WE MEAN BUSINESS.

RESTAURANT BRANDS NEW ZEALAND LIMITED

RESTAURANT BRANDS NEW ZEALAND LTD.

2007 ANNUAL REPORT.

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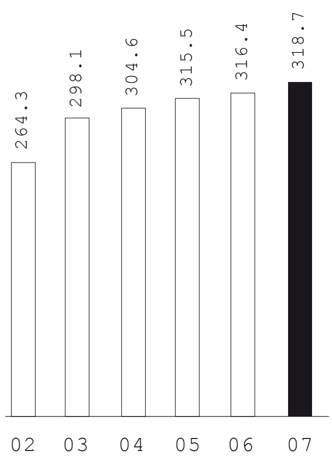
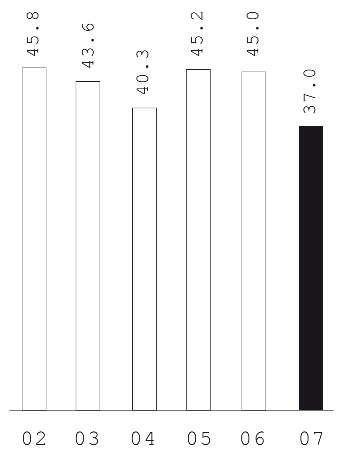
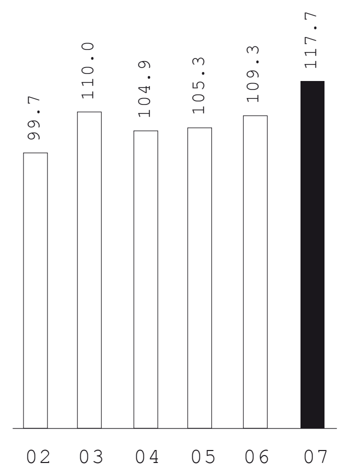


Total Sales
($NZ MILLION)



Total Store EBITDA
($NZ MILLION)



Total Assets
($NZ MILLION)

- Total sales for New Zealand operations were $293.6 million, up 1.7% on prior year with same store sales up 0.8%.
- Record sales for KFC at $182.7 million (up 7.1% on a same store basis) and Starbucks Coffee ($31.3 million, up 3.2% same store).
- Group Net Profit after Tax (excluding non-trading items) was $6.5 million, down 47% on prior year, mainly because of a disappointing result for Pizza Hut.
- Sale of the Pizza Hut Victoria business was largely completed with 27 stores sold to independent franchisees or closed and sale and purchase agreements on most of the remaining 23.
- Non-trading charges of $14.4 million largely arising from exit costs and write downs on the Pizza Hut Victoria investment produced a reported Group Net Loss after Tax of $3.6 million.
- KFC brand transformation continued its roll out with significant sales growth in 21 transformed or new stores and further stores planned or under construction for the new fiscal year.
- The KFC master franchise for New Zealand was renewed nine months early with extra 10+10 year franchises for transformed stores.
- The full year fully imputed dividend was reduced to 3.0 cents per share pending improvements in the company's trading performance and cash flow position.

All figures $NZm unless stated

	2000	2002[1]	2003	2004	2005	2006[3]	2007
Financial Performance							
Sales							
KFC	175.9	177.1	175.1	171.1	173.0	171.8	182.7
Pizza Hut NZ	47.8	69.4	75.7	81.3	87.6	89.1	79.7
Starbucks Coffee	10.4	17.8	22.8	23.1	24.9	27.9	31.3
Pizza Hut Victoria			24.5	29.1	30.0	27.6	25.0
Total	234.1	264.3	298.1	304.6	315.5	316.4	318.7
Store EBITDA							
KFC	36.3	36.1	30.4[2]	25.6	27.8	29.6	31.2
Pizza Hut NZ	4.1	7.9	11.2	12.3	13.6	11.8	5.1
Starbucks Coffee	0.5	1.8	2.6	3.0	3.7	3.9	3.6
Pizza Hut Victoria			(0.6)	(0.6)	0.1	(0.3)	(2.9)
Total	40.9	45.8	43.6	40.3	45.2	45.0	37.0
EBIT	19.3	35.2	19.6	14.7	19.1	11.3	(1.1)
NPAT (reported)	9.8	20.7	11.1	8.1	10.7	5.2	(3.6)
NPAT (adjusted for non-trading)	11.8	12.5	11.0	8.1	11.0	12.3	6.5
Financial Position/Cash Flow							
Share capital	18.6	19.9	25.8	24.5	25.3	25.6	25.6
Shareholders funds	27.9	40.9	52.0	49.7	51.1	43.9	32.6
Total assets	133.4	99.7	110.0	104.9	105.3	109.3	117.7
Operating cashflows	21.3	21.8	29.1	24.5	23.4	28.2	20.8
Shares							
Shares on issue (year end)	92,104,710	93,086,674	94,815,164	96,192,826	96,843,475	97,081,875	97,128,956
Number of shareholders (year end)	8,651	8,858	9,776	9,190	7,992	7,067	6,733
Earnings per share (full year reported)	10.6c	22.3c	11.8c	8.5c	11.1c	5.4c	(3.7)c
Ordinary dividend per share	10.0c	10.0c	10.0c	10.0c	10.0c	10.0c	5.5c
Other Performance Indicators							
Number of stores (year end)							
KFC	87	87	87	88	87	88	87
Pizza Hut NZ	82	86	89	91	101	107	103
Starbucks Coffee	17	29	35	35	39	44	47
Pizza Hut Victoria			51	52	51	50	23
Total	186	202	262	266	278	289	260

Notes:

1. 2002 results are unaudited and proforma. They have been restated as the company had a change of balance date that year.
2. KFC results from 2003 onwards include $4.7 million of additional rental cost following the sale and leaseback of 51 of its stores.
3. The 2006 results have been restated to a post IFRS basis to enable better comparison with the 2007 year, data provided prior to 2006 are on a pre NZIFRS basis throughout this report.

KFC ACHIEVED RECORD SALES

WITH THREE CONSECUTIVE YEARS

OF GROWTH.

($182.7 million, up 7.1% on a same store basis)

"THE ADVANTAGES WE HAVE ARE OUR STRONG MARKET POSITION AND COMBINED KNOWLEDGE OF HOW TO TURN A BUSINESS AROUND BY BRINGING OPERATIONAL EXCELLENCE AND CUSTOMERS BACK TO THE BRAND."

DATE:	1 March 2006 – 28 February 2007
ORIGINATOR:	EK van Arkel
SUBJECT:	Chairman's Report

A CHALLENGING YEAR BUT WE ARE POSITIONED TO ACHIEVE SIGNIFICANT IMPROVEMENT.

The 2007 fiscal year was challenging for Restaurant Brands. On the one hand, the company saw good growth in our largest division, KFC, and the smaller Starbucks Coffee business. On the other, Pizza Hut struggled in New Zealand, in part due to a very competitive market environment and in part due to sub optimal execution on our part. At the same time our exit from the Pizza Hut Victoria business has proven to be frustratingly slow.

Maintaining growth across three international brands, each with a different market environment and unique cost pressures can be challenging. That was the case in 2007 when two of our brands reached record sales, while the third failed to deliver an acceptable level of performance.

The advantages we have are our strong market position and combined knowledge of how to turn a business around by bringing operational excellence and customers back to the brand. We expect to see good gains in sales and profitability as we continue to implement a large number of significant changes to drive growth across all three of our businesses.

One significant highlight for the year was the renewal of our KFC franchise agreements nine months early with Yum. This has given us certainty as to the ongoing rights to our biggest earnings stream and considerably more comfort in pursuing our asset transformation strategy in the KFC brand.

FINANCIALS

Net profit after tax (excluding non-trading items) for the year ended 28 February 2007 was $6.5 million, a decrease of 47% over the prior year. This was largely due to the major fall off in sales and the increasing pressure on Pizza Hut margins in New Zealand and operating losses from Pizza Hut Victoria.

Non-trading items totalling $14.4 million (pre-tax), primarily comprising the costs and write downs of the Pizza Hut Victoria exit, meant a reported after tax loss for the year of $3.6 million.

With the significant drop in earnings, operating cash flows fell to $20.8 million for the year. However the KFC transformation programme, other store and IT capital investment and payment of Yum franchise renewal fees meant investing outflows were $29.7 million, necessitating a significant increase in borrowings by year end to $48.6 million.

This is the company's first annual report to shareholders to be completed under the new International Financial Reporting Standards (IFRS). Full details are contained in the accounts. One effect of the adoption has been that the company no longer amortises goodwill in its accounts, but completes an annual impairment test on the carrying value of its total assets. Following a detailed review of trading and the impact of our previously announced policy of progressively closing red roof restaurants, directors have resolved to take an impairment charge to the Pizza Hut New Zealand business of $1.5 million.

DIVIDEND

Given the performance of the Pizza Hut businesses and our ongoing investment in the KFC brand, the directors felt it was financially prudent to reduce the dividend for the first time in the company's ten-year history as a public company. An interim dividend of 2.5 cents per share was paid on 24 November 2006.

Directors have approved a final dividend of 3.0 cents per share. This dividend, which will be fully imputed will be payable on 29 June and brings the total dividend for the year to 5.5 cents per share.

KFC

We could not have achieved a record sales year without a commitment to the transformation process. KFC continues to go from strength to strength.

During the year, KFC continued to go from strength to strength as we rolled out the successful transformation strategy. This success is a direct result of the transformation programme that began in 2005. Almost a quarter of the network has now been through the store revamp programme with 12 stores completed in 2007 (including one new store) and each and every one is showing a significant increase in sales growth.

But what is even more encouraging than the sales we are generating from these new stores, is the trickle down impact the brand transformation is having on other stores in the network. New menu items, new marketing efforts and a renewed focus on staff training are beginning to have an impact across the board and will increasingly drive sales growth in the future.

KFC achieved record sales at $182.7 million, the third consecutive year of sales growth and same store sales increased 7.1%, the highest annual same store sales growth in our corporate history.

I would like to extend a special thank you to all of our partners in this business. We could not have achieved a record sales year without their commitment to the transformation process. Change is never easy but this team has embraced it and we have the results to prove it.

It is thrilling to see the excitement that has developed around this brand and the energy from the team under General Manager, Rod de Vries' leadership.

Rod has been with the Company for 17 years and has twice been recognised internationally by our franchisor Yum, most recently for his outstanding contribution to the KFC transformation programme. His belief of a clear brand promise which is delivered over and over again has seen the team successfully improve delivery of the key customer experiences of quality, taste and convenience.

PIZZA HUT

Returning Pizza Hut New Zealand to growth is our number one focus for 2008.

Pizza Hut faced a very different environment in 2007.

As New Zealand's largest pizza chain, with 103 stores nationwide, we were hit harder than anticipated by the expansion of our competitors in this market over recent years, with total sales down 10.5% to $79.7 million.

We must adapt to this new environment and have already made a number of significant changes to our operations to ensure we return to profitable growth. This is our number one focus for 2008.

The new management team appointed mid year has carried out a full network review and is focusing on bringing operational excellence into every one of our stores. Our marketing strategy is focussed on bringing our customers back and at year end we were already starting to see the positive impact of these changes.

As a result of our network review we made the decision to progressively replace the remaining 15 red roof restaurants with delivery and take out stores, which better meet our customers' desire for speed and convenience and are a more profitable investment. With a much smaller store and comparable sales levels we expect to improve our bottom line.

We still have a lot of work ahead of us in this business but have already achieved a lot behind the scenes and look forward to seeing the results of these changes in our sales and earnings in 2008.

PIZZA HUT VICTORIA

The exit of the Pizza Hut Victoria business has taken far longer than we anticipated due to the many parties involved in the sale of stores to individual franchisees. We are doing everything we can to speed up the process but are restrained by the need for new franchisees to complete the required Yum training before taking ownership of the stores and landlord/lease issues.

During the year we closed or sold most of the original 50 stores with 23 stores remaining at balance date and at time of writing these had reduced to 18 with sale and purchase agreements on most of them.

Once all of these stores are transferred to the new owners, which we expect to happen before the end of 2007, shareholders will see a significant improvement in our financial performance. We made provisions for this in our year end financials with a total exit cost for the year (including write down of assets) of $9.9 million. With these provisions, no further costs are expected to be incurred in the new financial year.

STARBUCKS COFFEE

Although a much smaller contributor to our overall performance, Starbucks Coffee continued to deliver its third consecutive year of growth on a total and same store sales basis. In 2007, sales increased 12.2% on prior year to $31.3 million.

While many people did not believe we could make this business successful, bringing branded coffee to a market that was already relatively mature, we have succeeded with our 47 store network in delivering both an appealing customer experience and positive earnings for the company.

TAKEOVER ACTIVITY

As notified to shareholders, during the year we were approached by a number of parties interested in participating in the future of Restaurant Brands. A committee of independent directors has assessed each approach and in some cases, engaged in preliminary discussions. None of these approaches have resulted in a formal offer. The Board will obviously keep shareholders updated on any material developments should anything eventuate on this matter.

ACKNOWLEDGEMENTS

I would like to extend the Board's deepest appreciation to all of the team members of Restaurant Brands. We recognise the hard work that is being put into each and every day to ensure our customers receive the best service in the fastest time possible.

The Board itself experienced some changes during the year with the resignation of Bill Falconer, who chaired the company since it went public ten years ago. We thank Bill for his leadership during this time. Sue Suckling was appointed as an independent director in June and is providing a great contribution to the Board.

The Board would like to also thank Vicki Salmon, Chief Executive and Executive Director of the company for her contribution to the Company and her leadership until March 2007. While we undertake the search process to identify an appropriate replacement, Russel Creedy, Commercial Services Director, takes the helm as Acting Chief Executive, closely supported by the senior management team.

IN CONCLUSION

Despite the tough year, directors believe the right decisions have been made and the right team is in place to ensure that the 2008 trading year brings an improvement in earnings.

Our focus over the coming months is to increase the momentum of KFC and Starbucks Coffee and return Pizza Hut New Zealand to growth.

TED VAN ARKEL
Chairman
26 April 2007

“OUR FOCUS OVER THE COMING MONTHS
IS TO INCREASE THE MOMENTUM OF KFC
AND STARBUCKS AND RETURN
PIZZA HUT NEW ZEALAND TO GROWTH.”

