WORK IN PROGRESS

YEAR ENDED 29 FEB 2008

RESTAURANT BRANDS NEW ZEALAND LIMITED – 2008 ANNUAL REPORT

WHILE KFC'S TRANSFORMATION CONTINUES TO DELIVER,

OUR RESOLVE IS THE SUCCESS OF ALL OUR BUSINESSES.

WE HAVE THE STRATEGIES IN PLACE AND ACTIONS ARE BEING TAKEN TO ACHIEVE OUR GOALS.

RESTAURANT BRANDS – ANNUAL REPORT 2008

EDITORIAL

STATUTORY REPORTS

Restaurant Brands New Zealand Ltd

TOTAL SALES FOR THE NEW ZEALAND OPERATIONS WERE $303.5 MILLION, UP $9.9 MILLION ON PRIOR YEAR WITH SAME STORE SALES UP 3.4%.

RECORD SALES FOR KFC AT $199.1 MILLION (UP 7.7% ON A SAME STORE BASIS) AND STARBUCKS COFFEE ($33.0 MILLION, UP 4.0% ON A SAME STORE BASIS) WERE PARTLY OFFSET BY LOWER SALES OF $71.4 MILLION FOR PIZZA HUT, DOWN 7.0% ON A SAME STORE BASIS.

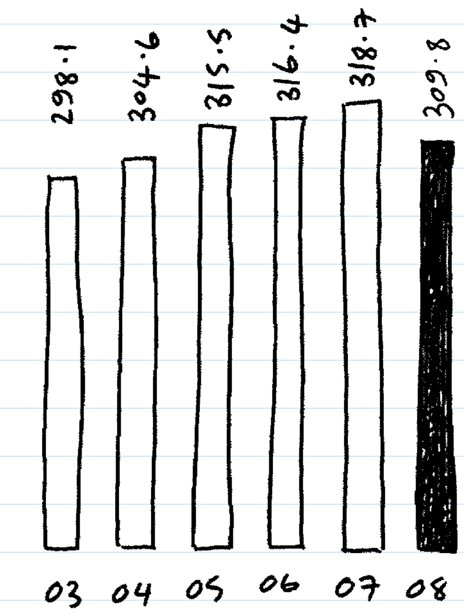
GROUP NET PROFIT AFTER TAX (EXCLUDING NON-TRADING ITEMS) WAS $11.0 MILLION, UP $4.5 MILLION OR 69% ON PRIOR YEAR, MAINLY BECAUSE OF THE STRONG RESULT FOR KFC AND THE CESSATION OF LOSSES IN PIZZA HUT VICTORIA.

SALE OF THE PIZZA HUT VICTORIA BUSINESS WAS FINALISED WITH ALL RESIDUAL STORES BAR ONE DISPOSED OF OR CLOSED. THE DISPOSAL OF THE REMAINING STORE WILL BE COMPLETED BY THE END OF THE FIRST QUARTER.

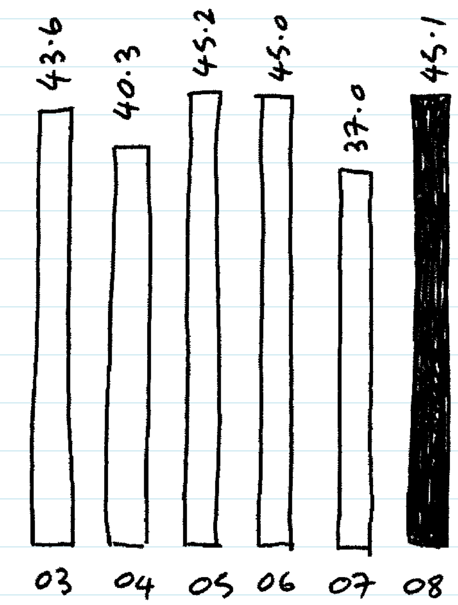
THE KFC BRAND TRANSFORMATION CONTINUED ITS ROLL OUT WITH SIGNIFICANT SALES GROWTH IN THE 30 TRANSFORMED OR NEW STORES.

STRONG OPERATING CASH FLOWS (UP $10.5 MILLION ON 2006/7) SAW DEBT REDUCED BY $6.1 MILLION ON PRIOR YEAR, NOTWITHSTANDING THE CONTINUING SIGNIFICANT INVESTMENT IN KFC TRANSFORMATION.

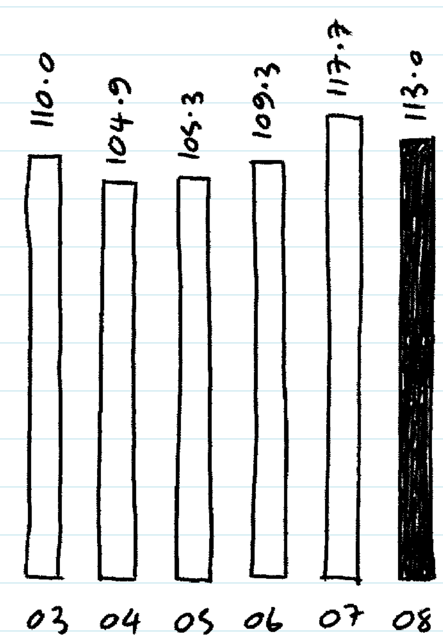
A FINAL FULL YEAR FULLY IMPUTED DIVIDEND OF 3.5 CENTS PER SHARE HAS BEEN DECLARED MAKING A FULL YEAR DIVIDEND OF 6.5 CENTS, UP 1 CENT ON PRIOR YEAR.



