Restaurant BRANDS NEW ZEALAND LTD

Restaurant Brands New Zealand Limited

2007 interim report for the half year ended 11 September 2006

Key Points

- ★ Net Profit After Tax (NPAT) excluding non-trading items was $3.1 million for the half year ended 11 September, down 49% on prior year comparable period.
- ★ NPAT including non-trading items was $0.2 million, down from $2.7 million on prior year, largely due to a further writedown of Pizza Hut Victoria of $2.6 million and other non-trading items of $1.6 million (non-trading items are pre-tax).
- ★ Directors have approved an interim dividend of 2.5 cents per share, fully imputed, payable on 24 November, 2006. This is a reduction from the prior year, recognising the difficult trading conditions in the pizza business and significant investment being undertaken in KFC.
- ★ A new KFC master franchise agreement was signed for a further 10 years on 14 August, 2006. An early payment of the franchise renewal fee applicable to the renewed stores of $2.5 million was made.
- ★ KFC continues to perform strongly with the underlying improvement in the business and the transformation strategy. Sales increased 5.6% and EBITDA earnings were $15.5 million, up 6.2% on prior year.
- ★ As previously announced, Pizza Hut New Zealand operations saw an 11.5% decrease in sales on prior year, which has had a direct impact on profitability. EBITDA earnings were $3.2 million, a 52.9% decrease on the prior year.
- ★ Agreements have been reached on the sale of 24 of the Pizza Hut Victoria stores, with settlement of the first 15 stores expected during November. Divestment of this business is proving to take longer and be more expensive than previously anticipated. The business has been classified as a discontinued operation.
- ★ Total revenues from continuing operations (New Zealand) for the first half were $156.4 million, up 0.8% on prior year.

Restaurant BRANDS NEW ZEALAND LTD

Directors' Report to Shareholders

FOR THE HALF YEAR ENDED 11 SEPTEMBER 2006

NPAT (NZ$m)	1H 2006	1H 2007
NPAT excluding non-trading items	6.0	3.1
NPAT including non-trading items	2.7	0.2
NPAT from continuing operations excluding non-trading items	7.6	4.9
NPAT from continuing operations including non-trading items	7.4	3.9

Group Operating Results

Restaurant Brands New Zealand Limited unaudited Net Profit After Tax for the half year ended 11 September, 2006 was $0.2 million, compared with $2.7 million for the equivalent period last year. Excluding non-trading items, the company produced a NPAT of $3.1 million, down 49% on the prior year, largely as a result of the downturn in the New Zealand Pizza Hut business and the increased losses occurring in Pizza Hut Victoria. The company had previously advised that NPAT excluding non-trading items would be between $2.5 million and $3.0 million.

The company incurred a number of significant non-trading costs totalling $4.2 million, including a further writedown on the Pizza Hut Victoria investment of $2.6 million. Other asset writeoffs from the extensive KFC refurbishment and store closure costs totalled $1.6 million.

To date, 15 Pizza Hut Victoria stores have completed the sale process and are due for transfer to the new franchisees during November. Sale agreements have also been reached on a further nine stores. Pizza Hut Victoria has been classified as a discontinued operation in the financial statements.

Total revenues from continuing operations totalled $156.4 million, up 0.8% on prior year.

EBITDA Margin (% sales)	1H 2004	1H 2005	1H 2006	1H 2007
KFC	15.1%	15.1%	16.1%	16.2%
Pizza Hut New Zealand	14.8%	16.4%	13.4%	7.1%
Starbucks Coffee	11.0%	13.9%	15.1%	10.8%
Pizza Hut Victoria	(1.9)%	1.2%	(0.6)%	(10.0)%

Note:

1. EBITDA = Earnings before Interest, Taxation, Depreciation and Amortisation
2. 2006 and 2007 figures are on a post-IFRS adoption basis

Continuing Operations

KFC

The KFC transformation process continues to perform to plan, building on the previous year's improvements and delivering solid growth in sales and profitability.

KFC delivered $15.5 million in EBITDA for the half year, an increase of 6.2%, absorbing cost increases, especially in labour and the loss of profitability on closed stores during the transformation process. EBITDA margin was 16.2% for the half, compared to 16.1% in the 2006 half year.

