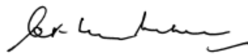
Restaurant Brands New Zealand Limited

2012 Financial Statements

The Directors are pleased to present the Financial Statements of Restaurant Brands New Zealand Limited for the year ended 29 February 2012 contained on pages 2 to 34.

For and on behalf of the Board of Directors:

E K van Arkel		**D A Pilkington**	
Chairman		Director	
Date	3 April 2012	Date	3 April 2012

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2012

		Group		Company	
$NZ000's	Note	**2012**	2011	**2012**	2011
Continuing operations					
Store sales revenue	3	**308,213**	324,384	-	-
Other revenue	3, 6	**714**	516	**17,434**	14,627
Total operating revenue		**308,927**	324,900	**17,434**	14,627
Cost of goods sold		**(252,706)**	(256,746)	-	-
Gross profit		**56,221**	68,154	**17,434**	14,627
Distribution expenses		**(3,088)**	(3,461)	-	-
Marketing expenses		**(15,087)**	(15,204)	-	-
General and administration expenses		**(11,333)**	(12,743)	-	-
EBIT before non-trading		**26,713**	36,746	**17,434**	14,627
Non-trading	7	**(2,316)**	(2,047)	-	-
Earnings before interest and taxation (EBIT)	3	**24,397**	34,699	**17,434**	14,627
Interest revenue		**1**	11	-	-
Interest expense		**(1,307)**	(1,182)	**(1,269)**	(1,178)
Net financing expenses	7	**(1,306)**	(1,171)	**(1,269)**	(1,178)
Profit before taxation		**23,091**	33,528	**16,165**	13,449
Taxation expense	8	**(6,164)**	(9,511)	**355**	353
Profit after taxation from continuing operations attributable to shareholders		**16,927**	24,017	**16,520**	13,802
Discontinued operation					
Profit from discontinued operation (net of taxation)	4, 7	-	295	**-**	-
Total profit after taxation attributable to shareholders		**16,927**	**24,312**	**16,520**	**13,802**
Other comprehensive income:					
Exchange differences on translating foreign operations		**-**	(15)	-	-
Derivative hedging reserve		**-**	(203)	**-**	(203)
Income tax relating to components of other comprehensive income	2	**-**	61	**-**	61
Other comprehensive loss for the full year, net of tax		**-**	(157)	**-**	(142)
Total comprehensive income for the full year attributable to shareholders		**16,927**	24,155	**16,520**	13,660
Basic earnings per share from continuing operations (cents)	19	**17.31**	24.60		
Basic earnings per share from discontinued operation (cents)	19	**-**	0.30		
Basic earnings per share from total operations (cents)	19	**17.31**	24.90		
Diluted earnings per share from continuing operations (cents)	19	**17.30**	24.58		
Diluted earnings per share from discontinued operation (cents)	19	**-**	0.30		
Diluted earnings per share from total operations (cents)	19	**17.30**	24.89		

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

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 FEBRUARY 2012

Group $NZ000's	Note	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Derivative Hedging Reserve	Retained Earnings	Total
Balance as at 28 February 2010	18	**25,821**	**68**	**68**	**142**	**22,571**	**48,670**
Comprehensive income							
Total profit after taxation from continuing operations attributable to shareholders		-	-	-	-	24,312	24,312
Other comprehensive income							
Movement in foreign currency translation reserve		-	-	(15)	-	-	(15)
Movement in derivative hedging reserve		-	-	-	(142)	-	(142)
Total other comprehensive income		-	-	**(15)**	**(142)**	-	**(157)**
Total comprehensive income		-	-	**(15)**	**(142)**	**24,312**	**24,155**
Transactions with owners							
Shares issued on exercise of options	18	755	(35)	-	-	-	720
Net dividends distributed	17	-	-	-	-	(14,650)	(14,650)
Total transactions with owners		**755**	**(35)**	-	-	**(14,650)**	**(13,930)**
Balance as at 28 February 2011	16, 18	**26,576**	**33**	**53**	**-**	**32,233**	**58,895**
Comprehensive income							
Total profit after taxation from continuing operations attributable to shareholders		-	-	-	-	16,927	16,927
Total comprehensive income		-	-	-	-	**16,927**	**16,927**
Transactions with owners							
Shares issued on exercise of options	18	72	(5)	-	-	-	67
Net dividends distributed	17	-	-	-	-	(16,136)	(16,136)
Total transactions with owners		**72**	**(5)**	**-**	**-**	**(16,136)**	**(16,069)**
Balance as at 29 February 2012	16, 18	**26,648**	**28**	**53**	**-**	**33,024**	**59,753**

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

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 29 FEBRUARY 2012

Company $NZ000's	Note	Share Capital	Share Option Reserve	Derivative Hedging Reserve	Retained Deficit	Total
Balance as at 28 February 2010	18	**25,821**	**68**	**142**	**(24,415)**	**1,616**
Comprehensive income						
Profit after taxation from continuing operations attributable to shareholders		-	-	-	13,802	13,802
Other comprehensive income						
Movement in derivative hedging reserve		-	-	(142)	-	(142)
Total other comprehensive income		-	-	**(142)**	-	**(142)**
Total comprehensive income		-	-	**(142)**	**13,802**	**13,660**
Transactions with owners						
Shares issued on exercise of options	18	755	(35)	-	-	720
Net dividends distributed	17	-	-	-	(14,650)	(14,650)
Total transactions with owners		**755**	**(35)**	-	**(14,650)**	**(13,930)**
Balance as at 28 February 2011	16, 18	**26,576**	**33**	-	**(25,263)**	**1,346**
Comprehensive income						
Profit after taxation from continuing operations attributable to shareholders		-	-	-	16,520	16,520
Total comprehensive income		-	-	-	**16,520**	**16,520**
Transactions with owners						
Shares issued on exercise of options	18	72	(5)	-	-	67
Net dividends distributed	17	-	-	-	(16,136)	(16,136)
Total transactions with owners		**72**	**(5)**	-	**(16,136)**	**(16,069)**
Balance as at 29 February 2012	16, 18	**26,648**	**28**	-	**(24,879)**	**1,797**

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

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

	Note	Group		Company	
$NZ000's		**2012**	2011	**2012**	2011
Non-current assets					
Property, plant and equipment	9	**77,976**	82,565	**-**	-
Investments in subsidiaries	11	**-**	-	**150,396**	150,396
Intangible assets	10	**20,853**	22,173	**-**	-
Deferred tax asset	12	**1,347**	1,553	**-**	-
Total non-current assets		**100,176**	106,291	**150,396**	150,396
Current assets					
Inventories	13	**1,927**	1,789	**-**	-
Other receivables	14	**2,067**	2,477	**-**	-
Cash and cash equivalents		**700**	795	**-**	39
Total current assets		**4,694**	5,061	**-**	39
Total assets		**104,870**	111,352	**150,396**	150,435
Equity attributable to shareholders					
Share capital	18	**26,648**	26,576	**26,648**	26,576
Reserves		**81**	86	**28**	33
Retained earnings / (deficit)		**33,024**	32,233	**(24,879)**	(25,263)
Total equity attributable to shareholders		**59,753**	58,895	**1,797**	1,346
Non-current liabilities					
Provisions and deferred income	22	**5,286**	5,957	**-**	-
Loans and finance leases	20	**13,680**	12,398	**13,580**	12,210
Total non-current liabilities		**18,966**	18,355	**13,580**	12,210
Current liabilities					
Bank overdraft		**-**	-	**123**	-
Income tax payable		**1,067**	2,753	**-**	-
Loans and finance leases	20	**159**	109	**-**	-
Creditors and accruals	21	**23,113**	29,449	**86**	75
Provisions and deferred income	22	**1,547**	1,620	**-**	-
Amounts payable to subsidiary companies	28	**-**	-	**134,545**	136,647
Derivative financial instruments	15	**265**	157	**265**	157
Liabilities associated with assets classified as held for sale	5	**-**	14	**-**	-
Total current liabilities		**26,151**	34,102	**135,019**	136,879
Total liabilities		**45,117**	52,457	**148,599**	149,089
Total equity and liabilities		**104,870**	111,352	**150,396**	150,435

