

RESTAURANT BRANDS NEW ZEALAND LIMITED 2012 ANNUAL REPORT
TO VIEW PLEASE USE 3D GLASSES PROVIDED



Depth, volume, bigness, capacity, scope - we are a company of ideas, growth opportunities and brands.

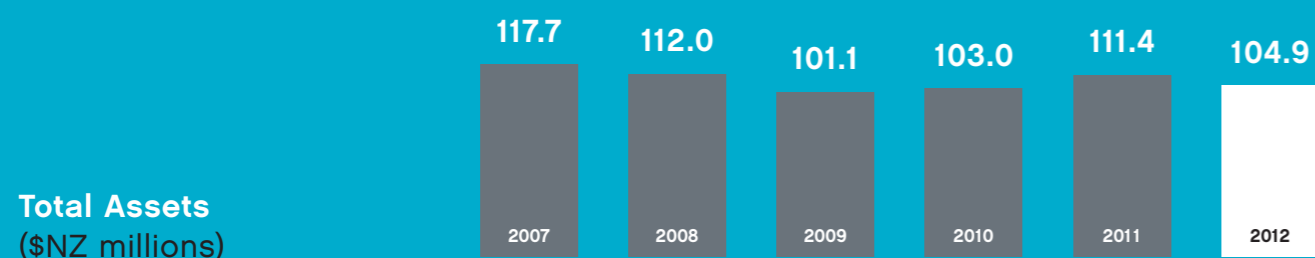
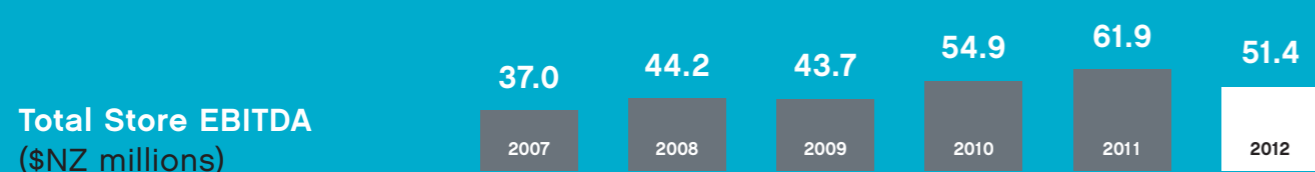
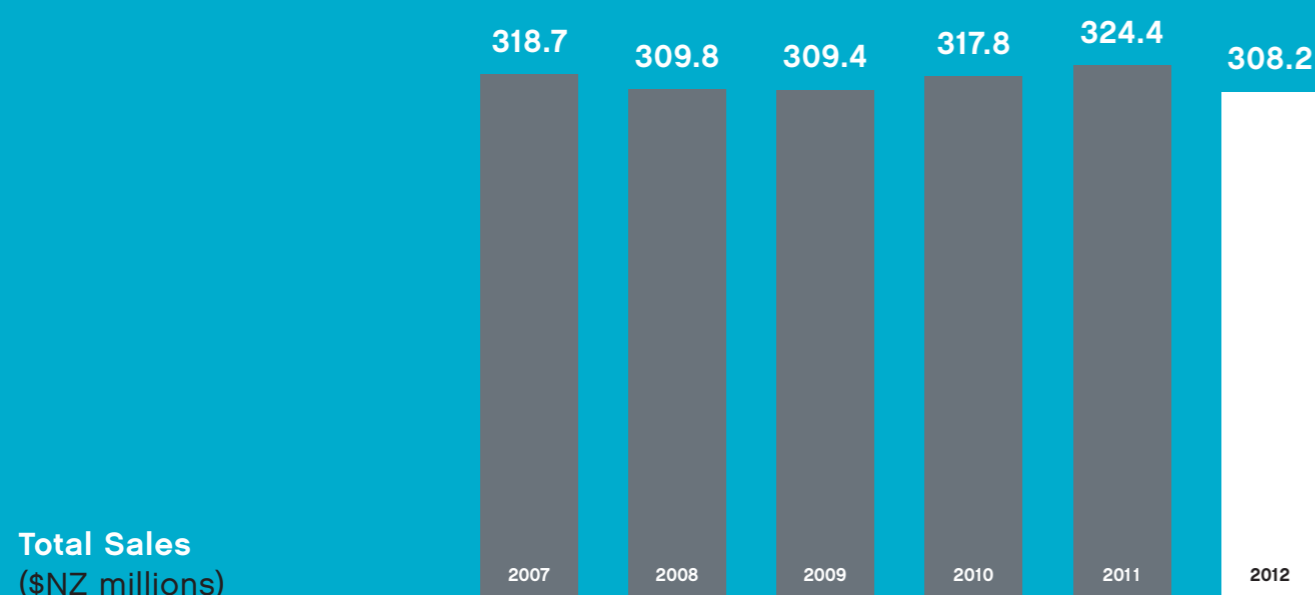
Multi-dimensional in fact. So, to illustrate that point, we've added another dimension to our annual report.

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Year in review

- Group Net Profit after Tax (excluding non-trading items) was **\$18.4 million** (18.8 cents per share), down 27% on prior year.
- Total Group Revenue of **\$308.9 million** was down \$16 million (4.9%) mainly from the impact of the Christchurch earthquake (\$5.9 million) and sell down of Pizza Hut stores (\$5.9 million).
- **KFC sales reached a new high of \$236.3 million** with store transformations continuing to produce positive sales and profit growth.
- The Pizza Hut sell-down programme is gaining momentum with **13 stores now sold to independent franchisees**.
- Despite reduced operating cash flows, correspondingly lower capital expenditure kept debt levels close to prior year at **\$13.6 million**.
- A final fully-imputed dividend of 9.5 cents per share, making a full year dividend of **16.0 cents for the year, will be paid on 29 June**.
- Carl's Jr rights were acquired for New Zealand as the **company's fourth brand**.



Financial highlights

Historical summary

All figures in \$NZM unless stated	2007	2008	2009	2010	2011	2012
Financial performance						
Sales*						
KFC	182.7	199.1	211.5	223.2	235.8	236.3
Pizza Hut	79.7	71.4	64.6	64.2	59.3	45.5
Starbucks Coffee	31.3	33.0	33.0	30.5	29.3	26.5
Pizza Hut Victoria	25.0	6.3	0.3	-	-	-
Total	318.7	309.8	309.4	317.8	324.4	308.2
Store EBITDA*						
KFC	31.2	35.9	38.0	46.3	52.1	45.6
Pizza Hut	5.1	4.4	2.8	5.4	5.6	2.1
Starbucks Coffee	3.6	3.9	2.9	3.2	4.1	3.7
Pizza Hut Victoria	(2.9)	-	-	-	-	-
Total	37.0	44.2	43.7	54.9	61.9	51.4
EBIT	(1.1)	16.1	15.6	29.2	35.0	24.4
NPAT (reported)	(3.6)	8.4	8.3	19.5	24.3	16.9
NPAT (excluding non-trading)	6.5	10.4	11.7	19.9	25.1	18.4
Financial position/cash flow						
Share capital	25.6	25.6	25.6	25.8	26.6	26.6
Total equity	32.6	35.2	37.1	48.7	58.9	59.8
Total assets	117.7	112.0	101.1	103.0	111.4	104.9
Operating cash flows	20.8	31.3	23.3	38.7	40.6	29.8
Shares						
Shares on issue (year end)	97,128,956	97,128,956	97,128,956	97,280,005	97,762,866	97,809,001
Number of shareholders (year end)	6,733	6,214	6,095	5,668	5,527	5,675
Basic earnings per share (full year reported)	(3.7)c	8.6c	8.5c	20.1c	24.9c	17.3c
Ordinary dividend per share	5.5c	6.5c	7.0c	12.5c	17.0c	16.0c
Other						
Number of stores (year end)						
KFC	87	87	84	85	89	88
Pizza Hut	103	97	93	91	82	71
Starbucks Coffee	47	44	42	41	37	35
Pizza Hut Victoria	23	1	-	-	-	-
Total	260	229	219	217	208	194
Partners (employees) paid (year end)	5,949	4,957	4,526	4,735	4,374	3,909

*Sales and store EBITDA for each of the concepts may not aggregate to the total due to rounding.

Restaurant Brands has considerable depth in its people, its processes and, most importantly, its range of brands.



Ted van Arkel – Chairman

Chairman's report

In 2011 Restaurant Brands' directors highlighted the need to take a cautious approach to this year's outcome and that view has been vindicated. The company delivered a solid profit in 2012. Although the result was below last year's very strong performance, it was well above historical norms.