DATE:	1 March 2006 – 28 February 2007
ORIGINATOR:	Restaurant Brands
SUBJECT:	KFC Transformation

JUST THE LOOK ON THEIR FACES AS THEY SEE THE NEW-LOOK STORES IS ENOUGH TO MAKE ALL THE HARD WORK WORTHWHILE.

At KFC, 2007 was nothing less than extraordinary.

The brand achieved record sales of $182.7 million, the third consecutive year of solid sales growth – with a very respectable 7.1% increase in same store sales. The transformation process continued to go from strength to strength, averaging 20% growth from upgraded stores, and non-upgraded stores basking in this halo effect with nearly 5% year on year growth.

The store transformation process continues apace with 21 new or upgraded stores completed. Eleven of these have been in the past 12 months, with more planned for completion over the next year.

These extensive rebuilds do not come cheaply, ranging from several hundred thousand dollars to over a million dollars, but they are delivering the returns.

Our KFC partners appreciate that the transformation process is not just a facility upgrade. It is the whole customer experience that needs to be enhanced. Intensive retraining, new menu development and a strong focus on all the customer experience key performance indicators in store ensure that the service and food offering complement the fresh, new décor and facility.

Rod de Vries, General Manager, leads the KFC team with an unrelenting focus on quality, taste and convenience, involving a massive programme to achieve operational excellence, increased emphasis on serving, and operations retraining to focus on good honest basics and doing it well, every time.

ROD DE VRIES,
KFC GENERAL MANAGER.

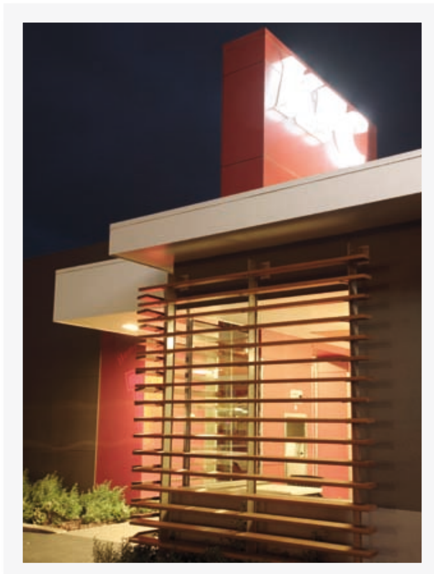
Over the 35 years we have been in New Zealand, our menu has expanded to include everything from fillet burgers, toasted twisters and salads to hot wings, popcorn chicken and our ever popular zingers. This year we saw consumers fall in love with boneless chicken and the Hot Rods spicy skewers.

We also heard about four special customers in Timaru who just could not wait for our transformation programme to be completed in their local store. The four were excited to learn their local KFC would be receiving a revamp but their excitement soon faded when they learned that it would require a ten-week closure for the store upgrade. Determined not to miss out, they made a regular pilgrimage to Ashburton, 74 kilometres away, just to visit the next closest KFC. As a reward for their dedication, our Timaru manager provided them with a free meal upon the store reopening.

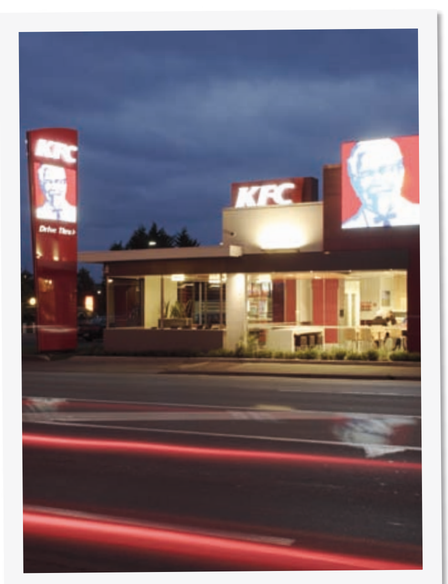
It is stories like this that make us excited about opening our stores every day and serving the 14 million customers who come through our doors every year. It has become even more exciting as we've seen our customers' reaction to our transformation programme. Just the look on their faces as they see the new-look stores is enough to make all the hard work worthwhile.

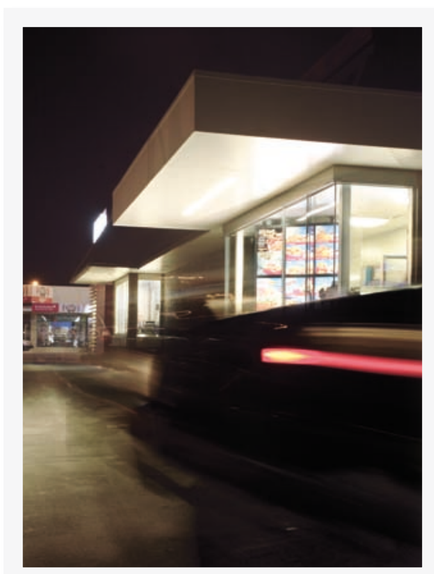
And it is not just these new stores that are showing growth but other stores in our network that are contributing to our success. New menu items, great promotions and new operating practices are all contributing to these results. Come and see for yourself the excitement that has developed around this brand and the energy from the team members.

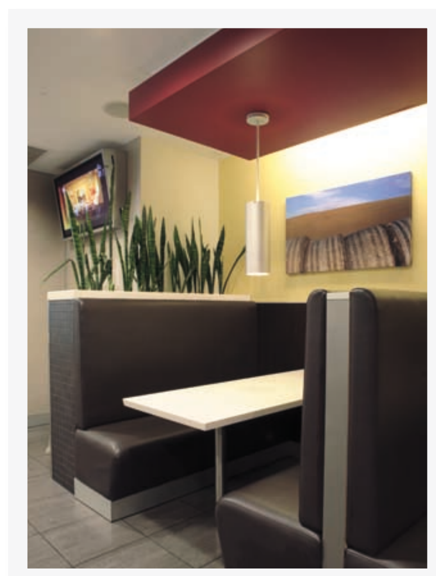

KFC
Drive Thru

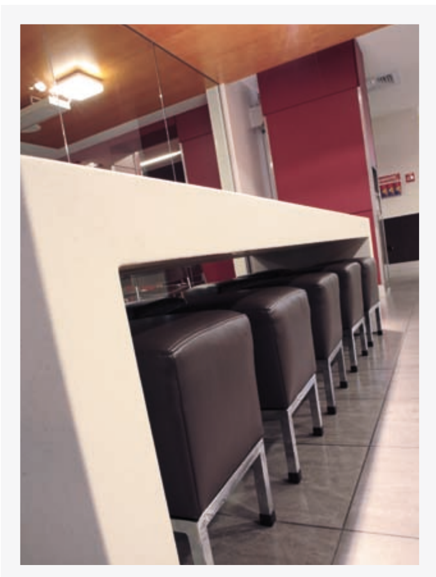


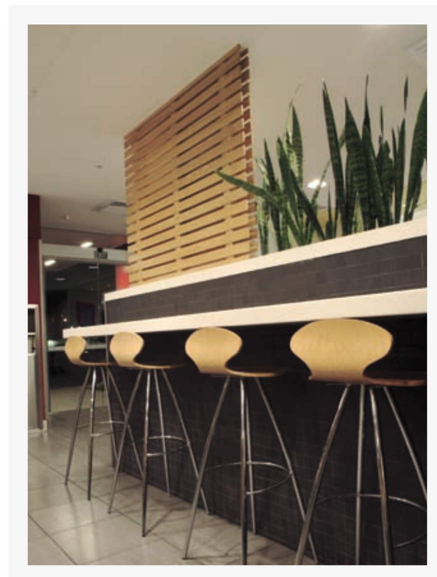

ingredients

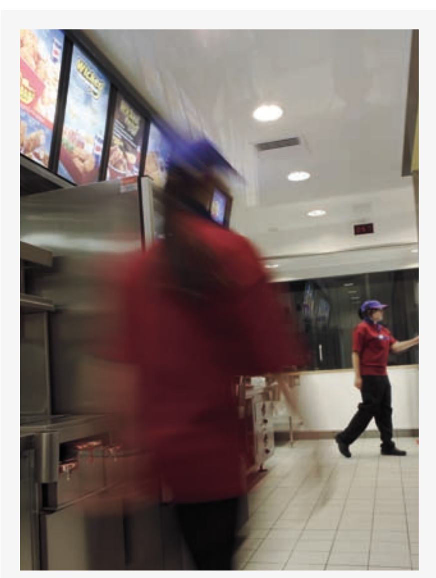

KFC

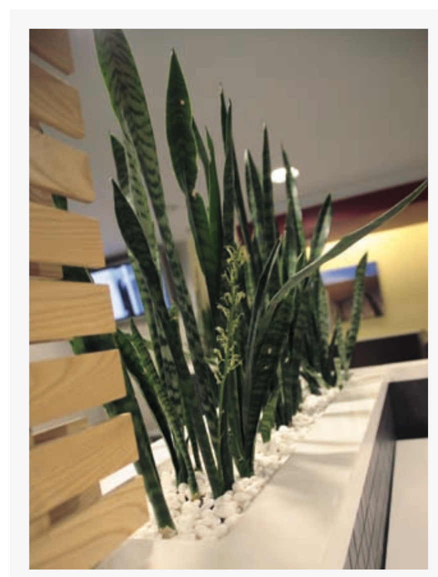




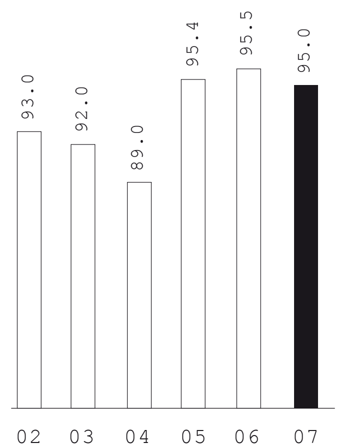




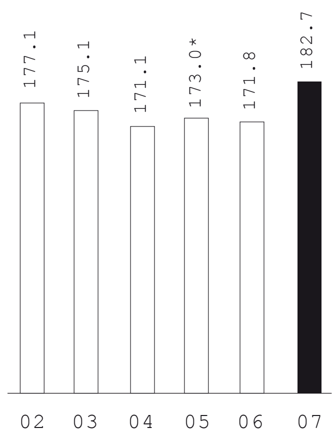




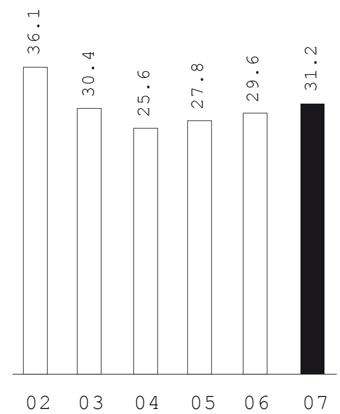
KFC TIMARU - ANOTHER SUCCESSFUL TRANSFORMATION



Customer Service Scores
(CHAMPS CHECK %)



Annual Sales
($NZ MILLION)
* A 53-week year ($169.9 million on a 52-week basis)



EBITDA
($NZ MILLION)

The KFC brand again improved on its strong performance of the previous 2005/6 year. With nearly a quarter of the network now having received significant asset refurbishments the store transformation programme continued to act as a catalyst in enhancing virtually every aspect of brand operation.

KFC sales reached a new record at $182.7 million, up $10.9 million or 6.3% for the year. This was despite the impact of removal of delivery from some stores and the temporary closure of others as part of the transformation process. Same store sales growth was also a record 7.1% for the year. Several new product releases over the year such as boneless chicken and Hot Rods also helped drive sales.

The leverage from higher sales volumes and continuing efficiencies in store operations saw a solid increase in earnings with EBITDA up $1.6 million on last year to reach $31.2 million (17.1% of sales). This is particularly pleasing given the increases in input costs from minimum wage legislation, and price increases in raw materials.

With the seven earlier upgraded stores performing well, a further eleven stores were similarly extensively refurbished, all with significant improvements in trading results. This brings the total number of new and refurbished stores to 21, nearly a quarter of the network. The refurbishment programme is being actively pursued in the new financial year.

Two stores (Orewa and Mt Roskill) were closed at lease end and a new store was opened in Rototuna, near Hamilton, bringing store numbers to 87 at year end.

Customer service measures as reflected in the CHAMPS mystery shopper score at 95.0% continued at close to previous highs and still remained the highest score in both the New Zealand and Australian KFC markets. The in-store operational performance measure (CER) continues to improve operational performance with a score of 77%, up from 71% the previous year and again the highest in Australasia.

Partner turnover continued to hold at 74% for the year. This is considered an excellent result for the industry.

The transformation of the brand requires training levels to be at a very high standard. As at the end of the year 94% of managers and 100% of shift supervisors were fully trained for their roles.

The impact of the facility upgrades in the transformation programme has underscored the continued improvements across all of the KFC business, which in turn has kept the customers coming back and driving sales to new highs.

NAME:	Leanne Walker
AGE:	20
BRAND:	KFC
POSITION:	Restaurant Manager

CALL ME LOYAL.

Leanne Walker certainly understands the meaning of loyalty.

Having begun her career with KFC at Huntly as a 15 year old part time team member, Leanne became a full time team member at 17. A rapid career progression followed with Leanne, at 20, becoming one of the youngest KFC managers ever, taking charge of the Frankton store in Hamilton.

The responsibility for this role was enormous as the Frankton store was the pilot for the company's KFC store transformation strategy. As such its management and partners needed to be flexible, innovative and at the top of their game. Leanne and her team delivered the required performance and more, with the success of this store prompting the company to embark on a full roll out of KFC store transformations across the rest of the country.

Leanne's dedication resulted in her being named Restaurant Manager of the Year for KFC last year largely because of her outstanding performance as manager of Frankton, and earning her a place in Yum's Champions' Club, an elite group of the top 5% of managers for the South Pacific region.

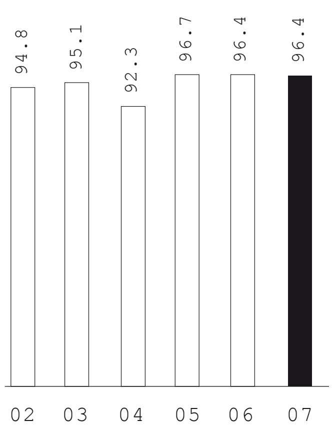
Leanne and four fellow champions flew to Australia to attend the Champions' Club Conference on Queensland's Hayman Island, however a rather unwelcome guest arrived in the form of Cyclone Larry. In Leanne's typical positive manner she commented, "We may have been caught up in the cyclone but we didn't let it spoil our trip".