TOTAL GROUP SALES ($NZ MILLION)



TOTAL STORE EBITDA ($NZ MILLION)



TOTAL ASSETS ($NZ MILLION)

HISTORICAL SUMMARY

FOR THE YEAR ENDED 29 FEBRUARY 2008

$NZM	2002 [1]	2003	2004	2005	2006 [3]	2007	2008
FINANCIAL PERFORMANCE							
Sales							
KFC	177.1	175.1	171.1	173.0	171.8	182.7	199.1
Pizza Hut NZ	69.4	75.7	81.3	87.6	89.1	79.7	71.4
Starbucks Coffee	17.8	22.8	23.1	24.9	27.9	31.3	33.0
Pizza Hut Victoria	–	24.5	29.1	30.0	27.6	25.0	6.3
Total	264.3	298.1	304.6	315.5	316.4	318.7	309.8
Store EBITDA							
KFC	36.1	30.4 [2]	25.6	27.8	29.6	31.2	36.6
Pizza Hut NZ	7.9	11.2	12.3	13.6	11.8	5.1	4.7
Starbucks Coffee	1.8	2.6	3.0	3.7	3.9	3.6	3.8
Pizza Hut Victoria	–	(0.6)	(0.6)	0.1	(0.3)	(2.9)	–
Total	45.8	43.6	40.3	45.2	45.0	37.0	45.1
EBIT	35.2	19.6	14.7	19.1	11.3	(1.1)	17.1
NPAT (reported)	20.7	11.1	8.1	10.7	5.2	(3.6)	9.0
NPAT (adjusted for non-trading)	12.5	11.0	8.1	11.0	12.3	6.5	11.0
FINANCIAL POSITION / CASH FLOW							
Share capital	19.9	25.8	24.5	25.3	25.6	25.6	25.6
Shareholders funds	40.9	52.0	49.7	51.1	43.9	32.6	35.8
Total assets	99.7	110.0	104.9	105.3	109.3	117.7	113.0
Operating cash flows	21.8	29.1	24.5	23.4	28.2	20.8	31.3
SHARES							
Shares on issue (year end)	93,086,674	94,815,164	96,192,826	96,843,475	97,081,875	97,128,956	97,128,956
Number of shareholders (year end)	8,858	9,776	9,190	7,992	7,067	6,733	6,214
Earnings per share (full year reported)	22.3c	11.8c	8.5c	11.1c	5.4c	(3.7)c	9.3c
Ordinary dividend per share	10.0c	10.0c	10.0c	10.0c	10.0c	5.5c	6.5c
OTHER PERFORMANCE INDICATORS							
Number of Stores (year end)							
KFC	87	87	88	87	88	87	87
Pizza Hut NZ	86	89	91	101	107	103	97
Starbucks Coffee	29	35	35	39	44	47	44
Pizza Hut Victoria	–	51	52	51	50	23	1
Total	202	262	266	278	289	260	229

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

KFC'S CONTINUED DRIVE ON GROUP PROFITABILITY IS A SIGN THAT, OVERALL, OUR BUSINESS IS IN GOOD SHAPE.

WE'RE SHARPENING
OUR COMPETITIVE EDGE,
AND WON'T REST TILL EVERY "I" IS DOTTED
AND EVERY "T" IS CROSSED.

GOOD PROGRESS WITH MORE TO COME

I SIGNALLED IN THE LAST ANNUAL REPORT THAT THE 2007/08 FISCAL YEAR WOULD BE A PERIOD OF SIGNIFICANT IMPROVEMENT IN PERFORMANCE; AND SO IT HAS BEEN.

Net operating profit after tax* increased 69% to $11.0 million – above expectations and significantly ahead of 2006/07 – on total group sales of more than $300 million, but significant challenges remain. The year under review can best be described as **"work in progress"** and we can expect further improvement in the current year.

Our largest division, KFC, produced another stellar performance and the Starbucks Coffee business, although small in relation to our overall brand presence in New Zealand, achieved steady growth. This underscores the company's ability to leverage off good brands – the essence of what Restaurant Brands is about – and confirms that the group is, first and foremost, a brand manager, not restricted or inhibited by its current brand portfolio.

The big disappointment of 2007/08 was the performance of Pizza Hut. It struggled despite intensive efforts by management to turn the operation around. The only comfort that can be drawn is that Pizza Hut remains the dominant participant in this mature and highly competitive market. It is no secret that the franchisees amongst Pizza Hut's competitors are also struggling but that they lack the solid backing of a company like Restaurant Brands.

Directors will continue to review Pizza Hut's future and take whatever steps necessary to protect future group growth and profitability.

BETTER FINANCIALS

With the exception of Pizza Hut, where sales fell, trading overall showed a marked improvement compared with 2007. Total group sales in New Zealand rose 3.4% to $303.5 million (also rising 3.4% on a same store basis), mainly on the back of strong growth by KFC.

The $4.5 million improvement in NPAT to $11.0 million (excluding non-trading items) was due to New Zealand operations profit being up $1.4 million with the balance of $3.1 million from a cessation of the losses in Victoria.

Non-trading charges of $3.4 million largely comprised fixed asset write-offs on KFC transformations of $0.8 million, $0.9 million in rationalisation costs from Pizza Hut store closures and a further impairment of Pizza Hut NZ goodwill of $1.2 million.

The exit of the Pizza Hut Victoria business was finally achieved just after balance date with some residual costs (net of tax) of $0.5 million which affected bottom line profit. The severance of Pizza Hut Victoria is complete and remaining costs were accounted for in 2007/08.

IMPROVED DIVIDEND

The better performance of the group persuaded directors to approve a fully imputed interim dividend of 3 cents a share that was paid on 23 November 2007. Directors have also approved a fully imputed final dividend of 3.5 cents a share, payable on 27 June, bringing the total dividend for the year to 6.5 cents a share. This is one cent a share higher than the total dividend for 2006/07 and a reflection of the **"work in progress"** I referred to earlier.

* Excluding non-trading items

MANAGEMENT GAINS

In September 2007 Russel Creedy was appointed Restaurant Brands' new Chief Executive Officer. He had been acting CEO after the departure of Vicki Salmon in February 2007 and was selected after a global search ahead of a number of highly qualified candidates.

Directors considered his strategic leadership as acting CEO made him the right person to lead Restaurant Brands through a sustained period of growth. His proven ability to work with stakeholders, including key suppliers and franchisors, to secure benefits for the group, negotiate improved supply-chain relationships and reduce costs also counted heavily in his favour.

The benefits of the appointment are already showing through. Since balance date, under his direction, Restaurant Brands and the trade union *Unite* have negotiated collective agreements for the stores and the call centre.

Russel will discuss this achievement in detail in his review but, suffice to say, the settlements allow management and staff to focus on improving sales and profitability in what is proving to be a challenging economic cycle.