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

RESTAURANT BRANDS NEW ZEALAND LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2012

	Note	Group		Company	
$NZ000's		**2012**	2011	**2012**	2011
Cash flows from operating activities					
Cash was provided by / (applied to):					
Receipts from customers		**310,374**	325,912	-	-
Payments to suppliers and employees		**(272,503)**	(274,291)	-	-
Dividends received		-	-	**17,434**	14,627
Interest received		**1**	11	-	-
Interest paid		**(1,188)**	(1,069)	**(1,149)**	(1,065)
(Payment) / receipt of income tax	8	**(6,888)**	(9,964)	**1,179**	1,315
Net cash from operating activities		**29,796**	40,599	**17,464**	14,877
Cash flows from investing activities					
Cash was provided by / (applied to):					
Payment for intangibles	10	**(1,350)**	(357)	-	-
Purchase of property, plant and equipment		**(15,094)**	(24,313)	-	-
Proceeds from disposal of property, plant and equipment		**2,115**	4,305	-	-
Advances (to) / from subsidiary company		-	-	**(2,102)**	5,361
Net cash (used in) / from investing activities		**(14,329)**	(20,365)	**(2,102)**	5,361
Cash flows from financing activities					
Cash was provided by / (applied to):					
Cash received on the exercise of options		**67**	720	**67**	720
Increase / (decrease) in loans	20	**1,370**	(5,460)	**1,370**	(5,460)
(Decrease) / increase in finance leases	20	**(38)**	26	-	-
Dividends paid to shareholders	17	**(16,136)**	(14,650)	**(16,136)**	(14,650)
Supplementary dividends paid		**(825)**	(901)	**(825)**	(901)
Net cash (used in) financing activities		**(15,562)**	(20,265)	**(15,524)**	(20,291)
Net decrease in cash and cash equivalents		**(95)**	(31)	**(162)**	(53)
Reconciliation of cash and cash equivalents					
Cash and cash equivalents at the beginning of the year:		**795**	826	**39**	92
Cash and cash equivalents at the end of the year:					
Cash on hand		**253**	285	-	-
Cash at bank / (bank overdraft)		**447**	510	**(123)**	39
	26	**700**	795	**(123)**	39
Net decrease in cash and cash equivalents		**(95)**	(31)	**(162)**	(53)

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

1. General information

Restaurant Brands New Zealand Limited ("Company" or "Parent") together with its subsidiaries (the "Group") operate quick service and takeaway restaurant concepts.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, Westpac Building, Central Park, 666 Great South Road, Penrose, Auckland.

The financial statements were authorised for issue on 3 April 2012 by the Board of Directors who do not have the power to amend after issue.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The consolidated financial statements are presented in New Zealand dollars, rounded where necessary to the nearest thousand dollars. The Group divides its financial year into 13 four-week periods. The 2012 full year results are for 52 weeks (2011: 52 weeks).

Entities reporting

The financial statements for the Group are the consolidated financial statements comprising the economic entity Restaurant Brands New Zealand Limited and its subsidiaries. The financial statements of the Parent are for the Company as a separate legal entity.

The Parent and the Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

The Company is listed on the New Zealand Stock Exchange ("NZX"). It is registered under the Companies Act 1993 and is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

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

Critical accounting estimates

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.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below.

(i) Goodwill impairment

As disclosed in Note 10, the Group undertook impairment testing of its operating divisions. Note 10 sets out the key assumptions used to determine the recoverable amount along with a sensitivity analysis.

(ii) Income tax

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.

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

(a) 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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

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

(b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income. Amounts qualifying as cash flow hedges and qualifying net investment hedges are also recognised in the statements of comprehensive income.

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 statements of comprehensive income upon disposal.

(c) Financial instruments

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

Non-derivative financial instruments

Non-derivative financial instruments comprise trade 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 creditors and accruals which are initially recognised at fair value and subsequently measured at amortised cost.

Derivative financial instruments

The Group has various derivative financial instruments to manage the exposures that arise due to movements in foreign currency exchange rates and interest rates arising from operational, financing and investment activities. The Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through 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.

Derivative financial instruments (continued)
The fair value of forward exchange contracts 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.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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 a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss. 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.

(d) 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. Other revenue represents sales of services and is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Interest revenue
Interest revenue is recognised on a time proportion basis using the effective interest method.

Grants
A grant is recognised in the statements of financial position 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, and subsequently recognised in the statements of comprehensive income when the requirements under the grant have been met. Grants that compensate the Group for the cost of an asset are recognised in the statements of comprehensive income on a systematic basis over the useful life of the asset.

(e) Net financing costs

Net financing 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 (i.e. unhedged derivatives) in the statements of comprehensive income; unwinding of the discount on provisions and impairment losses on financial assets.

(f) 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 statements of comprehensive income 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.

(g) Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statements of comprehensive income. 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.

Deferred tax assets and liabilities are set off only if there is a legal right of set off and they relate to income taxes levied by the same taxation authorities.

(h) Advertising and promotion costs
Expenditure on advertising and promotional activities is recognised as an expense when the Group has the right to access the goods or has received the service.

(i) Royalties paid
Royalties are recognised as an expense as revenue is earned.

(j) Financial assets
The Group classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'other receivables' and 'cash and cash equivalents' in the statements of financial position.

Financial assets that are stated at cost or amortised cost are reviewed individually at balance date to determine whether there is objective evidence of impairment. If any such evidence exists, the asset's recoverable amount is calculated using the present value of future cash flows discounted at the original effective interest rate. An impairment loss is recognised in the statements of comprehensive income for the difference between the carrying amount and the recoverable amount. An impairment loss is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment was recognised. The impairment loss is reversed only to the extent that the financial asset's carrying value does not exceed the carrying value that would have been determined if no impairment loss had been recognised.

(k) Cash and cash equivalents
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.

(l) Creditors and accruals
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest method.

(n) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and business combinations. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Where the Group disposes of an operation within a cash generating unit, the goodwill associated with the operation disposed of is part of the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

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 takeaway restaurant concepts. These include, for example, professional fees and consulting costs associated with the establishment of a new brand or business acquisition.

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

Acquired software costs

Software costs have a finite useful life. Software costs are capitalised and amortised on a straight line basis over the estimated economic life of three years.

(o) 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 the statements of comprehensive income 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 statements of financial position. 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 property, plant and equipment.