	2012 \$m	2011 \$m	Change (%)
Total Group Revenue	308.9	324.9	-4.9
Group Net Profit after Tax*	18.4	25.1	-26.8
Dividend (cps)	16.0	17.0	-5.9

* Excluding non-trading items

We still expect challenging economic conditions and a competitive marketplace ahead. However, directors are comfortable with this year's result and believe that these new levels of profitability are sustainable.

Restaurant Brands has a number of dimensions to it and considerable depth in its people, its processes and, most importantly, its range of brands. This year we wanted to highlight the company's depth and so we have chosen this attribute as the theme of the annual report. The depth of our business is amply demonstrated by the acquisition of the rights to an exciting new burger brand – Carl's Jr, which expands our brand stable and increases the diversity of our earnings.

Group Operating Results

Restaurant Brands' Net Profit after Tax (NPAT), excluding non-trading items, for the 12 months to 29 February 2012 was \$18.4 million (18.8 cents per share), down 27% on last year's record profit of \$25.1 million (25.6 cents per share).

NPAT, including non-trading items, was \$16.9 million (17.3 cps) compared to \$24.3 million (24.9 cps) in 2010/11.

The Christchurch earthquake and the acceleration of Pizza Hut store sales to franchisees impacted group sales. However, the underlying result also reflected a tough trading environment and higher input costs. These factors were most evident in the first half, accounting for \$5.3 million of the \$6.7 million reduction in NPAT. In the second half of the year these factors were mitigated by some cost reductions and a focus on more profitable lines.

Total store earnings before interest, tax, depreciation and amortisation (EBITDA) dropped \$10.5 million (17%) to \$51.4 million. KFC contributed \$6.6 million of the reduction, Pizza Hut \$3.5 million and Starbucks Coffee \$0.4 million.

Total store sales of \$308.2 million were down \$16.2 million (5%) on the prior year's sales. Same store sales for the group were down 2.5% (up 2.4% in 2010/11). KFC saw total store sales growth of 0.2% but Pizza Hut and Starbucks Coffee declined 23.3% and 9.8% respectively.

Year end store numbers at 194 were 14 down on February 2011. Eight Pizza Hut stores were sold to franchisees as part of the progressive sell-down strategy. One red roof (dine-in Pizza Hut store) and two delcos (delivery stores) were closed. There were also two Starbucks Coffee stores closed at lease end. KFC closed one store that was destroyed in the Christchurch earthquake.

Cash Flow and Balance Sheet

Lower profitability and some negative working capital movements saw a reduction in operating cash flows for the year to \$29.8 million from \$40.6 million in the prior year, down \$10.8 million.

Investing cash outflows fell to \$14.3 million from \$20.4 million, a reduction of \$6.0 million on the prior year with some easing in capital expenditure as we slowed the KFC store transformation programme. Only five KFC stores were transformed during the year compared with nine transformations and the opening of four new KFC stores in the 2011 year. The positive inflow from store disposals also fell from \$4.3 million to \$2.1 million, as the company struck no agreements to sell and lease back new KFC stores this year.

Financing cash outflows fell to \$15.6 million from \$20.3 million in the prior year. Most of the change arose from a \$1.4 million increase in debt in 2012 compared to a \$5.5 million reduction in debt last year. Dividend payments also rose, reflecting the increase in last year's final dividend. Bank debt is up slightly to \$13.6 million from \$12.2 million, but it remains well within our facility limits of \$35 million.

Total assets at \$104.9 million were down \$6.5 million on last year, including a \$4.6 million decrease in fixed asset values mainly comprising Pizza Hut asset disposals and goodwill write offs following store sales to franchisees.

Total liabilities were also down by \$7.3 million to \$45.1 million following a significant reduction in creditors of \$6.3 million, mainly due to payment timing differences and a reduction in bonus accruals.

Year end shareholders' funds of \$59.8 million were marginally (\$0.9 million) up on prior year, largely in retained earnings.

The balance sheet remains very conservative with a gearing ratio of 19% (2011: 17%).

Christchurch Earthquake

As we have noted, the major earthquake in Christchurch on 22 February 2011 and subsequent tremors over the year have had a significant impact on our operations in that city. All nineteen of our stores in the city were closed for some time.

The Starbucks Coffee operations were the worst hit, with only one store of the four in the city surviving the earthquake. All of the three closed stores are located in the CBD, but only one has officially been declared unusable. The only other permanent closure was the KFC store in the Christchurch central business district. This store has now been demolished.

Insurance policies were in place for material damage and business interruption and we have received progressive payments on claims under these policies over the course of the year. The business interruption cover expired on 22 February 2012, but trading losses for the 12 months to that date were fully met by the insurers.

Pizza Hut Franchise Sales

In 2010 Pizza Hut launched a programme to sell stores with smaller sales volumes, particularly in regional areas, where an independent franchisee with a more personal approach to running the store can produce a more successful outcome for these businesses. This programme continued over the year with a further eight stores sold to individual franchisees, bringing the total number of Pizza Hut independent franchisees in the system to 13.

Carl's Jr

In December 2011 the company entered into franchise and development agreements with CKE Restaurants Inc. in the U.S., giving Restaurant Brands the exclusive rights to the Carl's Jr brand throughout New Zealand and shared rights to develop stores in the Auckland region.

Carl's Jr is an exciting new burger brand. It has in excess of 1,000 stores in the United States and is commencing international expansion in earnest. Carl's Jr specialises in offering delicious premium-quality burgers with a marketing proposition that targets youthful demographics. The restaurants offer unique service attributes focusing on 'partial table service', with a 'made-to-order' menu, 'all-you-can-drink' beverage bars, and a strong breakfast offering. An initial four new stores are planned for the coming year.

Dividend

Directors have declared a final fully-imputed dividend of 9.5 cents per share, taking the full-year dividend to 16.0 cents per share, compared with 17.0 cents in 2011. Directors have sustained the dividend close to last year's level in recognition of Restaurant Brands' continuing strong cash flows and low debt.

The final dividend will be paid on 29 June 2012 to all shareholders on the register as at 15 June 2012. A supplementary dividend of 1.676 cents per share will also be paid to overseas shareholders on that date.

The dividend re-investment plan remains suspended.

Board

Restaurant Brands continues to operate with a small and effective board of four who work well together and with management in the governance of the company. We have undertaken some initial work on appointing an additional director during the year, but have not made an appointment to date.

Staff

As noted earlier, one of our messages is the depth of resource and capability in the company. Nowhere is this better reflected than in the competence of our staff. The board continues to recognise the continued skill and hard work of our staff at all levels.

Restaurants Brands' people are all highly engaged in providing the best quality food and beverages, utilising the best systems our franchisors can provide.

Outlook

The company continues to perform strongly, even though the underlying profit was down on last year's stellar result. Despite continuing tight trading conditions and a soft retail environment, directors believe that current levels of profitability will be maintained through a continued focus on efficiency and cost reductions, together with new marketing initiatives.

The KFC brand is moving into the last phase of the initial transformation process. Fifty nine stores out of the 88 in the network have now been revamped and another eight are scheduled for upgrades in the coming year. The transformed stores will continue to hold the sales increases generated on original transformation, but there will be some tapering off in the rate of growth. There still remains the opportunity for more store growth (and relocations) with two new stores planned for the new year.

Pizza Hut will continue to face an intensively competitive marketplace. Whilst same store sales were down over the whole year, there was an improvement over the second half and this improvement is expected to continue. Continued focus on operating controls, some supply chain improvements and the continued sale of smaller stores is expected to produce slightly better margins. Store sales to independent franchisees will continue with eight to ten stores expected to be sold over the coming year.

The Starbucks Coffee business is expected to maintain a steady same store sales growth trend with similar levels of profitability. There will be some capital invested in store refurbishment and some work will be undertaken on network development.

Directors expect the company to open up to four new Carl's Jr stores in the second half of the year. All stores are expected to be immediately profitable, but some set up costs at the general and administration expenses (G&A) level will be incurred in establishing the business.

Directors consider the 2012 profit performance to be satisfactory in the current tough economic environment. The company is expected to produce a result of at least the same level in the year ahead.



Ted van Arkel
Chairman

Chief Executive's report

The 2011/12 year was not an easy one and the very strong result for the previous year made for a challenging comparison. Nonetheless this year's Net Profit after Tax (NPAT) of \$18.4 million was still well ahead of our previous "run rate".

KFC continues to be the primary determinant of the company's overall result for the year. The \$6.6 million drop in KFC's EBITDA accounted for the bulk \$6.7 million fall in group NPAT.

KFC

	2012 \$m	2011 \$m	Change \$m	Change (%)
Sales	236.3	235.8	+0.5	+0.2
EBITDA	45.6	52.1	-6.6	-12.6
EBITDA as % of Sales	19.3	22.1	-	-

Despite difficult trading conditions, discounting activity and the impact of the Christchurch earthquake, KFC managed to grow sales to a new high of \$236.3 million, an increase of \$0.5 million or 0.2%. The earthquake cost the brand approximately \$3 million in lost sales following temporary closures of a number of stores and the permanent closure of one store.