KFC SHINES

Our KFC brand continues to shine with record total sales up 9% to $199.1 million in 2007/08 (or up 7.7% on a same store basis), contributing greatly to the group's pleasing result and making New Zealand once again one of the best performing KFC franchises in the world. This reflects favourably on the store transformation programme and directors' long term commitment to the brand.

Last year, we reported that the KFC franchise for most of our stores had been renewed ahead of schedule and that the company had negotiated with the franchisor, Yum Restaurants International, to secure an option to take a further 20 year franchise on its KFC transformed stores.

I am pleased to report that the franchise of a further 38 KFC stores has been renewed in the current year and we continue to lock in extended 20 year franchises for transformed stores.

PIZZA HUT CHALLENGES

Pizza Hut, as previously stated, continues to disappoint and the expected turnaround in performance is taking far longer to achieve than directors and management had hoped. Total sales fell 10.4% to $71.4 million (or down 7% on a same store basis).

The pizza market is difficult and crowded and most participants are struggling to make acceptable returns. Pizza Hut is by far the largest player and the best known brand and its poor performance has, consequently, been more public than most. Directors and management will be redoubling their efforts to ensure it ceases to be a drain on the group.

The directors will not shy away from making firm decisions over Pizza Hut in the interests of overall group profitability. Indications are that recovery is under way, although much will depend on the performance of the New Zealand economy during the next 12 months.

The good news is that the exit from Pizza Hut Victoria is now complete and the last of the exit costs have been accounted for in the year under review.

STARBUCKS COFFEE GROWS

Starbucks Coffee is by far the smallest of our brands yet its total sales growth – up 5.6% to $33.0 million (or up 4% on a same store basis) compared with 2006/07– and improved earnings continue to impress. This in part reflects the directors' decision to rationalise some stores, although its greatest strength is its power as a truly international brand.

We see Starbucks Coffee as continuing to perform well.

SOUND GOVERNANCE

The professionalism of my fellow directors made my job much easier during a busy year. Our commitment to corporate governance best practice made decision making clearer and more transparent and allowed management a free hand to improve efficiency in all sectors.

We view the decision of our Australian based director, Danny Diab, to buy more shares in the group in 2007/08 as a vote of confidence in Restaurant Brands' direction.

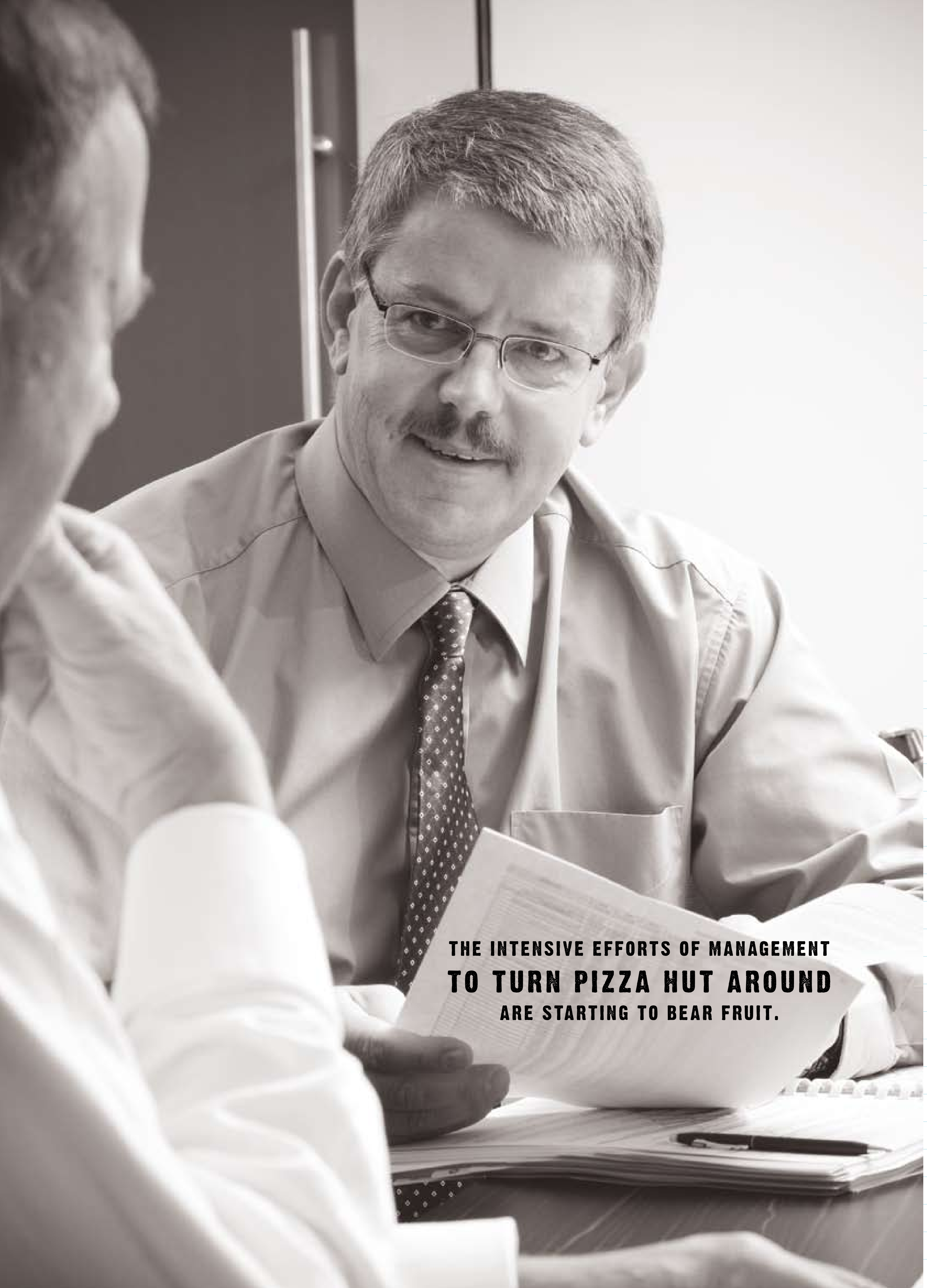
ACKNOWLEDGMENTS

The Board would like to thank Russel Creedy and his team for delivering a much improved result in 2007/08.