Total revenues for the half were $95.8 million, up 5.6% on prior year. This is particularly pleasing given a tightening retail environment and the impact of quite significant store closures over the period as part of the store rebuild process.

In total, seven stores were fully transformed during the first half, bringing the total transformed stores to 16 (including two completely new stores) since the project began in December 2004. The project continues to progress well. The following transformed stores will be reopened before Christmas: Manukau and Lincoln Road, both in Auckland; Shirley in Christchurch; Palmerston North; and a new store in Hamilton.

KFC store numbers finished the half at 86, with the closure of two stores at lease end in Orewa and Mt Roskill in Auckland.

PIZZA HUT NEW ZEALAND

As previously announced, Pizza Hut New Zealand continued to encounter difficult trading conditions. A significant increase in the size and aggressiveness of competitive activity, and the tightening economic climate, contributed to a significant drop in Pizza Hut sales over prior year.

Pizza Hut EBITDA was $3.2 million, a 52.9% decrease on the prior year. Cost increases in labour (as with KFC) and raw materials were not immediately recoverable in a very competitive marketplace and there was considerable de-leverage in fixed cost recoveries with the drop in sales volumes. EBITDA margin was 7.1% for the half compared to 13.4% in the prior half.

The company has been proactive in negotiations with suppliers to reduce costs which will have an immediate positive effect on the business.

A number of other initiatives are under way to address the trading downturn, including an increased focus on costs and improving in-store operations, a targeted marketing programme and a management restructure.

Total sales were $44.1 million, down 11.5% on prior year and 14.1% on a same store basis.

Store numbers reduced by two over the half with the planned closure of three non-performing red roof stores at lease end – Royal Oak, Wanganui and Paraparaumu - and the opening of a new delco in Hobson Street, Auckland.

STARBUCKS COFFEE

The Starbucks Coffee business continued to deliver good sales growth for the half, with total sales up 13.3% on the prior half year to $16.3 million. Same store sales increased 2.5%.

Total EBITDA for the brand was $1.8 million compared with the prior year of $2.2 million. Margin reduced from 15.1% to 10.8%. The impact of increased labour costs, together with higher lease costs and a stronger US dollar exchange rate affecting the cost of imported coffee, all resulted in a decrease in earnings on prior year.

A greater focus on in-store operations is expected to result in improved margins in the second half of the year.

Store numbers rose by one to 45 over the half with the opening of a new store at Sylvia Park, Auckland.

Discontinued Operations

PIZZA HUT VICTORIA

The underlying trading position at Pizza Hut Victoria has declined since the announcement of the exit strategy. Total store earnings (EBITDA) showed a loss of NZ$1.6 million compared to a loss of NZ$87,000 in the previous year.

In order to minimise the losses while the business is still operating, the level of overhead has been reduced with a number of support functions such as payroll, property and accounts being returned to New Zealand.

There are now sale and purchase agreements in place for almost half the Pizza Hut stores in Victoria. However, the process of training the new franchisees and obtaining approvals from the franchisor, Yum, is complicated and has taken longer than anticipated. It is expected that settlement will be completed on an initial tranche of 15 stores during November, with the remaining nine stores transferred before year end.

The deficit from discontinued operations includes an impairment of the assets of the Pizza Hut Victoria business of NZ$2.6 million before tax. This reflects the amount required to write down carrying values of store assets, for which an offer for purchase has been made and a sale process under way, to fair value (based on amounts offered) net of the expected disposal costs.

Of the remaining stores, one store has been closed and there is interest in a further six stores.

Discussions are currently in progress with the franchisor, Yum, to assist with a solution of selling or exiting stores not currently under offer. Once these have been agreed, a further evaluation of fair values of remaining stores not currently going through a process of sale can be made, and the remaining disposal costs of all stores can be quantified. This may result in a further impairment of assets held for sale up to a maximum amount of their current carrying value. As at 11 September, 2006, the remaining value of property, plant and equipment held for sale is NZ$4.1 million. An assessment will be made before year end as to the full extent of any further losses relating to a full exit, and this will be recognised in the full year financial statements.