On a same store basis however, sales fell by 1.8% compared with 4.4% same store growth in 2010/11 and 9.2% in 2009/10.

Input costs increased markedly over the year while the competitive marketplace limited KFC's ability to pass these costs and all the October 2010 GST increase on to customers. EBITDA fell by \$6.6 million to \$45.6 million (19.3% of sales). Margin pressures were most pronounced in the first half, but showed some recovery in the second half through cost reductions and tight margin management.

Innovation and burger promotions continued this year and provided sales growth in key market segments. The KFC *Double Down* promotion in the first quarter was very positive for sales but it cannibalised other products. However, the customer mania around this innovative burger (fuelled by social media and word of mouth), outstripped all expectations and it has contributed significantly to KFC brand awareness.

KFC *Grilled* was launched early in the year providing innovation and a unique flavour platform in fresh chicken. *Sparklers* – a flavoured carbonated beverage range – was introduced along with the limited time customer-inspired *Buster Burger* as well as range extensions to the *Krushers* liquid snack beverage platform.

Five KFC stores were refurbished bringing total transformed stores to 59 or 2/3 of the total network. Total store numbers reduced by one to 88 with the permanent closure of the Christchurch CBD store following the earthquake. Two new stores are targeted to open in the new year.

Pizza Hut

	2012 \$m	2011 \$m	Change \$m	Change (%)
Sales	45.5	59.3	-13.8	-23.3
EBITDA	2.1	5.6	-3.5	-62.8
EBITDA as % of Sales	4.6	9.5	-	-

The Pizza Hut business continued to struggle in a fiercely competitive and tough retail environment. After a very soft start the business began to improve as the year progressed but the year end outcome saw same store sales down 9.7%.

Total sales revenue was down \$13.8 million to \$45.5 million of which \$5.9 million was due to the sale of stores to independent franchisees. There were also three store closures. Pizza Hut sold a further eight stores to independent franchisees over the year bringing the total number of independents to 13 at year end. Year end store numbers were therefore 71 - 11 less than last year.

The combined effect of lower absolute sales as a result of store disposals, lower same store sales and higher input costs, notably higher cheese costs, was a fall in EBITDA to \$2.1 million (4.6% of sales), down \$3.5 million on the previous year's \$5.6 million (9.5% of sales).

Pizza Hut introduced some product innovation with the *Mediterranean Mia* as well as meal bundles such as *The Footy Feast Meal* and *Big Box* offering strong value for groups. *More 4 All* and the *Big New Yorker* were brought back as a limited time offer during the year. The brand saw a strong demand for value in its market segment and strong performing value promotions this year included the return of *The Slab* as well as the *Everyday Value* promotions.

Starbucks Coffee

	2012 \$m	2011 \$m	Change \$m	Change (%)
Sales	26.5	29.3	-2.9	-9.8
EBITDA	3.7	4.1	-0.4	-8.8
EBITDA as % of Sales	14.2	14.0	-	-

Starbucks Coffee suffered from the Christchurch earthquake in relative terms more than the other two brands. Three of the four Christchurch stores were closed and look unlikely to re-open. These store closures accounted for \$2.5 million of the \$2.9 million drop in sales. Two more store closures took place over the year with Newmarket and Botany Kiosk stores closing at their respective lease ends.

Whilst total sales were down to \$26.5 million because of the earthquake, same store sales rose 5.4%.

Starbucks Coffee continued to introduce new seasonal variants to its beverage ranges this year including the Toffee Nut and Gingerbread flavours in latte and *Frappuccino* ranges as well as refreshing the fresh food offer in stores.

Despite some cost increases, Starbucks continued to exercise solid operational controls, which together with the benefit of a favourable exchange rate, saw it finish the year with EBITDA at \$3.7 million (14.2% of sales), marginally down on last year's excellent result of \$4.1 million (14.0% of sales).

Of the 35 stores at year end only 32 have been effectively trading with the three earthquake affected stores in Cashel Mall, Cathedral Square and Colombo Street remaining closed.

Corporate and Other Costs

G&A (above store overheads) at \$11.3 million were \$1.4 million (11.1%) better than prior year and only 3.7% of sales (2011: 3.9% of sales). The bulk of the savings arose from a reduction in variable remuneration costs following the lower profit performance on prior year, together with increases in cost recovery for G&A services provided to independent franchisees.

Group non-trading charges of \$2.3 million (\$2.0 million in 2011) included a pro-rata write off of goodwill following Pizza Hut store disposals (\$1.5 million), Pizza Hut and Starbucks Coffee store closure costs (mainly fixed asset write offs) of \$0.6 million and KFC transformation write offs of \$0.2 million.

Depreciation charges at \$13.6 million were \$1.0 million up on the prior year reflecting increased capital expenditure in KFC (up \$2.0 million), offset by lower charges in the other two brands with store closures and disposals.

Interest and funding costs at \$1.3 million were up \$0.1 million on prior year with the company carrying similar debt levels. Bank interest rates (inclusive of margins and fees) for the year averaged 4.6% compared with 4.8% in 2010/11.

Staff

Restaurant Brands continues to be well-served by its competent and willing staff members. Evidence of the dedication and commitment of our people was made very evident in the weeks following the Christchurch earthquake with many of the people continuing to work in our stores despite their often difficult personal circumstances.

Staff safety continues to be very important to us as our accident rates continue to fall with lost time injuries down 27% on prior year to an all time low.

We are proud of our 3,909 employees and acknowledge their hard work.

Conclusion

Whilst this year has not produced the results seen in the 2010/11 year, the disruption to the business from the earthquake and the harsh trading environment have been factors we have had to cope with. Nonetheless, the fundamental strengths of the three brands remain and we continue to actively address the weaknesses. The addition of the Carl's Jr opportunity will provide yet another dimension to our food offerings and we look forward to a successful new year, building again on this year's result.



Russel Creedy
Chief Executive Officer

We're well ahead
of our previous
"run rate."





We know what our customers want and how to deliver it



In December 2011 Restaurant Brands acquired the rights to build and operate the Carl's Jr chain of restaurants in New Zealand. The brand is owned by US-based CKE Restaurants Inc – a business of 3,219 restaurants (1,290 are Carl's Jr) and annual sales of US\$3.4 billion.

CKE is focused on expanding its international operations and already has over 400 restaurants in Mexico, the Middle East, Asia, Russia and Latin America. The Carl's Jr deal represents an exciting opportunity for Restaurant Brands to be part of that growth.

Carl's Jr specialises in offering best-in-class premium-quality burgers with a marketing proposition that targets youthful demographics. The restaurants offer unique service attributes focusing on 'partial table service', with a 'made-to-order' menu, all-you-can-drink beverage bars, and a strong breakfast offering.

We have commenced working closely with the existing New Zealand Carl's Jr franchisee, who has already fully tested the concept in this market with two restaurants currently operating in Auckland.

Under the terms of its Development Agreement, Restaurant Brands has the exclusive development rights to build restaurants throughout New Zealand to complement the existing franchisee's rights to develop a limited number of restaurants in Auckland. The company is familiar with these shared arrangements, working with independent franchisees in both its KFC and Pizza Hut brands.



*Grabbing
a new
market*

Best same store sales - a tangible result

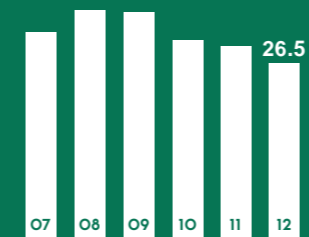


Sales: Espresso drinks continue to underpin the Starbucks' menu offering.

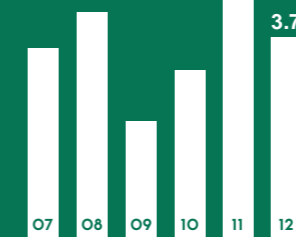


Starbucks Coffee will leverage the momentum of same store sales growth in the new year and will embark on a store development and refurbishment programme, whilst continuing its dual focus on margin and improvements to the customer experience.

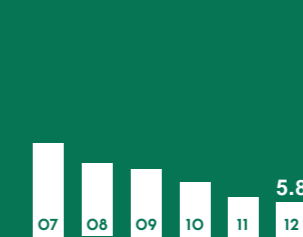
Sales (\$NZm)



EBITDA (\$NZm)



Assets (\$NZm)



Partners

345

Stores

35

(+nil independents)

Despite being the smallest brand in the Restaurant Brands' stable, Starbucks Coffee continued to deliver solid same store sales growth and a sound earnings result.