She has now moved on to take up the challenge of managing a brand new KFC store at Rototuna, not far from the Frankton store that she so successfully piloted.

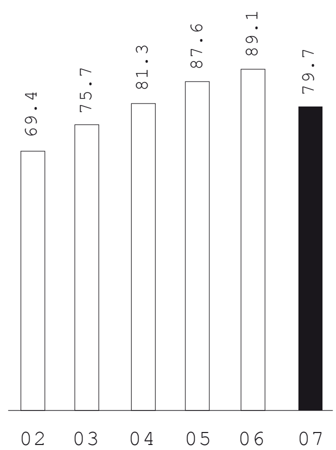
Leanne loves the challenges that her job provides. "The work is stimulating and rewarding and I enjoy the variety that the job offers as no two days are the same".

You can be sure that Leanne, who has taken up Ceroc classes as a way to relax and unwind after work, will be dancing her way to the top!

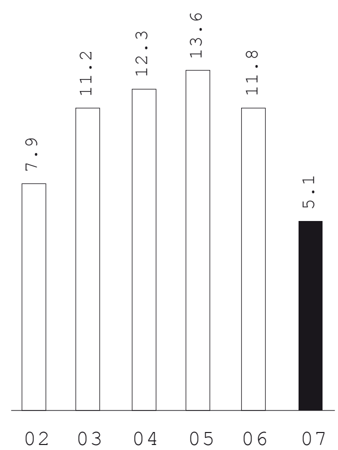
“THE PIZZA HUT BUSINESS IS STILL CLEARLY MARKET LEADER FOR PIZZA CONSUMPTION IN NEW ZEALAND AND IS PREPARED TO AGGRESSIVELY DEFEND THAT POSITION.”



Customer Service Scores
(CHAMPS CHECK %)



Annual Sales
($NZ MILLION)



EBITDA
($NZ MILLION)

The Pizza Hut New Zealand business has had a very difficult year. The impact of intense competitor activity and a softening pizza market meant a sales decline of $9.4 million (10.5%) on prior year to a total of $79.7 million. Sales were down 11.8% on a same store basis.

The sales deleverage, together with some substantial increases in input costs (primarily labour with the minimum wage legislation) and some raw material and freight costs saw earnings drop substantially. EBITDA for the year was $5.1 million, down $6.7 million or 57.2% on prior year. This represents 6.3% of sales.

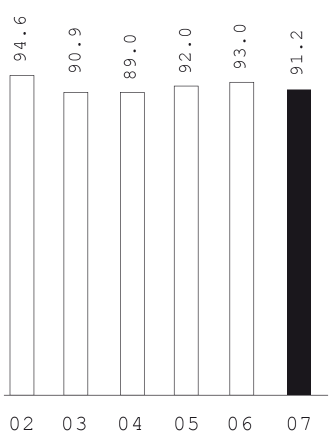
New store builds slowed down considerably over the year with only one new store opening in Hobson Street, Auckland. There were three store relocations and five store closures as the brand began some network rationalisation. Most of the closures were red roof restaurants as part of a progressive move out of these facilities as leases expire. By year end there were 103 stores throughout the country.

Customer service levels as measured by the CHAMPS mystery shopper score remained fairly constant at 96.4%, continuing to outperform the Australian and most other international markets.

Staff turnover at 77% has shown a marked improvement on the prior year's 93% and management turnover has also stabilised at 40% (vs 51% in the prior year). Staff training levels have improved with 79% of managers and 90% of shift supervisors now fully certified under the Pizza Hut Manager Development Programme.

Despite the significant drop off in financial performance in the 2006/7 year, the Pizza Hut business is still clearly market leader for pizza consumption in New Zealand and is prepared to aggressively defend that position.

STARBUCKS COFFEE OPERATIONS



Customer Service Scores
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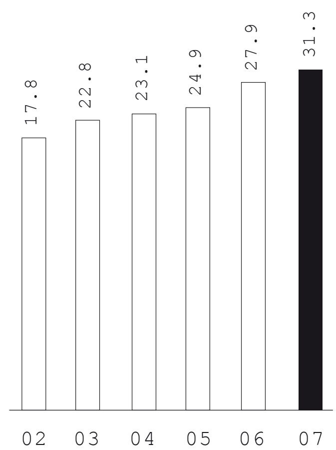
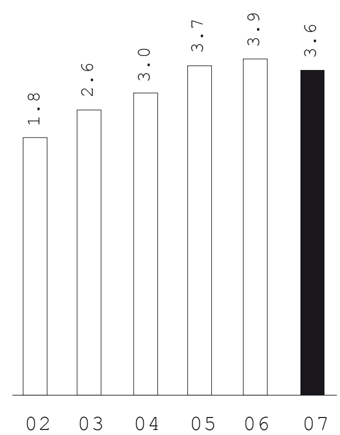


Annual Sales
($NZ MILLION)



EBITDA
($NZ MILLION)

The Starbucks Coffee operation had a steady year with sales continuing to climb, but a small drop in profitability.

The brand delivered full year sales of $31.3 million up 12.2% in total and up 3.2% on a same store basis.

Profitability was adversely impacted by a weakening in the exchange rate and more importantly increased labour costs with minimum wage increases. This lead to an EBITDA result of $3.6 million ($0.3 million down on prior year).

Customer service scores at 91.2% were down marginally on the prior year but still at acceptable levels. The business will be focusing on producing an even better customer experience in the coming year.

Partner turnover at 70% was significantly better than the 74% achieved in the prior year.

Staff training levels were down slightly on prior year with 93% of all managers fully certified in their role and barista certification at 83%.

Store growth slowed somewhat compared with the prior year. New stores were opened in Sylvia Park and Symonds Street in Auckland and Chartwell in Hamilton. The brand finished the year with 47 stores in its network.

Consolidated Income Statement

NZ$'000s	28 February 2007 Audited		vs Prior %	28 February 2006 Audited	
Continuing Operations:					
Sales					
KFC	182,673		6.3	171,812	
Pizza Hut	79,721		(10.5)	89,086	
Starbucks Coffee	31,252		12.2	27,865	
Total Sales	293,646		1.7	288,763	
Other Revenue	415		6.7	389	
Total Operating Revenue	294,061		1.7	289,152	
Cost of Goods Sold	(239,750)		(6.0)	(226,097)	
Gross Margin	54,311		(13.9)	63,055	
Distribution Expenses	(5,965)		14.5	(6,977)	
Marketing Expenses	(19,329)		(0.2)	(19,288)	
General & Administration Expenses	(11,082)		5.2	(11,694)	
EBIT before non-trading	17,935		(28.5)	25,096	
Non-trading – other	(4,424)		(128.6)	(1,935)	
EBIT	13,511		(41.7)	23,161	
Interest Income	440		3,285	13	
Interest Expense	(3,847)		(53.7)	(2,503)	
Net exchange gain/(loss)	-		n/a	95	
Net Profit Before Tax	10,104		(51.3)	20,766	
Taxation Expense	(3,797)		43.2	(6,684)	
Net Profit After Tax from continuing operations	6,307		(55.2)	14,082	
Discontinued Operations:					
(Loss) from discontinued operations net of tax*	(9,861)		(11.0)	(8,885)	
Total (Loss) Profit after Tax (NPAT)	(3,554)		(168.4)	5,197	
Total NPAT excluding non-trading	6,542		(46.9)	12,326	
EBITDA before G&A		% sales			% sales
KFC	31,216	17.1	5.4	29,630	17.2
Pizza Hut	5,060	6.3	(57.2)	11,812	13.3
Starbucks Coffee	3,645	11.7	(7.6)	3,946	14.2
Total New Zealand	39,921	13.6	(12.0)	45,388	15.7
Pizza Hut Victoria*	(2,931)	(11.7)	(788.2)	(330)	(0.1)

* Pizza Hut Victoria is a discontinued operation
Cost of Goods Sold are direct costs of operating stores: food, paper, freight, labour and store overheads
Distribution Expenses are costs of distributing product from store
Marketing Expenses are call centre, advertising and local store marketing expenses
General & Administration Expenses (G&A) are above-store overheads

STATUTORY REPORTS.

The Directors are pleased to present the Financial Statements of Restaurant Brands New Zealand Limited for the year ended 28 February 2007 contained on pages 22 to 57.

For and on behalf of the Board of Directors:

E K van Arkel
Chairman
26 April 2007

D A Pilkington
Director
26 April 2007

Income Statement for the year ended 28 February 2007

NZ$'000s	Note	Group 2007	Group 2006	Company 2007	Company 2006
Continuing operations					
Store sales revenue	1	293,646	288,763	-	-
Other revenue	1	415	389	7,769	9,694
Total operating revenue		294,061	289,152	7,769	9,694
Cost of goods sold		(239,750)	(226,097)	-	-
Gross profit		54,311	63,055	7,769	9,694
Distribution expenses		(5,965)	(6,977)	-	-
Marketing expenses		(19,329)	(19,288)	-	-
General and administrative expenses		(11,082)	(11,694)	-	-
Results from operating activities (EBIT) before non trading		17,935	25,096	7,769	9,694
Non trading	4	(4,424)	(1,935)	-	-
Earnings before interest and taxation (EBIT)		13,511	23,161	7,769	9,694
Interest revenue		440	13	-	-
Interest expense		(3,847)	(2,503)	(3,697)	(2,534)
Net foreign exchange gain		-	95	-	-
Net financing expenses		(3,407)	(2,395)	(3,697)	(2,534)
Profit before taxation		10,104	20,766	4,072	7,160
Taxation expense	5	(3,797)	(6,684)	1,219	836
Profit after taxation from continuing operations		6,307	14,082	5,291	7,996
Discontinued operations					
Loss from discontinued operations (net of taxation)	2	(9,861)	(8,885)	-	-
Total (loss)/ profit after taxation attributable to shareholders	1	(3,554)	5,197	5,291	7,996
Basic earnings per share from continuing operations (cents)	15	6.49	14.52	5.45	8.25
Basic earnings per share from discontinued operations (cents)	15	(10.15)	(9.16)	-	-
Basic earnings per share from total operations (cents)	15	(3.66)	5.36	5.45	8.25

The difference between basic and diluted earnings per share is not material.

Statement of Recognised Income and Expenses for the year ended 28 February 2007

NZ$'000s	Note	Group 2007	Group 2006	Company 2007	Company 2006
(Loss)/ profit after taxation		(3,554)	5,197	5,291	7,996
Foreign currency translation reserve	12	(9)	111	-	-
Other movements in reserves	12	(8)	(49)	-	(57)
Total recognised revenues and expenses		(3,571)	5,259	5,291	7,939

Balance Sheet as at 28 February 2007

NZ$'000s	Note	Group 2007	Group 2006	Company 2007	Company 2006
Non-current assets					
Property, plant and equipment	6	82,006	73,869	-	-
Investments in subsidiaries	8	-	-	150,396	150,396
Intangible assets	7	27,886	27,404	-	-
Deferred tax asset	9	2,098	1,380	-	-
Total non-current assets		111,990	102,653	150,396	150,396
Current assets					
Inventories	10	2,022	2,253	-	-
Trade and other receivables	11	891	1,653	-	-
Income tax receivable		1,294	698	-	-
Cash		1,100	2,033	-	-
Assets classified as held for sale	3	437	-	-	-
Total current assets		5,744	6,637	-	-
Total assets		117,734	109,290	150,396	150,396
Equity					
Share capital	14	25,622	25,576	25,622	25,576
Reserves	12	187	189	85	70
Retained earnings	12	6,822	18,145	(21,477)	(18,999)
Total equity	12	32,631	43,910	4,230	6,647
Non-current liabilities					
Provisions and deferred income	18	5,189	4,086	-	-
Loans and finance leases	16	49,171	33,100	48,580	32,365
Total non-current liabilities		54,360	37,186	48,580	32,365
Current liabilities					
Bank overdraft		-	-	981	504
Loans and finance leases	16	795	674	-	-
Creditors and accruals	17	24,550	25,524	312	207
Provisions and deferred income	18	1,868	1,996	-	-
Amounts payable to subsidiary companies		-	-	96,293	110,673
Liabilities classified as held for sale	3	3,530	-	-	-
Total current liabilities		30,743	28,194	97,586	111,384
Total liabilities		85,103	65,380	146,166	143,749
Total equity and liabilities		117,734	109,290	150,396	150,396

Statement of Cash Flows for the year ended 28 February 2007

NZ$'000s	Note	Group 2007	Group 2006	Company 2007	Company 2006
Cash flows from operating activities					
Cash was provided by (applied to):					
Receipts from customers		320,014	318,542	-	-
Payments to suppliers and employees		(295,870)	(283,000)	-	-
Dividends received		-	-	7,769	9,694
Net interest paid		(3,301)	(2,300)	(3,590)	(2,412)
Receipt/ (payment) of income tax		5	(4,998)	1,808	1,569
Net cash from operating activities	21	20,848	28,244	5,987	8,851
Cash flows from investing activities					
Cash was provided by (applied to):					
Payment of intangibles	7	(2,860)	(690)	-	-
Purchase of property, plant and equipment		(24,987)	(22,133)	-	-
Net proceeds from disposal of property, plant and equipment		33	97	-	-
Sale of discontinued operations	2	(1,851)	-	-	-
Advances to subsidiary company		-	-	(14,366)	(3,624)
Net cash (used in) investing activities		(29,665)	(22,726)	(14,366)	(3,624)
Cash flows from financing activities					
Cash was provided by (applied to):					
Cash received on the exercise of options	12	46	279	46	279
Net increase loans	16	16,405	5,020	16,215	5,020
Net decrease finance leases	16	(213)	-	-	-
Dividends paid to shareholders		(7,769)	(9,694)	(7,769)	(9,694)
Supplementary dividends paid		(590)	(733)	(590)	(733)
Net cash used in financing activities		7,879	(5,128)	7,902	(5,128)
Net (decrease)/ increase in cash held		(938)	390	(477)	99
Effect of exchange rate fluctuations on cash held		5	1	-	-
Net (decrease)/ increase in cash held		(933)	391	(477)	99
Reconciliation of cash balances					
Cash at the beginning of the year:		2,033	1,642	(504)	(603)
Cash at the end of the year:					
Cash on hand		358	381	-	-
Cash at bank		742	1,652	(981)	(504)
		1,100	2,033	(981)	(504)
Net (decrease)/ increase in cash held		(933)	391	(477)	99

Statement of Significant Accounting Policies for the year ended 28 February 2007

Reporting Entity

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

Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZGAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards ("IFRS"). These are the Group's first full year audited financial statements under NZ IFRS and NZ IFRS 1 has been applied. The financial statements were approved by the Board of Directors on 26 April 2007.