Franchise Renewals

On 14 August, 2006, the company announced it had signed a new KFC Master Franchise Agreement with Yum for another 10 years. This was completed 10 months ahead of the planned renewal date in May 2007 in order to provide increased certainty for Restaurant Brands.

Under the agreement, 50% of the KFC franchises were renewed immediately for a $2.5 million renewal fee payment. Yum has agreed to the renewal of the remaining KFC franchises in May 2007 upon the making of a similar payment.

Restaurant Brands also committed to invest $35 million into the KFC store transformation project over a three-year period. To date, $16.5 million has been invested in this programme, with a further $6 million expected to be expended by the end of the current financial year.

Cash Flow and Balance Sheet

Investing cash flows increased from $9.5 million to $14.7 million for the period, largely because of the increased capital spend in KFC transformation and the payment of $2.5 million in additional franchise renewal fees arising from the early renewal of the KFC business. Operating cash flows decreased by $4.5 million to $8.9 million for the half.

Total assets at $119.8 million were up $9.5 million on the prior period, due to the KFC transformation expenditure and the franchise fee payment. Commensurate with the investment in the KFC business, bank term debt has risen to $43.4 million at period end, up $11 million during this year.

Sales First Half (NZ$m)	1H 2001*	1H 2003	1H 2004	1H 2005	1H 2006	1H 2007
KFC	93.3	95.9	94.3	92.3	90.8	95.8
Pizza Hut NZ	36.9	41.2	44.9	46.4	49.9	44.1
Starbucks Coffee	8.3	12.1	12.2	12.8	14.3	16.3
Total NZ	138.5	149.2	151.4	151.5	155.0	156.2
Pizza Hut Victoria	-	11.4	15.7	16.3	15.6	15.8
Total Group	138.5	160.6	167.1	167.8	170.6	172.0

* Restated to September 2001 half year with change of balance date

Dividend

Reflecting the weaker trading position of the company and the significant investment being undertaken in the KFC business, the company has completed a detailed review of its trading forecasts and cash flows. On this basis, the directors have resolved to pay an interim dividend of 2.5 cents per share, fully imputed. The dividend will be paid on Friday, 24 November to all shareholders on the register at 5.00 pm on Friday, 10 November. For overseas shareholders, a supplementary dividend of 0.44117 cents per share will be paid at the same time.

Directors have elected to continue to suspend the dividend reinvestment plan for the time being.

Directors and Management

It was with regret that the Board accepted the resignation of Bill Falconer in July of this year. Mr Falconer had been chairman of the company for the past nine years.

Ted van Arkel joined the Board in September 2004 and following the resignation of Mr Falconer was appointed as chairman. Mr van Arkel brings extensive senior management and board experience in the retail and wholesale sectors and is a professional director of a number of companies.

In June, Sue Suckling joined the Board as a non-executive independent director. Ms Suckling has considerable governance experience in both the public and private sector, particularly in the food and agricultural related sectors.

During the half year, there were also changes in the senior management of the company with the promotion of Simon Lipscombe to the position of General Manager, Pizza Hut New Zealand. He has had 18 years' experience in the operation of the KFC business and brings a new focus on driving sales through improved in-store operations. This appointment enabled Russel Creedy to focus on his commercial services role with a particular focus on reducing costs throughout the organisation.

Adoption of IFRS

The half year report is the first report to be completed under International Financial Reporting Standards (IFRS). Full details of the material changes in accounting policies are set out in the interim accounts and on the company's website www.restaurantbrands.co.nz

Outlook

This has been a difficult half year for the company; however, there are a number of initiatives under way to ensure an improved performance. The positive performance of the KFC business has been offset by the significant downturn in Pizza Hut New Zealand sales and the pressure on margins. The length of time taken to complete the exit of Pizza Hut Victoria has meant that the overall profitability of the company has been further adversely impacted.

For the balance of the year, the KFC business is expected to continue to deliver strong sales and profit growth with all stores open for the Christmas season. A further four KFC stores will be transformed in the second half - Lincoln Road (Auckland), Manukau (Auckland), Shirley (Christchurch) and Princess Street (Palmerston North), as well as a new store opening in Hamilton.

While there will be some improvement in Pizza Hut New Zealand, the current competitive environment and higher input costs means this will be limited. Starbucks Coffee will continue to see sales growth with a corresponding improvement in margin as some cost recoveries take effect.