BRIGHTER PROSPECTS

Restaurant Brands is still going through a period of "work in progress" but directors are heartened with the progress to date and expect the good work to continue.

TED VAN ARKEL
Chairman
9 April 2008



PERFORMANCE FIRST

MY FIRST YEAR AS CHIEF EXECUTIVE OFFICER HAS, AS THE CHAIRMAN REPORTS, BEEN A PERIOD OF "WORK IN PROGRESS" FOR THE GROUP. IT WAS MARKED BY HIGHER NEW ZEALAND GROUP SALES OF $303.5 MILLION – A NEW RECORD FOR THE NEW ZEALAND BUSINESS – AND A SIGNIFICANTLY IMPROVED NET OPERATING PROFIT AFTER TAX.

This improvement has not come about by chance and is not being taken for granted. The slowdown in the New Zealand economy, which we are starting to witness, impacts the hospitality sector more than most but I am pleased to report that the signs are positive as far as Restaurant Brands is concerned. Key performance indicators suggest the company is well positioned to weather the storm should a recession take hold.

With 228 stores nationwide and close to 5,000 employees, Restaurant Brands is a significant economic barometer in its own right. The fact that the group performed better than anticipated in 2007/08 is confirmation that our sales efforts, efficiency programmes and employee productivity gains are making a real difference.

KFC continued to build from strength to strength and our Starbucks Coffee business, although still relatively small, delivered sound profit and sales growth. Even Pizza Hut, which has troubled the group for some time, is starting to turn around, although we do not underestimate the challenge ahead.

Non-trading items affected group bottom line profit in the period under review, notably from write downs of goodwill in the Pizza Hut NZ business, closure costs following Pizza Hut NZ store closures and KFC store transformations, together with final exit costs from Pizza Hut Victoria.

However, an NPAT (excluding non-trading items) of $11.0 million, up $4.5 million on prior year and a reported profit of $9.0 million (including non-trading items) versus a loss last year of $3.6 million represent a solid improvement.

AN EATING EXPERIENCE

We want to be a company that leads by example to strive for the highest levels of customer care and shareholder value.

We seek to achieve this by meeting our customers' expectations for the highest standards and delivering to them an eating experience that inspires confidence and loyalty.

This requires a professional and well trained workforce and it is no coincidence that some 1,800 of our employees (or partners as we prefer to call them) are currently undertaking some form of NZQA qualification.

FRANCHISE PROGRESS

We successfully renewed the franchises on a further 38 KFC and Pizza Hut stores this year. This means that the bulk of the franchises on our KFC stores have now been renewed for a further ten years with rights of renewal on transformed stores for a further ten years after that.

The bulk of our Pizza Hut stores come up for renewal in 2010 and we are working with Yum Restaurants International (the Pizza Hut and KFC franchisor) on renewal terms for the franchises on these stores.

COLLECTIVE AGREEMENTS

New collective agreements for our stores and call centre came into force after balance date – on 1 April 2008 – enabling staff and management to concentrate fully on improving sales and profitability.

The agreements, negotiated with the trade union *Unite*, extend for two years for the stores and one year for the call centre and provide rate increases commensurate with market movement.

The settlement of these agreements could not have come at a better time and I compliment the parties for their constructive approach in these challenging times.

WORKPLACE INITIATIVES

Safety in food standards and in the workplace is paramount in our organisation.

We work hard to implement processes to reduce accidents to our partners and guarantee the utmost quality for our customers.

We are also looking at initiatives to reduce waste and limit the Group's carbon footprint. Our staff support these initiatives and our customers expect us to act responsibly in this regard.

KFC

KFC's strong sales – a new high of just under $200 million – reflect the strength of management and the success of the store transformations, the strong promotional calendar and the innovative product offering. Non-transformed stores also made solid sales gains from the positive brand perception as the transformation programme rolled out through the store network.

Successful promotions such as *Hot Rods, Boneless Chicken* and *Hot & Spicy Chicken* as well as innovations in the form of *Cheesies* and the new *Fiesta Burger* also contributed to the strong sales performance.

The KFC business produced record earnings for the year with an EBITDA of $36.6 million, $5.4 million or 17.3% up on the prior year. At the EBIT level KFC profit was $28.3 million, $4.1 million higher than 2006/7.

Nine transformations were completed bringing the total number of new format stores to 30, representing 34% of the total network. Total store numbers remained constant at 87 at year end.

PIZZA HUT

Despite its disappointing performance in 2007/08, Pizza Hut remains the largest operator in the New Zealand pizza market.

The challenge for the group is to build on the strength of the brand while progressively closing red roof restaurants as the opportunity arises and improving the profitability of poorer performing dedicated delivery/takeaway (delco) outlets.

The signs are that the intensive efforts of management to turn Pizza Hut around are starting to bear fruit. Whilst EBITDA for this business at $4.7 million was $0.4 million down on prior year, most of this shortfall was incurred in the first half of the year. EBITDA margins as a percentage of sales improved from 5.9% in the first half to 7.4% in the second.

Innovative products are essential for the brand's revival. During the last quarter of 2007/08, for instance, the *Cheesy Bites Pizza* and *Cheesy Potato Bites* promotions returned with some success and the new *Mediterranean Pizza* and additional side items also performed satisfactorily.

Store numbers in New Zealand totalled 97 nationwide at year end.

STARBUCKS COFFEE

Starbucks Coffee continued its quarter-on-quarter, year-on-year sales growth, making a satisfactory contribution to group sales and earnings. Sales at $33.0 million reached a new high, up 5.6% on last year's levels.

The *Pass the Cheer* Christmas promotion produced strong growth in merchandising sales in the fourth quarter.

EBITDA was also up 5.7% to $3.8 million.

Some minor facility rationalisation saw store numbers reduce slightly to 44 at year end.

STAFF

The exceptional performance and dedication of our partners in 2007/08 greatly assisted my plans for lifting the performance of the group. I thank them for their commitment and loyalty.

OUTLOOK

We will continue to strive for improved profitability and expect KFC and a recovery from Pizza Hut to deliver a result higher than current year's result, economic conditions permitting.

