick service restaurants and the management of a franchise business engaged in the same business. The consolidated entity operates corporate restaurants in Australia and USA and manages franchisee restaurants in Australia, Singapore, and Japan. There were no significant changes in the nature of the activities of the consolidated entity during the half-year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,960,000 (31 December 2022: \$1,121,000).

Global Network Sales including Franchisees for the Group during the financial half-year were \$470.8 million (31 December 2022: \$360.1 million). Global restaurant network as 31 December 2023 was 209 restaurants (31 December 2022: 178 restaurants).

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to reflect the core earnings of the Group. Underlying EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and significant items.



A reconciliation between statutory net profit after tax ('NPAT') and Underlying EBITDA for the half-year ended 31 December 2023 and 31 December 2022 is as follows:

	Statutory \$'000	AASB 16 adjustments \$'000	AASB 2 Share-based payments \$'000	Amortisation of reacquired rights \$'000	Non-cash revenue(i) \$'000	One-off income and expenses(ii) \$'000	Underlying Group \$'000	US Operating losses \$'000	US General and Administrative expenses \$'000	Underlying Australia \$'000
Half-year ended 31 Dec 2023										
Restaurant sales	142,192	-	-	-	-	-	142,192	5,637	-	136,555
Other revenue	25,325	-	-	-	-	-	25,325	-	-	25,325
EBITDA	18,904	(8,217)	6,020	-	(39)	4,554	21,222	507	2,588	24,317
Depreciation and amortisation	15,900	(6,324)	-	(1,434)	-	-	8,142	(663)	-	7,479
EBIT	3,004	(1,893)	6,020	1,434	(39)	4,554	13,080	1,170	2,588	16,838
Interest (paid)/earned	(4,083)	4,437	-	-	-	-	354	-	-	354
NPBT	(1,079)	2,544	6,020	1,434	(39)	4,554	13,434	1,170	2,588	17,192
Income tax expense	(2,881)									
NPAT	(3,960)									

(i) Represents amortisation of franchise fees less cash received for new franchisees.

(ii) One-off income and expenses includes \$2.4m of system implementation costs that do not meet the criteria for capitalisation in accordance with the IFRIC Software-as-a-Service ("SAAS") guidance, and have been expensed as incurred. A further \$1.9m relates to the final settlement of claim and legal costs relating to proceedings initiated by former US executives.

Guzman y Gomez (Holdings) Limited
Directors' report
31 December 2023



	Statutory \$'000	AASB 16 adjustments \$'000	AASB 2 Share-based payments \$'000	Amortisation of reacquired rights \$'000	Non-cash revenue(i) \$'000	One-off income and expenses(ii) \$'000	Underlying Group \$'000	US Operating losses \$'000	US General and Administrative expenses \$'000	Underlying Australia \$'000
Half-year ended 31 Dec 2022										
Restaurant sales	102,060	-	-	-	-	-	102,060	1,422	-	100,638
Other revenue	19,125	-	-	-	-	-	19,125	-	-	19,125
EBITDA	14,562	(5,711)	2,731	-	173	1,119	12,874	229	1,503	14,606
Depreciation and amortisation	12,592	(5,399)	-	(1,378)	-	-	5,815	(6)	-	5,809
EBIT	1,970	(312)	2,731	1,378	173	1,119	7,059	235	1,503	8,797
Interest (paid)/earned	(1,622)	1,819	-	-	-	-	197	-	-	197
NPBT	348	1,507	2,731	1,378	173	1,119	7,256	235	1,503	8,994
Income tax expense	(1,469)									
NPAT	(1,121)									

(i) Represents amortisation of franchise fees less cash received for new franchisees.