Total sales at \$26.5 million were down 9.8% on prior year, but almost all of the decline was because of the Christchurch earthquake where the brand lost three of its four stores in that city. On a same store basis however, sales were up a healthy 5.4%.

In addition to the earthquake closures, two other stores (Newmarket and Botany Kiosk) were closed at the end of their leases. Total store numbers stood at 35 at year end (with three of these still inaccessible in Christchurch).

The leverage from same store sales growth, impact of favourable exchange rates and continued rationalisation of poorer performing stores meant margins remained sound. Whilst EBITDA of \$3.7 million was down slightly on prior year's \$4.1 million, % margin improved from 14.0% of sales to 14.2%.

Partner turnover was similar to the previous year which was an improvement, after taking into account the impact of store closures.

Accident levels were down on prior year at four per million hours worked, with total accident numbers for the year totalling 10, well down from 17 last year.



Craig Neal
Starbucks Coffee General Manager

A menu board full of fresh ideas

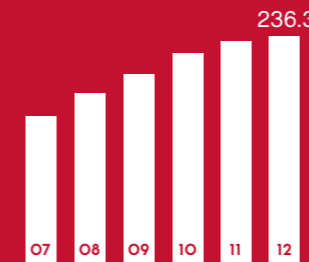


Product innovation: Extensions introduced this year to the Krushers beverage range.

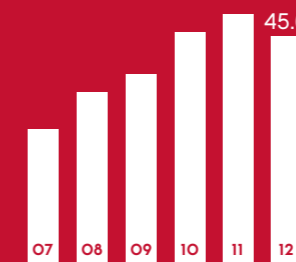


KFC sales and margin performance continues to be the key to Restaurant Brands' success and the brand is single-mindedly pursuing a return to positive same store sales growth and an EBITDA margin of 20% for FY13. A number of additional transformations (up to eight) are expected to be completed over the new year with results similar to previous years.

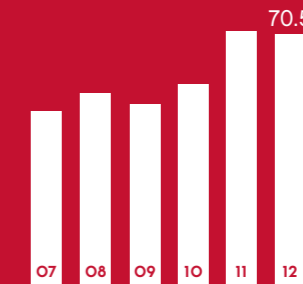
Sales (\$NZm)



EBITDA (\$NZm)



Assets (\$NZm)



Partners

2,472

Stores

88
(+9 independents)

KFC continues to build on its position as our largest and most profitable brand. The transformation initiative continued over the FY12 year, albeit at a deliberately slower tempo than in previous years with the softer retail trading conditions.

Total sales reached yet another new high of \$236.3 million, up \$0.5 million (0.2%) on the prior year, despite losing \$3.0 million as a result of the Christchurch earthquake. However, the more difficult retail environment saw sales softening on a same store basis to decline 1.8% (compared with an increase of 4.4% in FY11).

The competitive marketplace and tighter trading conditions meant that the brand was unable to pass on a number of price increases, particularly in the cost of chicken. This led to a drop in EBITDA of \$6.6 million on prior year to \$45.6 million (19.3% of sales).

Burger promotional activity saw sales continue towards more of a snacking bias in KFC's product mix. Of particular note was the *Double Down* release in the first quarter that drove very strong sales, but at the cost of some margin with cannibalisation of more profitable lines.

Only five stores were transformed this year (Wanganui, Masterton, Gore, Taupo and St Lukes Mall), bringing the total number of rebuilt or refurbished stores to 59 or 2/3 of the total network. Total store numbers dropped by one to 88 with the closure and demolition of the Christchurch CBD store following the earthquake.

The mystery shopper programme continued to see improved customer service levels with overall scores finishing better than the prior year.

The brand's in-store operations performance audits maintained the continuing improvement seen over the past three years. The ongoing strong focus on improving the practices and procedures in KFC stores with continuous independent audits continues to generate dividends in quality and efficiency.

Staff turnover was flat to last year and slightly better than the previous year's level. This level of turnover is considered relatively low for the industry and reflects the ongoing efforts to improve people capability in our KFC stores.

The continued emphasis on accident prevention within the KFC stores saw lost time injuries per million hours worked at 19, a further reduction on 24 injuries last year and 26 the year before.



Brent Kitto
KFC General Manager

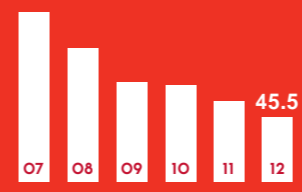
A well rounded performance has many dimensions

Product revival: The Slab was brought back this year.



Pizza Hut is very focused on fighting for sales in a very competitive pizza marketplace. The FY13 year will see an increased emphasis on value offers (with continued new product development and some new marketing strategies). Supply chain and in-store efficiencies will produce some cost reductions which will assist in margin improvement. The sale of regional stores to independent franchisees will continue with up to 10 stores expected to be sold over the coming 12 months.

Sales (\$NZm)



The Pizza Hut business had a tough 12 months with significant cost pressures and the continuing competitive trading environment. Total sales revenue dropped from \$59.3 million to \$45.5 million; a \$13.8 million reduction. Closer analysis of the reduction however shows that \$5.9 million arose from sales of stores to independent franchisees, \$2.5 million from closures of unprofitable stores and \$0.5 million from the impact of the Christchurch earthquake. Hence the underlying decline was \$4.9 million, a same store result of -9.7%.

EBITDA (\$NZm)



Store numbers at year end were 11 down on prior year with eight stores being sold to independent franchisees and three being closed over the year. Year end store numbers were 71 (with an additional 13 stores now being operated by independent franchisees).

Customer service levels, as measured by the mystery shopper programme, were up on last year.

The measure of internal store operational compliance for the year, which is a key part of the strategy of improving store operations, also rose strongly on last year's result continuing a positive trend from two years ago.

Assets (\$NZm)



Staff turnover also saw an improvement on prior year despite the high level of store sales to franchisees and some closures. Lost time injuries were the same as prior year with 11 claims per million hours compared with seven two years ago, however seven claims in total were marginally down on last year's nine.

Partners

1,005

Stores

71
(+13 independents)



Arif Khan
Pizza Hut General Manager

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 Ruapehu Alpine Lifts Limited and Hellers Limited. He is also a director of Douglas Pharmaceuticals Limited, Ballance Agri-Nutrients Limited, Port of Tauranga Limited, Rangatira Limited, Zespri Group Limited and Contract Resources (New Zealand) 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, sits on the board's remuneration committee and chairs the board's audit committee.

Eduard (Ted) Koert van Arkel
FNZIM
Chairman

Mr van Arkel has been a professional director since retiring from the position of Managing Director of Progressive Enterprises Limited in November 2004. He joined the board in September that year and was elected chairman in July 2006. Mr van Arkel currently serves as Chairman of Unitec New Zealand Limited and Health Benefits Limited. He is also a director of NZX listed companies AWF Group Limited, The Warehouse Group Limited and Abano Healthcare Group Limited. Mr van Arkel is also a director of Nestle New Zealand Limited, as well as a director of the private company Danske Mobler Limited. Mr van Arkel is a director of the Auckland Regional Chamber of Commerce & Industry Limited and is a director of his family-owned companies Lang Properties Limited and Van Arkel & Co Limited. Mr van Arkel sits on the board's audit and remuneration committees.

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 the New Zealand Qualifications Authority, Barker Fruit Processors Limited, HSR Governance Limited and ECL Group Limited. She is a director of TYTM Development Limited, Oxford Health Group Limited, Oxford Clinic Hospital Limited, SKYCITY Entertainment Group Limited and Acemark Holdings Limited, and a member of the Takeovers Panel. Ms Suckling sits on the board's audit and remuneration committees.

Danny Diab
FAICD, Dip CD, Dip CM, FICM
Director

Mr Diab was appointed to the board in October 2002 and is based in Australia where he owns and operates a number of Pizza Hut restaurants in Sydney in addition to other business interests. He has more than 23 years' experience in the pizza industry and is regarded as one of the leading Pizza Hut franchisees in Australia. Mr Diab sits on the board's audit and remuneration committees.



