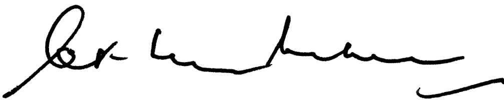
Restaurant Brands New Zealand Limited

2008 Financial Statements

The Directors are pleased to present the Financial Statements of Restaurant Brands New Zealand Limited for the year ended 29 February 2008 contained on pages 2 to 29.

For and on behalf of the Board of Directors:



E K van Arkel Chairman	**D A Pilkington** Director
Date 9 April 2008	Date 9 April 2008

RESTAURANT BRANDS NEW ZEALAND LIMITED
BALANCE SHEET
AS AT 29 FEBRUARY 2008

	Note	**Group 2008 $'000**	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Non-current assets					
Property, plant and equipment	6	**78,104**	81,472	**-**	-
Investments in subsidiaries	8	**-**	-	**150,396**	150,396
Intangible assets	7	**29,431**	28,420	**-**	-
Deferred tax asset	9	**-**	2,098	**-**	-
Total non-current assets		**107,535**	111,990	**150,396**	150,396
Current assets					
Inventories	10	**2,075**	2,022	-	-
Trade and other receivables	11, 22	**1,512**	891	-	-
Income tax receivable		**764**	1,294	-	-
Cash	22	**1,061**	1,100	-	-
Assets classified as held for sale	3	**22**	437	-	-
Total current assets		**5,434**	5,744	-	-
Total assets		**112,969**	117,734	**150,396**	150,396
Equity					
Share capital	14	**25,622**	25,622	**25,622**	25,622
Reserves	12	**205**	187	**92**	85
Retained earnings	12	**10,010**	6,822	**(24,776)**	(21,477)
Total equity	12	**35,837**	32,631	**938**	4,230
Non-current liabilities					
Provisions and deferred income	18	**5,593**	5,189	-	-
Loans and finance leases	16, 22	**42,871**	49,171	**42,498**	48,580
Deferred tax liability	9	**638**	-	-	-
Total non-current liabilities		**49,102**	54,360	**42,498**	48,580
Current liabilities					
Bank overdraft	22	-	-	**267**	981
Loans and finance leases	16, 22	**513**	795	-	-
Creditors and accruals	17, 22	**24,721**	24,550	**533**	312
Provisions and deferred income	18	**1,509**	1,868	-	-
Amounts payable to subsidiary companies		-	-	**106,160**	96,293
Liabilities classified as held for sale	3	**1,287**	3,530	-	-
Total current liabilities		**28,030**	30,743	**106,960**	97,586
Total liabilities		**77,132**	85,103	**149,458**	146,166
Total equity and liabilities		**112,969**	117,734	**150,396**	150,396

The accompanying accounting policies and notes form an integral part of the financial statements.

RESTAURANT BRANDS NEW ZEALAND LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 29 FEBRUARY 2008

	Note	**Group 2008 $'000**	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Continuing operations					
Store sales revenue	1	**303,547**	293,646	**-**	-
Other revenue	1	**447**	415	**5,827**	7,769
Total operating revenue		**303,994**	294,061	**5,827**	7,769
Cost of goods sold		**(248,579)**	(239,750)	**-**	-
Gross profit		**55,415**	54,311	**5,827**	7,769
Distribution expenses		**(4,922)**	(5,965)	**-**	-
Marketing expenses		**(18,391)**	(19,329)	**-**	-
General and administrative expenses		**(10,962)**	(11,082)	**-**	-
Results (EBIT) before non trading		**21,140**	17,935	**5,827**	7,769
Non trading	4	**(3,404)**	(4,424)	**-**	-
Earnings before interest and taxation (EBIT)		**17,736**	13,511	**5,827**	7,769
Interest revenue		**84**	440	**-**	-
Interest expense		**(5,037)**	(3,847)	**(4,924)**	(3,697)
Net financing expenses		**(4,953)**	(3,407)	**(4,924)**	(3,697)
Profit before taxation		**12,783**	10,104	**903**	4,072
Taxation expense	5	**(3,312)**	(3,797)	**1,625**	1,219
Profit after taxation from continuing operations		**9,471**	6,307	**2,528**	5,291
Discontinued operations					
Loss from discontinued operations (net of taxation)	2	**(456)**	(9,861)	**-**	-
Total profit / (loss) after taxation attributable to shareholders	1	**9,015**	(3,554)	**2,528**	5,291
Basic earnings per share from continuing operations (cents)	15	**9.75**	6.49	**2.60**	5.45
Basic earnings per share from discontinued operations (cents)	2, 15	**(0.47)**	(10.15)	**-**	-
Basic earnings per share from total operations (cents)	15	**9.28**	(3.66)	**2.60**	5.45

The difference between basic and diluted earnings per share is not material (refer to note 15).

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENT OF RECOGNISED INCOME AND EXPENSES
FOR THE YEAR ENDED 29 FEBRUARY 2008

	Note	**Group 2008 $'000**	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Profit / (loss) after taxation		**9,015**	(3,554)	**2,528**	5,291
Movements in foreign currency translation reserve	12	**11**	(9)	**-**	-
Other movements in reserves	12	**-**	(8)	**-**	-
Total recognised revenues and expenses		**9,026**	(3,571)	**2,528**	5,291

The accompanying accounting policies and notes form an integral part of the financial statements.

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2008

	Note	**Group 2008 $'000**	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Cash flows from operating activities					
Cash was provided by (applied to):					
Receipts from customers		**311,158**	320,014	-	-
Payments to suppliers and employees		**(275,716)**	(295,870)	-	-
Dividends received		-	-	**5,827**	7,769
Interest paid		**(4,871)**	(3,741)	**(4,703)**	(3,590)
Interest received		**84**	440	-	-
Receipt of income tax		**667**	5	**2,063**	1,808
Net cash from operating activities	21	**31,322**	20,848	**3,187**	5,987
Cash flows from investing activities					
Cash was provided by (applied to):					
Payment of intangibles	7	**(3,481)**	(3,304)	-	-
Purchase of property, plant and equipment		**(14,755)**	(24,543)	-	-
Proceeds from disposal of property, plant and equipment		**26**	33	-	-
Sale of discontinued operations		**(311)**	(1,851)	-	-
Advances from (to) subsidiary company		-	-	**9,867**	(14,366)
Net cash (used in) /from investing activities		**(18,521)**	(29,665)	**9,867**	(14,366)
Cash flows from financing activities					
Cash was provided by (applied to):					
Cash received on the exercise of options	12	-	46	-	46
(Decrease)/increase in loans	16	**(6,188)**	16,405	**(6,082)**	16,215
(Decrease) in finance leases	16	**(394)**	(213)	-	-
Dividends paid to shareholders		**(5,827)**	(7,769)	**(5,827)**	(7,769)
Supplementary dividends paid		**(431)**	(590)	**(431)**	(590)
Net cash (used in) /from financing activities		**(12,840)**	7,879	**(12,340)**	7,902
Net (decrease) / increase in cash held		**(39)**	(938)	**714**	(477)
Effect of exchange rate fluctuations on cash held		-	5	-	-
Net (decrease) / increase in cash held		**(39)**	(933)	**714**	(477)
Reconciliation of cash balances					
Cash at the beginning of the year:		**1,100**	2,033	**(981)**	(504)
Cash at the end of the year:					
Cash on hand		**340**	358	-	-
Cash at bank		**721**	742	**(267)**	(981)
		1,061	1,100	**(267)**	(981)
Net (decrease) / increase in cash held		**(39)**	(933)	**714**	(477)

The accompanying accounting policies and notes form an integral part of the financial statements.