(ii) The Group has undertaken a number of IT projects. Among other one-off costs are the costs associated with development of these projects that do not meet the criteria for capitalisation in accordance with the IFRIC Software-as-a-Service ("SAAS") guidance of \$2.1m have been expensed as incurred. Included in one-off income is the receipt of \$1.9m related to compensation from a QLD State Government metro project due to compulsory acquisition of a restaurant.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 14 January 2024, a total of 6,000 options were granted to Hilton Brett, co-CEO of the consolidated entity. The options are split into five tranches which have annual vesting dates from 30 June 2024 to 30 June 2028. As part of the appointment and offer of options, Mr Brett's 126 pre-existing unvested options granted as part of his Non-Executive Director remuneration have been cancelled.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.



Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Steven Todd Marks".

Mr Steven Todd Marks
Founder and co-CEO

22 February 2024
Sydney

A handwritten signature in black ink, appearing to read "Hilton Brett".

Mr Hilton Brett
Director and co-CEO

The Board of Directors
Guzman y Gomez (Holdings) Limited
Level 2, 64-76 Kippax Street
Surry Hills NSW 2010

22 February 2024

Dear Board Members,

Auditor's Independence Declaration to Guzman y Gomez (Holdings) Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Guzman y Gomez (Holdings) Limited.

As lead audit partner for the review of the interim financial report of Guzman y Gomez (Holdings) Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Damien Cork
Partner
Chartered Accountants

Guzman y Gomez (Holdings) Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



	Note	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Revenue			
Revenue	2	167,517	121,185
Cost of food and packaging	5	<u>(43,237)</u>	<u>(32,906)</u>
Gross profit from restaurants, franchising fees and royalties		<u>124,280</u>	<u>88,279</u>
Other revenue and income	3	11,719	9,792
Expenses			
Marketing expenses	4	(10,704)	(8,760)
Occupancy expenses		(1,387)	(483)
Administrative expenses	5	(111,630)	(81,071)
Other expenses		<u>(9,274)</u>	<u>(5,787)</u>
Operating profit		3,004	1,970
Finance income		2,327	2,138
Finance costs	6	<u>(6,410)</u>	<u>(3,760)</u>
(Loss)/profit before income tax expense		(1,079)	348
Income tax expense		<u>(2,881)</u>	<u>(1,469)</u>
Loss after income tax expense for the half-year		(3,960)	(1,121)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(387)</u>	10
Other comprehensive (loss)/income for the half-year, net of tax		<u>(387)</u>	10
Total comprehensive loss for the half-year		<u><u>(4,347)</u></u>	<u><u>(1,111)</u></u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Guzman y Gomez (Holdings) Limited
Consolidated statement of financial position
As at 31 December 2023



	Note	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		13,619	36,504
Trade and other receivables		21,198	23,947
Inventories	7	3,171	2,153
Finance lease receivable		10,514	10,772
Other assets		4,430	3,560
Total current assets		<u>52,932</u>	<u>76,936</u>
Non-current assets			
Trade and other receivables		1,001	1,140
Property, plant and equipment	8	77,953	69,486
Right-of-use assets	9	122,290	98,939
Finance lease receivable		57,603	58,561
Intangibles	10	11,697	15,202
Deferred tax		7,038	4,243
Total non-current assets		<u>277,582</u>	<u>247,571</u>
Total assets		<u>330,514</u>	<u>324,507</u>
Liabilities			
Current liabilities			
Trade and other payables	11	22,035	32,635
Contract liabilities		2,351	1,681
Lease liabilities	13	20,012	20,165
Income tax		9,733	3,636
Provisions		5,356	8,349
Total current liabilities		<u>59,487</u>	<u>66,466</u>
Non-current liabilities			
Contract liabilities		2,224	2,177
Borrowings	12	3,000	3,000
Lease liabilities	13	188,055	161,552
Provisions		3,763	3,347
Total non-current liabilities		<u>197,042</u>	<u>170,076</u>
Total liabilities		<u>256,529</u>	<u>236,542</u>
Net assets		<u>73,985</u>	<u>87,965</u>
Equity			
Issued capital	14	88,295	104,046
Reserves	15	16,507	10,776
Accumulated losses		(30,817)	(26,857)
Total equity		<u>73,985</u>	<u>87,965</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Guzman y Gomez (Holdings) Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2023