Board of Directors

Statements of comprehensive income

for the year ended 29 February 2012

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

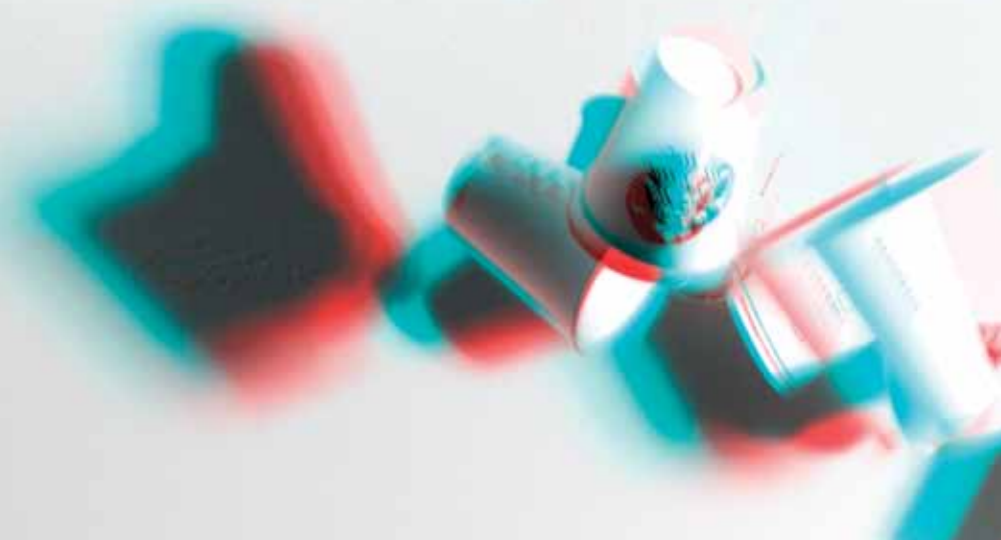
The accompanying accounting policies and notes form an integral part of the financial statements.

Statements of changes in equity

for the year ended 29 February 2012

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

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



Statements of changes in equity (continued)

for the year ended 29 February 2012

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

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

Statements of financial position

as at 29 February 2012

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

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

Statements of cash flows

for the year ended 29 February 2012

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

1. General information

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

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

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

2. Summary of significant accounting policies

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

Basis of preparation

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

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

Entities reporting

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

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

Statutory base

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

Historical cost convention

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

Critical accounting estimates

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

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

(i) Goodwill impairment

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

(ii) Income tax

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(a) Basis of consolidation

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

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

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

(b) Foreign currency translation

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

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

Exchange differences arising from the translation of the net investment in foreign operations are recognised in the foreign currency translation reserve and are released to the statements of comprehensive income upon disposal.

(c) Financial instruments

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

Non-derivative financial instruments

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

Derivative financial instruments

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

Derivatives are recognised initially at fair value and 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 estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Cash flow hedges

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

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

(d) Revenue recognition

Goods sold and services rendered

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. Other revenue represents sales of services and is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividend income

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

Interest revenue

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

Grants

A grant is recognised in the statements of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated with the grant, and subsequently recognised in the statements of comprehensive income when the requirements under the grant have been met. Grants that compensate the Group for the cost of an asset are recognised in the statements of comprehensive income on a systematic basis over the useful life of the asset.

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(e) Net financing costs

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

(f) Lease payments

Finance leases

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

Operating leases

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

(g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statements of comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

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

(h) Advertising and promotion costs

Expenditure on advertising and promotional activities is recognised as an expense when the Group has the right to access the goods or has received the service.

(i) Royalties paid

Royalties are recognised as an expense as revenue is earned.

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(j) Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

(k) Cash and cash equivalents

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

(l) Creditors and accruals

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

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

(n) Intangible assets

Goodwill

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



Notes to and forming part of the financial statements

for the year ended 29 February 2012

Concept development costs and fees

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

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

Acquired software costs

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

(o) Property, plant and equipment

Owned assets

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

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

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

Leased assets

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

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

Capital work in progress

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

Store start-up costs

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

Depreciation

Land is not depreciated. Depreciation is recognised in the statements of comprehensive income and is calculated on a straight-line basis to allocate the cost of an asset, less any residual value, over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives of fixed assets are as follows:

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(p) Inventories

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

(q) Dividends

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

(r) Impairment on non-financial assets

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

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

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

(s) Share capital

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

(t) Earnings per share

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

(u) Employee benefits

Other long-term employee benefits

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

Share-based payment transactions

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

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.

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(v) Segment reporting

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

(w) Goods and services tax

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

(x) Non-current assets held for sale

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

(y) Discontinued operations

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

(z) Provisions

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

Restructuring

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

Onerous contracts

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(aa) Non-trading items

The Group seeks to present a measure of comparable underlying performance on a consistent basis. In order to do so, the Group separately discloses items considered to be unrelated to the day to day operational performance of the Group. Such items are classified as non-trading items and are separately disclosed in the statements of comprehensive income and notes to the financial statements.

(ab) New standards and interpretations

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

- *NZ IFRS 9 – Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning 1 January 2015. The Group has not yet decided when to adopt NZ IFRS 9. The standard is not expected to have a material impact on the Group.
- *NZ IAS 12 Recovery of Underlying Assets amendment (effective from 1 January 2012)*. The amendment requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale and introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 March 2012. The amendment is not expected to have a material impact on the Group.
- *NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income (effective 1 July 2012)*. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 March 2013.

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

3. Segmental reporting

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

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

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

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

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

* All segments are continuing operations except Pizza Hut Victoria.