Store start up costs

Costs incurred in connection with 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
Land is not depreciated. Depreciation is recognised in the statements of comprehensive income 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.

(p) 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.

(q) Dividends
Dividends are accrued in the period in which they are authorised.

(r) Impairment on non-financial assets
The carrying amounts of the Group’s assets except for inventories and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists then the asset’s or Cash Generating Unit’s (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 statements of comprehensive income. Impairment losses recognised in respect of CGUs 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.

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

(t) 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.

(u) 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.

(u) Employee benefits (continued)

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.

(v) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team. The Senior Leadership Team reviews the Group's internal reporting in order to assess performance and allocate resources.

(w) Goods and services tax
The statement of comprehensive income and statements of cash flows have been prepared exclusive of Goods and Services Taxation (GST). All items in the statements of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(x) 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 costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the statements of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

(y) 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 statement of comprehensive income is restated as if the operation has been discontinued from the start of the comparative period.

(z) 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.

(aa) 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 operational performance of the Group. Such items are classified as non-trading items and are separately disclosed in the statements of comprehensive income and notes to the financial statements.

(ab) New standards and interpretations

Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- *NZ IFRS 9 – Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning 1 January 2015. The Group has not yet decided when to adopt NZ IFRS 9. The standard is not expected to have a material impact on the Group.

- *NZ IAS 12 Recovery of Underlying Assets amendment (effective from 1 January 2012).* The amendment requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale and introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 March 2012. The amendment is not expected to have a material impact on the Group.

- *NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income (effective 1 July 2012).* The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 March 2013.

There are various other standards, amendments and interpretations which are currently not applicable to the Group.

3. Segmental reporting

The Group has three operating segments: KFC, Pizza Hut and Starbucks Coffee. All three segments operate quick service and takeaway restaurant concepts. In addition, on 14 December 2011 the Group acquired the rights to operate the Carl's Jr chain of restaurants in New Zealand. Carl's Jr specializes in offering best in class premium-quality burgers. As at balance date the Group has yet to commence operations. The Group expects to open its first restaurant by the middle of 2012. As such there are no operating results reported for 2012. No operating segments have been aggregated.

The segments were determined primarily because the Group manages each business separately and reports each business separately to the chief operating decision maker. The reportable segments are each managed separately as they operate in three distinct markets, sell distinct products, have distinct production processes and have distinct operating and gross margin characteristics. The Group operates in New Zealand.

The Group has also included Pizza Hut Victoria as an additional operating segment. Refer to Note 4.

All other segments represents general and administration support centre costs ("G&A"). G&A support centre costs are not an operating segment as the costs incurred are incidental to the Group's activities.

The Group evaluates performance and allocates resources to its operating segments on the basis of segment assets, segment revenues, concept earnings before interest and tax and depreciation and amortisation ("concept EBITDA"), and earnings before interest and tax basis ("concept EBIT").

The accounting policies of the Group's segments are the same as those described in the notes to the Group's financial statements. Segment assets include items directly attributable to the segment (i.e. property, plant and equipment, intangible assets and inventories). Unallocated items comprise other receivables, cash and cash equivalents, deferred tax and derivative financial instruments as they are all managed on a central basis. These are part of the reconciliation to total assets in the statements of financial position. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group has not disclosed segment liabilities as the chief operating decision maker (the Senior Leadership Team) evaluates performance and allocates resources purely on the basis of aggregated Group liabilities.

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

3. Segmental reporting (continued)

$NZ000's	KFC 2012	KFC 2011	Pizza Hut 2012	Pizza Hut 2011	Starbucks Coffee 2012	Starbucks Coffee 2011	Pizza Hut Victoria* 2012	Pizza Hut Victoria* 2011	All Other Segments** 2012	All Other Segments** 2011	Consolidated 2012	Consolidated 2011	Continuing 2012	Discontinued 2012	Continuing 2011	Discontinued 2011
Store sales revenue	**236,284**	235,805	**45,477**	59,266	**26,452**	29,313	**-**	-	**-**	-	**308,213**	324,384	**308,213**	**-**	324,384	-
Other revenue	**-**	-	**-**	-	**-**	-	**-**	-	**714**	516	**714**	516	**714**	**-**	516	-
Total operating revenue ***	**236,284**	235,805	**45,477**	59,266	**26,452**	29,313	**-**	-	**714**	516	**308,927**	324,900	**308,927**	**-**	324,900	-
Concept EBITDA before general and administration expenses	**45,553**	52,125	**2,099**	5,637	**3,744**	4,104	**-**	-	**-**	-	**51,396**	61,866	**51,396**	**-**	61,866	-
Depreciation	**(9,583)**	(7,513)	**(2,416)**	(3,091)	**(1,254)**	(1,486)	**-**	-	**(522)**	(532)	**(13,775)**	(12,622)	**(13,775)**	**-**	(12,622)	-
Gain / (loss) on sale of property, plant and equipment (included in depreciation)	**113**	31	**36**	25	**(5)**	13	**-**	-	**(13)**	-	**131**	69	**131**	**-**	69	-
Amortisation (included in cost of sales)	**(624)**	(559)	**(200)**	(175)	**(131)**	(139)	**-**	-	**(82)**	(26)	**(1,037)**	(899)	**(1,037)**	**-**	(899)	-
G&A - area managers, general managers and support centre	**(2,254)**	(2,142)	**(1,207)**	(1,148)	**(717)**	(738)	**-**	-	**(5,824)**	(7,640)	**(10,002)**	(11,668)	**(10,002)**	**-**	(11,668)	-
Segment result before non-trading	**33,205**	41,942	**(1,688)**	1,248	**1,637**	1,754	**-**	-	**(6,441)**	(8,198)	**26,713**	36,746	**26,713**	**-**	36,746	-
Impairment on property, plant and equipment	**(21)**	(474)	**(207)**	(94)	**163**	(330)	**-**	-	**-**	-	**(65)**	(898)	**(65)**	**-**	(898)	-
Other non-trading	**(97)**	555	**(1,903)**	(1,499)	**(251)**	(205)		295	**-**	-	**(2,251)**	(854)	**(2,251)**	**-**	(1,149)	295
Segment result (Concept EBIT)	**33,087**	42,023	**(3,798)**	(345)	**1,549**	1,219	**-**	295	**(6,441)**	(8,198)	**24,397**	34,994	**24,397**	**-**	34,699	295
Operating profit (EBIT)											**24,397**	34,994	**24,397**	**-**	34,699	295
Net financing costs											**(1,306)**	(1,171)	**(1,306)**	**-**	(1,171)	-
Net profit before taxation											**23,091**	33,823	**23,091**	**-**	33,528	295
Income tax expense											**(6,164)**	(9,511)	**(6,164)**	**-**	(9,511)	-
Net profit after taxation											**16,927**	24,312	**16,927**	**-**	24,017	295
Net profit after taxation excluding non-trading											**18,361**	25,072	**18,361**	**-**	25,072	-
Segment assets	**70,485**	71,467	**22,920**	27,346	**5,833**	6,727	**-**	-	**1,029**	987	**100,267**	106,527				
Unallocated assets											**4,603**	4,825				
Total assets											**104,870**	111,352				
Capital expenditure including intangibles	**10,149**	27,032	**1,216**	284	**530**	73	**-**	-	**757**	479	**12,652**	27,868				

* All segments are continuing operations except Pizza Hut Victoria.