	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	99,163	6,526	(24,590)	81,099
Loss after income tax expense for the half-year	-	-	(1,121)	(1,121)
Other comprehensive income for the half-year, net of tax	-	10	-	10
Total comprehensive (loss)/income for the half-year	-	10	(1,121)	(1,111)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,458	-	-	4,458
Share-based payments (note 19)	-	2,731	-	2,731
Balance at 31 December 2022	<u>103,621</u>	<u>9,267</u>	<u>(25,711)</u>	<u>87,177</u>
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2023	104,046	10,776	(26,857)	87,965
Loss after income tax expense for the half-year	-	-	(3,960)	(3,960)
Other comprehensive loss for the half-year, net of tax	-	(387)	-	(387)
Total comprehensive loss for the half-year	-	(387)	(3,960)	(4,347)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	142	-	-	142
Share-based payments (note 19)	-	6,020	-	6,020
Share buy-back (note 14)	(15,893)	-	-	(15,893)
Option fees received and receivable	-	98	-	98
Balance at 31 December 2023	<u>88,295</u>	<u>16,507</u>	<u>(30,817)</u>	<u>73,985</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Guzman y Gomez (Holdings) Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023



	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Cash flows from operating activities		
Receipts from customers	200,826	143,465
Payments to suppliers and employees	<u>(187,583)</u>	<u>(129,849)</u>
	13,243	13,616
Interest received	503	261
Interest and other finance costs paid	(149)	(124)
Income taxes refund/(paid)	<u>519</u>	<u>(79)</u>
Net cash from operating activities	<u>14,116</u>	<u>13,674</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(5,427)
Payments for property, plant and equipment	(14,867)	(14,667)
Payments for intangibles	(9)	(1,449)
Proceeds from disposal of business	<u>-</u>	<u>19</u>
Net cash used in investing activities	<u>(14,876)</u>	<u>(21,524)</u>
Cash flows from financing activities		
Proceeds from issue of shares	142	4,458
Option fees received	173	290
Payments for share buy-backs	(15,893)	-
Repayment of borrowings	-	(233)
Lease interest paid	(2,995)	(1,759)
Repayment of lease liabilities (principal)	<u>(3,552)</u>	<u>(4,931)</u>
Net cash used in financing activities	<u>(22,125)</u>	<u>(2,175)</u>
Net decrease in cash and cash equivalents	(22,885)	(10,025)
Cash and cash equivalents at the beginning of the financial half-year	<u>36,504</u>	<u>54,427</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>13,619</u></u>	<u><u>44,402</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes



Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have any significant impact for the full financial year ending 30 June 2024.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Comparatives

Comparative information in the cash flow statement has been restated to reflect the current period presentation of lease interest payments as financing activities.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. In preparing the financial statements, the directors note that the Group is in a net current asset deficiency of \$6,555,000 (30 June 2023: net current asset surplus of \$10,470,000) inclusive of current lease liabilities of \$20,012,000 (30 June 2023: 20,165,000), finance lease receivables of \$10,514,000 (30 June 2023: \$10,772,000) and \$15,893,000 of cash outflows for the share buyback set out in Note 14. Based on financial forecasts prepared by management, the directors are satisfied of the ability of the consolidated entity to continue as a going concern including realising its assets and discharging its liabilities in the normal course of business.

Note 2. Revenue

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Sales revenue (point in time)	142,192	102,060
Franchising revenue - Initial (over time)	301	267
Franchising revenue - Other (when franchisee sale occurs)	25,024	18,858
	<u>167,517</u>	<u>121,185</u>



Note 2. Revenue (continued)

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
<i>Australia:</i>		
Sales revenue	136,574	100,639
Initial franchising revenue	301	267
Other franchising revenue	24,098	18,033
<i>USA:</i>		
Sales revenue	5,618	1,422
<i>Other:</i>		
Other franchising revenue	926	824
	<u>167,517</u>	<u>121,185</u>

Note 3. Other revenue and income

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Franchising marketing levy revenue	7,658	6,144
Cost recoveries*	1,288	-
Franchisee rental income	1,277	-
Stock for resale income	44	40
Other revenue**	1,452	3,608
Total other revenue and income	<u>11,719</u>	<u>9,792</u>

* Included in cost of recoveries is \$1,288,000 of IT cost recovery income. The consolidated entity recharges certain information technology costs from franchisees, with a corresponding expense recognised in administration expenses. In the prior comparative period recharges of \$873,000 were recognised on a net basis.