RUSSEL CREEDY
Chief Executive Officer
9 April 2008

OUR AREA MANAGERS ARE A VITAL PART OF EACH BRAND'S ORGANISATION. THEY SUPPORT AND OVERSEE THE RUNNING OF EACH OF THE STORES WITHIN THEIR GIVEN GEOGRAPHICAL REGION AND ARE THE LINK BETWEEN THE SUPPORT CENTRE OFFICE AND THE STORE MANAGERS IN THE FIELD.

KFC – AREA MANAGER

GARTH McCULLUM

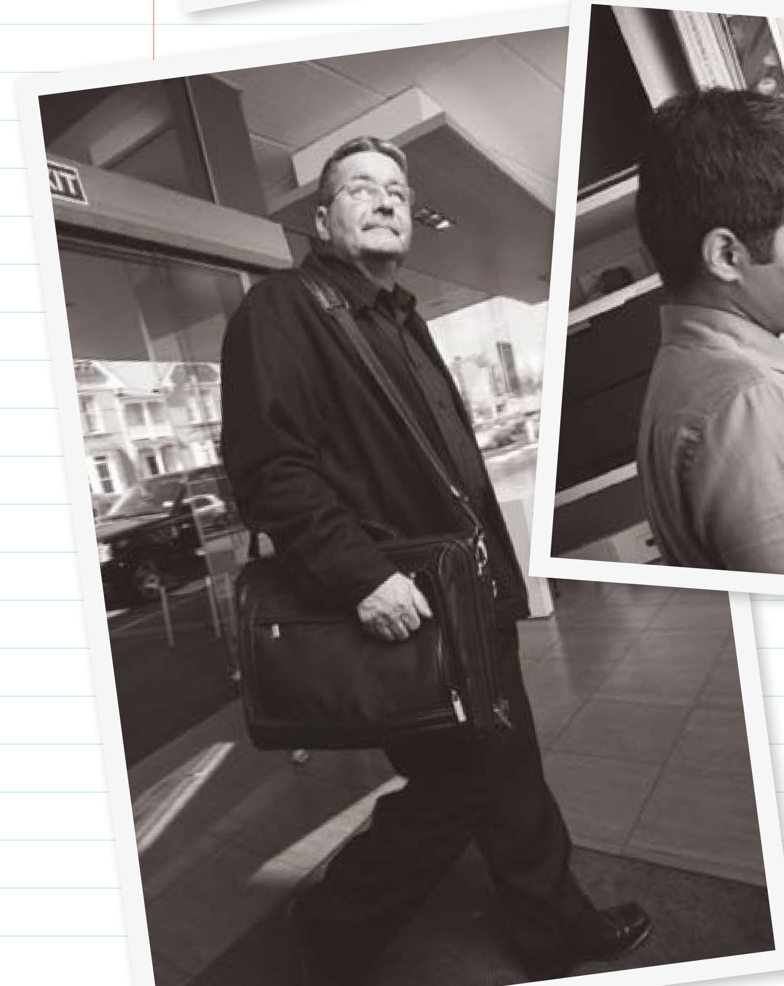
Current position:	KFC Area Manager since 1993
Background:	Training Manager, KFC South Restaurant Manager, KFC Rotorua Assistant Manager, KFC Hamilton East
Time with KFC:	15 years, and counting…

Monday, 21 April 2008:

7am:	Leave home for Hamilton
8am:	Hamilton East, store visit, coolroom and CHAMPS checks
9.30am:	Frankton, store visit, risk assessment and training audit
12noon:	Northmall, store catch up with Nicki regarding her development plan, risk assessment
2pm:	Rototuna, store visit, coffee with Leanne to discuss weekly results
5.30pm:	Fairy Springs, CHAMPS check on drive thru, review training records
6pm:	Rotorua, CHAMPS check
7pm:	Leave for home

I really enjoy my role, no two days are ever the same!

Launching our first "transformed" store was a real challenge, but the success of this and other stores since is enough to put a smile on my face.



Another busy, but always fulfilling day at KFC, now home to walk the dog…

PIZZA HUT – AREA MANAGER

TONY GROENEWALD

Current position:	Pizza Hut Area Manager since 2006
Background:	Restauranteur
Time with Pizza Hut:	2 years

Two years ago, while on holiday in New Zealand visiting family, Tony fell in love with the New Zealand way of life and the landscape. Four months later, he had sold up his business, a 240 seat Irish pub and grill, sold his home and moved to New Zealand.

After 12 years of operating his own business, Tony was able to spend the next month enjoying the sights of his new country.

Three months later he was sitting opposite the Pizza Hut General Manager being congratulated on his appointment as Pizza Hut Area Manager.

For Tony, it has been an exciting two years. The new role has presented many challenges and victories, highlighted by his Area team moving from bottom place in the Area rankings in 2006 to second position in 2007.

Tony also took on another challenge when he was invited to play indoor netball with a few work colleagues. He was quick to discover that netball was not only a girls sport. In addition to netball Tony's favourite time out activities are hiking, fishing and scuba diving, with sky diving also on the agenda for this year.

Quality checking is an everyday task.

Sampling is the key to knowing our products.

STARBUCKS COFFEE – AREA MANAGER

TRACEY LANGDON

Current position:	Starbucks Coffee Area Manager since 2006
Background:	Store Manager, Starbucks Coffee Bayfair Store Manager, Starbucks Coffee Browns Bay Assistant Store Manager, Starbucks Coffee Dunedin Shift Supervisor, Starbucks Coffee Christchurch Barista, Starbucks Coffee Browns Bay Team member, KFC Takapuna
Time with Starbucks Coffee:	9 years