** All other segments are general and administration support centre expenses (G&A).

*** All operating revenue is from external customers.

4. Discontinued operation

With the exit from Pizza Hut Victoria, the business was classified as a disposal group held for sale and as a discontinued operation. Because the franchise agreements with Yum! Restaurants International in this market created obligations that were onerous in nature, all remaining future financial obligations relating to the exit of all remaining stores had been estimated and accounted for as a provision for onerous contracts under NZ IAS 37. All stores have subsequently been closed.

In the 2011 financial year the balance of the exit provision of $0.3 million was classified under non-trading in the statements of comprehensive income as a gain as it was no longer required.

5. Non-current assets held for sale

All remaining trade and other payables associated with the Pizza Hut Victoria business exit have been classified as held for sale as shown below:

	Group	
$NZ000's	**2012**	2011
Liabilities associated with assets classified as held for sale		
Trade and other payables	**-**	14

6. Other revenue

	Group		**Company**	
$NZ000's	**2012**	2011	**2012**	2011
Sales of services	**714**	516	-	-
Dividends	**-**	-	**17,434**	14,627
	714	516	**17,434**	14,627

7. Analysis of expenses

The profit before taxation is calculated after charging / (crediting) the following items:

$NZ000's	Note	Group 2012	Group 2011	Company 2012	Company 2011
Auditors' remuneration:					
To PwC for statutory audit services		**66**	65	-	-
To PwC for other assurance services *		**36**	26	-	-
Government training grants (included in general and administration expenses)		**(181)**	(195)	-	-
Amortisation of intangibles (included in cost of sales)	10	**1,037**	899	-	-
Royalties paid		**18,361**	19,316	-	-
Depreciation expense	9	**13,775**	12,622	-	-
Operating rental expenses		**17,268**	17,509	-	-
Net gain on disposal of property, plant and equipment (included in depreciation expense)		**(131)**	(69)	-	-
Net loss on disposal of property, plant and equipment (included in non-trading costs)		**390**	554	-	-
Donations		**50**	-	-	-
Directors' fees	28	**239**	220	-	-
Interest expense (net)		**1,160**	986	**1,269**	1,178
Interest expense - interest rate swap fair value changes		**108**	157	**-**	-
Finance lease interest		**38**	28	-	-

* Includes review of interim financial statements, certain compliance certificates for third parties, transactional systems review and audit of the Company share registry.

	Note	Group 2012	Group 2011	Company 2012	Company 2011
Non-trading items					
Discontinued operation					
Pizza Hut Victoria:					
Release of store closure provision		**-**	(295)	-	-
		-	(295)	-	-
Continuing operations					
New Zealand:					
Loss on sale of stores					
Net sale proceeds		**(1,237)**	(1,054)	-	-
Property, plant and equipment disposed of		**1,045**	1,144	-	-
Goodwill disposed of	10	**1,518**	1,000	-	-
		1,326	1,090	-	-
Other store closure costs		**482**	734	-	-
Other store closure costs - franchise fees written off	10	**115**	58	-	-
Other store closure costs - insurance proceeds		**-**	(515)	-	-
Other store relocation and refurbishment costs		**144**	368	-	-
Other store relocation and refurbishment - insurance proceeds		**184**	(586)	-	-
Impairment on property, plant and equipment	9	**65**	898	-	-
		2,316	2,047	-	-

$NZ000's	Group 2012	Group 2011
Personnel expenses		
Wages and salaries	**75,795**	81,513
Increase / (decrease) in liability for long service leave	**7**	(6)
	75,802	81,507

The Parent has no personnel expenses (2011: nil).

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

8. Income tax expense in the statements of comprehensive income

Reconciliation of effective tax rate

$NZ000's	Note		**Group 2012**		Group 2011	**Company 2012**	Company 2011
Total profit before income tax for the period	3		**23,091**		33,823	**16,165**	13,449
Total income tax (expense) / credit	3		**(6,164)**		(9,511)	**355**	353
Net profit after income tax			**16,927**		24,312	**16,520**	13,802
Income tax using the Company's domestic tax rate		(28.0%)	**(6,465)**	(30.0%)	(10,147)	**(4,526)**	(4,035)
Non-deductible expenses and non-assessable income		1.4%	**333**	1.8%	612	**4,881**	4,388
Change in tax rate to 28%		-	**-**	(0.3%)	(99)	**-**	-
Prior period adjustment		(0.1%)	**(32)**	0.4%	123	-	-
		(26.7%)	**(6,164)**	(28.1%)	(9,511)	**355**	353
Income tax (expense) / credit comprises:							
Current tax (expense) / credit			**(5,958)**		(9,929)	**355**	353
Deferred tax (expense) / credit	12		**(206)**		418	**-**	-
Net tax (expense) / credit			**(6,164)**		(9,511)	**355**	353
Statements of comprehensive income taxation expense							
Income tax (expense) / credit from continuing operations			**(6,164)**		(9,511)	**355**	353
Total income tax (expense) / credit	3		**(6,164)**		(9,511)	**355**	353

Imputation credits

$NZ000's	**Group 2012**	Group 2011
Imputation credits at beginning of year	**7,540**	2,953
New Zealand tax payments, net of refunds	**6,881**	9,954
Imputation credits attached to dividends paid	**(6,090)**	(5,377)
Other tax paid	**7**	10
Imputation credits at end of year	**8,338**	7,540

The current income tax for the year was calculated using the rate of 28% (2011: 30%), as a result of the change in company tax rate that was enacted on 27 May 2010, with effect from 1 January 2011 being the beginning of the 2011 income year. The deferred tax balances in these financial statements have been measured using the 28% tax rate (2011: 28%).

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

9. Property, plant and equipment

Group $NZ000's	Land	Leasehold Improvements	Plant, Equipment and Fittings	Motor Vehicles	Leased Plant and Equipment	Capital Work in Progress	Total
Cost							
Balance as at 28 February 2010	**1,335**	**83,869**	**52,334**	**1,137**	**1,087**	**4,525**	**144,287**
Additions for year ended February 2011	-	4,099	4,644	207	-	18,561	27,511
Transfer from work in progress for year ended February 2011	-	14,789	3,768	-	-	(18,557)	-
Disposals for year ended February 2011	(1,335)	(5,948)	(5,051)	(141)	(188)	-	(12,663)
Balance as at 28 February 2011	**-**	**96,809**	**55,695**	**1,203**	**899**	**4,529**	**159,135**
Additions for year ended February 2012	1,750	-	1,295	66	114	8,077	11,302
Transfer from work in progress for year ended February 2012	-	4,160	5,842	-	-	(10,002)	-
Disposals for year ended February 2012	-	(5,373)	(4,920)	(162)	(270)	-	(10,725)
Balance as at 29 February 2012	**1,750**	**95,596**	**57,912**	**1,107**	**743**	**2,604**	**159,712**
Accumulated Depreciation							
Balance as at 28 February 2010	-	**(32,015)**	**(36,557)**	**(670)**	**(983)**	**-**	**(70,225)**
Charge for year ended February 2011	-	(7,724)	(4,537)	(219)	(142)	-	(12,622)
Disposals for year ended February 2011	-	2,724	4,435	141	288	-	7,588
Balance as at 28 February 2011	-	**(37,015)**	**(36,659)**	**(748)**	**(837)**	**-**	**(75,259)**
Charge for year ended February 2012	-	(8,222)	(5,257)	(218)	(78)	-	(13,775)
Disposals for year ended February 2012	-	3,302	4,326	160	270	-	8,058
Balance as at 29 February 2012	**-**	**(41,935)**	**(37,590)**	**(806)**	**(645)**	**-**	**(80,976)**
Impairment Provision							
Balance as at 28 February 2010	-	**(627)**	**(70)**	-	-	**-**	**(697)**
Charge for year ended February 2011	-	(808)	(90)	-	-	-	(898)
Utilised/disposed for year ended February 2011	-	256	28	-	-	-	284
Balance as at 28 February 2011	-	**(1,179)**	**(132)**	-	-	**-**	**(1,311)**
Charge for year ended February 2012	-	(59)	(6)	-	-	-	(65)
Utilised/disposed for year ended February 2012	-	554	62	-	-	-	616
Balance as at 29 February 2012	**-**	**(684)**	**(76)**	**-**	**-**	**-**	**(760)**