** Other revenue included a compensation claim agreed with Queensland government entity for the compulsory acquisition of one of the consolidated entity's restaurants in the prior period. A total of \$2,475,000 was received of which \$1,930,000 was recognised in the prior period. None received during the current period.

Note 4. Marketing expenses

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Marketing - Excluding employee benefits expense	8,537	6,921
Marketing - Employee benefits expense	2,167	1,839
	<u>10,704</u>	<u>8,760</u>



Note 5. Expenses

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
<i>(Loss)/profit before income tax includes the following specific expenses:</i>		
Cost of food and packaging		
Cost of food and packaging	43,237	32,906
Administrative expenses		
Leasehold improvements	2,065	1,240
Plant and equipment	2,801	1,618
Computer equipment	549	445
Office equipment	504	365
Make good assets	143	130
Land and buildings right-of-use assets	6,324	5,399
Total depreciation	12,386	9,197
<i>Amortisation</i>		
Software	2,080	1,992
Reacquired rights	1,434	1,378
Total amortisation	3,514	3,370
Total depreciation and amortisation	15,900	12,567
<i>Net foreign exchange (gain)/loss</i>		
Net foreign exchange (gain)/loss	(15)	88
<i>Employee benefits</i>		
Defined contribution superannuation expense	4,883	3,794
Equity-settled share based payment transactions expense	6,020	2,731
Employee benefits expense excluding superannuation	58,279	44,772
Less: Marketing - Employee benefits expense ⁽ⁱⁱ⁾	(2,167)	(1,839)
	67,015	49,458
Other administrative expenses	28,730	18,958
Total administrative expenses	111,630	81,071
Rental expenses		
Rental expenses ⁽ⁱ⁾	762	172

(i) Rental expenses relate to percentage rents, short term leases and low value leases.

(ii) Employee benefits which are attributable to marketing activities are classified as marketing expenses. Refer to note 4 for details.



Note 6. Finance costs

	Half-year ended 31 Dec 2023 \$'000	Half-year ended 31 Dec 2022 \$'000
Lease interest expense	6,261	3,636
Bank interest	76	49
Other borrowing costs	73	75
	<u>6,410</u>	<u>3,760</u>

Note 7. Inventories

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Current assets</i>		
Stock on hand - at cost	1,693	1,218
Equipment for resale - at cost	1,478	935
	<u>3,171</u>	<u>2,153</u>



Note 8. Property, plant and equipment

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	58,061	45,258
Less: Accumulated depreciation	(10,081)	(8,041)
Less: Impairment	(4,647)	(4,760)
	<u>43,333</u>	<u>32,457</u>
Plant and equipment - at cost	33,994	26,696
Less: Accumulated depreciation	(11,575)	(8,788)
Less: Impairment	(1,987)	(1,997)
	<u>20,432</u>	<u>15,911</u>
Computer equipment - at cost	6,239	5,548
Less: Accumulated depreciation	(3,676)	(3,129)
Less: Impairment	(189)	(192)
	<u>2,374</u>	<u>2,227</u>
Office equipment - at cost	6,211	5,361
Less: Accumulated depreciation	(2,533)	(2,035)
Less: Impairment	(428)	(439)
	<u>3,250</u>	<u>2,887</u>
Make good assets - at cost	3,388	3,108
Less: Accumulated depreciation	(1,462)	(1,318)
Less: Impairment	(138)	(138)
	<u>1,788</u>	<u>1,652</u>
Site construction assets - at cost	<u>6,776</u>	<u>14,352</u>
	<u><u>77,953</u></u>	<u><u>69,486</u></u>