Notes to and forming part of the financial statements
for the year ended 29 February 2008

Statement of Significant Accounting Policies

Reporting Entity

Restaurant Brands New Zealand Limited, a company domiciled in New Zealand, is registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange ("NZX"). The company is an issuer in terms of the Financial Reporting Act 1993. The consolidated financial statements presented are those for Restaurant Brands New Zealand Limited (the Company) and the Restaurant Brands Group (the Group). The Group consists of the Company and its subsidiaries.

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on 9 April 2008.

Basis of Preparation

The consolidated financial statements comply with the Financial Reporting Act 1993 and comprise statements of the following: income statement, statement of recognised income and expenses, balance sheet, cash flows, significant accounting policies, as well as the notes to these statements.

The consolidated financial statements are presented in New Zealand dollars which is the Company's functional currency. The financial information has been rounded to the nearest thousand.

The Group divides its financial year into thirteen 4-week periods. The 2008 full year results are for 52 weeks (364 days). Occasionally a "leap year" of 53 weeks is required to adjust the accounting year to a calendar basis.

Accounting Convention

The consolidated financial statements have been prepared on the historical cost basis, except for financial derivatives which are stated at their fair value and are discussed further below.

The policies set out as follows have been consistently applied by Group entities.

Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are: goodwill impairment in note 7 in relation to Pizza Hut New Zealand, and costs related to the exit of Pizza Hut Victoria in note 2.

In relation to taxation, there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Basis Of Recognising Components of the Financial Statements

The following significant accounting policies have been adopted:

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra group balances and profits resulting from intra group transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of individual Group entities at exchange rates at the dates 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. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences in respect of the net investment in foreign operations (see below).

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to New Zealand dollars at exchange rates at the dates of the transactions.

Exchange differences arising from the translation of the net investment in foreign operations are recognised in the foreign currency translation reserve and are released to the income statement upon disposal. All differences which arose prior to 1 March 2005 have, upon adoption of NZ IFRS, been transferred to retained earnings.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, which are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost, cash and cash equivalents, loans and borrowings (initially recognised at fair value plus transaction costs and subsequently measured at amortised cost), and trade and other payables which are stated at cost.

Non-derivative financial instruments are recognised initially at fair value plus, any directly attributable transaction costs, except as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed below.

Derivative financial instruments

The Group has various derivative financial instruments to manage the exposures that arise due to movements in foreign currency exchange rates and interest rates arising from operational, financing and investment activities. The Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as fair value through the profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Revenue Recognition

Goods sold and services rendered
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. 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.

Grants
A grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

Net funding costs
Net funding costs comprise: interest payable on borrowings calculated using the effective interest rate method; interest received on funds invested calculated using the effective interest rate method; foreign exchange gains and losses; gains and losses on certain financial instruments that are recognised (ie unhedged derivatives) in the income statement; unwinding of the discount on provisions and impairment losses on financial assets.

Lease Payments

- *Finance leases*

Minimum lease payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

- *Operating leases*

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Intangible Assets

Goodwill
Goodwill arises on the acquisition of subsidiaries and business combinations.

Acquisitions prior to 1 March 2005
As part of its transition to NZ IFRS, the Group elected to restate only those business combinations that occurred on or after 1 March 2005. In respect of acquisitions prior to 1 March 2005, goodwill represents the amount recognised under previous NZ GAAP.

- *Acquisitions on or after 1 March 2005.*

For acquisitions on or after 1 March 2005, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost, less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

Franchise costs
Franchise costs are those incurred in obtaining franchise rights or licences to operate quick service and take-away restaurant concepts. They include, for example, the initial fee paid to a system franchisor when a new store is opened. These are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is on a straight-line basis over the life of the applicable franchise or license agreement.

Concept development costs and fees
Concept development costs and fees include certain costs, other than the direct cost of obtaining the franchise, associated with the establishment of quick service and take-away restaurant concepts. These include, for example, professional fees and consulting costs associated with the establishment of a new brand or business acquisition.

These costs are capitalised where the concept is proven to be commercially feasible and the related future economic benefits are expected to exceed those costs with reasonable certainty. These are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over the period which future economic benefits are reasonably expected to be derived.

Software costs
Software costs have a finite useful life. Software costs are capitalised and amortised over the estimated economic life of 3 years.

Property, Plant and Equipment
Owned assets
Property plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining resource consents. Borrowing costs associated with property, plant and equipment are expensed as incurred.

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.

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 or loss as incurred.

Leased assets
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated initially at an amount equal to the lower of its fair value and present value of the future minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's balance sheet. The Group also leases certain plant and equipment and land and buildings by way of operating lease. The cost of improvements to leasehold assets is capitalised as buildings or leasehold improvements and then depreciated as outlined below.

Capital work in progress
All costs relating to an asset are first recorded in capital work in progress. Once all associated costs for an asset are established with relative certainty, the asset is then transferred from work in progress and capitalised into fixed assets.

Store start up costs
Costs incurred in connection with the assessing the feasibility of new sites are expensed as incurred with the exception of franchise costs and certain development costs and fees as discussed above.

Depreciation
Depreciation recognised in the income statement and is calculated on a straight line basis to allocate the cost of an asset, less any residual value, over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of fixed assets are as follows:

Leasehold improvements	5 - 20 years
Plant and equipment	3 - 12.5 years
Motor vehicles	4 years
Furniture and fittings	3 - 10 years
Computer equipment	3 - 5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Inventories
Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of marketing, selling and distribution. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Statement of Cash Flows
The following are definitions of the terms used in the Statement of cash flows:

a) Cash comprises; cash at bank, cash on hand and overdraft balances;
b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments; Investments can include securities not falling within the definition of cash;
c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the company;
d) Operating activities include all transactions and other events that are not investing or financing activities.

Dividends
Dividends are accrued in the period that they are authorised.

Impairment
The carrying amounts of the Group's assets except for inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's Cash Generating Unit's or (CGU's) recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Except for impairment losses on goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

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

Earnings 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 Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined 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 comprise share options granted to employees.

Employee Benefits

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. The fair value of the options granted is measured using an options pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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 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.

Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's) and head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments:

- KFC
- Pizza Hut New Zealand
- Starbucks Coffee
- Pizza Hut Victoria

The main activities of these business segments is the operation of quick-service and take-away restaurant concepts.

Geographical segments

The KFC, Pizza Hut New Zealand and Starbucks Coffee segments are managed and operated in New Zealand. Pizza Hut Victoria is managed and operated in the state of Victoria, Australia.

Goods and Services Tax

The income statement and statement of cashflow have been prepared exclusive of Goods and Services Taxation.

Non-Current Assets Held for Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Non Trading Items

The Group seeks to present a measure of comparable underlying performance on a consistent basis. In order to do so, the Group separately discloses items considered to be unrelated to the day to day operation performance of the Group. Such items are classified as Non Trading items and are separately disclosed in the Income Statement and notes to the financial statements.

New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2008, and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 3 *(Amendment) Business Combinations* includes a number of amendments including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be put through the income statement. NZ IFRS 3 is effective for accounting periods beginning 1 January 2009. NZ IFRS 3 is not expected to have any impact on the consolidated financial statements.

- NZ IFRS 8 *Operating Segments* requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet and would therefore require explanation of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. NZ IFRS 8 is effective for accounting periods beginning 1 January 2009. The Group has not yet determined the potential impact of the standard.