The exit from the Pizza Hut Victoria business will start to be realised as store sales are settled and transferred to other franchisees during the second half. The company is expecting an enhanced trading performance in 2008 once the Pizza Hut Victoria exit is complete.

Restaurant Brands Group

Consolidated Income Statement

For the period 1 March to 11 September 2006 (2007 Half Year)

	1st Half 2007 11 September 2006 Unaudited (NZ $000's)	vs Prior %	1st Half 2006 12 September 2005 Unaudited (NZ $000's)
Continuing Operations:			
Sales			
KFC	95,837	5.6	90,758
Pizza Hut	44,124	(11.5)	49,869
Starbucks Coffee	16,256	13.3	14,348
Other revenue	219	6.3	206
Total operating revenue	**156,436**	0.8	**155,181**
Cost of goods sold	(127,948)	(5.6)	(121,178)
Gross margin	**28,488**	(16.2)	**34,003**
Distribution expenses	(3,372)	15.5	(3,991)
Marketing expenses	(10,314)	7.5	(11,153)
General & administration	(6,187)	6.5	(6,619)
EBIT before non-trading	**8,615**	(29.6)	**12,240**
Non-trading - other	(1,458)	(260.0)	(405)
EBIT	**7,157**	(39.5)	**11,835**
Interest income	440	7,233	6
Interest expense	(1,761)	(58.8)	(1,109)
Net exchange gain/(loss)	-	n/a	95
Net (loss) profit before tax	**5,836**	(46.1)	**10,827**
Taxation expense	(1,959)	43.2	(3,450)
Net (loss) profit after tax from continuing operations	**3,877**	(47.4)	**7,377**
(Loss) from discontinued operation net of tax*	(3,668)	21.8	(4,692)
Total (loss) profit after tax	**209**	(92.2)	**2,685**
NPAT on continuing operations excluding non-trading items	**4,850**	(36.6)	**7,647**
Total NPAT excluding non-trading items	**3,053**	(49.0)	**5,985**

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 are non-store related costs.

	1st Half 2007 11 September 2006 Unaudited (NZ $000's)		vs Prior % 	1st Half 2006 12 September 2005 Unaudited (NZ $000's)	
EBITDA					
KFC	15,491	16.2	6.2	14,586	16.1
Pizza Hut	3,152	7.1	(52.9)	6,689	13.4
Starbucks Coffee	1,753	10.8	(19.1)	2,168	15.1
Total New Zealand	20,396	13.1	(13.0)	23,443	
Pizza Hut Victoria*	(1,581)	(10.0)	n/a	(87)	(0.6)

* Pizza Hut Victoria is a discontinued operation

Income Statement

For the period 1 March to 11 September 2006 (2007 Half Year)

Group 2007 Half Year Unaudited $000		Note	Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
	Continuing operations			
156,217	Store sales revenue		154,975	288,763
219	Other revenue		206	389
156,436	**Total operating revenue**		**155,181**	**289,152**
(127,948)	Cost of goods sold		(121,178)	(226,097)
28,488	**Gross profit**		**34,003**	**63,055**
(3,372)	Distribution expenses		(3,991)	(6,977)
(10,314)	Marketing expenses		(11,153)	(19,288)
(6,187)	General and administrative expenses		(6,619)	(11,694)
8,615	**EBIT before non-trading**		**12,240**	**25,096**
(1,458)	Non-trading		(405)	(1,935)
7,157	**Earnings before interest and taxation**		**11,835**	**23,161**
440	Interest revenue		6	13
(1,761)	Interest expense		(1,109)	(2,503)
-	Net foreign exchange gain		95	95
5,836	**Profit before taxation**	1	**10,827**	**20,766**
(1,959)	Taxation expense		**(3,450)**	**(6,684)**
3,877	**Profit after taxation**		**7,377**	**14,082**
	Discontinued operation			
(3,668)	Loss from discontinued operation (net of taxation)		(4,692)	(8,885)
209	**Total profit after taxation**		**2,685**	**5,197**
3.99	**Basic and diluted earnings per share from continuing operations**	2	**7.61**	**14.52**