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

*** All operating revenue is from external customers.



Notes to and forming part of the financial statements

for the year ended 29 February 2012

4. Discontinued operation

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

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

5. Non-current assets held for sale

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

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

6. Other revenue

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

Notes to and forming part of the financial statements

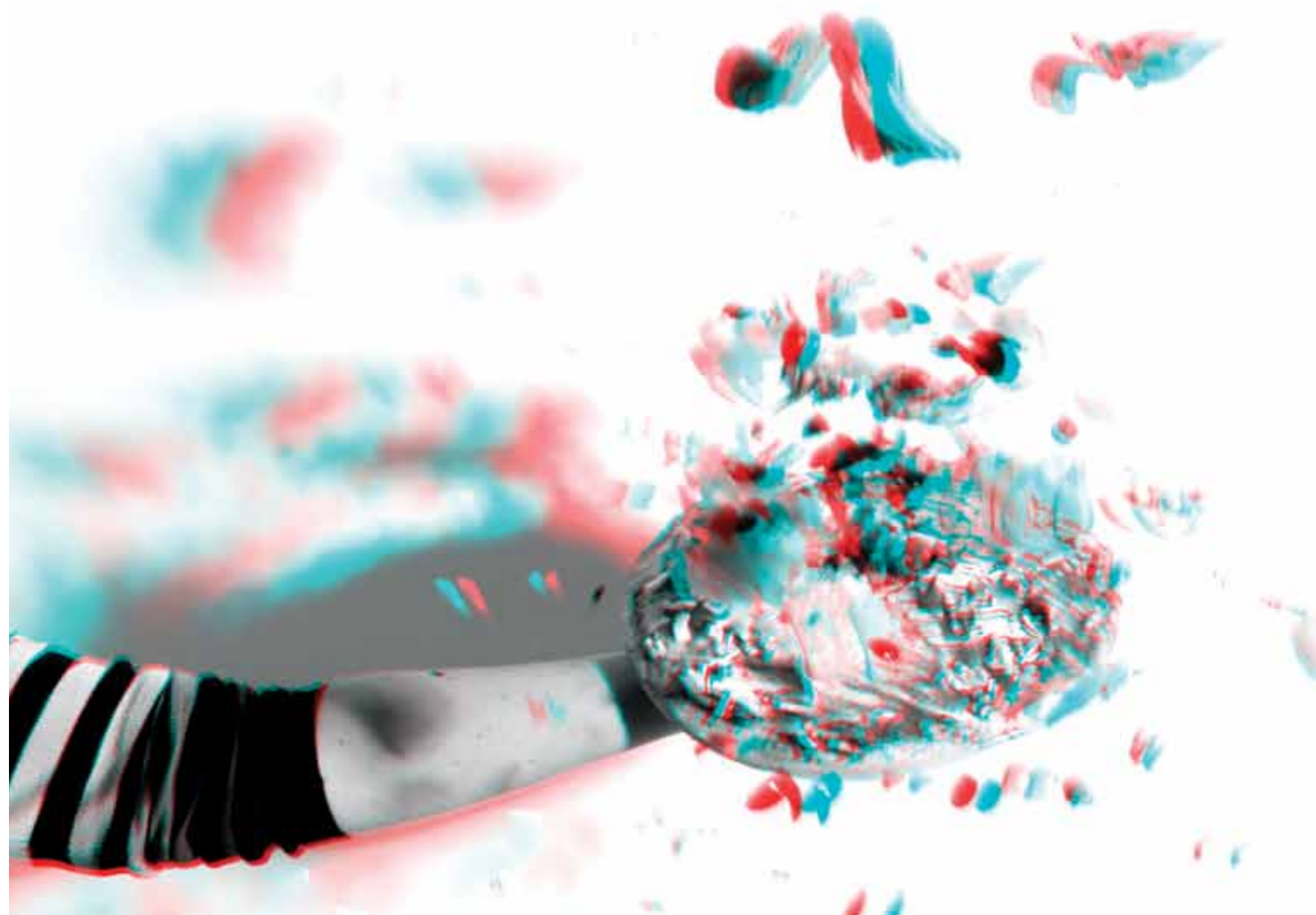
for the year ended 29 February 2012

7. Analysis of expenses

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

\$NZ000's	Note	Group		Company	
		2012	2011	2012	2011
Auditors' remuneration:					
To PwC for statutory audit services		66	65	-	-
To PwC for other assurance services*		36	26	-	-
Government training grants (included in general and administration expenses)		(181)	(195)	-	-
Amortisation of intangibles (included in cost of sales)	10	1,037	899	-	-
Royalties paid		18,361	19,316	-	-
Depreciation expense	9	13,775	12,622	-	-
Operating rental expenses		17,268	17,509	-	-
Net gain on disposal of property, plant and equipment (included in depreciation expense)		(131)	(69)	-	-
Net loss on disposal of property, plant and equipment (included in non-trading costs)		390	554	-	-
Donations		50	-	-	-
Directors' fees	28	239	220	-	-
Interest expense (net)		1,160	986	1,269	1,178
Interest expense - interest rate swap fair value changes		108	157	-	-
Finance lease interest		38	28	-	-
* Includes review of interim financial statements, certain compliance certificates for third parties, transactional systems review and audit of the Company share registry.					
Non-trading items					
Discontinued operation					
Pizza Hut Victoria:					
Release of store closure provision		-	(295)	-	-
		-	(295)	-	-
Continuing operations					
New Zealand:					
Loss on sale of stores					
Net sale proceeds		(1,237)	(1,054)	-	-
Property, plant and equipment disposed of		1,045	1,144	-	-
Goodwill disposed of	10	1,518	1,000	-	-
		1,326	1,090	-	-
Other store closure costs		482	734	-	-
Other store closure costs - franchise fees written off	10	115	58	-	-
Other store closure costs - insurance proceeds		-	(515)	-	-
Other store relocation and refurbishment costs		144	368	-	-
Other store relocation and refurbishment - insurance proceeds		184	(586)	-	-
Impairment on property, plant and equipment	9	65	898	-	-
		2,316	2,047	-	-
		Group			
\$NZ000's		2012	2011		
Personnel expenses					
Wages and salaries		75,795	81,513		
Increase / (decrease) in liability for long service leave		7	(6)		
		75,802	81,507		

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



Notes to and forming part of the financial statements

for the year ended 29 February 2012

8. Income tax expense in the statements of comprehensive income

Reconciliation of effective tax rate

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

Imputation credits

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

9. Property, plant and equipment

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

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

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

Carrying Amounts

Balance as at 28 February 2010	1,335	51,227	15,707	467	104	4,525	73,365
Balance as at 28 February 2011	-	58,615	18,904	455	62	4,529	82,565
Balance as at 29 February 2012	1,750	52,977	20,246	301	98	2,604	77,976

Notes to and forming part of the financial statements

for the year ended 29 February 2012

10. Intangibles

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

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

Carrying amounts					
Balance as at 28 February 2010	17,793	5,367	499	114	23,773
Balance as at 28 February 2011	16,793	4,837	430	113	22,173
Balance as at 28 February 2012	15,275	4,199	850	529	20,853

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

Impairment testing for cash-generating units containing goodwill

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

Amortisation

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

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

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

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

KFC

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

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

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

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

Pizza Hut

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

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

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

Impact of possible changes in key assumptions

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

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

11. Investment in subsidiaries

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

Restaurant operating companies

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

Property holding company

Restaurant Brands Properties Limited

Employee share option plan trust company

Restaurant Brands Nominees Limited

Investment holding companies

RB Holdings Limited
RBP Holdings Limited
RBDNZ Holdings Limited
RBN Holdings Limited

Non-trading subsidiary company

Restaurant Brands Pizza Limited

12. Deferred tax assets and liabilities

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

Movement in temporary differences during the year:

Group \$NZ000's	Balance	Recognised in	Recognised	Balance	Recognised in	Recognised	Balance
	28 February 2010	statement of comprehensive income	in equity	28 February 2011	statement of comprehensive income	in equity	29 February 2012
Property, plant and equipment	(172)	265	-	93	115	-	208
Inventory	39	(33)	-	6	1	-	7
Debtors	18	(18)	-	-	-	-	-
Provisions	2,652	(191)	-	2,461	(753)	-	1,708
Intangibles	(1,400)	395	-	(1,005)	431	-	(574)
Other	(63)	-	61	(2)	-	-	(2)
	1,074	418	61	1,553	(206)	-	1,347

13. Inventories

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

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

14. Other receivables

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

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

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

The carrying value of other receivables approximates fair value.

15. Derivative financial instruments

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

16. Capital and reserves

Share option reserve

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

Foreign currency translation reserve

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

Derivative hedging reserve

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

17. Dividend distributions

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

18. Equity

The issued capital of the Company is 97,809,001 (2011: 97,762,866) ordinary fully paid up shares. The par value is nil (2011: nil). All issued shares carry equal rights in respect of voting and the receipt of dividends, and upon winding up rank equally with regard to the Company's residual assets.

Shares	Group & Company 2012 number	Group & Company 2012 \$NZ000's	Group & Company 2011 number	Group & Company 2011 \$NZ000's
Balance at beginning of year	97,762,866	26,576	97,280,005	25,821
Shares issued on exercise of options	46,135	72	482,861	755
Balance at end of year	97,809,001	26,648	97,762,866	26,576

Notes to and forming part of the financial statements

for the year ended 29 February 2012

19. Earnings per share

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

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

20. Loans and finance leases

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. All existing bank loans, loans and finance leases are denominated in New Zealand dollars (2011: all denominated in New Zealand dollars). For more information about the Group's exposure to interest rate and foreign currency risk see Note 23.

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

Secured bank loans expire in October 2014.

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

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

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

The carrying value equates to fair value.

21. Creditors and accruals

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

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

The carrying value of creditors and accruals approximates fair value.

22. Provisions and deferred income

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

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

23. Financial instruments

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

(a) Foreign currency risk

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

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

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

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

(b) Interest rate risk

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

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

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

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



Notes to and forming part of the financial statements

for the year ended 29 February 2012

(c) Liquidity risk

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

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

The Group has bank funding facilities, excluding overdraft facilities, of \$35.0 million (2011: \$35.0 million) available at variable rates. The amount undrawn at balance date was \$21.4 million (2011: \$22.8 million).

The Group has fixed the interest rate on \$10.0 million of bank loans with the balance at a floating interest rate. The bank loan is structured as a revolving wholesale advance facility with portions of the facility renewing on a regular basis. This leads to the loans being sensitive to interest rate movement in 12 months or less.

(d) Credit risk

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

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

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

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

(e) Fair values

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

Sensitivity analysis

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

At 29 February 2012 it is estimated that a general increase of one percentage point in interest rates would decrease the Group and Parent's profit before income tax and equity by approximately \$0.1 million (2011: \$0.1 million). A one percentage point decrease in interest rates would increase the Group and Parent's profit before income tax and equity by approximately \$0.1 million (2011: \$0.1 million).