- NZ IAS 1 *(Amendment) Presentation of Financial Statements* requires a number of changes to the presentation and disclosures in financial statements. NZ IAS 1 is effective for accounting periods beginning 1 January 2009. The Group had not yet determined the potential impact of the amendment.

- IAS 23 *(Amendment) Borrowing costs* requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed. IAS 23 is effective for accounting periods beginning 1 January 2009. The Group has not yet determined the potential impact of the amendment.

- NZ IFRIC 12 *Service Concession Arrangements* addresses how service concession operators should apply existing New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) to account for the obligations they undertake and rights they received in service concession arrangements. NZ IFRIC 12 is effective for accounting periods from 1 January 2008. NZ IFRIC 12 is not presently relevant to the Group's operation.

- NZ IFRIC 13 *Customer loyalty programmes* clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using their fair values. NZ IFRIC 13 is effective for accounting periods beginning 1 July 2008. NZ IFRIC 13 is not presently relevant to the Group's operation.
- NZIFRIC 14 *NZ IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* provides guidance on assessing the limit in NZ IAS 19 on the amount of the surplus that can be recognised as an asset. NZ IFRIC 14 is effective for accounting periods from 1 January 2008. NZ IFRIC 14 is not presently relevant to the Group's operation.

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 1 - Segmental Reporting

NZ$'000s	KFC 2008	KFC 2007	Pizza Hut NZ 2008	Pizza Hut NZ 2007	Starbucks 2008	Starbucks 2007	Pizza Hut Victoria 2008	Pizza Hut Victoria 2007	Other* 2008	Other* 2007	Consolidated 2008	Consolidated 2007	Continued 2008	Discontinued 2008	Continued 2007	Discontinued 2007
Business Segments																
Store sales revenue	**199,116**	182,673	**71,419**	79,721	**33,012**	31,252	**6,275**	25,068	**-**	-	**309,822**	318,714	**303,547**	**6,275**	293,646	25,068
Other revenue	**-**	-	**-**	-	**-**	-	**-**	-	**447**	415	**447**	415	**447**	**-**	415	-
Total operating revenue	**199,116**	182,673	**71,419**	79,721	**33,012**	31,252	**6,275**	25,068	**447**	415	**310,269**	319,129	**303,994**	**6,275**	294,061	25,068
Concept EBITDA before general and administration expenses	**36,602**	31,216	**4,676**	5,060	**3,852**	3,645	**-**	(2,931)	**-**	-	**45,130**	36,990	**45,130**	**-**	39,921	(2,931)
Depreciation	**(5,833)**	(4,919)	**(4,244)**	(3,682)	**(1,941)**	(1,711)	**-**	-	**(398)**	(443)	**(12,416)**	(10,755)	**(12,416)**	**-**	(10,755)	**-**
Amortisation	**(552)**	(189)	**(235)**	(187)	**(211)**	(217)	**-**	-	**(285)**	(289)	**(1,283)**	(882)	**(1,283)**	**-**	(882)	**-**
Segment result (EBIT) before non trading	**28,293**	24,171	**(1,149)**	(417)	**676**	733	**-**	(3,921)	**(6,680)**	(7,264)	**21,140**	13,302	**21,140**	**-**	17,935	(4,633)
Impairment on property, plant and equipment	**(326)**	(840)	**(209)**	(502)	**-**	-	**-**	(5,862)	**-**	-	**(535)**	(7,204)	**(535)**	**-**	(1,342)	(5,862)
Impairment on intangibles	**-**	-	**(1,187)**	(1,142)	**-**	-	**-**	(702)	**-**	-	**(1,187)**	(1,844)	**(1,187)**	**-**	(1,142)	(702)
Other non trading	**(507)**	(1,188)	**(686)**	213	**200**	-	**(681)**	(3,371)	**(689)**	(965)	**(2,363)**	(5,311)	**(1,682)**	**(681)**	(1,940)	(3,371)
Segment result	**27,460**	22,143	**(3,231)**	(1,848)	**876**	733	**(681)**	(13,856)	**(7,369)**	(8,229)	**17,055**	(1,057)	**17,736**	**(681)**	13,511	(14,568)
Operating profit (loss) (EBIT)											**17,055**	(1,057)	**17,736**	**(681)**	13,511	(14,568)
Net financing costs											**(4,953)**	(3,409)	**(4,953)**	**-**	(3,407)	(2)
Net profit (loss) before taxation											**12,102**	(4,466)	**12,783**	**(681)**	10,104	(14,570)
Income tax (expense)											**(3,087)**	912	**(3,312)**	**225**	(3,797)	4,709
Net profit (loss) after taxation											**9,015**	(3,554)	**9,471**	**(456)**	6,307	(9,861)
Net profit after taxation excl non - trading											**11,044**	6,542	**11,044**	**-**	9,645	(3,103)
Segment assets	**53,868**	48,516	**43,312**	48,990	**12,707**	15,595	**22**	437	**1,298**	1,770	**111,207**	115,308				
Unallocated assets											**1,762**	2,426				
Total assets											**112,969**	117,734				
Segment liabilities	**11,833**	13,754	**3,596**	6,170	**1,567**	1,493	**1,287**	3,530	**2,241**	1,628	**20,524**	26,575				
Unallocated liabilities											**56,608**	58,528				
Total liabilities											**77,132**	85,103				
Capital expenditure including intangibles	**12,024**	22,028	**2,421**	5,310	**616**	1,715	**-**	97	**335**	1,345	**15,396**	30,495				

* Other is general and administration support centre expenses

Geographical Segments

NZ$'000s	New Zealand 2008	New Zealand 2007	Australia 2008	Australia 2007	Unallocated 2008	Unallocated 2007	Consolidated 2008	Consolidated 2007
Total operating revenue	**303,994**	294,061	**6,275**	25,068	**-**	-	**310,269**	319,129
Segment assets	**111,185**	114,871	**22**	437	**1,762**	2,426	**112,969**	117,734
Capital expenditure including intangibles	**15,396**	30,398	**-**	97	**-**	-	**15,396**	30,495

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 2 – Discontinued Operations
Losses attributable to the discontinued operations of Pizza Hut Victoria were as follows:

	Group 2008 $'000	Group 2007 $'000
Results of discontinued operations		
Revenue	**6,275**	25,068
Cost of goods sold	**(6,526)**	(22,491)
Distribution expenses	**(344)**	(2,005)
Marketing expenses	**(435)**	(3,502)
General and administration expenses	**(446)**	(1,703)
Release of exit provision	**1,476**	-
Results from operating activities	**-**	(4,633)
Income tax credit	**-**	1,530
Results from operating activities, net of income tax	**-**	(3,103)
Non trading	**(681)**	(3,371)
Net financing costs	**-**	(2)
Loss on sale of discontinued operations (impairment)	**-**	(6,564)
Income tax on loss on sale of discontinued operations	**225**	3,179
(Loss) for the period	**(456)**	(9,861)
Basic (loss) cents per share	**(0.47)**	(10.15)
Cash flows from discontinued operations		
Net cash (used in) operating activities	**(2,306)**	(6,380)
Net cash (used in) investing activities	**(311)**	(1,851)
Net cash (used in) from financing activities	**-**	(30)
Net cash (used in) discontinued operations	**(2,617)**	(8,261)

The loss for the period reflects the realised and unrealised net losses on store disposals including costs of disposal and fees paid to the franchisor, Yum Restaurants International (Yum).