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

Statement of Changes in Equity

For the period 1 March to 11 September 2006 (2007 Half Year)

Group 2007 Half Year Unaudited $000		Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
209	Total profit after taxation	2,685	5,197
402	Movements in foreign currency translation reserve	(33)	111
(2)	Other movements in reserves	(44)	14
609	**Total recognised revenues and expenses**	**2,608**	**5,322**
40	Movements in reported capital	246	279
40	**Total contributions from shareholders**	**246**	**279**
(5,751)	Distribution of dividends to shareholders	(5,731)	(10,427)
411	Foreign investor tax credit	404	733
(5,340)	**Net distribution of dividends to shareholders**	**(5,327)**	**(9,694)**
(4,691)	**Movements in equity for the period**	**(2,473)**	**(4,093)**
43,910	**Equity at the beginning of the period**	**48,003**	**48,003**
39,219	**Equity at the end of the period**	**45,530**	**43,910**

Balance Sheet

As at 11 September 2006 (2007 Half Year)

Group 2007 Half Year Unaudited $000		Note	Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
	Current assets			
2,080	Inventories		2,281	2,253
2,967	Trade and other receivables		4,427	2,351
1,572	Cash		1,777	2,033
5,108	Assets classified as held for sale	6	-	-
11,727	**Total current assets**		**8,485**	**6,637**
	Non-current assets			
77,344	Property, plant and equipment		74,235	73,269
29,211	Intangible assets		27,551	27,404
1,538	Deferred tax asset		-	1,380
108,093	**Total non-current assets**		**101,786**	**102,053**
119,820	**Total assets**		**110,271**	**108,690**
	Current liabilities			
29,136	Creditors and accruals		31,662	27,440
624	Finance leases		-	674
3,200	Liabilities classified as held for sale	6	-	-
32,960	**Total current liabilities**		**31,662**	**28,114**
	Non-current liabilities			
-	Deferred tax liability		29	-
3,533	Provisions and accruals		3,959	3,566
44,108	Bank loans and finance leases		29,091	33,100
47,641	**Total non-current liabilities**		**33,079**	**36,666**
80,601	**Total liabilities**		**64,741**	**64,780**
39,219	**Total net assets**		**45,530**	**43,910**
	Equity			
25,616	Share capital		25,543	25,576
79	Share option reserve		59	70
513	Foreign currency translation reserve		(33)	111
-	Hedging reserve		-	8
13,011	Other reserves		19,961	18,145
39,219	**Total equity**		**45,530**	**43,910**

Statement of Cash Flows

For the period 1 March to 11 September 2006 (2007 Half Year)

Group 2007 Half Year Unaudited $000		Note	Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
	Cash flows from operating activities			
	Cash was provided by (applied to):			
172,661	Receipts from customers		172,127	318,542
(162,377)	Payments to suppliers and employees		(155,792)	(285,240)
(1,398)	Interest paid (net)		(1,098)	(2,300)
(6)	Income taxes paid		(1,792)	(4,998)
8,880	**Net cash from operating activities**		**13,445**	**26,004**
	Cash flows from investing activities			
	Cash was (applied to) provided by:			
(2,722)	Payment of franchise fees		(237)	(691)
(12,001)	Purchase of property, plant and equipment		(9,349)	(19,893)
46	Net proceeds from disposal of property, plant and equipment		95	98
(14,677)	**Net cash (used in) from investing activities**		**(9,491)**	**(20,486)**
	Cash flows from financing activities			
	Cash was provided by (applied to):			
40	Cash received on the exercise of options		246	279
10,976	Increase of term bank loans and finance leases		1,665	5,020
(5,340)	Dividends paid to shareholders of the company		(5,327)	(9,694)
(411)	Supplementary dividends paid		(404)	(733)
5,265	**Net cash from (used in) financing activities**		**(3,820)**	**(5,128)**
(532)	**Net (decrease) increase in cash held**		**134**	**390**
71	Effect of exchange rate fluctuations on cash held		1	1
(461)	**Total movements in cash balances**		**135**	**391**
	Reconciliation of cash balances			
2,033	**Cash at the beginning of the period**		**1,642**	**1,642**
376	Cash on hand		367	381
1,196	Cash at bank		1,410	1,652
1,572	**Cash at the end of the period**		**1,777**	**2,033**
(461)	**Net (decrease) increase in cash held**		**135**	**391**