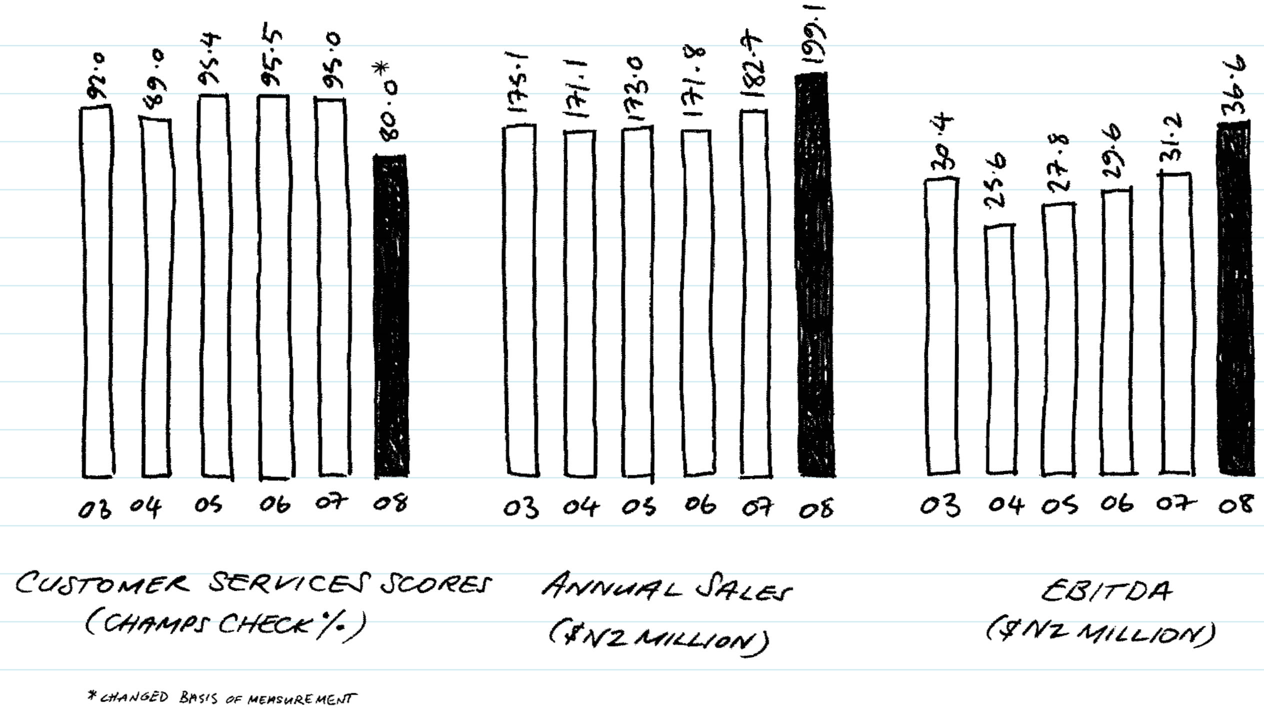
Tracey started with Restaurant Brands back in 1996 as a team member at KFC Takapuna. In 1999 she transferred to our newly acquired brand, Starbucks Coffee, as a barista at the opening of Starbucks Coffee Browns Bay. Tracey was an eager team member which saw her quickly trained up to be a Shift Supervisor, working part time while studying at Auckland University for her Bachelor of Science degree.

At the completion of her degree, Tracey was offered the opportunity to work in Christchurch, then quickly followed by an opportunity to work in Dunedin to assist in store openings. Having only been in Dunedin for six months, Tracey was given the opportunity to run her first store as a store manager. The store in question was where it all started, at Starbucks Coffee Browns Bay.

Tracey managed the Starbucks Coffee Browns Bay store for ten months before another opportunity arose, to open and manage the new Starbucks Coffee Bayfair store in the Bay of Plenty. The sunny lifestyle was enjoyed by Tracey for a further three and a half years.

It was at this time that Tracey was promoted to the role she currently holds of Starbucks Coffee Area Manager. Tracey has always enjoyed what she does and the interaction with the passionate Starbucks Coffee partners who, every day, uphold the brand mission statement, "every day makes me proud to be part of such a wonderful group of people".

When not working Tracey enjoys being outdoors, hiking, mountain biking, skiing or rock climbing at any opportunity. She also plays social netball and soccer.



AFTER A STRONG YEAR IN 2006/7, THE KFC BRAND CONTINUED TO BUILD ON THE CONTINUING MOMENTUM OF THE TRANSFORMATION PROCESS.

With nine stores receiving major asset refurbishments this year, total stores with the new look now number 30 – over a third of the entire network.

The store refurbishments, together with solid marketing and sound in-store operations have driven sales to record levels of $199.1 million. This represents a $16.4 million or 9.0% increase on last year's $10.9 million (6.3%) growth and bodes well for more growth in the coming year.

Earnings growth reflected the improved revenues. EBITDA for the brand for 2007/8 was $36.6 million, up $5.4 million or 17.3% on prior year – the highest level in the history of the brand. This result is despite some raw material pricing pressures and some considerable escalation in labour costs over the year.

At the EBIT level (after depreciation expense and above store overheads (G&A)) KFC made $28.3 million, up $4.1 million on the previous year.

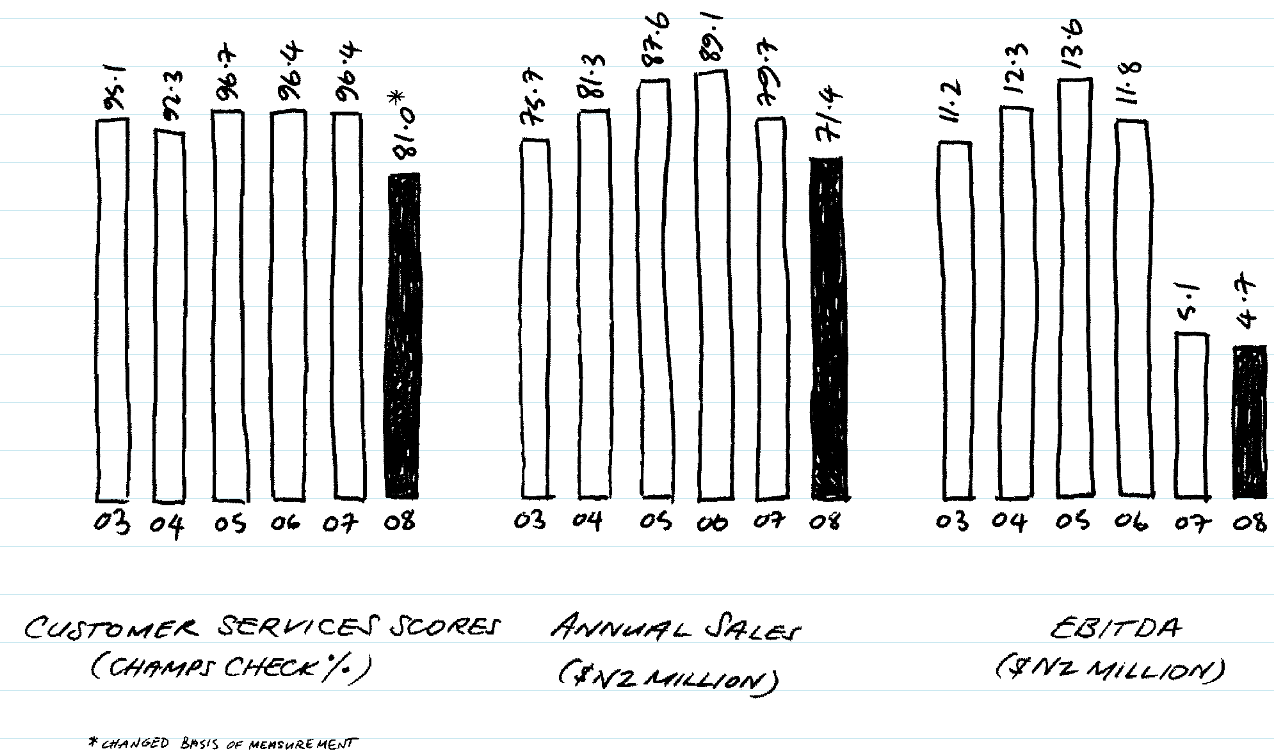
Customer service measures as reflected by the CHAMPS programme were down on prior years, but this is a function of a change to the measuring system more than any decline in service standards. The brand achieved a score of 80% for the year and is targeting an improvement to 84% in the coming 12 months.