Because the franchise agreements with Yum in this market now create obligations that are onerous in nature, these future financial obligations relating to the as yet unsold stores have been estimated and taken up in this financial year as a provision for onerous contracts under NZ IAS 37. These are in the sum of $0.5 million. (2007: $1.3 million).

As the Group is in the process of exiting the Pizza Hut Victorian business it has reclassified these assets and liabilities as held for sale and the results from trading as discontinued operations.

Note 3 – Non-current assets held for sale
Pizza Hut Victoria is presented as a disposal group held for sale following the commitment of the Group's management, to a plan to sell the business. Sale of the disposal group is expected to be completed in the new financial year.
All other assets held by the disposal group have been impaired to nil.

	2008 Group $'000	2007 Group $'000
Assets classified as held for sale		
Inventories	**17**	104
Trade and other receivables	**5**	333
	22	437
Liabilities classified as held for sale		
Trade and other payables	**776**	1,900
Provisions	**511**	1,630
	1,287	3,530

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 4 – Analysis of expenses
The surplus before taxation is calculated after charging the following items:

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Auditors' remuneration:				
To PwC for statutory audit services	**67**	-	-	-
To KPMG for statutory audit services	**10**	100	-	-
To KPMG for other assurance services	**28**	25	-	-
To KPMG for financial advisory services	**42**	37	-	-
To KPMG for taxation services	**26**	34	-	-
Government training grants (included in general and administration			-	-
expenses)	**(178)**	(165)	-	-
Government training grants (included in cost of sales)	-	(159)	-	-
Amortisation of intangibles (included in cost of sales)	**1,283**	882	-	-
Royalties paid	**18,401**	18,908	-	-
Operating rental expenses	**19,269**	21,190	-	-
Net loss on disposal of property, plant and equipment	**1,855**	1,408	-	-
Directors' fees	**220**	226	-	-
Interest expense (net)	**4,848**	3,256	**4,924**	3,697
Finance lease interest	**105**	153	-	-
Non trading items				
Pizza Hut Victoria:				
Impairment of Pizza Hut Victoria property, plant and equipment	-	5,862	-	-
Impairment of Pizza Hut Victoria other intangibles	-	702	-	-
Other store closure costs	**681**	3,371	-	-
	681	9,935		
New Zealand:				
Impairment of Pizza Hut NZ goodwill	**1,187**	1,142	-	-
Other store closure costs	**573**	1,335	-	-
Other store relocation and refurbishment costs	**1,195**	2,075	-	-
Organisation restructuring	**573**	-	-	-
Other revenue	**(124)**	(128)	-	-
	3,404	4,424		

Personnel Expenses	**Group 2008 $'000**	Group 2007 $'000
Wages and salaries	**78,774**	84,061
Organisation restructuring	**573**	-
Increase/ (decrease) in liability for long-service leave	**38**	(43)
Equity-settled share-based payment transactions	**7**	15
	79,392	84,033

The parent company has no personnel expense (2007: nil).

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 5 –Income tax expense in the income statement

Reconciliation of effective tax rate	Note		**Group 2008 $'000**		Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Total profit / (loss) for the period	1		**12,102**		(4,466)	**903**	4,072
Total income tax (expense) / credit	1		**(3,087)**		912	**1,625**	1,219
Profit / (loss) after income tax			**9,015**		(3,554)	**2,528**	5,291
Income tax using the Company's domestic tax rate		(33.0%)	**(3,994)**	33.0%	1,474	**(298)**	(1,344)
Non deductible expenses and Non assessable income		3.5%	**422**	(10.5%)	(467)	**1,923**	2,563
Change in tax rate to 30%		0.5%	**64**		**-**	**-**	**-**
Change in recognition of deferred tax asset			**-**	(2.1%)	(95)	**-**	-
Prior period adjustment		3.5%	**421**		-	-	-
		(25.5%)	**(3,087)**	20.4%	912	**1,625**	1,219
Current tax expense							
Current tax credit/ (expense)			**(1,517)**		1,231	**1,625**	1,219
Reclassified as deferred tax			**-**		(1,231)	**-**	-
			(1,517)		-	**1,625**	1,219
Deferred tax expense							
Deferred tax (expense)/ credit			**(2,055)**		1,007	**-**	-
Change in tax rate to 30%			**64**		**-**	**-**	**-**
Prior period adjustments							
(Over)/ under provided in prior periods			**421**		(95)	**-**	-
Net tax credit/ (expense)			**(3,087)**		912	**1,625**	1,219
Income Statement Taxation Expense							
Income tax (expense) from continuing operations			**(3,312)**		(3,797)		
Income tax credit from discontinued operations (excluding loss on sale)	2		**-**		1,530		
Income tax expense (excluding tax on sale of discontinued operations)			**(3,312)**		(2,267)		
Income tax expense on loss on sale from discontinued operations	2		**225**		3,179		
Total income tax credit (expense)	1		**(3,087)**		912		

Imputation credits	**Group 2008 $'000**	Group 2007 $'000
Imputation credits at 1 March 2007	**3,678**	6,949
New Zealand tax payments, net of refunds	**(676)**	(44)
Imputation credits attached to dividends received	**-**	9
Imputation credits attached to dividends paid	**(2,437)**	(3,236)
Imputation credits at 29 February 2008	**565**	3,678

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 6 – Property, plant and equipment

NZ000's	Leasehold Improvements	Plant, Equipment and Fittings	Motor Vehicle	Leased Plant and Equipment	Capital Work in Progress	Total
Cost						
Balance as at 1 March 2006	**66,184**	**54,332**	**1,179**	**1,715**	**6,678**	**130,088**
Additions for year ended Feb 2007	-	2,085	193	395	24,518	27,191
Transfer from work in progress for year ended Feb 2007	16,270	5,396	-	-	(21,666)	-
Disposals for year ended Feb 2007	(11,090)	(8,753)	(227)	(99)	-	(20,169)
Movement in exchange rates for year ended Feb 2007	237	159	4	1	12	413
Balance as at 28 February 2007	**71,601**	**53,219**	**1,149**	**2,012**	**9,542**	**137,523**
Additions for year ended Feb 2008	-	2,533	115	472	8,795	11,915
Transfer from work in progress for year ended Feb 2008	11,575	1,804	-	-	(13,379)	-
Disposals for year ended Feb 2008	(7,041)	(6,076)	(309)	(1,362)	-	(14,788)
Movement in exchange rates for year ended Feb 2008	87	61	4	-	-	152
Balance as at 29 February 2008	**76,222**	**51,541**	**959**	**1,122**	**4,958**	**134,802**
Accumulated Depreciation						
Balance as at 1 March 2006	**(18,664)**	**(31,639)**	**(664)**	**(391)**	-	**(51,358)**
Charge for year ended Feb 2007	(5,145)	(4,768)	(201)	(641)	-	(10,755)
Disposals for year ended Feb 2007	5,688	6,733	198	32	-	12,651
Movement in exchange rates for year ended Feb 2007	(98)	(95)	(3)	-	-	(196)
Balance as at 28 February 2007	**(18,219)**	**(29,769)**	**(670)**	**(1,000)**	-	**(49,658)**
Charge for year ended Feb 2008	(6,210)	(5,460)	(187)	(559)	-	(12,416)
Disposals for year ended Feb 2008	2,245	4,103	206	1,064	-	7,618
Movement in exchange rates for year ended Feb 2008	(22)	(23)	(1)	-	-	(46)
Balance as at 29 February 2008	**(22,206)**	**(31,149)**	**(652)**	**(495)**	**-**	**(54,502)**
Impairment Provision						
Balance as at 1 March 2006	**(5,170)**	**(166)**	-	-	-	**(5,336)**
Charge for year ended Feb 2007	(3,883)	(3,166)	(136)	(19)	-	(7,204)
Utilised/disposed for the year ended Feb 2007	4,599	1,328	3	4	-	5,934
Movement in exchange rates for year ended Feb 2007	88	119	5	1	-	213
Balance as at 28 February 2007	**(4,366)**	**(1,885)**	**(128)**	**(14)**	-	**(6,393)**
Charge for year ended Feb 2008	(441)	(94)	-	-	-	(535)
Utilised/disposed for year ended Feb 2008	3,200	1,519	102	12	-	4,833
Movement in exchange rates for year ended Feb 2008	(62)	(36)	(3)	-	-	(101)
Balance as at 29 February 2008	**(1,669)**	**(496)**	**(29)**	**(2)**	**-**	**(2,196)**

Impairment charges incurred and utilised/disposed are recognised in non trading in the income statement.