The impairment charge recognised during the year relates to accelerated depreciation on leasehold improvements and plant, equipment and fittings on stores expected to be transformed or closed. Impairment charges incurred and utilised/disposed are recognised in non-trading in the statements of comprehensive income (refer Note 7).

The Parent has no property, plant and equipment (2011: nil).

Carrying Amounts	Land	Leasehold Improvements	Plant, Equipment and Fittings	Motor Vehicles	Leased Plant and Equipment	Capital Work in Progress	Total
Balance as at 28 February 2010	1,335	51,227	15,707	467	104	4,525	73,365
Balance as at 28 February 2011	-	58,615	18,904	455	62	4,529	82,565
Balance as at 29 Februrary 2012	**1,750**	**52,977**	**20,246**	**301**	**98**	**2,604**	**77,976**

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

10. Intangibles

Group $NZ000's	Goodwill	Franchise Fees	Concept Development Costs	Software Costs	Total
<u>Cost</u>					
Balance as at 28 February 2010	**35,308**	**10,422**	**1,583**	**1,867**	**49,180**
Additions for year ended February 2011	-	270	-	87	357
Disposals for year ended February 2011	(7,500)	(1,533)	(512)	-	(9,545)
Balance as at 28 February 2011	**27,808**	**9,159**	**1,071**	**1,954**	**39,992**
Additions for year ended February 2012	-	298	489	563	1,350
Disposals for year ended February 2012	(1,518)	(287)	-	(12)	(1,817)
Balance as at 29 February 2012	**26,290**	**9,170**	**1,560**	**2,505**	**39,525**
<u>Accumulated Amortisation</u>					
Balance as at 28 February 2010	**(11,488)**	**(5,055)**	**(1,084)**	**(1,753)**	**(19,380)**
Charge for the year ended February 2011	-	(742)	(69)	(88)	(899)
Disposals for year ended February 2011	6,500	1,475	512	-	8,487
Balance as at 28 February 2011	**(4,988)**	**(4,322)**	**(641)**	**(1,841)**	**(11,792)**
Charge for the year ended February 2012	-	(821)	(69)	(147)	(1,037)
Disposals for year ended February 2012	-	172	-	12	184
Balance as at 29 February 2012	**(4,988)**	**(4,971)**	**(710)**	**(1,976)**	**(12,645)**
<u>Impairment Provision</u>					
Balance as at 28 February 2010	**(6,027)**	**-**	**-**	**-**	**(6,027)**
Balance as at 28 February 2011	**(6,027)**	**-**	**-**	**-**	**(6,027)**
Balance as at 29 February 2012	**(6,027)**	**-**	**-**	**-**	**(6,027)**

Impairment charges and disposals are recognised in non-trading in the statements of comprehensive income (refer Note 7).

Group $NZ000's	Goodwill	Franchise Fees	Concept Development Costs	Software Costs	Total
<u>Carrying Amounts</u>					
Balance as at 28 February 2010	17,793	5,367	499	114	23,773
Balance as at 28 February 2011	16,793	4,837	430	113	22,173
Balance as at 29 February 2012	**15,275**	**4,199**	**850**	**529**	**20,853**

The Parent has no intangible assets (2011: nil).

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.

Amortisation

Amortisation charge is recognised in cost of sales in the statements of comprehensive income (refer Note 7).

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

10. Intangibles (continued)

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

	Group	
$NZ000's	**2012**	2011
KFC	**1,348**	1,348
Pizza Hut	**13,927**	15,445
Starbucks Coffee	**-**	-
	15,275	16,793

The recoverable amount of each cash-generating unit was based on its value in use.

KFC
Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 2.1 – 3.3% p.a. over 2013 – 2015 (2011: 5.0 – 9.7% p.a. over 2012 – 2014). Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure and taxation. A terminal year was calculated based on the 2015 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2011: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 20-21% as a proportion of sales over 2013-2015 (2011: 20-21% over 2012 – 2014).

As a result of the review, no impairment of goodwill was necessary (2011: nil).

The discount rate applied to future cash flows is based on an 8.2% weighted average post-tax cost of capital (2011: 11%) applicable to Restaurant Brands.

Pizza Hut
Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on a three year strategic business plan as approved by the Board of Directors. The cash flows were based on sales growth of 2.0% p.a. over 2013 – 2015 (2011: 0.7% – 2.0% p.a. over 2012 – 2014). Adjustments were made for margin improvements through reduced operating expenses and also capital expenditure and taxation. A terminal year was calculated based on the 2015 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5% (2011: 2.5%).

Cash flows are also dependent on assumptions on the EBITDA margins projected in the three year strategic business plan as approved by the Board of Directors. Cash flows were based on EBITDA being maintained at 7.0-10.0% as a proportion of sales over 2013-2015 (2011: 9.0-9.5% over 2012 – 2014).

As a result of the review and based on the key assumptions described above, the calculation showed that the recoverable amount approximates the current carrying amount (2011: headroom of $5.8 million).

The discount rate, applied to future cash flows is based on an 8.2% weighted average post-tax cost of capital (2011: 11%) applicable to Restaurant Brands.

The weighted average cost of capital calculation was reviewed during the year and it was based on CAPM methodology using current market inputs.

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).

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

10. Intangibles (continued)

Impact of possible changes in key assumptions
Set out below are reasonably possible changes in key assumptions as applied to goodwill balances for KFC and Pizza Hut.