An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance is provided in Note 26.

Basis of Preparation

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

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

The Group divides its financial year into thirteen 4-week periods. The 2007 full year results are for 52 weeks (364 days). Occasionally a "leap year" of 53 weeks is required to adjust the accounting year to a calendar basis.

Accounting Convention

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

The policies set out as follows have been consistently applied to the comparative year and opening balance sheet as at 1 March 2005, and have been applied consistently by Group entities.

Estimates and Judgments

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

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

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

Basis of Recognising Components of the Financial Statements

The following significant accounting policies have been adopted:

Basis of Consolidation

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

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

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of individual Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences in respect of the net investment in foreign operations (see below).

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

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

Financial Instruments

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other receivables, which are recognised at cost less impairment losses, cash and cash equivalents, loans and borrowing, and trade and other payables which are stated at cost.
Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except as described below. All changes in fair value are recorded through the income statement.

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

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

Accounting for finance income and expense is discussed below.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

CASH FLOW HEDGES

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

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

Revenue Recognition

GOODS SOLD AND SERVICES RENDERED

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

GRANTS

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

NET FUNDING COSTS

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

LEASE PAYMENTS

- **Finance leases**

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

- **Operating leases**

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

INCOME TAX EXPENSE

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

Intangible Assets

GOODWILL

Goodwill arises on the acquisition of subsidiaries and business combinations.

- **Acquisitions prior to 1 March 2005**

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

- **Acquisitions on or after 1 March 2005.**

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

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

- **Franchise costs**

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

- **Concept development costs and fees**

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

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

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.

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

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

LEASED ASSETS

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

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

CAPITAL WORK IN PROGRESS

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

STORE START UP COSTS

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

DEPRECIATION

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

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

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

Inventories

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

Statement of Cash Flows

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

a) Cash comprises; cash at bank, cash on hand and overdraft balances;

b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments; Investments can include securities not falling within the definition of cash;

c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the company;

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

Dividends

Dividends are accrued in the period that they are authorised.

Impairment

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

Share Capital

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

Earnings Per Share

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

Employee Benefits

OTHER LONG-TERM EMPLOYEE BENEFITS

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

SHARE-BASED PAYMENT TRANSACTIONS

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

SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Segment Reporting

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

BUSINESS SEGMENTS

The Group comprises the following main business segments:

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

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

GEOGRAPHICAL SEGMENTS

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

Goods and Services Tax

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

Non-Current Assets Held for Sale

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

Discontinued Operations

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

Provisions

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

RESTRUCTURING

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

ONEROUS CONTRACTS

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

New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2007, and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 7 Financial Instruments: Disclosures and the Amendment to NZ IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. NZ IFRS 7 and amended NZ IAS 1, which becomes mandatory for the Group's 2008 financial statements, will require additional disclosures with respect to Group's financial instruments and share capital.
- NZ IFRIC 8 Scope of NZ IFRS 2 Share-based Payment addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. NZ IFRIC 8 which becomes mandatory for the Group's 2008 financial statements, with retrospective application required. The adoption of this interpretation is not expected to have any impact on the consolidated financial statements.
- NZ IFRIC 9 Reassessment of Embedded Derivatives requires that a reassessment of whether embedded derivatives should be separated from the underlying host contract should be made only when there are changes to the contract. NZ IFRIC 9, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the consolidated financial statements.
- NZ IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, and investment in an equity instrument or a financial asset carried at cost. NZ IFRIC 10, becomes mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of NZ IAS 36 and NZ IAS 39 respectively (i.e. 1 March 2005), and is not expected to have any impact on the consolidated financial statements.
- NZ IFRIC 11 NZ IFRS 2 Group and Treasury Shares Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. NZ IFRIC 11 becomes mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential impact of the interpretation.
- NZ IFRIC 12 Service Concession Arrangements addresses how service concession operators should apply existing New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) to account for the obligations they undertake and rights they receive in service concession arrangements. NZ IFRIC 12 becomes mandatory for the Group's 2009 financial statements. NZ IFRIC 12 is not relevant to the Group's operation.
- NZ IFRS 8 Operating Segments requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet and would therefore require explanation of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. NZ IFRS 8 is effective for accounting periods beginning 1 January 2009. The Group has not yet determined the potential impact of the standard.

For the year ended 28 February 2007

Note 1 - Segmental Reporting

	KFC		Pizza Hut NZ		Starbucks Coffee	
NZ$'000s	2007	2006	2007	2006	2007	2006
Business Segments						
Store sales revenue	182,673	171,812	79,721	89,086	31,252	27,865
Other revenue						
Total operating revenue	182,673	171,812	79,721	89,086	31,252	27,865
Concept EBITDA before general and administration expenses	31,216	29,630	5,060	11,812	3,645	3,946
Depreciation	(4,922)	(3,846)	(3,686)	(2,890)	(1,722)	(1,463)
Amortisation	(186)	(41)	(183)	(154)	(206)	(208)
Segment result (EBIT) before non-trading	24,171	23,883	(417)	7,044	733	1,342
Impairment on property, plant and equipment	(840)	(429)	(502)	(786)	-	(425)
Impairment on intangibles	-	-	(1,142)	-	-	-
Other non-trading	(1,188)	(105)	213	(436)	-	-
Segment result	22,143	23,349	(1,848)	5,822	733	917
Operating profit (loss) (EBIT)						
Net financing costs						
Net profit (loss) before taxation						
Income tax (expense)						
Net profit (loss) after taxation						
Net profit after taxation excluding non-trading						
Segment assets	48,516	33,136	48,990	50,085	15,595	15,972
Unallocated assets						
Total assets						
Segment liabilities	13,754	8,605	6,170	6,880	1,493	1,564
Unallocated liabilities						
Total liabilities						
Capital expenditure including intangibles	22,028	9,408	5,310	8,186	1,715	2,942

* Other is general and administration support centre expenses.

	New Zealand		Australia		Unallocated	
NZ$'000s	2007	2006	2007	2006	2007	2006
Geographical Segments						
Total operating revenue	294,061	289,152	25,068	27,589	-	-
Segment assets	114,871	99,524	437	8,387	2,426	1,379
Capital expenditure including intangibles	30,398	21,066	97	1,272	-	-

	Pizza Hut Victoria		Other*		Consolidated		Continued	Discontinued	Continued	Discontinued
	2007	2006	2007	2006	2007	2006	2007	2007	2006	2006
	25,068	27,589	-	-	318,714	316,352	293,646	25,068	288,763	27,589
			415	389	415	389	415	-	389	-
	25,068	27,589	415	389	319,129	316,741	294,061	25,068	289,152	27,589
	(2,931)	(330)	-	-	36,990	45,058	39,921	(2,931)	45,388	(330)
	-	(1,838)	(732)	(961)	(11,062)	(10,998)	(11,062)	-	(9,102)	(1,896)
	-	(158)	-	-	(575)	(561)	(575)	-	(403)	(158)
	(3,921)	(3,548)	(7,264)	(8,130)	13,302	20,591	17,935	(4,633)	25,096	(4,505)
	(5,862)	(3,681)	-	-	(7,204)	(5,321)	(1,342)	(5,862)	(1,640)	(3,681)
	(702)	(3,434)	-	-	(1,844)	(3,434)	(1,142)	(702)	-	(3,434)
	(3,371)	(167)	(965)	246	(5,311)	(462)	(1,940)	(3,371)	(295)	(167)
	(13,856)	(10,830)	(8,229)	(7,884)	(1,057)	11,374	13,511	(14,568)	23,161	(11,787)
					(1,057)	11,374	13,511	(14,568)	23,161	(11,787)
					(3,409)	(2,310)	(3,407)	(2)	(2,395)	85
					(4,466)	9,064	10,104	(14,570)	20,766	(11,702)
					912	(3,867)	(3,797)	4,709	(6,684)	2,817
					(3,554)	5,197	6,307	(9,861)	14,082	(8,885)
					6,542	12,326	9,645	(3,103)	15,316	(2,990)
	437	8,387	1,770	331	115,308	107,911				
					2,426	1,379				
					117,734	109,290				
	3,530	3,799	1,628	1,239	26,575	22,087				
					58,528	43,293				
					85,103	65,380				
	97	1,272	1,345	530	30,495	22,338				

	Consolidated	
	2007	2006
	319,129	316,741
	117,734	109,290
	30,495	22,338

For the year ended 28 February 2007

Note 2 - Discontinued Operations

Losses attributed to the discontinued operations of Pizza Hut Victoria were as follows:

NZ$'000s	Group 2007	Group 2006
Results of discontinued operations		
Revenue	25,068	27,589
Cost of goods sold	(22,491)	(24,214)
Distribution expenses	(2,005)	(2,234)
Marketing expenses	(3,502)	(3,428)
General and administration expenses	(1,703)	(2,218)
Results from operating activities	(4,633)	(4,505)
Income tax credit	1,530	1,515
Results from operating activities, net of income tax	(3,103)	(2,990)
Non trading	(3,371)	(167)
Net financing costs	(2)	85
Loss on sale of discontinued operations (impairment)	(6,564)	(7,115)
Income tax on loss on sale of discontinued operations	3,179	1,302
(Loss) for the period	(9,861)	(8,885)
Basic (loss) cents per share	(10.15)	(9.16)
Cash flows from discontinued operations		
Net cash (used in) operating activities	(6,380)	(2,216)
Net cash (used in) investing activities	(1,851)	(1,567)
Net cash (used in) from financing activities	(30)	15
Net cash (used in) discontinued operations	(8,261)	(3,768)

The loss for the period reflects the realised and unrealised net losses on store disposals of $2.0 million including costs of disposal and fees paid to the franchisor, Yum Restaurants International (Yum), impairment of franchise fees of $0.7 million and fixed asset impairment of $5.9 million.

Because the franchise agreements with Yum in this market now create obligations that are onerous in nature, these future financial obligations relating to the as yet unsold stores have been estimated and taken up in this financial year as a provision for onerous contracts under NZ IFRS37. These are in the sum of $1.3 million.

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

Note 3 - Non-current Assets Held for Sale

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

NZ$'000s	Group 2007
Assets classified held for sale	
Inventories	104
Trade and other receivables	333
	437
Liabilities classified as held for sale	
Trade and other payables	3,530

For the year ended 28 February 2007

Note 4 - Analysis of Expenses

The surplus before taxation is calculated after charging the following items:

NZ$'000s	Group 2007	Group 2006	Company 2007	Company 2006
Auditors' remuneration:				
To KPMG for statutory audit services	100	94	-	-
To KPMG for other assurance services	25	24	-	-
To KPMG for financial advisory services	37	62	-	-
To KPMG for taxation services	34	59	-	-
Government training grants (included in general and administration expenses)	(165)	(160)	-	-
Government training grants (included in cost of sales)	(159)	(884)	-	-
Amortisation of intangibles (included in cost of sales)	575	561	-	-
Royalties paid	18,908	18,780	-	-
Operating rental expenses	21,190	19,994	-	-
Net loss on disposal of property, plant and equipment	1,408	516	-	-
Donations	-	30	-	-
Directors' fees	226	260	-	-
Interest expense (net)	3,256	2,345	3,697	2,534
Finance lease interest	153	60	-	-
Non-trading items				
Pizza Hut Victoria:				
Impairment of Pizza Hut Victoria goodwill	-	3,023	-	-
Impairment of Pizza Hut Victoria property, plant and equipment	5,862	3,681	-	-
Impairment of Pizza Hut Victoria other intangibles	702	411	-	-
Other store closure costs	3,371	50	-	-
Other store relocation and refurbishment costs	-	117	-	-
	9,935	7,282		
New Zealand:				
Impairment of Pizza Hut NZ goodwill	1,142	-	-	-
Other store closure costs	1,335	1,283	-	-
Other store relocation and refurbishment costs	2,075	846	-	-
Other revenue	(128)	(194)	-	-
	4,424	1,935		

NZ$'000s	Group 2007	Group 2006
Personnel Expenses		
Wages and salaries	84,061	80,133
(Decrease) in liability for long-service leave	(43)	(16)
Equity-settled share-based payment transactions	15	24
	84,033	80,141

The parent company has no personnel expense (2006: nil).