Carrying Amounts	Leasehold Improvements	Plant, Equipment and Fittings	Motor Vehicle	Leased Plant and Equipment	Capital Work in Progress	Total
Balance as at 1 March 2006	42,350	22,527	515	1,324	6,678	**73,394**
Balance as at 28 February 2007	49,016	21,565	351	998	9,542	**81,472**
Balance as at 29 February 2008	**52,347**	**19,896**	**278**	**625**	**4,958**	**78,104**

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 7 – Intangibles

NZ000's	Goodwill	Franchise Fees	Concept Development Costs	Software Costs*	Total
Cost					
Balance as at 1 March 2006	**39,042**	**4,725**	**2,005**	**1,283**	**47,055**
Additions for year ended Feb 2007	-	2,728	132	444	3,304
Disposals for year ended Feb 2007	-	-	-	(126)	(126)
Movement in exchange rates Feb 2007	18	4	2	-	24
Balance as at 28 February 2007	**39,060**	**7,457**	**2,139**	**1,601**	**50,257**
Additions for year ended Feb 2008	-	3,331	-	150	3,481
Disposals for year ended Feb 2008	-	-	-	(28)	(28)
Movement in exchange rates Feb 2008	76	16	10	-	102
Balance as at 29 February 2008	**39,136**	**10,804**	**2,149**	**1,723**	**53,812**
Accumulated Amortisation					
Balance as at 1 March 2006	**(12,190)**	**(1,886)**	**(844)**	**(808)**	**(15,728)**
Charge for the year ended Feb 2007	-	(472)	(103)	(307)	(882)
Disposals for year ended Feb 2007	-	-	-	48	48
Movement in exchange rates Feb 2007	(3)	(1)	(1)	-	(5)
Balance as at 28 February 2007	**(12,193)**	**(2,359)**	**(948)**	**(1,067)**	**(16,567)**
Charge for the year ended Feb 2008	-	(874)	(109)	(300)	(1,283)
Disposals for year ended Feb 2008	-	-	-	28	28
Effective movement in exchange rates	(14)	(3)	(3)	-	(20)
Balance as at 29 February 2008	**(12,207)**	**(3,236)**	**(1,060)**	**(1,339)**	**(17,842)**

Amortisation charge is recognised in cost of sales in the income statement.

NZ000's	Goodwill	Franchise Fees	Concept Development Costs	Software Costs*	Total
Impairment Provision					
Balance as at 1 March 2006	**(3,032)**	-	**(416)**	-	**(3,448)**
Charge for the year ended Feb 2007	(1,142)	(702)	-	-	(1,844)
Movement in exchange rates Feb 2007	(15)	38	(1)	-	22
Balance as at 28 February 2007	**(4,189)**	**(664)**	**(417)**	-	**(5,270)**
Charge for the year ended Feb 2008	(1,187)	-	-	-	(1,187)
Effective movement in exchange rates	(62)	(13)	(7)	-	(82)
Balance as at 29 February 2008	**(5,438)**	**(677)**	**(424)**	-	**(6,539)**

Impairment charges are recognised in non trading in the income statement.

NZ000's	Goodwill	Franchise Fees	Concept Development Costs	Software Costs*	Total
Carrying Amounts					
Balance as at 1 March 2006	23,820	2,839	745	475	27,879
Balance as at 28 February 2007	22,678	4,434	774	534	28,420
Balance as at 29 February 2008	**21,491**	**6,891**	**665**	**384**	**29,431**

The parent company has no intangible assets (2007: nil).
*Software costs have been reclassified from Fixed Assets at 1 March 2006.

Goodwill

In the year ended 28 February 2006, the Directors considered the carrying amount of goodwill in the company's investment in Pizza Hut Victoria. It was determined, that given the trading position of the business, the value of the goodwill as currently recorded was not substantiated. Accordingly the full amount of the carrying value of the Pizza Hut Victoria goodwill was fully impaired at February 2007.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Note 7 – Intangibles (continued)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group 2008 $'000	Group 2007 $'000
KFC	**1,348**	1,348
Pizza Hut New Zealand	**20,143**	21,330

The recoverable amount of each cash-generating unit was based on its value in use. There was an impairment loss identified for the Pizza Hut New Zealand segment.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

KFC
Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cashflows were projected based on the 3 year strategic business plan as approved by the board of directors. The cashflows were based on sales growth of 5 – 7% pa over 2009 – 2011. Adjustments were made for operating expenses, capital expenditure and taxation. A terminal year was calculated based on the 2011 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

The discount rate, applied to future cashflows is based on an 11% weighted average cost of capital applicable to Restaurant Brands.

Pizza Hut New Zealand
Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cashflows were projected based on the 3 year strategic business plan as approved by the board of directors. The cash flows were based on sales growth remaining flat year on year for 2008/09, a decrease of 2.9% in 2009/10 due to store closures and a 4.5% pa increase in 2010/11. Adjustments were made for operating expenses, capital expenditure and taxation. A terminal year was calculated based on the 2011 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

A review in performance in Pizza Hut New Zealand in the current financial year because of significant competitor activity led to a review of future operating activities and the board of directors has decided to impair Pizza Hut New Zealand goodwill by $1.2 million.

The discount rate, applied to future cashflows is based on an 11% weighted average cost of capital applicable to Restaurant Brands.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

The above estimates are particularly sensitive in the following areas:

Pizza Hut New Zealand
A one percent decrease in terminal year sales growth would increase the impairment by $4.1 million.
An increase of one percentage point in the discount rate would increase the impairment by $4.2 million.

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 8 – Investment in subsidiaries

The subsidiary companies, all of which are wholly owned, have a 29 February balance date, and have been owned for the full financial year, are as follows:

Restaurant operating companies
Restaurant Brands Limited
Restaurant Brands Australia Pty Limited
(incorporated in Victoria, Australia)

Property holding company
Restaurant Brands Properties Limited

Employee share option plan trust company
Restaurant Brands Nominees Limited

Investment holding companies
RB Holdings Limited
RBP Holdings Limited
RBDNZ Holdings Limited
RBN Holdings Limited

Non trading subsidiary company
Restaurant Brands Pizza Limited

Note 9 – Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Property, plant and equipment	**573**	1,701	**(1,070)**	(880)	**(497)**	821
Inventory	**2**	42	**-**	-	**2**	42
Debtors	**5**	7	**-**	-	**5**	7
Provisions	**2,307**	3,307	**-**	-	**2,307**	3,307
Intangibles	**-**	192	**(2,452)**	(3,499)	**(2,452)**	(3,307)
Other	**-**	-	**(3)**	(3)	**(3)**	(3)
Tax Losses	**-**	1,231	**-**	-	**-**	1,231
	2,887	6,480	**(3,525)**	(4,382)	**(638)**	2,098

The parent company has no deferred tax assets or liabilities (2007: nil).