Key Assumptions	Variation % (Absolute Terms)	Pizza Hut Impairment charge ($m)	KFC Impairment charge ($m)
Terminal year sales growth	(2.5)	6.2	no impairment necessary
Discount rate	1.0	5.5	no impairment necessary
EBITDA ratio as a % of sales per annum	(1.0)	5.8	no impairment necessary
Sales growth	zero growth initial and terminal	8.4	no impairment necessary

11. Investment in subsidiaries

The following subsidiary companies are all wholly owned and incorporated in New Zealand (except as outlined below), have a 29 February balance date and have been owned for the full financial year:

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

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

Property holding company
Restaurant Brands Properties Limited

Non-trading subsidiary company
Restaurant Brands Pizza Limited

Employee share option plan trust company
Restaurant Brands Nominees Limited

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

12. Deferred tax assets and liabilities

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

Group $NZ000's	Assets 2012	Assets 2011	Liabilities 2012	Liabilities 2011	Net 2012	Net 2011
Property, plant and equipment	**214**	400	**(6)**	(307)	**208**	93
Inventory	**7**	6	**-**	-	**7**	6
Provisions	**1,708**	2,461	**-**	-	**1,708**	2,461
Intangibles	**-**	-	**(574)**	(1,005)	**(574)**	(1,005)
Other	**-**	-	**(2)**	(2)	**(2)**	(2)
	1,929	2,867	**(582)**	(1,314)	**1,347**	1,553

At balance date deferred tax assets of $0.3 million and deferred tax liabilities of nil are expected to be settled within 12 months (2011: deferred tax assets of $0.7 million and deferred tax liabilities of $1.0 million). The Parent has no deferred tax assets or liabilities (2011: nil).

Movement in temporary differences during the year:

Group $NZ000's	Balance 28 February 2010	Recognised in statement of comprehensive income	Recognised in equity	Balance 28 February 2011	Recognised in statement of comprehensive income	Recognised in equity	Balance 28 February 2012
Property, plant and equipment	(172)	265	-	**93**	115	-	208
Inventory	39	(33)	-	**6**	1	-	7
Debtors	18	(18)	-	**-**	-	-	-
Provisions	2,652	(191)	-	**2,461**	(753)	-	1,708
Intangibles	(1,400)	395	-	**(1,005)**	431	-	(574)
Other	(63)	-	61	**(2)**	-	-	(2)
	1,074	418	61	**1,553**	(206)	-	1,347

13. Inventories

$NZ000's	Group 2012	Group 2011	Company 2012	Company 2011
Raw materials and consumables	**1,927**	1,789	**-**	-

All inventories are valued at cost. The cost of inventories is recognised as an expense and included in cost of goods sold in the statements of comprehensive income.

14. Other receivables

$NZ000's	Group 2012	Group 2011	Company 2012	Company 2011
Prepayments	**470**	348	**-**	-
Other debtors	**1,597**	2,129	**-**	-
	2,067	2,477	**-**	-

There were no foreign currency debtors included in other debtors (2011: 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.

The carrying value of other receivables approximates fair value.

15. Derivative financial instruments

$NZ000's	Group & Company 2012 Assets	Group & Company 2012 Liabilities	Group & Company 2011 Assets	Group & Company 2011 Liabilities
Current				
Fair value of interest rate swap	**-**	**265**	-	157

The above table shows the Group's financial derivative holdings at year end.

The fair value of the interest rate swap falls into level 2 fair value measurement. Refer to Note 2(c) for information on the measurement of fair values. There were no transfers between fair value measurements during the year (2011: nil).

Fair values at balance date have been assessed using a range of market interest rates between 2.84% to 3.08% (2011: 2.94% to 3.80%).

16. Capital and reserves

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

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

Derivative hedging reserve
The derivative hedging reserve represents the fair value of outstanding derivatives.

17. Dividend distributions

$NZ000's	Group 2012	Group 2011	Company 2012	Company 2011
Interim dividend of 6.5 cents per share paid (2011: 7.0 cents per share)	**6,357**	6,841	**6,357**	6,841
Final dividend of 10.0 cents per share paid for the year ended 28 February 2011 (2011: Final dividend of 8.0 cents per share paid for the year ended 28 February 2010)	**9,779**	7,809	**9,779**	7,809
	16,136	14,650	**16,136**	14,650

18. Equity

The issued capital of the Company is 97,809,001 (2011: 97,762,866) ordinary fully paid up shares. The par value is nil (2011: nil). 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 2012 number**	**Group & Company 2012 $NZ000's**	Group & Company 2011 number	Group & Company 2011 $NZ000's
Balance at beginning of year	**97,762,866**	**26,576**	97,280,005	25,821
Shares issued on exercise of options	**46,135**	**72**	482,861	755
Balance at end of year	**97,809,001**	**26,648**	97,762,866	26,576

19. Earnings per share

The calculation of basic earnings per share for the year ended 29 February 2012 was based on the weighted average number of ordinary shares on issue of 97,763,920 (2011: 97,624,753). The calculation of diluted earnings per share for the year ended 29 February 2012 was based on the weighted average number of ordinary shares on issue adjusted to assume conversion of all dilutive potential ordinary shares, of 97,832,317 (2011: 97,693,649). The difference between weighted average number of shares used to calculate basic and diluted earnings per share represents share options.

	Group	
	2012	2011
Basic earnings per share from continuing operations		
Profit after taxation from continuing operations attributable to shareholders ($NZ000's)	**16,927**	24,017
Basic earnings per share (cents)	**17.31**	24.60
Basic earnings per share from discontinued operation		
Profit after taxation from discontinued operation attributable to shareholders ($NZ000's)	**-**	295
Basic earnings per share (cents)	**-**	0.30
Basic earnings per share from total operations		
Profit after taxation from total operations attributable to shareholders ($NZ000's)	**16,927**	24,312
Basic earnings per share (cents)	**17.31**	24.90
Diluted earnings per share from continuing operations		
Profit after taxation from continuing operations attributable to shareholders ($NZ000's)	**16,927**	24,017
Diluted earnings per share (cents)	**17.30**	24.58
Diluted earnings per share from discontinued operation		
Profit after taxation from discontinued operation attributable to shareholders ($NZ000's)	**-**	295
Diluted earnings per share (cents)	**-**	0.30
Diluted earnings per share from total operations		
Profit after taxation from total operations attributable to shareholders ($NZ000's)	**16,927**	24,312
Diluted earnings per share (cents)	**17.30**	24.89

20. 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 (2011: all denominated in New Zealand dollars). For more information about the Group's exposure to interest rate and foreign currency risk see Note 23.

		Group		Company	
$NZ000's	Note	**2012**	2011	**2012**	2011
Non-current liabilities					
Finance leases	24d	**100**	188	-	-
Secured bank loans	23c	**13,580**	12,210	**13,580**	12,210
		13,680	12,398	**13,580**	12,210
Current liabilities					
Finance leases	24d	**159**	109	-	-
		159	109	**-**	-

Secured bank loans expire in October 2014.

In March 2009 the Group entered into an interest rate swap to fix the interest rate on $10.0 million of bank loans for five years. The swap matures on 10 March 2014. At balance date the interest rate applicable was 5.05% (2011: 5.15%) inclusive of bank margin.

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

20. Loans and finance leases (continued)

The balance of the secured bank loan of $3.6 million is unhedged for interest rate rises (2011: $2.2 million). The bank loan is structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. At balance date $3.6 million was floating at an interest rate of 3.85% (2011: $2.2 million floating at an interest rate of 4.5%).

As security over the loan and bank overdraft, the bank holds 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 carrying value equates to fair value.