For the year ended 28 February 2007

Note 5 - Income Tax Expense in the Income Statement

Reconciliation of effective tax rate

NZ$'000s	Note		Group 2007		Group 2006	Company 2007	Company 2006
Total (loss)/ profit for the period	1		(4,466)		9,064	4,072	7,160
Total income tax credit (expense)	1		912		(3,867)	1,219	836
(Loss)/ profit excluding income tax			(3,554)		5,197	5,291	7,996
Income tax using the Company's domestic tax rate		33.0%	1,474	(33.0%)	(2,991)	(1,344)	(2,363)
Non-assessable income			-		-	2,563	3,199
Non-deductible expenses		(10.5%)	(467)	(12.6%)	(1,138)	-	-
Change in recognition of deferred tax asset		(2.1%)	(95)	2.9%	262	-	-
Total income tax credit (expense)		20.4%	912	(42.7%)	(3,867)	1,219	836
Current tax expense							
Current tax credit/ (expense)			1,231		(5,433)	1,219	836
Reclassified as deferred tax			(1,231)		-	-	-
			-		(5,433)	1,219	836
Deferred tax expense							
Deferred tax (expense)/ credit			1,007		1,285	-	-
Prior period adjustments							
(Over)/ under provided in prior periods			(95)		281	-	-
Net tax credit/ (expense)			912		(3,867)	1,219	836
Income statement taxation expense							
Income tax (expense) from continuing operations			(3,797)		(6,684)		
Income tax credit from discontinued operations (excluding loss on sale)	2		1,530		1,515		
Income tax expense (excluding tax on sale of discontinued operations)			(2,267)		(5,169)		
Income tax expense on loss on sale from discontinued operations	2		3,179		1,302		
Total income tax credit (expense)	1		912		(3,867)		

NZ$'000s	Group 2007	Company 2006
Imputation credits		
Imputation credits at 1 March 2006	6,949	5,987
New Zealand tax payments, net of refunds	(44)	4,993
Imputation credits attached to dividends received	9	5
Imputation credits attached to dividends paid	(3,236)	(4,037)
Other	-	1
Imputation credits at 28 February 2007	3,678	6,949

For the year ended 28 February 2007

Note 6 - Property, Plant and Equipment

NZ$'000s	Leasehold Improvements	Plant Equipment and Fittings	Motor Vehicles	Leased Plant and Equipment	Capital Work in Progress	Total
Cost						
Balance as at 1 March 2005	55,191	50,187	1,135	404	6,092	113,009
Additions for year ended Feb 2006	-	1,139	373	1,401	18,735	21,648
Transfer from work in progress for year ended Feb 2006	11,786	6,368	-	-	(18,154)	-
Disposals for year ended Feb 2006	(993)	(2,216)	(334)	(90)	-	(3,633)
Movement in exchange rates for year ended Feb 2006	200	137	5	-	5	347
Balance as at 28 February 2006	66,184	55,615	1,179	1,715	6,678	131,371
Additions for year ended Feb 2007	-	2,529	193	395	24,518	27,635
Transfer from work in progress for year ended Feb 2007	16,270	5,396	-	-	(21,666)	-
Disposals for year ended Feb 2007	(11,090)	(8,879)	(227)	(99)	-	(20,295)
Movement in exchange rates for year ended Feb 2007	237	159	4	1	12	413
Balance as at 28 February 2007	71,601	54,820	1,149	2,012	9,542	139,124
Accumulated depreciation						
Balance as at 1 March 2005	(13,935)	(28,484)	(651)	(212)	-	(43,282)
Charge for year ended Feb 2006	(4,759)	(5,724)	(283)	(232)	-	(10,998)
Disposals for year ended Feb 2006	104	1,834	272	53	-	2,263
Movement in exchange rates for year ended Feb 2006	(74)	(73)	(2)	-	-	(149)
Balance as at 28 February 2006	(18,664)	(32,447)	(664)	(391)	-	(52,166)
Charge for year ended Feb 2007	(5,145)	(5,075)	(201)	(641)	-	(11,062)
Disposals for year ended Feb 2007	5,688	6,781	198	32	-	12,699
Movement in exchange rates for year ended Feb 2007	(98)	(95)	(3)	-	-	(196)
Balance as at 28 February 2007	(18,219)	(30,836)	(670)	(1,000)	-	(50,725)
Impairment provision						
Balance as at 1 March 2005	(721)	(80)	-	-	-	(801)
Charge for year ended Feb 2006	(5,161)	(160)	-	-	-	(5,321)
Utilised/disposed for the year ended Feb 2006	681	74	-	-	-	755
Movement in exchange rates for year ended Feb 2006	31	-	-	-	-	31
Balance as at 28 February 2006	(5,170)	(166)	-	-	-	(5,336)
Charge for year ended Feb 2007	(3,883)	(3,166)	(136)	(19)	-	(7,204)
Utilised/disposed for year ended Feb 2007	4,599	1,328	3	4	-	5,934
Movement in exchange rates for year ended Feb 2007	88	119	5	1	-	213
Balance as at 28 February 2007	(4,366)	(1,885)	(128)	(14)	-	(6,393)

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

Carrying amounts

Balance as at 1 March 2005	40,535	21,623	484	192	6,092	**68,926**
Balance as at 28 February 2006	42,350	23,002	515	1,324	6,678	**73,869**
Balance as at 28 February 2007	49,016	22,099	351	998	9,542	**82,006**

For the year ended 28 February 2007

Note 7 - Intangibles

NZ$'000s	Goodwill	Franchise Fees	Concept Development Costs	Total
Cost				
Balance as at 1 March 2005	38,960	4,017	1,994	44,971
Additions for year ended Feb 2006	-	690	-	690
Movement in exchange rates Feb 2006	82	18	11	111
Balance as at 28 February 2006	39,042	4,725	2,005	45,772
Additions for year ended Feb 2007	-	2,728	132	2,860
Movement in exchange rates Feb 2007	18	4	2	24
Balance as at 28 February 2007	39,060	7,457	2,139	48,656
Accumulated amortisation				
Balance as at 1 March 2005	(12,174)	(1,469)	(693)	(14,336)
Charge for the year ended Feb 2006	-	(413)	(148)	(561)
Movement in exchange rates Feb 2006	(16)	(4)	(3)	(23)
Balance as at 28 February 2006	(12,190)	(1,886)	(844)	(14,920)
Charge for the year ended Feb 2007	-	(472)	(103)	(575)
Effective movement in exchange rates	(3)	(1)	(1)	(5)
Balance as at 28 February 2007	(12,193)	(2,359)	(948)	(15,500)
Amortisation charge is recognised in cost of sales in the income statement.				
Impairment provision				
Balance as at 1 March 2005	-	-	-	-
Charge for the year ended Feb 2006	(3,023)	-	(411)	(3,434)
Movement in exchange rates Feb 2006	(9)	-	(5)	(14)
Balance as at 28 February 2006	(3,032)	-	(416)	(3,448)
Charge for the year ended Feb 2007	(1,142)	(702)	-	(1,844)
Effective movement in exchange rates	(15)	38	(1)	22
Balance as at 28 February 2007	(4,189)	(664)	(417)	(5,270)
Impairment charges are recognised in non trading in the income statement.				
Carrying amounts				
Balance as at 1 March 2005	26,786	2,548	1,301	30,635
Balance as at 28 February 2006	23,820	2,839	745	27,404
Balance as at 28 February 2007	22,678	4,434	774	27,886
The parent company has no intangible assets (2006: nil).				

Goodwill

In the year ended 28 February 2006, the directors considered the carrying amount of goodwill in the company's investment in Pizza Hut Victoria. It was determined, that given the trading position of the business, the value of the goodwill as currently recorded was not substantiated. Accordingly the full amount of the carrying value of the Pizza Hut Victoria goodwill was fully impaired, resulting in an impairment loss of $3.0 million in the income statement.

For the year ended 28 February 2007

Franchise costs

During the current year, the Group signed a new KFC Master Franchise Agreement with Yum, the franchisor for its KFC and Pizza Hut brands. Under the agreement, approximately fifty percent of the KFC store franchises were renewed for $2.6 million. The remaining KFC stores will be renewed in May 2007, on payment of a similar renewal fee. The payment of $2.6 million is included under intangible assets.

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.

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

	Group	Group
NZ$'000s	2007	2006
KFC	1,348	1,348
Pizza Hut New Zealand	21,330	22,472

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

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

KFC

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on the 3 year strategic business plan as approved by the board of directors. The cash flows were based on sales growth of 6–9% pa over 2008–2010. Adjustments were made for operating expenses, capital expenditure and taxation.
A terminal year was calculated based on the 2010 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

The discount rate, applied to future cash flows is based on a weighted average cost of capital applicable to Restaurant Brands.

PIZZA HUT NEW ZEALAND

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Cash flows were projected based on the 3 year strategic business plan as approved by the board of directors. The cash flows were based on sales growth of a decrease of 2% in 2008, and up to an increase of 5.4% pa over 2009–2010. Adjustments were made for operating expenses, capital expenditure and taxation. A terminal year was calculated based on the 2010 year and assumes a continuous growth of a minimum of projected inflation estimates of 2.5%.

The downturn in performance in Pizza Hut New Zealand in the current financial year because of significant competitor activity led to a review of future operating activities and the board of directors has decided to impair Pizza Hut New Zealand goodwill by $1.1 million.

The discount rate, applied to future cash flows is based on a weighted average cost of capital applicable to Restaurant Brands.

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

The above estimates are particularly sensitive in the following areas:

PIZZA HUT NEW ZEALAND

A ten percent decrease in future planned EBITDA would increase the impairment by $6.4 million.
An increase of one percentage point in the discount rate would increase the impairment by $4.5 million.

For the year ended 28 February 2007

Note 8 - Investment in subsidiaries

The subsidiary companies, all of which are wholly owned, have a 28 February balance date, and have been owned for the full financial year, are as follows:

RESTAURANT OPERATING COMPANIES
Restaurant Brands Limited
Restaurant Brands Australia Pty Limited
(incorporated in Victoria, Australia)

PROPERTY HOLDING COMPANIES
Restaurant Brands Properties Limited

EMPLOYEE SHARE OPTION PLAN TRUST COMPANY
Restaurant Brands Nominees Limited

INVESTMENT HOLDING COMPANIES
RB Holdings Limited
RBP Holdings Limited
RBDNZ Holdings Limited
RBN Holdings Limited

NON TRADING SUBSIDIARY COMPANIES
Restaurant Brands Pizza Limited
Kentucky Fried Chicken Limited

Note 9 - Deferred tax assets and liabilities

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

Group	Assets		Liabilities		Net	
NZ$'000s	2007	2006	2007	2006	2007	2006
Property, plant and equipment	1,701	1,830	(880)	(570)	821	1,260
Inventory	42	33	-	-	42	33
Debtors	7	5	-	-	7	5
Provisions	3,307	3,528	-	-	3,307	3,528
Intangibles	192	-	(3,499)	(3,443)	(3,307)	(3,443)
Other	-	-	(3)	(3)	(3)	(3)
Tax Losses	1,231	-	-	-	1,231	-
	6,480	5,396	(4,382)	(4,016)	2,098	1,380

The parent company has no deferred tax assets or liabilities (2006: nil).

Movement in temporary differences during the year:

Group NZ$'000s	Balance 1 March 2005	Recognised in Income Statement	Recognised in Equity	Balance 28 February 2006	Recognised in Income Statement	Recognised in Equity	Balance 28 February 2007
Property, plant and equipment	(199)	1,457	2	1,260	(289)	(150)	821
Inventory	10	23	-	33	10	(1)	42
Debtors	2	3	-	5	2	-	7
Provisions	2,314	1,207	7	3,528	(94)	(127)	3,307
Intangibles	(2,041)	(1,402)	-	(3,443)	147	(11)	(3,307)
Other	-	(3)	-	(3)	-	-	(3)
Tax Losses	-	-	-	-	1,231	-	1,231
	86	1,285	9	1,380	1,007	(289)	2,098

Recognition of the tax losses of $1.2 million is dependent upon the requirements of income tax legislation being met and these are expected to be utilised within the next year.

Note 10 - Inventories

	Group	Group
NZ$'000s	2007	2006
Raw materials and consumables	2,022	2,253

All inventories are valued at cost.

For the year ended 28 February 2007

Note 11 - Trade and other receivables

NZ$'000s	Group 2007	Group 2006	Company 2007	Company 2006
Prepayments	575	1,408	-	-
Other debtors	316	245	-	-
	891	1,653	-	-

Included in other debtors are foreign currency debtors of nil, (2006: $17,000, AUD $16,000).

Note 12 - Reconciliation of movement in capital and reserves

Group

NZ$'000s	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance as at 1 March 2005	(25,297)	(46)		(57)	(22,642)	(48,042)
Total recognised income and expense			(111)	49	(5,197)	(5,259)
Share based payments		(24)				(24)
Net dividends distributed					9,694	9,694
Options exercised	(279)					(279)
Balance as at 28 February 2006	(25,576)	(70)	(111)	(8)	(18,145)	(43,910)
Balance as at 1 March 2006	(25,576)	(70)	(111)	(8)	(18,145)	(43,910)
Total recognised income and expense			9	8	3,554	3,571
Share based payments		(15)				(15)
Net dividends distributed					7,769	7,769
Options exercised	(46)					(46)
Balance as at 28 February 2007	(25,622)	(85)	(102)	–	(6,822)	(32,631)

Company

NZ$'000s	Share Capital	Share Option Reserve	Foreign Currency Translation Reserve	Hedging Reserve	Retained Earnings	Total
Balance as at 1 March 2005	(25,297)	(46)		(57)	17,301	(8,099)
Total recognised income and expense				57	(7,996)	(7,939)
Share based payments		(24)				(24)
Net dividends distributed					9,694	9,694
Options exercised	(279)					(279)
Balance as at 28 February 2006	(25,576)	(70)	–	–	18,999	(6,647)
Balance as at 1 March 2006	(25,576)	(70)			18,999	(6,647)
Total recognised income and expense					(5,291)	(5,291)
Share based payments		(15)				(15)
Net dividends distributed					7,769	7,769
Options exercised	(46)					(46)
Balance as at 28 February 2007	(25,622)	(85)	–	–	21,477	(4,230)

For the year ended 28 February 2007

Note 12 - Reconciliation of movement in capital and reserves (continued)

Share option reserve

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

Foreign currency translation reserve

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedging transactions that have not yet incurred.

Note 13 - Dividend distribution

	Group	Group	Company	Company
NZ$'000s	2007	2006	2007	2006
Interim dividend of 2.5 cents per share paid (2006:4.5 cents per share)	2,429	4,367	2,429	4,367
Final dividend of 5.5 cents per share paid for the year ended 28 February 2006 (2006:5.5 cents per share)	5,340	5,327	5,340	5,327
	7,769	9,694	7,769	9,694

Note 14 - Equity

The issued capital of the Company is 97,128,956 (2006: 97,081,875) ordinary fully paid up shares. All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regard to the Company's residual assets.