Movement in temporary differences during the year:

Group $'000	**Balance 1 March 2006**	**Recognised in income statement**	**Recognised in equity**	**Balance 28 February 2007**	**Recognised in income statement**	**Recognised in equity**	**Balance 29 February 2008**
Property, plant and equipment	**1,260**	(289)	(150)	**821**	(1,370)	52	**(497)**
Inventory	**33**	10	(1)	**42**	(40)	-	**2**
Debtors	**5**	2	-	**7**	(2)	-	**5**
Provisions	**3,528**	(94)	(127)	**3,307**	(1,056)	56	**2,307**
Intangibles	**(3,443)**	147	(11)	**(3,307)**	854	1	**(2,452)**
Other	**(3)**	-	-	**(3)**	-	-	**(3)**
Tax Losses	**-**	1,231	-	**1,231**	(1,231)	-	**-**
	1,380	1,007	(289)	**2,098**	(2,845)	109	**(638)**

Note 10 – Inventories

	Group 2008 $'000	Group 2007 $'000
Raw materials and consumables	**2,075**	2,022

All inventories are valued at cost.

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 11 – Trade and other receivables

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Prepayments	**1,219**	575	**-**	-
Other debtors	**293**	316	**-**	-
	1,512	891	**-**	-

Included in other debtors are foreign currency debtors of nil, (2007: nil).

The Group's exposure to credit risk is minimal as the Group's primary source of revenue is from sales made on a cash basis.

Note 12 – Capital and reserves

Reconciliation of movement in capital and reserves	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Hedging Reserve	Retained Earnings	Total
Group $'000s						
Balance as at 1 March 2006	(25,576)	(70)	(111)	(8)	(18,145)	(43,910)
Total recognised income and expense	-	-	9	-	3,554	3,563
Transfer to Income Statement	-	-	-	8	-	8
Share based payments	-	(15)	-	-	-	(15)
Net dividends distributed	-	-	-	-	7,769	7,769
Options exercised	(46)	-	-	-	-	(46)
Balance as at 28 February 2007	**(25,622)**	**(85)**	**(102)**	**-**	**(6,822)**	**(32,631)**
Balance as at 1 March 2007	(25,622)	(85)	(102)	-	(6,822)	(32,631)
Total recognised income and expense	-	-	(11)	-	(9,015)	(9,026)
Share based payments	-	(7)	-	-	-	(7)
Net dividends distributed	-	-	-	-	5,827	5,827
Balance as at 29 February 2008	**(25,622)**	**(92)**	**(113)**	-	**(10,010)**	**(35,837)**
Company $'000s						
Balance as at 1 March 2006	(25,576)	(70)	-	-	18,999	(6,647)
Total recognised income and expense	-	-	-	-	(5,291)	(5,291)
Share based payments	-	(15)	-	-	-	(15)
Net dividends distributed	-	-	-	-	7,769	7,769
Options exercised	(46)	-	-	-	-	(46)
Balance as at 28 February 2007	**(25,622)**	**(85)**	-	-	**21,477**	**(4,230)**
Balance as at 1 March 2007	(25,622)	(85)	-	-	21,477	(4,230)
Total recognised income and expense	-	-	-	-	(2,528)	(2,528)
Share based payments	-	(7)	-	-	-	(7)
Net dividends distributed	-	-	-	-	5,827	5,827
Balance as at 29 February 2008	**(25,622)**	**(92)**	**-**	**-**	**24,776**	**(938)**

Share option reserve
The share option reserve comprises the net change in options exercised during the period and the cumulative net change of share based payments incurred.

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency differences arising from transactions of the financial statements of the foreign currency operation.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions.

Note 13 – Dividend distributions

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Interim dividend of 3.0 cents per share paid (2007:2.5 cents per share)	**2,913**	2,429	**2,913**	2,429
Final dividend of 3.0 cents per share paid for the year ended 28 February 2007 (2007:5.5 cents per share)	**2,914**	5,340	**2,914**	5,340
	5,827	7,769	**5,827**	7,769

Note 14 – Equity

The issued capital of the Company is 97,128,956 (2007: 97,128,956) ordinary fully paid up shares. All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regard to the Company's residual assets.

Shares	**Group & Company 2008 number**	**Group & Company 2008 $'000**	Group & Company 2007 number	Group & Company 2007 $'000
Balance at beginning of year ordinary shares	**97,128,956**	**25,622**	97,081,875	25,576
Movements in reported capital:				
Ordinary shares	**-**	**-**	47,081	46
Balance at end of year	**97,128,956**	**25,622**	97,128,956	25,622

Note 15 – Earnings per share

The calculation of basic earnings per share for the year ended 29 February 2008 was based on the profit from continuing operations attributable to ordinary shareholders of $9.5 million and the actual number of ordinary shares outstanding during the year of 97,128,956 shares calculated as follows:

Weighted average number of ordinary shares for the period	**2008 000's of shares**	**2007 000's of shares**
Issued ordinary shares at February 2006		97,082
Effect of shares issued in March 2006		6
Effect of shares issued in May 2006		14
Effect of shares issued in June 2006		1
Effect of shares issued in July 2006		10
Effect of shares issued in February 2007		-
Weighted average number of ordinary shares	**97,129**	97,113

There were no shares issued during the year.

Note 15 – Earnings per share (continued)

Basic	**Group 2008 (cents)** Earnings per share	**Group 2008 $'000**	Group 2007 (cents) Earnings per share	Group 2007 $'000
Profit attributable to ordinary shareholders continued operations	**9.75**	**9,471**	6.49	6,307
(Loss) attributable to ordinary shareholders discontinued operations	**(0.47)**	**(456)**	(10.15)	(9,861)
Profit/ (Loss) attributable to ordinary shareholders total operations	**9.28**	**9,015**	(3.66)	(3,554)

Diluted	**Group 2008 (cents)** Earnings per share	**Group 2008 $'000**	Group 2007 (cents) Earnings per share	Group 2007 $'000
Profit attributable to ordinary shareholders continued operations	**9.75**	**9,471**	6.49	6,307
(Loss) attributable to ordinary shareholders discontinued operations	**(0.47)**	**(456)**	(10.15)	(9,861)
Profit/ (Loss) attributable to ordinary shareholders total operations	**9.28**	**9,015**	(3.66)	(3,554)

Note 16 – Loans and finance leases

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. All existing bank loans, loans and finance leases are denominated in New Zealand dollars, (2007 all denominated in New Zealand dollars). For more information about the Company's exposure to interest rate and foreign currency risk see note 19.

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Non current liabilities				
Finance leases	**373**	591	**-**	-
Secured bank loans	**42,498**	48,580	**42,498**	48,580
	42,871	49,171	**42,498**	48,580
Current liabilities				
Finance leases	**429**	605	**-**	-
Other loans	**84**	190	**-**	-
	513	795	**-**	-

Secured bank loans were renewed in 2007. Renewals are for 3 years.

The secured bank loan $42.5 million, is unhedged for interest rate rises (2007: $48.6 million). The loan is floating at an interest rate of 9.22% (2007:7.58%) at balance date. The bank loans are structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis.