21. Creditors and accruals

	Group		Company	
$NZ000's	**2012**	2011	**2012**	2011
Trade creditors	**11,473**	14,664	**-**	-
Other creditors and accruals	**3,534**	7,750	**86**	75
Employee entitlements	**5,272**	5,814	**-**	-
Indirect and other taxes	**2,834**	1,221	**-**	-
	23,113	29,449	**86**	75

Included in trade creditors are foreign currency creditors of $NZ138,000 ($AU20,000, $US96,000), (2011: $NZ81,000 ($AU36,000, $US27,000)), which are not hedged.

The carrying value of creditors and accruals approximates fair value.

22. Provisions and deferred income

Group $NZ000's	Surplus lease space	Store closure costs	Employee entitlements	Deferred income	Total
Balance at 1 March 2011	106	39	520	6,912	7,577
Created during the year	-	53	224	707	984
Used during the year	(90)	(50)	(115)	(1,360)	(1,615)
Released during the year	(3)	(8)	(102)	-	(113)
Balance at 29 February 2012	**13**	**34**	**527**	**6,259**	**6,833**
2012					
Non-current	-	-	320	4,966	5,286
Current	13	34	207	1,293	1,547
Total	**13**	**34**	**527**	**6,259**	**6,833**

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 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.

Deferred income relates to non-routine revenue from suppliers and landlords and is recognised in the statements of comprehensive income on a systematic basis over the life of the associated contract.

23. Financial instruments

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

(a) Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the New Zealand dollar. The currencies giving rise to this risk are primarily 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 Group will specifically hedge its exposure.

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

The Group has a 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 Group's main interest rate risk arises from 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 these scenarios the maximum loss potential is assessed by management as to whether it is within acceptable limits.

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

Note 2(c) discusses in detail the Group's accounting treatment for derivative financial instruments.

As discussed in Note 20, the Group has an interest rate swap in place to fix the interest rate on $10.0 million of bank loans to March 2014 (2011: $10.0 million to March 2014). In 2011 the Group ceased cash flow hedge accounting for the interest rate swap as the forecasted transaction was no longer expected to occur. The Group will continue to monitor interest rate movements to ensure it maintains an appropriate mix of fixed and floating rate exposure within the Group's policy.

23. Financial instruments (continued)

(c) Liquidity risk

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

$NZ000's	Effective interest rate	Total	12 months or less	12 months or more
Group 2012				
Cash	-	253	253	-
Bank balance	5.45%	447	447	-
Bank term loan - principal	4.58%	(13,580)	-	(13,580)
Bank term loan - expected interest	4.74%	(2,367)	(644)	(1,723)
Finance leases	11.00%	(259)	(159)	(100)
Finance leases - expected interest	11.00%	(25)	(21)	(4)
Derivative financial instruments	-	(265)	(265)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(15,007)	(15,007)	-
		(30,803)	**(15,396)**	**(15,407)**
Group 2011				
Cash	-	285	285	-
Bank balance	0.50%	510	510	-
Bank term loan - principal	4.79%	(12,210)	-	(12,210)
Bank term loan - expected interest	5.03%	(1,023)	(614)	(409)
Finance leases	11.00%	(297)	(109)	(188)
Finance leases - expected interest	11.00%	(45)	(27)	(18)
Derivative financial instruments	-	(157)	(157)	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	-	(22,414)	(22,414)	-
		(35,351)	**(22,526)**	**(12,825)**
Company 2012				
Bank balance	5.45%	(123)	(123)	-
Derivative financial instruments	-	(265)	(265)	-
Bank term loan - principal	4.58%	(13,580)	-	(13,580)
Bank term loan - expected interest	4.74%	(2,367)	(644)	(1,723)
Creditors and accruals	-	(86)	(86)	-
Amounts payable to subsidiary companies	-	(134,545)	(134,545)	-
		(150,966)	**(135,663)**	**(15,303)**
Company 2011				
Bank balance	0.50%	39	39	-
Derivative financial instruments	-	(157)	(157)	-
Bank term loan - principal	4.79%	(12,210)	-	(12,210)
Bank term loan - expected interest	5.03%	(1,023)	(614)	(409)
Creditors and accruals	-	(75)	(75)	-
Amounts payable to subsidiary companies	-	(136,647)	(136,647)	-
		(150,073)	**(137,454)**	**(12,619)**

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 $35.0 million (2011: $35.0 million) available at variable rates. The amount undrawn at balance date was $21.4 million (2011: $22.8 million).

The Group has fixed the interest rate on $10.0 million of bank loans with the balance at a floating interest rate. The bank loan is 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.

23. Financial instruments (continued)

(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.

There were no financial assets neither past due nor impaired at balance date (2011: nil).

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

(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 2012 it is estimated that a general increase of one percentage point in interest rates would decrease the Group and Parent's profit before income tax and equity by approximately $0.1 million (2011: $0.1 million). A one percentage point decrease in interest rates would increase the Group and Parent's profit before income tax and equity by approximately $0.1 million (2011: $0.1 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 (Parent: nil).

Capital risk management

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue to operate as a going concern, 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 bank loan facility.

The most significant covenants relating directly to capital management is the ratio of total debt to earnings before interest, tax and amortisation (EBITA) and restrictions relating to acquiring its own shares.

The specific covenants relating to financial ratios the Group is required to meet are:

- debt coverage ratio (i.e. net borrowings to EBITA), and
- fixed charges coverage ratio (i.e. EBITL to total fixed charges), with EBITL being EBIT before lease costs. Fixed charges comprise interest and lease costs.

The covenants are monitored and reported to the bank on a quarterly basis. These are reviewed by the Board on a monthly basis.

There have been no breaches of the covenants during the period (2011: no breaches).

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

24. Commitments

(a) Capital commitments

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

$NZ000's	Group 2012	2011
Store development	**67**	7,588

The Parent has no capital commitments (2011: nil).

(b) Operating lease commitments

Non cancellable operating lease rentals are payable as follows:

$NZ000's	Group 2012	2011
Not later than one year	**16,233**	16,549
Later than one year but not later than two years	**14,840**	14,885
Later than two years but not later than five years	**26,880**	29,652
Later than five years	**22,175**	25,408
	80,128	86,494

The parent has no operating lease commitments (2011: nil).

(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 in accordance with the lease agreements to reflect market rentals. The table below summarises the Group’s lease portfolio.

	Right of renewal		No right of renewal	
	2012	2011	**2012**	2011
Number of leases expiring:				
Not later than one year	**15**	28	**12**	11
Later than one year but not later than two years	**35**	15	**8**	7
Later than two years but not later than five years	**63**	82	**16**	20
Later than five years	**51**	53	**11**	8

(d) Finance lease commitments

The carrying amount of finance leases in relation to computer and related equipment for the Group as at 29 February 2012 is $0.1 million (2011: $0.1 million).

The non cancellable finance lease rentals are payable as follows:

$NZ000's	Group 2012	2011
Minimum lease payments of:		
Not later than one year	**180**	136
Later than one year but not later than two years	**104**	131
Later than two years but not later than five years	**-**	76
	284	343
Future lease finance charges	**(25)**	(46)
Net finance lease liability	**259**	297
Current	**159**	109
Non-current	**100**	188
	259	297

The fair value of finance leases equals their carrying amount as the impact of discounting is not significant.

25. Net cash flow from operating activities

The following are definitions of the terms used in the statements of cash flows:

Cash and cash equivalents
Cash and cash equivalents are comprised of cash at bank, cash on hand and overdraft balances.