Shares	Group & Company 2007 number	Group & Company 2007 $'000	Group & Company 2006 number	Group & Company 2006 $'000
Balance at beginning of year ordinary shares	97,081,875	25,576	96,843,475	25,297
Movements in reported capital:				
Ordinary shares	47,081	46	238,400	279
Balance at end of year	97,128,956	25,622	97,081,875	25,576

For the year ended 28 February 2007

Note 15 - Earnings per share

The calculation of basic earnings per share for the year ended 28 February 2007 was based on the profit from continuing operations attributable to ordinary shareholders of $6.3 million and a weighted average number of ordinary shares outstanding during the year of 97,113,095 shares calculated as follows:

Weighted average number of ordinary shares for the period	2007 000's of shares	2006 000's of shares
Issued ordinary shares at February 2005		96,843
Effect of shares issued in May 2005		6
Effect of shares issued in July 2005		83
Effect of shares issued in August 2005		21
Effect of shares issued in September 2005		13
Effect of shares issued in October 2005		2
Effect of shares issued in December 2005		2
Issued ordinary shares at February 2006	97,082	-
Effect of shares issued in March 2006	6	-
Effect of shares issued in May 2006	14	-
Effect of shares issued in June 2006	1	-
Effect of shares issued in July 2006	10	-
Effect of shares issued in February 2007	-	-
Weighted average number of ordinary shares	**97,113**	**96,970**

	Group 2007 earnings per share (cents)	Group 2007 $'000	Group 2006 earnings per share (cents)	Group 2006 $'000
Profit/ (loss) attributable to ordinary shareholders' continued operations	6.49	6,307	14.52	14,082
(Loss)/ profit attributable to ordinary shareholders' discontinued operations	(10.15)	(9,861)	(9.16)	(8,885)
(Loss)/ profit attributable to ordinary shareholders' total operations	(3.66)	(3,554)	5.36	5,197

Note 16 - Loans and finance leases

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. All existing bank loans, loans and finance leases are denominated in New Zealand dollars, (2006 $0.03 million of finance leases were denominated in Australian dollars). For more information about the Company's exposure to interest rate and foreign currency risk see note 19.

NZ$'000s	Group 2007	Group 2006	Company 2007	Company 2006
Non-current liabilities				
Finance leases	591	735	-	-
Secured bank loans	48,580	32,365	48,580	32,365
	49,171	**33,100**	**48,580**	**32,365**
Current liabilities				
Finance leases	605	674	-	-
Other loans	190	-	-	-
	795	**674**	-	-

Note 16 - Loans and finance leases (continued)

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

The secured bank loan $48.6 million, is unhedged for interest rate rises (2006: $32.4 million). The loan is floating at an interest rate of 7.58% (2006:7.55%) at balance date. The bank loans are structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis.

As security over the loans and bank overdraft, the banks hold a negative pledge deed between Restaurant Brands New Zealand Limited and all its subsidiary companies. The negative pledge deed includes all obligations and cross guarantees between the guaranteeing subsidiaries. The other loan is at a fixed interest rate of 11% and is repayable within a year.

Note 17 - Current creditors and accruals

	Group	Group	Company	Company
NZ$'000s	2007	2006	2007	2006
Trade creditors	8,732	11,800	-	-
Other creditors and accruals	8,418	5,650	312	207
Employee entitlements	5,531	5,613	-	-
Indirect and other taxes	1,869	2,461	-	-
	24,550	**25,524**	**312**	**207**

Included in trade creditors are foreign currency creditors of $218,000 (AU$7,000; US$149,000), (2006: NZ$2,625,000; AU$2,181,000; US$133,000) which are not hedged. The trade creditors included in liabilities held for sale as per Note 3 are NZ$1,253,000 (AU$1,121,000) and are not hedged.

Note 18 - Provisions and deferred income

Group	Surplus lease space	Store closure costs	Employee entitlements	Deferred income	Total
NZ $'000s					
Balance at 1 March 2006	698	364	475	4,545	6,082
Provisions created during the period	227	250	377	2,515	3,369
Provisions used during the period	(509)	(258)	(361)	(1,035)	(2,163)
Provisions released during the period	(41)	(86)	-	-	(127)
Unwind of discount	(26)	(19)	-	-	(45)
Provisions reclassified as held for sale	-	-	(59)	-	(59)
Balance at 28 February 2007	**349**	**251**	**432**	**6,025**	**7,057**
2007					
Non-current	-	-	432	4,757	5,189
Current	349	251	-	1,268	1,868
	349	**251**	**432**	**6,025**	**7,057**
2006					
Non-current	-	-	475	3,611	4,086
Current	698	364	-	934	1,996
	698	**364**	**475**	**4,545**	**6,082**

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 offset payments made to lessors.

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

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

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

Note 19 - Financial instruments

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

(A) FOREIGN CURRENCY RISK

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

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

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

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

(B) INTEREST RATE RISK

The 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 level of hedging.

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

No interest hedge exists at 28 February 2007 (2006: nil).

(C) REPRICING ANALYSIS

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

NZ$'000s	Effective interest rate	Total	12 months or less	12 months or more
Group 2007				
Cash	6.75%	2,081	2,081	-
Bank overdraft	9.15%	(981)	(981)	-
Other loans	11.0%*	(190)	(190)	-
Bank term loans	7.58%	(48,580)	(48,580)	-
Finance leases		(1,196)	(605)	(591)
		(48,866)	(48,275)	(591)

*Other loans are a fixed interest rate

NZ$'000s	Effective interest rate	Total	12 months or less	12 months or more
Group 2006				
Cash	1.00%	2,537	2,537	-
Bank overdraft	9.15%	(504)	(504)	-
Bank term loans	7.55%	(32,365)	(32,365)	-
Finance leases		(1,409)	(674)	(735)
		(31,741)	(31,006)	(735)

Note 19 - Financial instruments (continued)

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

The company position for both 2007 and 2006 reflects the Group position in the case of the bank term loans and the overdraft.

(D) CREDIT FACILITIES

The Group has bank funding facilities, excluding overdraft facilities, of $70 million (2006: $50 million) available at variable rates. The amount undrawn at balance date was $21.4 million (2006: $17.6 million).

(E) CREDIT RISK

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

At balance date there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. There is no exposure to credit risk arising from derivative financial instruments as the net differential paid or received on forward exchange contracts is recognised as a component of interest expense over the period of the agreement.

(F) 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 28 February 2007 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $0.4 million (2006: $0.3 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.

Note 20 - Commitments

(A) CAPITAL COMMITMENTS

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

NZ$'000s	Group 2007	Group 2006
Store Development	650	1,520
KFC Franchise fee renewal	2,588	-

(B) OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

NZ$'000s	Group 2007	Group 2006
Not later than one year	17,684	19,363
Later than one year but not later than two years	15,831	17,237
Later than two years but not later than five years	33,578	36,124
Later than five years	19,152	22,682
	86,245	95,406

Note 20 - Commitments (continued)

(C) RENEWAL RIGHTS OF OPERATING LEASES

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

Number of leases with:	Rights of renewal		No rights of renewal	
NZ$'000s	2007	2006	2007	2006
Leases expiring in:				
Not later than one year	34	31	10	13
Later than one year but not later than two years	23	30	5	11
Later than two years but not later than five years	63	74	36	46
Later than five years	76	90	26	14

(D) FINANCE LEASE COMMITMENTS

The carrying amount of finance leases for the Group as at 28 February 2007 is $1.0 million, (2006: $1.3 million).

Non-cancellable finance lease rentals are payable as follows:

	Group	Group
NZ$'000s	2007	2006
Not later than one year	659	733
Later than one year but not later than two years	556	550
Later than two years but not later than five years	226	406
	1,441	1,689
Future lease finance charges	(245)	(280)
Net finance lease liability	1,196	1,409
Current	605	674
Non-current	591	735

Note 21 - Net cash flow from operating activities

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

	Group	Group	Company	Company
NZ$'000s	2007	2006	2007	2006
(Loss)/profit after taxation	(3,554)	5,197	5,291	7,996
Add items classified as investing/ financing activities:				
Loss on disposal of fixed assets	1,408	516	-	-
Other non-operating costs of exiting Pizza Hut Victoria	1,851	-	-	-
	3,259	516	-	-
Add/(less) non-cash items:				
Depreciation	11,062	10,998	-	-
Increase / (decrease) in provision for exit costs	1,362	-	-	-
(Decrease) / increase in provisions	(432)	517	-	-
Amortisation of intangible assets	575	561	-	-
Impairment on Pizza Hut Victoria goodwill	-	3,023	-	-
Impairment of Pizza Hut Victoria intangibles and property, plant and equipment	6,564	4,092	-	-

Note 21 - Net cash flow from operating activities (continued)

NZ$'000s	Group 2007	Group 2006	Company 2007	Company 2006
Impairment of NZ property, plant and equipment	1,342	1,640	-	-
Impairment of Pizza Hut New Zealand goodwill	1,142	-	-	-
(Decrease) in deferred tax liability	(718)	(1,294)	-	-
Share based payments	15	24	-	-
	20,912	19,561	-	-
Add/(less) movement in working capital:				
Decrease (increase) in inventories	127	(192)	-	-
Decrease in trade debtors and other receivables	435	538	589	733
Increase / (decrease) in trade creditors and other payables	(323)	2,484	107	122
(Increase) / decrease in income tax receivable	(8)	140	-	-
	231	2,970	696	855
Net cash from operating activities	20,848	28,244	5,987	8,851

Note 22 - Contingent liabilities

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

Note 23 - Related party disclosures

PARENT AND ULTIMATE CONTROLLING PARTY

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

IDENTITY OF RELATED PARTIES WITH WHOM MATERIAL TRANSACTIONS HAVE OCCURRED

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

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

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation comprised short-term benefits for the year ended 28 February 2007 of $2.3 million (2006: $2.1 million). Directors' fees were $0.2 million (2006: $0.3 million).

During the year the Group purchased property, plant and equipment of $0.1 million (2006: $0.3 million) from Premier Stainless Pty Limited, a company of which Restaurant Brands director Danny Diab is a director and a shareholder. There was nil owing as at 28 February 2007 (2006: nil).

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

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

Note 24 – Senior Executive Share Option Plan

On completion of the listing of the Company in 1997, senior executives were granted 852,271 non-transferable options to subscribe for shares in the Company. No options have been exercised or lapsed since granted, and 653,408 have been forfeited on termination of individual's employment. No amount was payable on the grant of the options, and the option exercise price of each option was the final price of the initial public offer (220 cents per share) plus 10% (a resulting price of 242 cents per share).

Note 24 – Senior Executive Share Option Plan (continued)

Each option provides the executive with the entitlement to subscribe for one share (adjusted for bonus share issues). Subject to insider trading legislation and other applicable laws, the options are exercisable as long as the relevant executive remains an employee of the Company, although in exceptional circumstances the Board has discretion to allow options to be exercised subject to conditions, if the executive is no longer an employee. If it appears that control of the Company will change, the Board is able to allow options to be exercised, again subject to conditions they may impose.

No new options were issued under the Plan during the year. Senior executives exercised no options during the year.

The shares issued under this scheme will rank equally with other shares.

Note 25- 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	Exercised to 28 February 2006	Exercised in year	Forfeited Options	Outstanding Options at 28 February 2007
5-Jun-97	$2.20	546,213	-	-	(381,676)	164,537
31-Aug-98	$0.94	1,318,062	(474,625)	(19,603)	(646,472)	177,362
15-Sep-99	$1.32	1,078,467	(203,228)	-	(610,363)	264,876
11-Sep-00	$1.05	1,494,368	(407,333)	(25,950)	(748,153)	312,932
12-Sep-01	$1.50	1,010,122	(76,018)	-	(568,618)	365,486
13-Sep-02	$1.85	905,128	-	-	(541,209)	363,919
23-Sep-03	$1.39	1,228,423	(34,486)	-	(598,035)	595,902
Total		**7,580,783**	**(1,195,690)**	**(45,553)**	**(4,094,526)**	**2,245,014**

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

Percentage of total shares on issue 2.3% (2006: 2.6%).

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

Note 26 - Explanations of transition to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)

These are the Group's first consolidated financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the front of the financial statements have been applied in preparing the financial statements for the year ended 28 February 2007, the comparative information presented in these financial statements for the year ended 28 February 2006 and in the preparation of an opening NZ IFRS balance sheet at 1 March 2005 (the Group's date of transition).

The impact of adjustments on the financial statements is set out as follows:

RE-MEASUREMENT OF BUSINESS COMBINATIONS

The Group has elected not to apply NZ IFRS to business combinations that have occurred prior to the adoption of NZ IFRS.

Note 26 - Explanations of transition to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) (continued)

INTANGIBLE ASSETS

Under NZ IFRS internally generated elements of intangible assets cannot be recognised. This has resulted in $0.08 million intangible assets previously recognised under NZ GAAP being written off to retained earnings in the year ended 28 February 2005.

NZ IFRS does not permit goodwill to be amortised, but subjects it to an annual impairment test. This has increased earnings by $2.1 million in the year ended 28 February 2006 in relation to the New Zealand business. The goodwill of the Australian business had been fully impaired in the year ended 28 February 2006.

TAXATION

NZ IFRS requires the use of the "balance sheet" approach rather than the "profit and loss account" approach required under NZ GAAP in calculating deferred taxation. Adjustments to deferred taxation of $1.5 million for the year ended 28 February 2005 resulting from change in earnings is set out in the attached tables.

FINANCIAL INSTRUMENTS

Accounting for financial instruments under NZ IFRS involves some major changes from NZ GAAP. IFRS is very prescriptive on when a financial derivative can be considered an effective hedge of an underlying position or future cashflow. All derivative contracts will be carried at fair value on the Group's balance sheet. If a derivative financial transaction does not qualify for hedge accounting, the mark-to-market fair value movement will be taken to earnings. If a derivative financial transaction does qualify for cash flow hedge accounting, the mark-to-market fair value movement will be taken to a reserve within equity. All of the financial derivative instruments entered into are to hedge the Group's future cash flows and are not speculative in nature; the majority of instruments will qualify for hedge accounting. Upon first time adoption of NZ IFRS, a mark-to-market fair value gain of $0.06 million was recognised at 1 March 2005. This was recognised in the parent company.

LONG SERVICE LEAVE

Long service leave is currently recognised when it vests, whereas under NZ IFRS this is recognised on an actuarial basis from the date an employee is first employed. The impact on first adoption was $0.4 million against retained earnings as at 1 March 2005.

FOREIGN CURRENCY TRANSLATION RESERVE

The balance of the foreign currency translation reserve of $1.7 million at 28 February 2005 has been transferred to retained earnings from the foreign currency translation reserve on first time adoption of IFRS. There has been no impact on earnings or equity from this change.

REVENUE RECOGNITION

The timing of revenue for certain transactions is treated differently under NZ IFRS. The impact of this is to reverse to the balance sheet a deferred portion of revenue previously recognised under NZ GAAP. The impact on first adoption was $4.1 million against retained earnings.