As security over the loans and bank overdraft, the banks hold a negative pledge deed between Restaurant Brands New Zealand Limited and all its subsidiary companies. The negative pledge deed includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The other loan is at a fixed interest rate of 7.17% (2007: 11.0%) and is repayable within a year.

Note 17 – Current creditors and accruals

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Trade creditors	**11,314**	8,732	**-**	-
Other creditors and accruals	**5,114**	8,418	**533**	312
Employee entitlements	**5,590**	5,531	**-**	-
Indirect and other taxes	**2,703**	1,869	**-**	-
	24,721	24,550	**533**	312

Included in trade creditors are foreign currency creditors of $245,000 (AUD $27,000; US$ 174,000), (2007: NZ$218,000; AU$7,000; US$149,000) which are not hedged. The trade creditors included in liabilities held for sale as per Note 3 are NZ$546,000 (AU$479,000) and are not hedged (2007: NZ $1,253,000 (AU $1,121,000)).

Note 18 – Provisions and deferred income

Group $'000	**Surplus lease space**	**Store closure costs**	**Employee entitlements**	**Deferred Income**	**Total**
Balance at 1 March 2007	349	251	432	6,025	7,057
Provisions created during the period	317	535	194	1,812	2,858
Provisions used during the period	(505)	(608)	(80)	(1,357)	(2,550)
Provisions released during the period	(103)	(84)	(76)	-	(263)
Balance at 29 February 2008	**58**	**94**	**470**	**6,480**	**7,102**
2008					
Non-current	28	-	470	5,095	5,593
Current	30	94	-	1,385	1,509
	58	**94**	**470**	**6,480**	**7,102**
2007					
Non-current	-	-	432	4,757	5,189
Current	349	251	-	1,268	1,868
	349	**251**	**432**	**6,025**	**7,057**

The provision for surplus lease space reflects lease commitments that the Group has on properties leased that are surplus to its current operating requirements. The Group is currently seeking tenants to sub-lease the excess space that it has. The provision has been used in the period to off-set payments made to lessors.

The provision for store closure costs reflects the estimated costs of make good and disposal of fixed assets for stores committed for closure.

The provision for deferred income relates to non routine revenue from suppliers and landlords and is recognised in the income statement on a systematic basis over the life of the associated contract.

The provision for employee entitlements is long service leave. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

Note 19 – Financial instruments

Exposure to credit, interest rate and foreign currency risks arises in the normal course of the Group's business. Derivative financial instruments maybe used to hedge exposure to fluctuations in foreign currency exchange rates and interest rates.

(a) Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the New Zealand dollar. The currencies giving rise to this risk are primarily U.S. dollars and Australian dollars.

The direct exposure to foreign currency risk is small and is primarily confined to raw material purchases, some items of capital equipment and some franchise fee payments. Where any one item is significant, the company will specifically hedge its exposure.

The Group has an indirect exposure to foreign currency risk on some of its locally sourced ingredients, where those ingredients in turn have a high imported component. Where this is significant the Group contracts to a known purchase price with its domestic supplier based on a forward cover position taken by that supplier on its imported components.

The Group has a residual foreign currency risk on its assets and liabilities that are denominated in Australian dollars as part of its remaining Australian investment.

(b) Interest rate risk

The Groups main interest rate risk arises from long term bank loans. The Group analyses its interest rate exposure on a dynamic basis. Based on a number of scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. Based on the simulations the maximum loss potential is assessed by management as to whether it is within acceptable limits.

Where necessary the Group hedges its exposure to changes in interest rates primarily through the use of interest rate swaps. There are no minimum prescribed guidelines as to the level of hedging.

The Group classifies interest rate swaps as cash flow hedges and states them at fair value. The fair value of swaps are adjusted against the opening balance of the hedging reserve at that date.

No interest hedge exists at 29 February 2008, (2007: nil).

(c) Liquidity Risk

In respect of the Group's income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rate at balance date and the periods in which they reprice.

Group 2008	**Effective interest rate**	**Total $'000**	**12 months or less $'000**	**12 months or more $'000**
Cash	-	340	340	-
Bank Balance	4.81%	721	721	-
Other loans	7.17%*	(84)	(84)	-
Bank term loans - principal	8.62%	(42,498)	-	(42,498)
Bank term loans - expected interest	8.62%	(4,274)	(3,663)	(611)
Finance leases	11.0%	(802)	(429)	(373)
		(46,597)	**(3,115)**	**(43,482)**

Group 2007	**Effective interest rate**	**Total $'000**	**12 months or less $'000**	**12 months or more $'000**
Cash	-	358	358	-
Bank Balance	1.08%	742	742	-
Other loans	11.0%*	(190)	(190)	-
Bank term loans - principal	7.58%	(48,580)	-	(48,580)
Bank term loans - expected interest	7.58%	(7,978)	(3,682)	(4,296)
Finance leases	11.0%	(1,196)	(605)	(591)
		(56,844)	**(3,377)**	**(53,467)**

*Other loans are a fixed interest rate.

Note 19 – Financial instruments (continued)

Prudent liquidity risk management implies the availability of funding through adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group has bank funding facilities, excluding overdraft facilities, of $70 million (2007: $70 million) available at variable rates. The amount undrawn at balance date was $27.5million (2007: $21.4 million).

The bank term loans are at floating interest rates and the other loan is at a fixed interest and is repayable within a year. The bank term loans are not due for payment within 12 months, however they are structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. This leads to the loans being sensitive to interest rate movement in 12 months or less.

The company position for both 2008 and 2007 reflects the group position in the case of the bank term loans and the overdraft.

(d) Credit risk

Credit risk arises from cash deposits with banks and financial institutions and outstanding receivables.

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The nature of the business results in most sales being conducted on a cash basis that significantly reduces the risk that the Group is exposed to. Reputable financial institutions are used for investing and cash handling purposes.

At balance date there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

(e) Fair values

The carrying values of bank loans and finance leases are the fair value of these liabilities. A Group set-off arrangement is in place between certain bank accounts operated by the Group.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates on a weighted average balance will have an impact on profit.

At 29 February 2008 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax and equity by approximately $0.4 million (2007: $0.4 million). A one percentage point decrease in interest rates would increase the Group's profit before income tax and equity by approximately $0.4 million (2007: $0.4 million).

A general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have minimal impact on the cost of the Group's directly imported ingredients denominated in foreign currencies.

Capital Risk Management

The Group's capital comprises share capital, reserves and retained earnings.

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern and to maintain an optimal capital structure commensurate with risk and return and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or draw down more debt.

The Group is subject to a number of externally imposed bank covenants as part of the terms of its secured back loan facility.

The most significant covenants relating directly to capital management are the total debt to earnings before interest, tax and depreciation (EBITDA) and ratios relating to restriction on issuing dividends and acquiring its own shares.

The covenants are monitored and reported to the bank on a quarterly basis. In addition, the Group monitors these requirements and is reviewed by the Board on a regular basis.

There have been no breaches of the covenants during the period.

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 20 – Commitments

(a) Capital commitments

The Group has capital commitments which are not provided for in these financial statements, as follows:

	Group 2008 $000	Group 2007 $000
Store Development	**2,621**	650
KFC Franchise fee renewal	**-**	2,588

The Group has signed an agreement with Yum Restaurants International which provides for a committed investment by the Group of $35 million into the KFC store transformation project over a three year period ended 31 August 2008. $31.3 million of this amount has already been expended.