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

Capital risk management

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

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

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

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

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

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

24. Commitments

(a) Capital commitments

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

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

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

(b) Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

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

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

(c) Renewal rights of operating leases

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

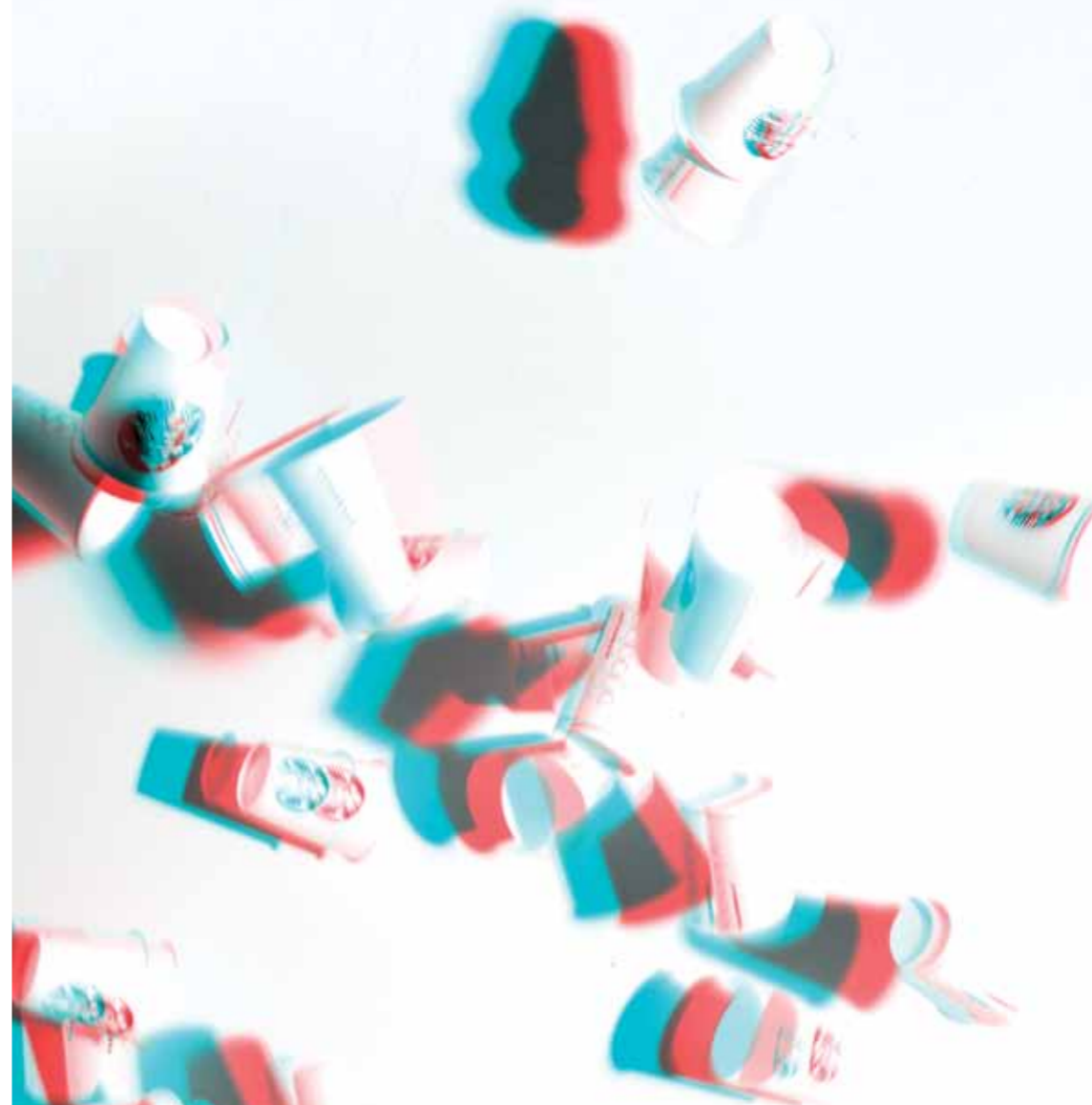
(d) Finance lease commitments

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

The non-cancellable finance lease rentals are payable as follows:

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

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



Notes to and forming part of the financial statements

for the year ended 29 February 2012

25. Net cash flow from operating activities

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

Cash and cash equivalents

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

Investing activities

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

Financing activities

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

Operating activities

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

26. Financial assets and financial liabilities by category

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

27. Contingent liabilities

There are no contingent liabilities that the directors consider will have a significant impact on the financial position of the Company and Group (2011: nil).

28. Related party disclosures

Parent and ultimate controlling party

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

Identity of related parties with whom material transactions have occurred

Note 11 identifies all entities within the Group. All of these entities are related parties of the Company.

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

(a) Subsidiaries

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

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

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

During the year the Group made the following:

- Stock purchases of \$0.1 million from Charlie's Group Limited (2011: \$0.2 million), a company of which Company director, Ted van Arkel is chairman. There was nil owing as at 29 February 2012 (2011: nil). Ted van Arkel resigned from the board of Charlie's Group Limited with effect from 28 August 2011.
- Stock purchases of \$0.4 million (2011: \$0.4 million) from Barker Fruit Processors Limited, a company of which Company director Sue Helen Suckling is chairperson. There was nil owing at balance date (2011: nil).
- Stock purchases of \$11,000 (2011: \$25,000) from Nestle New Zealand Limited, a company of which Company director, Ted van Arkel is a director. There was nil owing at balance date (2011: nil).
- Advertising placements of \$10,000 to Ruapehu Alpine Lifts Limited, a company of which Company director David Alan Pilkington is chairman. There was nil owing at balance date (2011: nil).

These transactions were performed on normal commercial terms.

Notes to and forming part of the financial statements

for the year ended 29 February 2012

(c) Key management and director compensation

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

(d) Share options issued to key management personnel

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

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

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

29. Employee share growth share option plan

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

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

Options issued and outstanding under the Plan:

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

Weighted average exercise price	\$1.56	\$1.57	\$1.48	\$1.52	\$1.63
--	---------------	---------------	---------------	---------------	---------------

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

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

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

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

Notes to and forming part of the financial statements

for the year ended 29 February 2012

30. Subsequent event

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

31. Canterbury earthquake

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

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

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

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

Independent auditors' report

to the shareholders of Restaurant Brands New Zealand Limited



Report on the Financial Statements

We have audited the financial statements of Restaurant Brands New Zealand Limited on pages 26 to 61, which comprise the statements of financial position as at 29 February 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 29 February 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors and providers of other assurance services, we have no relationship with, or interests in, Restaurant Brands New Zealand Limited or any of its subsidiaries. These services have not impaired our independence as auditors of the Company and the Group.

Opinion

In our opinion, the financial statements on pages 26 to 61:

- comply with generally accepted accounting practice in New Zealand; and
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of the Company and the Group as at 29 February 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 29 February 2012:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company and the Group as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
Auckland, New Zealand

3 April 2012

Shareholder information

as at 12 April 2012

1. Stock exchange listing

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

2. Distribution of security holders and security holdings

Size of holding	Number of security holders		Number of securities	
1 to 999	1,104	19.18%	587,767	0.60%
1,000 to 4,999	2,976	51.71%	5,756,332	5.88%
5,000 to 9,999	802	13.94%	5,169,262	5.29%
10,000 to 49,999	773	13.43%	13,650,997	13.96%
50,000 to 99,999	58	1.01%	3,553,095	3.63%
100,000 to 499,999	34	0.59%	6,082,521	6.22%
500,000+	8	0.14%	63,009,027	64.42%
	5,755	100.00%	97,809,001	100.00%

Geographic distribution				
New Zealand	5,551	96.46%	91,500,066	93.55%
Australia	113	1.96%	5,352,940	5.47%
Rest of world	91	1.58%	955,995	0.98%
	5,755	100.00%	97,809,001	100.00%

3. 20 largest registered holders of quoted equity securities

	Number of ordinary shares	Percentage of ordinary shares
New Zealand Central Securities Depository Limited	50,786,451	51.92%
Diab Investments NZ Limited	5,000,000	5.11%
FNZ Custodians Limited	3,300,395	3.37%
Investment Custodial Services Limited (account C)	1,327,581	1.36%
Investment Custodial Services Limited (account R)	873,540	0.89%
JA Hong Koo & Pyung Keum Koo	641,000	0.66%
New Zealand Depository Nominee Limited (account 1) cash account	580,060	0.59%
Howard Nicholas Paull Bretherton & Neil Finlay McNab (HNP Bretherton account)	500,000	0.51%
Matthew Charles Goodson & Dianna Dawn Perron & Goodson & Perron Independent Trustee Limited	496,666	0.51%
Moon Chul Choi & Keum Sook Choi	440,000	0.45%
NZPT Custodians (Grosvenor) Limited	415,974	0.43%
Russel Ernest George Creedy	252,229	0.26%
Linda Louise Creedy	250,000	0.26%
Yeong Hoe Koo & Yong Ran Koo	224,000	0.23%
FNZ Custodians Limited (DRP NZ account)	207,132	0.21%
ASB Nominees Limited (569086 ML account)	204,069	0.21%
Roger John Williams	200,000	0.20%
David George Harper & Karen Elizabeth Harper	193,248	0.20%
Alan Sedgwick Limmer & Nina Agnes Limmer	193,143	0.20%
Min Jeong Koo	190,000	0.19%
	66,275,488	67.76%

Shareholder information

as at 12 April 2012

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to its members. As at 12 April 2012, the NZCSD holdings in Restaurant Brands were:

	Number of ordinary shares	Percentage of ordinary shares
Citibank Nominees (New Zealand) Limited	16,484,173	16.86%
Accident Compensation Corporation	9,384,282	9.59%
Westpac NZ Shares 2002 Wholesale Trust	6,218,539	6.36%
Tea Custodians Limited	3,831,782	3.92%
BT NZ Unit Trust Nominees Limited	3,499,833	3.58%
New Zealand Superannuation Fund Nominees Limited	3,205,216	3.28%
JPMorgan Chase Bank NA	2,703,929	2.76%
HSBC Nominees (New Zealand) Limited A/C State Street	2,154,530	2.20%
Premier Nominees Limited - Onepath Wholesale Australasian Share Fund	1,394,888	1.43%
HSBC Nominees (New Zealand) Limited	677,839	0.69%
National Nominees New Zealand Limited	614,289	0.63%
Premier Nominees Limited - Onepath Wholesale NZ Share Fund	129,450	0.13%
NZGT Nominees Limited - AMP Capital NZ Shares Index Fund	121,100	0.12%
Onepath (NZ) Nominees Limited	117,422	0.12%
Mint Nominees Limited	99,414	0.10%
Private Nominees Limited	91,083	0.09%
Cogent Nominees (NZ) Limited	58,682	0.06%
	50,786,451	51.92%

4. Substantial security holders

The following persons have given substantial security holder notices as shown by the register kept by the Company in accordance with section 35C of the Securities Markets Act 1988.