SHARE-BASED PAYMENTS

The employee share growth share option plan allowed certain company employees to acquire shares of the Company. Under NZ IFRS the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. Only the 23 September 2003 issue of options was affected. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. 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. This has resulted in $0.04 million being transferred to share option reserve at 1 March 2005 in the parent company.

Income Statement for the year ended 28 February 2006

NZ$'000s	Reported using NZ GAAP*	Adjustments to comply with IFRS	Reported using IFRS
Total store sales revenue	316,352		316,352
Other revenue	1,413	(1,024)	389
Total operating revenue	**317,765**	**(1,024)**	**316,741**
Cost of goods sold	(250,794)	483	(250,311)
Gross profit	**66,971**	**(541)**	**66,430**
Distribution expenses	(9,211)		(9,211)
Marketing expenses	(22,716)		(22,716)
General and administration expenses	(13,920)	8	(13,912)
Other non-trading	(2,225)	123	(2,102)
Amortisation of goodwill	(2,733)	2,733	-
Impairment of Pizza Hut Victoria	(6,985)	(130)	(7,115)
EBIT	**9,181**	**2,193**	**11,374**
Interest revenue	13		13
Interest expense	(2,490)		(2,490)
Net foreign exchange gain	167		167
Net financing expenses	(2,310)		(2,310)
Profit before taxation	**6,871**	**2,193**	**9,064**
Taxation expense	(3,492)	(375)	(3,867)
Profit after taxation	**3,379**	**1,818**	**5,197**
Earnings per share from total operations	**3.48**		**5.36**

*The statement of financial performance has been reclassified in order to comply with the functional disclosures required under NZ IFRS. Pizza Hut Victoria has been reclassified as a discontinued operation in the financial statements to 28 February 2007.

The cash flow statement for the year ended 28 February 2006 has not been adjusted for the adoption of NZ IFRS. However, a number of cash flow items have been reclassified in order to align the presentation of the financial statements with the current format.

As at 28 February 2005

NZ$'000s	Note	Reported Using NZ GAAP* February 2005	Adjustment Intangibles Start Up Costs	Adjustment Revenue	
Current assets					
Inventories	10	2,061			
Financial assets		-			
Accounts receivable	11	1,889			
Income tax receivable		105			
Cash		1,642			
		5,697			
Assets					
Fixed assets	6	68,926			
Investments in subsidiaries	8	-			
Deferred tax asset		-			
Intangible assets	7	30,713	(78)		
		99,639			
Total assets		**105,336**			
Current Liabilities					
Bank overdraft		-			
Creditors & accruals		(25,395)		(632)	
Amounts payable to subsidiaries		-			
	16–18	**(25,395)**			
Non-Current Liabilities					
Deferred tax liability	9	(1,424)			
Provisions/accruals		-		(3,447)	
Bank loans and Leases	16	(27,446)			
		(28,870)			
Total Liabilities		**(54,265)**			
Net Assets		**51,071**	**(78)**	**(4,079)**	
Equity	14				
Share capital		(25,297)			
Share Option reserve		-			
FCTR		1,684			
Hedging reserve		-			
Other reserves		(27,458)	78	4,079	
		(51,071)	**78**	**4,079**	

*The balance sheet has been reclassified in order to comply with the disclosures required under NZ IFRS.

	Adjustment Financial Instruments	Adjustment First Time adoption FCTR	Adjustment Share-based payments Share Options	Adjustment Employee Benefits	Adjustment Deferred Tax	Reported Using NZ IFRS February 2005
						2,061
	57					57
						1,889
						105
						1,642
						5,754
						68,926
						-
					86	86
						30,635
						99,647
						-
						105,401
						-
						(26,027)
						-
						(26,027)
					1,424	-
				(439)		(3,886)
						(27,446)
						(31,332)
						(57,359)
	57	-	-	(439)	1,510	48,042
						(25,297)
			(46)			(46)
		(1,684)				-
	(57)					(57)
		1,684	46	439	(1,510)	(22,642)
	(57)	-	-	439	(1,510)	(48,042)

As at 28 February 2006

NZ$'000s	Note	Reported Using NZ GAAP* February 2006	Adjustment for changes to IFRS February 2005	Adjustment Intangibles Start Up Costs	Adjustment Intangibles Amortisation	
Current Assets						
Inventories	10	2,253				
Financial assets		-	57			
Accounts receivable	11	1,645				
Income tax receivable		698				
Cash		2,033				
		6,629				
Non-Current Assets						
Fixed assets	6	73,269				
Investments in subsidiaries	8	-				
Intangible assets		25,365	(78)	38	2,079	
Deferred tax asset		245	86			
		98,879				
Total Assets		105,508				
Current Liabilities						
Bank overdraft		-				
Creditors & accruals		(27,260)	(632)			
Amounts Payable to subsidiaries		-				
	16–18	(27,260)				
Non-Current Liabilities						
Deferred tax liability	9	-	1,424			
Provisions/accruals		-	(3,886)			
Bank loans and Leases	16	(33,100)				
		(33,100)				
Total Liabilities		(60,360)				
Net Assets		45,148	(3,029)	38	2,079	
Equity	14					
Share capital		(25,576)				
Share Option reserve		-	(46)			
FCTR		1,571	(1,684)			
Hedging reserve		-	(57)			
Other reserves		(21,143)	4,816	(38)	(2,079)	
		(45,148)	3,029	(38)	(2,079)	

*The balance sheet has been reclassified in order to comply with the disclosures required under NZ IFRS.

Adjustment Revenue	Adjustment Financial Instruments	Adjustment Share-based payments Share Options	Adjustment Employee Benefits	Adjustment Deferred Income	Adjustment Deferred Tax	Reported Using NZ IFRS February 2006
						2,253
	(49)					8
						1,645
						698
						2,033
						6,637
				600		73,869
						-
						27,404
					1,049	1,380
						102,653
						-
						109,290
						-
(222)				(80)		(28,194)
						-
						(28,194)
					(1,424)	-
356			(36)	(520)		(4,086)
						(33,100)
						(37,186)
						(65,380)
134	(49)	-	(36)	-	(375)	43,910
						(25,576)
		(24)				(70)
			2			(111)
	49					(8)
(134)		24	34		375	(18,145)
(134)	49	-	36	-	375	(43,910)

Note 27 - Subsequent event

Subsequent to balance date, the directors have declared 3.0 cents per share final dividend for the year ended 28 February 2007.

KPMG

For the year ended 28 February 2007

To the shareholders of Restaurant Brands New Zealand Limited

We have audited the financial statements on pages 22 to 57. The financial statements provide information about the past financial performance and financial position of the company and group as at 28 February 2007. This information is stated in accordance with the accounting policies set out on pages 25 to 33.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 28 February 2007 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- The significant estimates and judgments made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 22 to 57:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 28 February 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 26 April 2007 and our unqualified opinion is expressed as at that date.

KPMG

Auckland

As at 1 April 2007

1. Stock exchange listing

The Company's ordinary shares are listed on the New Zealand Stock Exchange.

2. Distribution of security holders and security holdings

Size of holding	Number of security holders		Number of securities	
1 to 999	1,220	18.29%	663,329	0.68%
1,000 to 4,999	3,525	52.86%	6,671,986	6.87%
5,000 to 9,999	885	13.27%	5,743,319	5.91%
10,000 to 49,999	906	13.59%	16,368,600	16.85%
50,000 to 99,999	73	1.10%	4,395,483	4.53%
100,000 to 499,999	51	0.76%	8,479,399	8.73%
500,000+	9	0.13%	54,806,840	56.43%
	6,669	100.00%	97,128,956	100.00%

Geographic distribution				
New Zealand	6,454	96.75%	91,175,460	93.87%
Australia	119	1.82%	5,214,328	5.37%
Rest of world	96	1.43%	739,168	0.76%
	6,669	100.00%	97,128,956	100.00%

3. 20 Largest registered holders of quoted equity securities

New Zealand Central Securities Depository Limited	36,560,630	37.64
AMP Custodial Investments No 1 Limited	9,296,896	9.57
Diab Investment NZ Limited	3,444,300	3.55
ASB Nominees Limited	1,500,000	1.54
Asset Custodian Nominees Limited	1,228,868	1.26
Leveraged Equities Finance Limited	972,056	1.00
Moon Chul Choi & Keum Sook Choi	655,000	0.67
FNZ Custodians Limited	636,090	0.65
Forsyth Barr Custodians Limited	513,000	0.53
JA Seo Koo & Young Ran Koo	401,000	0.41
Clime Asset Management Limited	350,000	0.36
ASB Nominees Limited	300,000	0.31
Hochlunch Pty Limited	300,000	0.31
Rocati Pty Limited	300,000	0.31
Kevin Koo	275,000	0.28
Mark Albert Horsfall	257,146	0.26
John Nelson Matthews & Carol Barbara Matthews & Graham Clyde Chapman	250,000	0.26
Custodial Services Limited	244,397	0.25
JA Hong Koo & Pyung Keum Koo	219,000	0.23
Timothy James Schwaiger	200,000	0.21
	57,903,383	59.61

As at 1 April 2007

NZCSD (New Zealand Central Securities Depository Limited) is a depository system which allows electronic trading of securities to its members. As at 1 April 2007, the NZCSD holdings in Restaurant Brands were:

	Numbers of Ordinary Shares	Percentage of Ordinary Shares
Tracker Nominees - AMP Investments	56,000	0.06
ANZ Nominees Limited	5,452,630	5.61
AMP Superannuation Tracker Fund	179,200	0.18
Citibank Nominees (New Zealand) Limited	3,127,519	3.22
HSBC Nominees (NZ) Limited	21,426,471	22.06
National Nominees New Zealand Limited	3,008,399	3.10
NZ Guardian Trust Investment Nominees Limited	2,000	0.00
Guardian Trust Investment Nominees (RWT) Limited	32,850	0.03
Public Trust O/A Permanent Nominees Limited Tower NZ Equity Trust	36,600	0.04
NZ Superannuation Fund Nominees Limited	163,992	0.17
Tea Custodians Limited	570,000	0.59
Custody And Investment Nominees Limited	2,488,717	2.56
Westpac Nominees (NZ) Limited	16,250	0.02
Westpac Banking Corporation - Client Assets No 2	2	0.00
	36,560,630	37.64

4. Substantial Security Holders

The following persons have given substantial security holder notices according to the file maintained by the Company under section 25 of the Securities Markets Act 1988.

	Voting securities Number	%
AMP Henderson Global Investors (New Zealand) Limited	9,296,896	9.57
Tower Asset Management Limited	4,890,293	5.03

5. Shares on issue

As at 1 April 2007, the total number of ordinary shares on issue was 97,128,956.

6. Directors' Security Holdings

	Equity securities held	
	2007	2006
E K van Arkel	50,000	50,000
V J Salmon*	86,000	86,000
D Diab	3,444,300	3,444,300

*V J Salmon resigned as Chief Executive Officer and director on 14 March 2007.

7. Stock Exchange Waiver

No waivers were sought from NZX during the year.

For the year ended 28 February 2007

1. Directorships

T A Hall resigned as a director of Restaurant Brands New Zealand Limited on 22 March 2006. S H Suckling was appointed as a director on 9 June 2006. W J Falconer resigned as Chairman and a director of Restaurant Brands New Zealand Limited on 21 July 2006. E K van Arkel was appointed as Chairman of the Board on 21 July 2006. J A Ball resigned as a director of Restaurant Brands Australia Pty Limited on 29 December 2006. C J Stewart was appointed as a director of Restaurant Brands Australia Pty Limited on 29 December 2006.

The names of the directors of the Company as at 28 February 2007 are set out in the Corporate Directory, on the inside of the back cover of this annual report.

The following are directors of all subsidiary companies of the group: E K van Arkel, VJ Salmon* and D A Pilkington.
The following are directors of Restaurant Brands Australia Pty Limited: E K van Arkel, V J Salmon*, D A Pilkington, C J Stewart and G R Ellis.
*V J Salmon resigned as Chief Executive Officer and director on 14 March 2007.

2. Directors and remuneration

The following persons held office as directors during the year to 28 February 2007 and received the following remuneration and other benefits:

In NZ dollars	Directors Fees	Other Remuneration
E K van Arkel	52,273	-
V J Salmon	-	450,000
S R Beck	40,000	-
D Diab	40,000	-
D A Pilkington	40,000	-
S H Suckling	29,091	-
T A Hall	1,538	-
W J Falconer	23,182	-
	226,084	**450,000**

3. Entries recorded in the interests register

The following entries were recorded in the interest register of the Company and its subsidiaries during the year:

a) Share Dealings of Directors

There were no share dealings by directors during the financial year ended 28 February 2007.

b) Loans to Directors

There were no loans to directors during the financial year ended 28 February 2007.

c) General Disclosure of Interest

In accordance with Section 140 (2) of the Companies Act 1993, directors of the Company have made general disclosures of interest in writing to the board of positions held in other named companies or parties as follows:

Name	Position	Party
E K van Arkel	Chairman	Charlie's Group Limited (and subsidiaries)
	Chairman	Unitec New Zealand Limited (and subsidiaries)
	Director	Lang Properties Limited
	Director	Van Arkel & Co Limited
	Director	La Grouw Corporation Limited
	Director	Allied Work Force Group Limited

For the year ended 28 February 2007

Name	Position	Party
E K van Arkel (continued)	Director	Danske Mobler Limited
	Director	The National Property Trust Limited (and subsidiaries)
	Director	Paper Plus New Zealand Limited
	Director	Superpoints New Zealand Limited (and subsidiaries)
	Director	Auckland Regional Chamber of Commerce and Industry
	Director	Auckland Regional Transport Authority (ARTA)
S H Suckling	Chairperson	New Zealand Qualifications Authority
	Chairperson	Barker Fruit Processors Limited
	Chairperson	HSR Governance Limited
	Chairperson	National Institute of Water and Atmospheric Research
	Director	TYTM Development Limited
	Director	Acemark Holdings Limited
	Member	Takeovers Panel
S R Beck	Director	Wellington Drive Technologies Limited (and subsidiaries)
	Director	Pencarrow Private Equity Limited (and subsidiaries)
	Director	Eastern Equities Corporation Limited (and subsidiaries)
	Director	Tourism Enterprises Limited
	Director	Pacific Horizon Limited (and subsidiaries)
	Director	Kiwi Kat Limited
	Director	Home Ideas Group Limited (and subsidiaries)
	Director	Tabor Limited (in liquidation)
D A Pilkington	Chairman	Ruapehu Alpine Lifts Limited
	Chairman	Prevar Limited
	Chairman	Old Fashioned Foods Limited
	Director	Ballance AgriNutrients Limited (and subsidiaries)
	Director	Zespri Group Limited (and subsidiaries)
	Director	Douglas Pharmaceuticals Limited
	Director	NZ Biotechnologies Limited
	Director	Ports of Tauranga Limited
	Director	Rangatira Limited
	Director	Excelsa Associates Limited
	Member	Wellington City Council Audit and Risk Management Sub-Committee
	Trustee	New Zealand Community Trust
D Diab	Director	Diab Investments NZ Limited
	Director	Diab Pty Limited
	Director	Diab Investments Pty Limited
	Director	Mainplay Investments Pty Limited
	Director	Diab Investments II Pty Limited
	Director	Pizza Hut Adco Pty Limited
	Director	Mirrapol Holding Pty Limited
	President	National Pizza Association

For the year ended 28 February 2007

d) Specific Disclosures

D A Pilkington has disclosed that he has a circuitous family link to Red Rooster Chicken through his wife's family but that he has no involvement of any sort with the Red Rooster business.

e) Directors' indemnity and insurance

The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a Deed of Indemnity, indemnifying all directors to the extent permitted by section 162 of the Companies Act 1993.