(b) Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

	Group 2008 $'000	Group 2007 $'000
Not later than one year	**17,478**	17,684
Later than one year but not later than two years	**15,420**	15,831
Later than two years but not later than five years	**33,552**	33,578
Later than five years	**18,656**	19,152
	85,106	86,245

(c) Renewal rights of operating leases

The Group has entered into a number of operating lease agreements for retail premises. The lease periods vary and many have an option to renew. Lease payments are increased as per the lease contracts to reflect market rentals. The table below summarises the Group's lease portfolio.

Number of leases with:	**Rights of renewal**		**No right of renewal**	
	2008	2007	**2008**	2007
Leases expiring in:				
Not later than one year	**14**	34	**19**	10
Later than one year but not later than two years	**15**	23	**18**	5
Later than two years but not later than five years	**71**	63	**16**	36
Later than five years	**80**	76	**9**	26

(d) Finance lease commitments

The carrying amount of finance leases for the Group as at 29 February 2008 is $0.8 million, (2007: $1.0 million).
Non cancellable finance lease rentals are payable as follows:

	Group 2008 $'000	Group 2007 $'000
Not later than one year	**538**	659
Later than one year but not later than two years	**217**	556
Later than two years but not later than five years	**137**	226
	892	1,441
Future lease finance charges	**(90)**	(245)
Net finance lease liability	**802**	1,196
Current	**429**	605
Non-current	**373**	591

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 21 – Net cash flow from operating activities

The following is a reconciliation between the surplus after taxation for the year shown in the income statement and the net cash flow from operating activities.

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
(Loss)/ profit after taxation	**9,015**	(3,554)	**2,528**	5,291
Add items classified as investing/ financing activities:				
Loss on disposal of fixed assets	**1,855**	1,408	**-**	-
Other non-operating costs of exiting Pizza Hut Victoria	**311**	1,851	**-**	-
	2,166	3,259	**-**	-
Add/ (less) non-cash items:				
Depreciation	**12,416**	10,755	**-**	-
Increase in provision for exit costs	**415**	1,362	**-**	-
(Decrease) in provisions	**(560)**	(432)	**-**	-
Amortisation of intangible assets	**1,283**	882	**-**	-
Impairment of Pizza Hut Victoria intangibles and property, plant and equipment	**-**	6,564	**-**	-
Impairment of NZ property, plant and equipment	**535**	1,342	**-**	-
Impairment of Pizza Hut New Zealand goodwill	**1,187**	1,142	**-**	-
Decrease / (increase) in deferred tax asset	**2,736**	(718)	**-**	-
Share based payments	**7**	15	**-**	-
	18,019	20,912	**-**	-
Add/ (less) movement in working capital:				
Decrease in inventories	**34**	127	**-**	-
(Increase)/ decrease in trade debtors and other receivables	**(293)**	435	**-**	**-**
Increase / (decrease) in trade creditors and other payables	**1,420**	(323)	**221**	107
Decrease/ (increase) in income tax receivable	**961**	(8)	**-**	-
Decrease in income tax	**-**	**-**	**438**	589
	2,122	231	**659**	696
Net cash from operating activities	**31,322**	20,848	**3,187**	5,987

Note 22 – Financial Assets and Financial Liabilities

	Group 2008 $'000	Group 2007 $'000	**Company 2008 $'000**	Company 2007 $'000
Financial Assets				
Trade and other receivables	**1,512**	891	**-**	**-**
Cash	**1,061**	1,100	**-**	-
	2,573	1,991	**-**	-
Financial Liabilities				
Loans and finance leases - non current	**42,871**	49,171	**42,498**	48,580
Loans and finance leases - current	**513**	795	**-**	-
Bank overdraft	**-**	**-**	**267**	981
Creditors and accruals	**24,721**	24,550	**533**	312
	68,105	74,516	**43,298**	49,873

Note 23 – Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Company and Group.

Note 24 – Related party disclosures

Parent and ultimate controlling party

The immediate parent and controlling party of the Group is Restaurant Brands New Zealand Limited.

Identity of related parties with whom material transactions have occurred

Note 8 identifies all entities within the Group. All of these entities are related parties of the Company.

In addition, the directors and key management personnel of the Group are also related parties.

Transactions with related parties

Key management personnel compensation comprised short term benefits for the year ended 29 February 2008 of $2.3 million (2007: $2.3 million). Directors fees were $0.2 million (2007: $0.2 million).

During the year the Group made stock purchases of $0.1 million from Charlie's Group Limited (2007: nil), a company of which Restaurant Brands director, Ted van Arkel is chairman. There was nil owing as at 29 February 2008 (2007: nil).

There were no purchases during the year from Premier Stainless Pty Limited, a company of which Restaurant Brands director, Danny Diab was a director and a shareholder (2007: $0.1 million). There was nil owing as at 29 February 2008 (2007: nil).

Material transactions within the Group are loans and advances to and from Group companies and dividend payments. All inter company group loans in the parent company are non interest bearing, repayable on demand and disclosed as a current liability.

Where the Company enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Note 25 – Senior Executive Share Option Plan

On completion of the listing of the Company in 1997, senior executives were granted 852,271 non-transferable options to subscribe for shares in the Company.

No options have been exercised since granted, 653,408 were forfeited on termination of individual's employment and the balance expired on 1 July 2007.

Note 26 – Employee Share Growth Share Option Plan

The Company had established an employee share option plan ('the Plan') for certain employees, under which it issued options at no cost for shares in the Company to the employees. The holder of an option is entitled to subscribe for one fully paid share for each option held (adjusted for bonus share issues), at an exercise price that is determined by reference to the market price at the time of issue of the options.

On the anniversary date of issue in each subsequent year 20% of the options issued become exercisable. Options only remain exercisable (subject to certain conditions and legislative provisions) whilst holders remain employed by the company. The options terminate 10 years from the date they are issued and are equity settled. Principal Officers and employees of the Company that participated in the Plan received an annual issue of options in respect of the number of shares equal to approximately 10% of their eligible earnings divided by the exercise price per share.

Notes to and forming part of the financial statements (continued)
for the year ended 29 February 2008

Note 26 – Employee Share Growth Share Option Plan (continued)

Options issued and outstanding under The Plan:

Date of issue	Exercise Price	Issued	Exercised to 28 February 2007	Exercised in Year	Forfeited Options	Outstanding Options at 29 February 2008
5-Jun-97	$2.20	546,213	-	-	(546,213)	-
31-Aug-98	$0.94	1,318,062	(494,228)	-	(656,643)	167,191
15-Sep-99	$1.32	1,078,467	(203,228)	-	(635,642)	239,597
11-Sep-00	$1.05	1,494,368	(433,283)	-	(784,911)	276,174
12-Sep-01	$1.50	1,010,122	(76,018)	-	(605,737)	328,367
13-Sep-02	$1.85	905,128	-	-	(584,999)	320,129
23-Sep-03	$1.39	1,228,423	(34,486)	-	(670,564)	523,373
Total		**7,580,783**	**(1,241,243)**	-	**(4,484,709)**	**1,854,831**

In April 2003 the Employee Share growth plan was terminated and the final allocation of options was the September 2003 allocation. All existing rights with respect to options which have already been granted will be maintained.

Percentage of total shares on issue 1.9% (2007: 2.3%).

In March 2000 there was a 1:12 taxable bonus share issue. Therefore options issued prior to and exercised after this date will have a corresponding adjustment to the number of shares issued.

Note 27 – Subsequent event

Subsequent to balance date, the directors have declared 3.5 cents per share final dividend for the year ended 29 February 2008.