Reconciliations

Reconciliations of the written down values of property, plant and equipment (excluding site construction assets) at the beginning and end of the current financial half-year are set out below:

	Leasehold improve- ments \$'000	Plant and equipment \$'000	Computer equipment \$'000	Office equipment \$'000	Make good assets \$'000	Total \$'000
Balance at 1 July 2023	32,457	15,911	2,227	2,887	1,652	55,134
Additions	13,212	7,363	704	885	279	22,443
Exchange differences	(271)	(41)	(8)	(18)	-	(338)
Depreciation expense	(2,065)	(2,801)	(549)	(504)	(143)	(6,062)
Balance at 31 December 2023	<u><u>43,333</u></u>	<u><u>20,432</u></u>	<u><u>2,374</u></u>	<u><u>3,250</u></u>	<u><u>1,788</u></u>	<u><u>71,177</u></u>



Note 9. Right-of-use assets

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	158,389	128,751
Less: Accumulated depreciation	<u>(36,099)</u>	<u>(29,812)</u>
	<u><u>122,290</u></u>	<u><u>98,939</u></u>

The consolidated entity has lease contracts for offices and restaurants ('principal leases') under agreements of typically 5 to 20 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

In addition, there are a number of leases for which the head lease is longer than the sub-lease to the franchisee. In these circumstances, the sub-lease is classified as an operating lease.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and buildings \$'000
Balance at 1 July 2023	98,939
Additions	29,675
Depreciation expense	<u>(6,324)</u>
Balance at 31 December 2023	<u><u>122,290</u></u>

Note 10. Intangibles

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	1,373	1,373
Less: Impairment	<u>(97)</u>	<u>(97)</u>
	<u>1,276</u>	<u>1,276</u>
Patents and trademarks - at cost	<u>513</u>	<u>504</u>
Software - at cost	14,138	14,138
Less: Accumulated amortisation	<u>(9,003)</u>	<u>(6,923)</u>
	<u>5,135</u>	<u>7,215</u>
Reacquired rights - at cost	11,195	11,195
Less: Accumulated amortisation	<u>(6,422)</u>	<u>(4,988)</u>
	<u>4,773</u>	<u>6,207</u>
	<u><u>11,697</u></u>	<u><u>15,202</u></u>



Note 10. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill \$'000	Patents and trademarks \$'000	Software \$'000	Reacquired rights \$'000	Total \$'000
Balance at 1 July 2023	1,276	504	7,215	6,207	15,202
Additions	-	9	-	-	9
Amortisation expense	-	-	(2,080)	(1,434)	(3,514)
Balance at 31 December 2023	<u>1,276</u>	<u>513</u>	<u>5,135</u>	<u>4,773</u>	<u>11,697</u>

Note 11. Trade and other payables

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Current liabilities</i>		
Trade payables	6,181	13,996
Other payables	15,854	18,639
	<u>22,035</u>	<u>32,635</u>

Note 12. Borrowings

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Non-current liabilities</i>		
Growth facility	<u>3,000</u>	<u>3,000</u>

During the year ended 30 June 2023, the consolidated entity has renewed the growth facility. This facility of \$3,000,000 has a term of three years and expires on 19 May 2026.

The weighted average effective interest rate on bank loans at 31 December 2023 is 7.20% (30 June 2023: 5.97%).

Assets pledged as security

All banking facilities are secured by way of a floating charge over the assets of the consolidated entity.