The in-store operations performance measure (CER) achieved a score of 74%, marginally down on last year's 77%, but still well above many of the equivalent overseas KFC markets.

Partner turnover, whilst well within world standards increased on last year's 74% to 85%. This is somewhat because of the increasingly tight labour environment, but is being addressed and has already fallen in the new year.

A renewed focus on accident prevention within the KFC stores has lost time injuries per million hours worked at 46, the same as prior year. Whilst most injuries are minor, management is very focused on reducing this number even further.

Attractive facilities, a strong marketing programme, a good customer service ethic and solid operational controls have all combined to produce a very sound result for KFC for 2007/8.



THE CONTINUING COMPETITIVE MARKETPLACE SAW ANOTHER TOUGH YEAR FOR PIZZA HUT. TOTAL SALES DROPPED TO $71.4 MILLION, DOWN 10.4% OR 7.0% ON A SAME STORE BASIS.

Following a very poor start to the year, producing a first half EBITDA margin of 5.9% of sales compared to 7.4% for the second half, there has been considerable focus on improving profitability in the brand. Full year EBITDA was $4.7 million compared with $5.1 million in the previous year.

As part of the strategy to restore margins, Pizza Hut saw a complete review of its marketing programmes, its pricing structures, its management and its in-store operations with a particular focus on shrinkage and operating efficiencies.

Some benefits from the introduction of a new computer system began to accrue as higher quality information and better store controls became available.

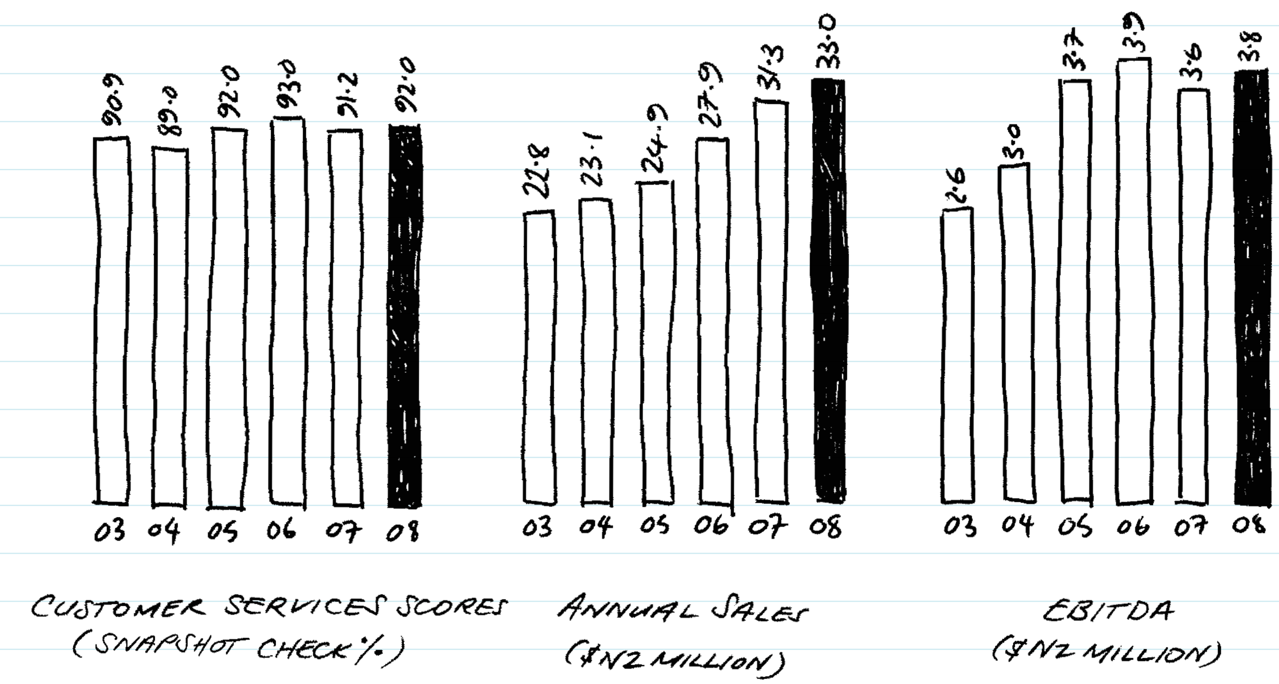
Six poorly performing stores (five red roofs and one delco) were closed throughout the year. The continued closure of red roof stores as leases expire or sublease opportunities present themselves remains part of the Pizza Hut network optimisation strategy. As at balance date there were 97 stores of which ten were red roofs.

Customer service levels as measured by the CHAMPS mystery shopper programme appear to have dropped to 81% for the year, down from 96.4% in the prior year. This is a function of a new measurement system rather than any underlying reduction in customer service, which remains comparable with counterparts in Australia.