	Number of ordinary shares	Percentage of voting securities
Westpac Banking Corporation and BT Funds Management (NZ) Limited	9,405,152	9.62%
Accident Compensation Corporation	9,084,282	9.29%
Milford Asset Management Limited	7,873,173	8.05%
D Diab	5,000,000	5.14%

5. Shares on issue

As at 12 April 2012, the total number of ordinary shares on issue was 97,809,001.

6. Directors' security holdings

	Equity securities held	
	2012	2011
E K van Arkel	50,000	50,000
D Diab	5,000,000	5,000,000

7. Stock exchange waiver

No waivers were sought or relied on from NZX during the year.

Statutory information

for the year ended 29 February 2012

1. Directorships

The names of the directors of the Company as at 29 February 2012 are set out in the Corporate Directory on page 71 of this annual report.

The following are directors of all subsidiary companies of the Group:

E K van Arkel and D A Pilkington.

The following are directors of Restaurant Brands Australia Pty Limited:

E K van Arkel, D A Pilkington, D Diab and G R Ellis.

2. Directors and remuneration

The following persons held office as directors during the year to 29 February 2012 and received the following remuneration and other benefits:

	Directors' Fees (\$NZ)
E K van Arkel	81,341
D Diab	53,086
D A Pilkington	53,086
S H Suckling	53,086
	240,599

3. Entries recorded in the interests register

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

a) Share dealings of Directors

No shares were purchased or sold by directors of the Company during the financial year ended 29 February 2012.

b) Loans to Directors

There were no loans to directors during the financial year ended 29 February 2012.



Statutory information

for the year ended 29 February 2012

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	Unitec New Zealand Limited (and subsidiaries)
	Chairman	Health Benefits Limited
	Director and Shareholder	Lang Properties Limited
	Director and Shareholder	Van Arkel & Co Limited
	Director	AWF Group Limited (previously named Allied Work Force Group Limited)
	Director	Danske Mobler Limited
	Director	Auckland Regional Chamber of Commerce & Industry Limited
	Director	Youthtown Inc
	Director	Nestle New Zealand Limited
	Director	The Warehouse Group Limited
S H Suckling	Director	Abano Healthcare Group Limited
	Chairperson	New Zealand Qualifications Authority
	Chairperson	Barker Fruit Processors Limited (and subsidiaries)
	Chairperson and Shareholder	HSR Governance Limited
	Chairperson	ECL Group Limited
	Director and Shareholder	TYTM Development Limited
	Director and Shareholder	Acemark Holdings Limited
	Director	SKYCITY Entertainment Group Limited
D A Pilkington	Director	Oxford Health Group Limited and Oxford Clinic Hospital Limited
	Member	Takeovers Panel
	Chairman	Ruapehu Alpine Lifts Limited
	Chairman	Hellers Limited
	Director	Ballance Agri-Nutrients Limited (and subsidiaries)
	Director	Zespri Group Limited (and subsidiaries)
	Director	Douglas Pharmaceuticals Limited
	Director and Shareholder	NZ Biotechnologies Limited
	Director	Port of Tauranga Limited
	Director	Rangatira Limited
	Director and Shareholder	Excelsa Associates Limited
D Diab	Member	Wellington City Council Audit and Risk Management Sub-Committee
	Trustee	New Zealand Community Trust
	Director	Contract Resources (New Zealand) Limited
	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	Mirrapol Holdings Pty Limited	

d) 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.

Statutory information

for the year ended 29 February 2012

4. Employees' remuneration

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

	Number of employees	
	2012	2011
\$100,000 - \$109,999	4	9
\$110,000 - \$119,999	3	4
\$120,000 - \$129,999	4	5
\$130,000 - \$139,999	1	2
\$140,000 - \$149,999	5	3
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	1	2
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	1	2
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	1	1
\$240,000 - \$249,999	1	-
\$280,000 - \$289,999	-	1
\$310,000 - \$319,999	1	-
\$440,000 - \$449,999	-	1
\$450,000 - \$459,999	1	-
\$960,000 - \$969,999	-	1
\$1,020,000 - \$1,029,999	1	-
	27	33

5. Subsidiary company directors

No employee of Restaurant Brands New Zealand Limited appointed as a director of Restaurant Brands New Zealand Limited or its subsidiaries receives, or retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under Note 4 above.



Statement of corporate governance

for the year ended 29 February 2012

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'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.

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 29 February 2012, the board comprised four non-executive directors (including the Chairman). In addition to committee responsibilities (below), individual board members work directly with management in major initiatives such as acquisitions and asset rationalisations.

Ted van Arkel, David Pilkington and Sue Suckling are considered by the board to be independent under the NZSX Listing Rules. Danny Diab is considered not to be independent as he represents a significant shareholding. The board does not have a policy on a minimum number of independent directors.

Committees

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

- **Audit Committee.** The members of the Audit Committee are David Pilkington (chairman), Ted van Arkel, Sue Suckling and Danny Diab. 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 for 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.
The committee has adopted an audit charter setting out the parameters of its relationship with internal and external audit functions. The charter requires five yearly reviews of the external audit relationship and audit partner rotation.
- **Appointments and Remuneration Committee.** The members of the Appointments and Remuneration Committee are Sue Suckling (chairman), Ted van Arkel, Danny Diab, and David Pilkington. 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 and recommends remuneration packages for directors to the shareholders. 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.

Statement of corporate governance

for the year ended 29 February 2012

Board appraisal and training

The board has adopted a performance appraisal programme by which it biennially 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 the Company's "Insider Trading Code" that relates to dealings in securities by directors and employees.

Size

The constitution prescribes a minimum of three directors and as at balance date there were four members of the board.

Re-election

Under the terms of the constitution, one third of the directors (currently one) are required to retire from office at the annual meeting of the Company but may seek re-election at that meeting.

Meetings

The board normally meets eight to twelve 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.

Board and committee meeting attendance for the year ended 29 February 2012 was as follows:

Name	Board Meetings Held	Board Meetings Attended	Audit Committee Meetings Held	Audit Committee Meetings Attended	Remuneration Committee Meetings Held	Remuneration Committee Meetings Attended
E K van Arkel	12	11	4	4	2	2
D Diab	12	12	4	4	2	2
D A Pilkington	12	12	4	4	2	2
S H Suckling	12	10	4	4	2	2

Board remuneration

Directors' fees for the year ended 29 February 2012 were set at \$84,995 per annum for the Chairman and \$55,000 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.

Statement of corporate governance

for the year ended 29 February 2012

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).

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 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 currently permitted to provide non-audit services to the Company with the approval of the Audit Committee.

Auditors' remuneration is disclosed in Note 7 to 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.

Corporate directory

Directors:

E K (Ted) van Arkel (Chairman)
Sue Helen Suckling
Danny Diab
David Alan Pilkington

Registered Office:

Level 3, Westpac Building, Central Park
666 Great South Road
Penrose
Auckland 1061
New Zealand

Share Registrar:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92 119
Auckland 1142
Auckland Mail Centre
New Zealand
Telephone: 64 9 488 8700

Auditors:

PricewaterhouseCoopers

Solicitors:

Bell Gully
Harmos Horton Lusk
Meredith Connell

Bankers:

Westpac Banking Corporation

Contact Details:

Postal Address:
P O Box 22 749
Otahuhu
Auckland 1640
New Zealand
Telephone: 64 9 525 8700
Fax: 64 9 525 8711
E-mail: investor@restaurantbrands.co.nz

Financial calendar

Annual Meeting:

*29 June
2012*

Close of Register for
Final Dividend:

*15 June
2012*

Final Dividend Paid:

*29 June
2012*

Interim Profit
Announcement:

*October
2012*

Interim Dividend Paid:

*November
2012*

Financial Year End:

*28 February
2013*

Annual Profit
Announcement:

*April
2013*