Note 13. Lease liabilities

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Current liabilities</i>		
Lease liability	<u>20,012</u>	<u>20,165</u>
<i>Non-current liabilities</i>		
Lease liability	<u>188,055</u>	<u>161,552</u>



Note 14. Issued capital

	As at 31 Dec 2023 Shares	As at 30 Jun 2023 Shares	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
Ordinary shares - fully paid	336,423	339,665	88,295	104,046

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	339,665		104,046
Exercise of options	22 August 2023	15	\$495.00	7
Exercise of options	23 August 2023	40	\$495.00	20
Exercise of options	26 August 2023	15	\$495.00	7
Exercise of options	28 August 2023	145	\$495.00	72
Exercise of options	7 September 2023	15	\$495.00	7
Exercise of options	27 September 2023	15	\$495.00	7
Exercise of options	1 October 2023	30	\$495.00	15
Exercise of options	17 October 2023	15	\$495.00	7
Buy-back of shares ⁽ⁱ⁾	5 December 2023	(3,532)	\$4,500.00	(15,893)
Balance	31 December 2023	336,423		88,295

(i) Buy-back of shares

During the year ended 30 June 2022, the consolidated entity appointed several executive employees in the US North American Leadership Team ('NALT'). As part of these employment agreements, the consolidated entity established an incentive plan for these employees which provided for, at the discretion of the board of directors, granting of performance rights which were set out in the financial report for the year ended 30 June 2022. In March 2023, the employment of the NALT employees ceased through resignation or termination by the consolidated entity. In June 2023 entities related to the former NALT filed a complaint with the Superior Court of the State of California (USA) making a number of allegations against certain directors and the consolidated entity.

During the half year, the consolidated entity entered into a settlement agreement with entities related to the NALT members. This included the following:

- Buy-back of 3,532 shares held by the Fuller 74, LLC equal to an aggregate price of \$15,893,000
- Cash settlement of US\$1,000,000
- The associated claims by entities related to the NALT were released.

Shareholders approved the share buy-back at the Group's Annual General Meeting on 30 November 2023. An amount of \$1,520,600, representing the AUD equivalent of the settlement of US\$1,000,000, less the amount provided for of \$715,967 at 30 June 2023 was recognised in profit or loss in the half-year. The difference to the amount provided for at 30 June 2023 represents the movement due to the change in foreign exchange rates.

The directors do not expect any further legal proceedings or exposure with respect to the matter.

Note 15. Reserves

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
Foreign currency reserve	18	405
Share-based payments reserve	16,489	10,371
	16,507	10,776



Note 15. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Foreign currency \$'000	Share-based payments \$'000	Total \$'000
Balance at 1 July 2023	405	10,371	10,776
Foreign currency translation	(387)	-	(387)
Share-based payments expense	-	6,020	6,020
Option fees received and receivable	-	98	98
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2023	<u>18</u>	<u>16,489</u>	<u>16,507</u>

Note 16. Contingent liabilities

The consolidated entity has a contingent liability of \$3,301,000 relating to bank guarantees provided by the consolidated entity as at 31 December 2023 (30 June 2023: \$3,406,000).

The consolidated entity holds a number of leases on behalf of Guzman y Gomez franchises. All lease costs and liabilities are transferred to the franchisee through a property licence deed, however, in the event a franchisee is unable to settle their present and/or future lease obligations, the consolidated entity would assume all lease liabilities. These obligations are recognised as lease liabilities at 31 December 2023.

Note 17. Commitments

	As at 31 Dec 2023 \$'000	As at 30 Jun 2023 \$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	<u>5,141</u>	<u>7,906</u>
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as lease receivables:		
Within one year	3,342	2,213
One to five years	14,362	10,652
More than five years	<u>51,431</u>	<u>39,812</u>
	<hr/>	<hr/>
Total undiscounted lease payments	<u>69,135</u>	<u>52,677</u>

Note 18. Events after the reporting period

On 14 January 2024, a total of 6,000 options were granted to Hilton Brett, co-CEO of the consolidated entity. The options are split into five tranches which have annual vesting dates from 30 June 2024 to 30 June 2028. As part of the appointment and offer of options, Mr Brett's 126 pre-existing unvested options granted as part of his Non-Executive Director remuneration have been cancelled.