4. Employees' remuneration

During the year the following number of employees or former employees received remuneration of at least $100,000:

Number of employees	2007	2006
$100,000 - $110,000	9	6
$110,000 - $120,000	5	5
$120,000 - $130,000	4	4
$130,000 - $140,000	2	0
$150,000 - $160,000	1	1
$160,000 - $170,000	2	0
$170,000 - $180,000	0	1
$210,000 - $220,000	2	0
$220,000 - $230,000	0	1
$260,000 - $270,000	1	0
$270,000 - $280,000	0	1
$290,000 - $300,000	1	1
$300,000 - $310,000	0	1
$400,000 - $410,000	1	0
$450,000 - $460,000	1	0
$570,000 - $580,000	0	1

For the period ended 28 February 2007

Overview

The board of Restaurant Brands New Zealand Limited is committed to the guiding values of the Company: integrity, respect, continuous improvement and service. Whilst not formally constituted into a code of ethics, it expects that management and staff ultimately subscribe to these values and use them as a guide to making decisions. These values are reflected in a series of formal policies covering such matters as:

- conflicts of interest
- use of company property
- use of company information
- compliance with applicable laws

Responsibility

The Board is responsible for the proper direction and control of the Company's activities, including setting strategic direction, approval of significant expenditures, policy determination, stewardship of the Company's assets, identification of significant business risks, legal compliance and monitoring management performance.

Delegation

The Board has delegated responsibility for the day-to-day leadership and management of the Company to the Chief Executive Officer (CEO)* who is required to do so in accordance with board direction. The CEO is the only executive officer on the Board of the Company. The CEO's performance is reviewed each year by the Board. The review includes a formal performance appraisal against measured objectives together with a qualitative review, including a 360 feedback process.
*As at the date of this annual report, the Company does not have a permanent CEO. The statement above was applicable to the former CEO and is likely to apply to a permanent CEO on appointment.

The Board has approved a schedule of delegated authorities affecting all aspects of the Company's operation. This is reviewed from time to time as to appropriateness and levels of delegation.

Composition and focus

As at 28 February 2007 the Board comprised of five non-executive directors (including the Chairman) and one executive director (Chief Executive Officer). In addition to Committee responsibilities (below) individual Board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

E K van Arkel, D A Pilkington and S H Suckling are considered by the board to be independent under the NZSX Listing Rules.
S R Beck, D Diab and V J Salmon* are considered not to be independent as they either represented significant shareholdings or were employed by the Company. William Falconer (who resigned as Chairman on 9 June 2006) and T A Hall (who resigned on 22 March 2006) were both considered independent directors. The Board does not have a policy on a minimum number of independent directors.
*V J Salmon resigned as Chief Executive Officer and director on 14 March 2007.

Committees

From amongst its own members, the board has appointed the following permanent committees:

- Audit Committee. The members of the audit committee are D A Pilkington (Chairman), E K van Arkel and S H Suckling.
  The audit committee is constituted to monitor the veracity of the financial data produced by the Company and ensure controls are in place to minimise the opportunities for fraud or material error in the accounts.

The audit committee meets at least three times a year, with external auditors of the Company and executives performing internal audit management from within the Company. The external auditors also meet with the committee with no company executive present.

For the period ended 28 February 2007

The committee has adopted an audit charter setting out the parameters of its relationship with internal and external audit functions. The charter requires 5 yearly reviews of the external audit relationship and audit partner rotation.

- Appointments and Remuneration Committee. The members of the appointments and remuneration committee are S R Beck, E K van Arkel, D Diab and S H Suckling. This committee is constituted to approve appointments and terms of remuneration for senior executives of the Company, principally the CEO and those reporting directly to the CEO. It also reviews any company-wide incentive and share option schemes as required. The appointments and remuneration committee has adopted a written charter.

The Board does not have a formal nominations committee as all non-executive directors are involved in the appointment of new directors.

Other sub-committees may be constituted and meet for specific ad hoc purposes as required.

Board appraisal and training

The Board has adopted a performance appraisal programme by which it annually monitors and assesses individual and Board performance.

The Company does not impose any specific training requirements on its directors. The Board believes all directors have considerable training and expertise. New directors complete an induction programme with company senior management.

Insider trading

All directors and senior management of the Company are familiar with and have formally acknowledged acceptance of an "Insider Trading Code" that relates to dealings in securities by directors and employees. The provisions of the code are substantially in accordance with the "Insider Trading (Approved Procedure for Company Officers) Notice" issued under the Securities Markets Act, 1988.

Size

The constitution prescribes a minimum of three directors and as at balance date there were six members of the board. (V J Salmon resigned as a director on 14 March 2007).

Re-election

Under the terms of the constitution, one third of the directors (two) are required to retire from office at the annual meeting of the Company but may seek re-election at that meeting. The Chief Executive Officer, as an executive director, is exempt from the requirement to retire by rotation.

Meetings

The Board normally meets eight to ten times a year and, in addition to reviewing normal operations of the Company, approves a strategic plan and annual budget each year.

Board meetings are usually scheduled annually in advance, although additional meetings may be called at shorter notice.

Directors receive formal proposals, management reports and accounts in advance of all meetings.

Executives are regularly invited to attend Board meetings and participate in Board discussion. Directors also meet with senior executives on items of particular interest.

For the period ended 28 February 2007

Board meeting attendance for the year ended 28 February 2007 was as follows:

E K van Arkel	9
V J Salmon	9
S R Beck	9
D Diab	9
D A Pilkington	9
S H Suckling	7
W J Falconer	3
T A Hall	1

Board remuneration

Directors' fees for the year ended 28 February 2007 were $60,000 for the Chairman and $40,000 for each non-executive director. Refer to the Statutory Information section of the annual report for more detail.

No directors currently take a portion of their remuneration under a performance based equity compensation plan, although a number of directors do hold shares in the Company.

The terms of any directors' retirement payments are as prescribed in the constitution and require prior approval of shareholders in general meeting. No retirement payments have been made to any director.

Directors' indemnity and insurance

The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions.

The Company has executed a Deed of Indemnity, indemnifying all directors to the extent permitted by section 162 of the Companies Act 1993.

Risk management

In managing the Company's business risks the board approves and monitors policy and process in such areas as:

- Internal audit – Regular checks are conducted by operations and financial staff on all aspects of store operations.
- Treasury management – Exposure to interest rate and foreign exchange risks is managed in accordance with the Company's treasury policy.
- Financial performance – Full sets of management accounts are presented to the board at every meeting. Performance is measured against an annual budget with periodic forecast updates.
- Capital expenditure – All capital expenditure is subject to relevant approval levels with significant items approved by the board. The board also monitors expenditure against approved projects and approves the capital plan.
- Insurance – The Company has insurance policies in place covering most areas of risk to its assets and business. These include material damage and business interruption cover at all of its sites. Policies are reviewed and renewed annually with reputable insurers.

Shareholding

There is no prescribed minimum shareholding for directors although some do hold shares in the Company (refer to the Statutory Information section of the report for more detail).

Directors may purchase shares upon providing proper notice of their intention to do so and in compliance with the operation of the Company's "Insider Trading Code" (see above).

For the period ended 28 February 2007

Interests register

The Board maintains an interests register. In considering matters affecting the Company, directors are required to disclose any actual or potential conflicts. Where a conflict or potential conflict has been disclosed the director takes no further part in receipt of information or participation in discussions on that matter.

Shareholder communication

The Board places importance on effective shareholder communication. Half year and annual reports are published each year and posted on the Company's website, together with quarterly sales releases. From time to time the Board may communicate with shareholders by mail outside this regular reporting regime.

Consistent with best practice and a policy of continuous disclosure, external communications that may contain market sensitive data are released through NZX in the first instance. Further communication is encouraged with press releases through mainstream media. The Board formally reviews its proceedings at the conclusion of each meeting to determine whether there may be a requirement for a disclosure announcement.

Shareholder attendance at annual meetings is encouraged and the Board allows extensive shareholder debate on all matters affecting the Company.

Auditor independence

The Board manages the relationship with its auditors through the audit committee. The Company's external auditors are permitted to provide non-audit services to the Company with the approval of the audit committee.

Auditor's remuneration is disclosed in Note 4 of the financial statements.

NZX corporate governance best practice code

In almost all respects the Company's corporate governance practices conform with the NZX Corporate Governance Best Practice Code (the "Code"). The only areas in which the Company's practices vary from the Code are: it has not adopted a formal code of ethics, does not remunerate directors under a performance based equity compensation plan, does not impose specific training requirements on its directors and does not have a nominations committee.





Eduard (Ted) Koert van Arkel FNZIM

CHAIRMAN

Mr van Arkel was appointed to the board in September 2004 and elected chairman in July 2006. He is now a professional director having retired as Managing Director of Progressive Enterprises Limited in November 2004 following the successful integration of Woolworths NZ Limited into the Progressive Group. He had previously worked for PlaceMakers, Bing Harris Sargood and Woolworths. He currently serves as Chairman of Charlie's Group Limited and Unitec New Zealand Limited. He is also a director of the Auckland Regional Chamber of Commerce and Industry Limited, Auckland Regional Transport Authority, Allied Work Force Group Limited, La Grouw Corporation Limited, The National Property Trust Limited, Danske Mobler Limited, Paper Plus New Zealand Limited, Superpoints New Zealand Limited, Lang Properties Limited and his consulting company, Van Arkel & Co Limited. Mr van Arkel sits on the Board's audit committee and remuneration committee.

Sue H Suckling B.Tech (Hons), M.Tech (Hons), OBE

DIRECTOR

Ms Suckling is a professional director with over 20 years governance experience, with public and private companies. She was appointed to the Board in June 2006. She is currently Chairperson of Barker Fruit Processors Limited, HSR Governance Limited, National Institute of Water and Atmospheric Research and New Zealand Qualifications Authority and a director of TYTM Development Limited and Acemark Holdings Limited. Ms Suckling is also a member of the Takeovers Panel and sits on the Board's audit committee and remuneration committee.

Shawn R Beck BA, MBA

DIRECTOR

Mr Beck has been a director of Restaurant Brands for 6 years. He is a founding director of Pencarrow Private Equity Limited. Pencarrow is a private investment management firm specialising in private equity. Mr Beck is currently a director of Wellington Drive Technologies Limited, Eastern Equities Corporation Limited, Pacific Horizon Holdings Limited, Tourism Enterprises Limited, Home Ideas Group Limited and Kiwi Kat Limited (trading as Kawau Kat). Mr Beck sits on the Board's remuneration committee.

Danny Diab FAICD, Dip CD, Dip CM, FICM

DIRECTOR

Mr Diab is based in Australia and owns and operates a number of Pizza Hut restaurants in Sydney in addition to other business interests. He was appointed to the Board in October 2002. He has had more than 20 years' experience in the pizza industry and is regarded as one of the leading Pizza Hut franchisees in Australia. He is currently president of the Pizza Hut Franchisees' Association in Australia. Mr Diab sits on the Board's remuneration committee.

David A Pilkington BSc, BE(Chem), Dip Dairy Sci & Tech

DIRECTOR

The former Managing Director of New Zealand Milk Limited, Mr Pilkington is also Chairman of Prevar Limited, Ruapehu Alpine Lifts and Old Fashioned Foods Limited. He is also a director of Douglas Pharmaceuticals Limited, Ballance Agri-Nutrients Limited, Ports of Tauranga Limited, Rangatira Limited and Zespri Group Limited. Mr Pilkington is also a shareholder and director of NZ Biotechnologies Limited and his own consulting company, Excelsa Associates Limited. He is an independent appointee to the Wellington City Council Audit and Risk Management Sub-Committee and a trustee for the New Zealand Community Trust. Mr Pilkington was appointed to the Board in July 2004 and chairs the Board's audit committee.

Corporate Directory

Directors:
E K (Ted) van Arkel (Chairman)
Sue Helen Suckling
Shawn Richard Beck
Danny Diab
David Alan Pilkington

Registered Office:
Level 3, Westpac Building, Central Park,
666 Great South Road, Penrose,
Auckland, New Zealand

Share Registrar:
Computershare Investor Services Limited
Private Bag 92119
Auckland 1020
New Zealand
Telephone: (09) 488 8700

Auditors:
KPMG

Solicitors:
Bell Gully
Harmos Horton Lusk
Meredith Connell

Bankers:
Westpac Banking Corporation
ANZ National Bank Limited

Contact Details
Postal Address:
P O Box 22-749, Otahuhu
Auckland 1640, New Zealand
Telephone: (09) 525-8700
Fax: (09) 525-8711
E-mail: investor@restaurantbrands.co.nz

Financial Calendar

Annual Meeting:
28 June 2007

Close of Register for Final Dividend:
15 June 2007

Final Dividend Paid:
29 June 2007

Interim Profit Announcement:
October 2007

Interim Dividend Paid:
November 2007

Financial Year End:
28 February 2008

Annual Profit Announcement:
April 2008