Investing activities
Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangibles and investments. Investments can include securities not falling within the definition of cash.

Financing activities
Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company.

Operating activities
Operating activities include all transactions and other events that are not investing or financing activities.

The following is a reconciliation between the profit after taxation for the year shown in the statements of comprehensive income and the net cash flow from operating activities.

	Group		Company	
$NZ000's	**2012**	2011	**2012**	2011
Total profit after taxation attributable to shareholders	**16,927**	24,312	**16,520**	13,802
Add items classified as investing / financing activities:				
Loss on disposal of property, plant and equipment	**259**	485	**-**	-
	259	485	**-**	-
Add / (less) non-cash items:				
Depreciation	**13,775**	12,622	**-**	-
Disposal of goodwill	**1,518**	1,000	**-**	-
(Decrease) / increase in provisions	**(98)**	118	**-**	-
Amortisation of intangible assets	**1,037**	899	**-**	-
Write-off of franchise fees	**115**	58	**-**	-
Impairment on property, plant and equipment	**65**	898	**-**	-
Net decrease / (increase) in deferred tax asset	**206**	(479)	**-**	-
Change in fair value of derivative financial instruments	**108**	157	**108**	157
Tax effect of derivative financial instruments	**-**	61	**-**	61
	16,726	15,334	**108**	218
Add / (less) movement in working capital:				
(Increase) / decrease in inventories	**(138)**	33	**-**	-
Increase in other debtors and prepayments	**(370)**	(570)	**-**	-
(Decrease) / increase in trade creditors and other payables	**(2,747)**	1,040	**11**	(44)
Decrease in income tax payable	**(1,686)**	(936)	**-**	-
Decrease in income tax	**825**	901	**825**	901
	(4,116)	468	**836**	857
Net cash from operating activities	**29,796**	40,599	**17,464**	14,877

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

26. Financial assets and financial liabilities by category

	Group		Company	
$NZ000's	**2012**	2011	**2012**	2011
Loans and receivables				
Other debtors	**1,597**	2,129	**-**	-
Cash and cash equivalents	**700**	795	**-**	39
	2,297	2,924	**-**	39
Derivatives held at fair value through profit or loss				
Derivative financial instruments - liabilities	**265**	157	**265**	157
	265	157	**265**	157
Financial liabilities at amortised cost				
Bank overdraft	-	-	**123**	-
Loans and finance leases - non current	**13,680**	12,398	**13,580**	12,210
Loans and finance leases - current	**159**	109	**-**	-
Creditors and accruals (excluding indirect and other taxes and employee benefits)	**15,007**	22,414	**86**	75
Amounts payable to subsidiary companies	**-**	-	**134,545**	136,647
Liabilities associated with assets classified as held for sale	**-**	14	**-**	-
	28,846	34,935	**148,334**	148,932

27. 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 (2011: nil).

28. 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 11 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.

(a) Subsidiaries

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 are non-interest bearing, repayable on demand and disclosed as a current liability.

During the year the Parent repaid $2.1 million to its subsidiary company (2011: $5.4 million advance by its subsidiary company). At balance date the amount owed to subsidiary companies was $134.5 million (2011: $136.6 million). During the year the Parent received $17.4 million in dividends from its subsidiary company (2011: $14.6 million).

(b) Other transactions with entities with key management or entities related to them

During the year the Group made the following:

- Stock purchases of $0.1 million from Charlie’s Group Limited (2011: $0.2 million), a company of which Company director, Ted van Arkel is chairman. There was nil owing as at 29 February 2012 (2011: nil). Ted van Arkel resigned from the board of Charlie’s Group Limited with effect from 28 August 2011.

- Stock purchases of $0.4 million (2011: $0.4 million) from Barker Fruit Processors Limited, a company of which Company director Sue Helen Suckling is chairperson. There was nil owing at balance date (2011: nil).

- Stock purchases of $11,000 (2011: $25,000) from Nestle New Zealand Limited, a company of which Company director, Ted van Arkel is a director. There was nil owing at balance date (2011: nil).

- Advertising placements of $10,000 to Ruapehu Alpine Lifts Limited, a company of which Company director David Alan Pilkington is chairman. There was nil owing at balance date (2011: nil).

These transactions were performed on normal commercial terms.

Notes to and forming part of the financial statements (continued)
For the year ended 29 February 2012

28. Related party disclosures (continued)

(c) Key management and director compensation

Key management personnel comprises members of the Senior Leadership Team. Key management personnel compensation comprised short-term benefits for the year ended 29 February 2012 of $2.5 million (2011: $2.4 million) and other long-term benefits of $20,000 (2011: $14,000). Directors' fees were $0.2 million (2011: $0.2 million).

(d) Share options issued to key management personnel

At balance date 16,782 options issued under the employee share option plan (refer to Note 29) to key management personnel remain outstanding (2011: 31,674). During the year 14,892 options were exercised (2011: 44,371). The table below summarises the movement in outstanding options during the year.

Date of issue	Exercise Price	Outstanding Options at 28 February 2011	Exercised in Year	Outstanding Options at 29 February 2012
13-Sep-02	$1.85	11,027	-	11,027
23-Sep-03	$1.39	20,647	(14,892)	5,755
Total		**31,674**	**(14,892)**	**16,782**

Refer to Note 20 for details regarding the guarantees between group companies.

29. 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.

Options issued and outstanding under the Plan:

Date of issue	Exercise Price	Issued	Outstanding Options at 28 February 2011	Exercised in Year	Forfeited in Year	Outstanding Options at 29 February 2012
12-Sep-01	$1.50	1,010,122	42,281	(17,195)	(25,086)	-
13-Sep-02	$1.85	905,128	69,802	(4,680)	(4,072)	61,050
23-Sep-03	$1.39	1,228,423	87,019	(24,260)	(6,364)	56,395
Total		**3,143,673**	**199,102**	**(46,135)**	**(35,522)**	**117,445**
Weighted average exercise price		**$1.56**	**$1.57**	**$1.48**	**$1.52**	**$1.63**

In April 2003 the 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.

The percentage of total shares on issue was 0.1% (2011: 0.2%).

The weighted average remaining life of outstanding options at balance date was 1 year (2011: 1.8 years).

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.

30. Subsequent event

Subsequent to balance date, the directors have declared a fully imputed final dividend of 9.5 cents per share for the year ended 29 February 2012 (2011: 10.0 cents).

31. Canterbury earthquake

The February 2011 and June 2011 Canterbury earthquakes resulted in the Company sustaining property and inventory damage and increased operating costs. The February 2011 earthquake led to the closure of 19 stores for a period of time. Fifteen stores re-opened shortly afterwards while four stores remained closed. Of the four closed stores, one store was demolished in February 2012. At balance date the three stores remain closed. The future of these stores remains uncertain.

The Company has in place material damage and business interruption insurance policies to cover losses incurred and claims have been lodged with its insurers for these events.

At balance date the Company has recognised income of $2.8 million. Of that amount $1.9 million has been received from its insurers. Further claims have been lodged subsequent to balance date.

Management has impaired property, plant and equipment amounting to $0.1 million (2011: $0.6 million) associated with the three closed stores. This amount has been included as a non-trading item in the statements of comprehensive income.