Staff turnover at 93% was up on prior year as was management turn at 44%. These levels of turnover reflect some of the required changes in the business to improve its performance and still remain at the better end of industry standards.

Staff training levels continued to improve with 80% of store managers and 91% of store supervisors fully qualified for their particular roles.

Whilst the Pizza Hut business remains at a relatively low level of financial performance when compared with historical highs, it still remains market leader and will see improving profitability in the future.



STILL THE SMALLEST BRAND IN THE RESTAURANT BRANDS STABLE, STARBUCKS COFFEE CONTINUES TO GRADUALLY BUILD INTO AN INCREASINGLY SOUND BUSINESS.

Another solid year of sales growth (up 5.6% in total and 4.0% same store) saw total revenues reach a new high of $33.0 million.

EBITDA was also up on prior year (by 5.7%) to $3.8 million. Whilst cost pressures continued, particularly in labour, the brand benefited from a favourable exchange rate and profit flow through from higher sales.

There was some store rationalisation with total store numbers reducing by three to 44 by year end. Four stores closed over the year (two for reasons of profitability, one because of site redevelopment and one at lease end). A new store opened in Victoria Street, Auckland.

Customer service ratings improved 1% over prior year to 92%. Partner turnover was significantly up to 82% from 70% in the prior year, although this was at least partly due to the store rationalisation.

Training levels remained at a satisfactory level with all store managers fully certified.

Whilst still relatively small the continuing momentum of positive sales growth sees this business making an increasingly significant contribution to the company's overall results.

Left to right: Danny Diab, David Pilkington, Sue Suckling, Shawn Beck, Ted van Arkel

DIRECTORS' PROFILES

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 earlier that year and was elected chairman in July 2006. Mr van Arkel currently serves as chairman of Charlie's Group Limited and Unitec New Zealand Limited. He is also a director of the Auckland Regional Chamber of Commerce and Industry Limited, Allied Work Force Group Limited, The National Property Trust, Danske Mobler Limited, Paper Plus New Zealand Limited, Superpoints New Zealand Limited, Lang Properties Limited, Lockwood Group Limited, and his consulting company, Van Arkel & Co Limited. Mr van Arkel sits on the board's audit committee and remuneration committee.

SUE SUCKLING B.Tech (Hons), M.Tech (Hons), OBE Director

Ms Suckling is a professional director with over 20 years governance experience, with public and private companies. She was appointed to the board in June 2006. She is currently chairperson of Barker Fruit Processors Limited, HSR Governance Limited, National Institute of Water and Atmospheric Research, New Zealand Qualifications Authority and the Risk & Audit Committee Education Review Office and a director of TYTM Development Limited, Air Scientifics NZ Limited and Acemark Holdings Limited. Ms Suckling is also a member of the Takeovers Panel.

SHAWN R BECK BA, MBA Director

Mr Beck has been an Executive Director of Pencarrow Private Equity Limited since its inception in 1993. He is currently a director of Wellington Drive Technologies, Eastern Equities Corporation (and subsidiaries Farmers Transport and Rapid Roadfreighters), Kiwi Kat (trading as 360 Discovery) and Pacific Horizon Limited. He has previously served on boards in a range of industries, including specialty manufacturing, retail, aviation transport, media, tourism, engineering consulting and food. Mr Beck has been a director of Restaurant Brands for seven years and currently sits on the board's remuneration committee.

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 20 years' experience in the pizza industry and is regarded as one of the leading Pizza Hut franchisees in Australia. He is currently president of the Pizza Hut Franchisees' Association in Australia. Mr Diab sits on the board's remuneration committee.

DAVID A PILKINGTON BSc, BE (Chem), Dip Dairy Sci & Tech Director

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

FOR THE YEAR ENDED 29 FEBRUARY 2008

	29 FEBRUARY 2008	VS PRIOR	28 FEBRUARY 2007
$NZ000's	AUDITED	%	AUDITED
CONTINUING OPERATIONS:			
Sales			
KFC	199,116	9.0	182,673
Pizza Hut	71,419	(10.4)	79,721
Starbucks Coffee	33,012	5.6	31,252
Total sales	303,547	3.4	293,646
Other revenue	447	7.7	415
Total operating revenue	303,994	3.4	294,061
Cost of goods sold	(248,579)	(3.7)	(239,750)
Gross margin	55,415	2.0	54,311
Distribution expenses	(4,922)	17.5	(5,965)
Marketing expenses	(18,391)	4.9	(19,329)
General and administration expenses	(10,962)	1.1	(11,082)
EBIT before non-trading	21,140	17.9	17,935
Non-trading	(3,404)	23.1	(4,424)
EBIT	17,736	31.3	13,511
Interest income	84	(80.9)	440
Interest expense	(5,037)	(30.9)	(3,847)
Net profit before tax	12,783	26.5	10,104
Taxation expense	(3,312)	12.8	(3,797)
Net Profit After Tax (NPAT) from continuing operations	9,471	50.2	6,307
DISCONTINUED OPERATIONS:			
(Loss) from discontinued operation net of tax*	(456)	95.4	(9,861)
Total profit / (loss) after tax (NPAT)	9,015	n/a	(3,554)
Total NPAT excluding non-trading	11,044	68.8	6,542

	29 FEBRUARY 2008	% SALES	VS PRIOR %	28 FEBRUARY 2007	% SALES
EBITDA before G&A					
KFC	36,602	18.4	17.3	31,216	17.1
Pizza Hut	4,676	6.5	(7.6)	5,060	6.3
Starbucks Coffee	3,852	11.7	5.7	3,645	11.7
Total New Zealand	45,130	14.9	13.0	39,921	13.6
Pizza Hut Victoria*	–	0.0	n/a	(2,931)	(11.7)
Ratios					
Net Tangible Assets (NTA) per security					
(NTA divided by number of shares) in cents	7.0c			4.9c	

* Pizza Hut Victoria is a discontinued operation

Cost of goods sold are direct costs of operating stores: food, paper, freight, labour and store overheads
Distribution expenses are costs of distributing product from store
Marketing expenses are call centre, advertising and local store marketing expenses
General & administration expenses (G&A) are non store related overheads