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



Note 19. Share-based payments

During the period, the following options under each of the Company's incentive plans were on issue. The tables also disclose the number granted, exercised or otherwise forfeited during the period:

2022-Key Executive LTI Plan

Grant date	Expiry date	Exercise price	Number at the start of the half-year	Number		Number Expired/ forfeited/ other	Number at the end of the half-year
				Granted	Exercised		
27/05/2022	30/03/2024	\$3,270.00	4,122	-	-	-	4,122
27/05/2022	30/03/2025	\$3,597.00	4,122	-	-	-	4,122
27/05/2022	30/03/2026	\$3,957.00	4,121	-	-	-	4,121
			12,365	-	-	-	12,365

2019 plan

Grant date	Expiry date	Exercise price	Number at the start of the half-year	Number		Number Expired/ forfeited/ other	Number at the end of the half-year
				Granted	Exercised		
14/02/2020	30/06/2026	\$495.00	2,084	-	-	-	2,084
14/02/2020	30/06/2026	\$495.00	8,936	-	-	-	8,936
28/07/2020	30/06/2026	\$495.00	1,500	-	-	-	1,500
28/07/2020	30/06/2026	\$495.00	866	-	-	(212)	654
15/09/2020	30/06/2026	\$495.00	543	-	(290)	(57)	196
20/10/2020	30/06/2027	\$495.00	650	-	-	-	650
09/12/2020	30/06/2026	\$495.00	160	-	-	-	160
26/04/2022	30/06/2026	\$495.00	30	-	-	-	30
12/11/2021	30/06/2028	\$2,500.00	1,100	-	-	(400)	700
12/11/2021	30/06/2028	\$2,500.00	1,650	-	-	-	1,650
26/04/2022	30/06/2028	\$2,500.00	450	-	-	-	450
12/11/2021	30/06/2027	\$2,500.00	400	-	-	-	400
27/03/2023	27/03/2030	\$4,000.00	200	-	-	-	200
27/03/2023	27/03/2030	\$4,000.00	350	-	-	-	350
12/05/2023	12/05/2030	\$4,000.00	540	-	-	-	540
26/05/2023	26/05/2030	\$4,000.00	714	-	-	-	714
05/06/2023	05/06/2030	\$4,000.00	981	-	-	-	981
05/06/2023	05/06/2030	\$4,000.00	336	-	-	-	336
09/06/2023	09/06/2030	\$4,000.00	122	-	-	-	122
12/06/2023	12/06/2030	\$4,000.00	898	-	-	-	898
24/08/2023	24/08/2030	\$4,000.00	-	517	-	-	517
09/11/2023	09/11/2030	\$4,000.00	-	270	-	-	270
22/11/2023	22/11/2030	\$4,000.00	-	168	-	-	168
			22,510	955	(290)	(669)	22,506

2015 plan

Grant date	Expiry date	Exercise price	Number at the start of the half-year	Number		Number Expired/ forfeited/ other	Number at the end of the half-year
				Granted	Exercised		
27/06/2017	27/06/2027	\$410.15	176	-	-	-	176



Note 19. Share-based payments (continued)

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/08/2023	24/08/2030	\$4,000.00	\$4,000.00	35.00%	-	3.93%	\$1,787.50
09/11/2023	09/11/2030	\$4,000.00	\$4,000.00	35.00%	-	4.33%	\$1,824.43
22/11/2023	22/11/2030	\$4,000.00	\$4,000.00	35.00%	-	4.25%	\$1,817.05

Guzman y Gomez (Holdings) Limited
Directors' declaration
31 December 2023



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Steven Todd Marks".

Mr Steven Todd Marks
Founder and co-CEO

22 February 2024
Sydney

A handwritten signature in black ink, appearing to read "Hilton Brett".

Mr Hilton Brett
Director and co-CEO

Independent Auditor's Review Report to the Members of Guzman y Gomez (Holdings) Limited

Conclusion

We have reviewed the interim financial report of Guzman y Gomez (Holdings) Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Damien Cork
Partner
Chartered Accountants

Sydney, 22 February 2024