Reconciliation of Profit After Taxation to Net Cash Flow from Operating Activities

For the period 1 March to 11 September 2006 (2007 Half Year)

Group 2007 Half Year Unaudited $000		Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
209	**Profit after taxation**	**2,685**	**5,197**
	Items classified as investing/financing activities:		
537	Loss on disposal of property, plant and equipment	340	516
-	Other non-operating receipts	(57)	-
537		**283**	**516**
	Non-cash items:		
5,695	Depreciation	5,881	10,998
(188)	(Decrease) increase in provisions	(39)	526
254	Amortisation of intangible assets	277	619
-	Impairment of Pizza Hut Victoria goodwill	3,023	3,023
2,551	Impairment of Pizza Hut Victoria property, plant and equipment and intangible assets	-	4,092
(157)	(Increase) decrease in deferred tax asset	115	(1,294)
8,155		**9,257**	**17,964**
	Movement in working capital:		
(104)	Increase in inventories	(220)	(192)
(545)	(Increase) decrease in trade and other receivables	(2,078)	587
253	Increase in trade creditors and accruals	2,776	1,792
375	Decrease in income tax receivable	742	140
(21)		**1,220**	**2,327**
8,880	**Net cash from operating activities**	**13,445**	**26,004**

Notes to the Financial Statements

Note 1 – Profit before Taxation

Group 2007 Half Year Unaudited $000		Group 2006 Half Year Unaudited $000	Group 2006 Full Year Audited $000
	Profit before tax (consolidated business)		
	The profit before taxation is calculated after charging (crediting) the following items:		
10,204	Royalties paid	10,129	18,780
11,451	Operating lease expenses	10,544	19,994
537	Net loss on disposal of property, plant and equipment	340	516
	Non-trading items comprise:		
	Continued operations		
506	Store closure costs	92	1,283
1,022	Store relocation and refurbishment costs	508	847
(70)	Other revenue	(195)	(195)
1,458		**405**	**1,935**
	Discontinued operation		
24	Store closure costs	76	134
139	Costs of selling the Pizza Hut Victoria business	-	33
163		**76**	**167**
2,551	Impairment of Pizza Hut Victoria property, plant and equipment and intangible assets	3,023	7,115

Notes to the Financial Statements (continued)

Note 2 – Analysis of Income Statement

$000 (Unaudited)	Half Year 2007 Continuing Operations	Half Year 2007 Discontinued Operations	Half Year 2007 Total
Store sales revenue	156,217	15,786	172,003
Other revenue	219	-	219
Total operating revenue	156,436	15,786	172,222
Cost of goods sold	(127,948)	(13,793)	(141,741)
Gross profit	**28,488**	**1,993**	**30,481**
Distribution expenses	(3,372)	(1,240)	(4,612)
Marketing expenses	(10,314)	(2,330)	(12,644)
General and admin expenses	(6,187)	(1,107)	(7,294)
EBIT before non-trading	**8,615**	**(2,684)**	**5,931**
Non-trading items	(1,458)	(163)	(1,621)
Impairment of Pizza Hut Victoria	-	(2,551)	(2,551)
EBIT	**7,157**	**(5,398)**	**1,759**
Net financing costs	(1,321)	(2)	(1,323)
Net profit (loss) before taxation	**5,836**	**(5,400)**	**436**
Taxation (expense) credit	(1,959)	1,732	(227)
Net profit (loss) after taxation	**3,877**	**(3,668)**	**209**
Net profit (loss) after taxation excl non-trading	4,850	(1,797)	3,053
Basic and diluted Earnings per share	**3.99**	**(3.77)**	**0.22**

Half Year 2006			Full Year 2006		
Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
154,975	15,627	170,602	288,763	27,589	316,352
206	-	206	389	-	389
155,181	15,627	170,808	289,152	27,589	316,741
(121,178)	(13,559)	(134,737)	(226,097)	(24,214)	(250,311)
34,003	**2,068**	**36,071**	**63,055**	**3,375**	**66,430**
(3,991)	(1,259)	(5,250)	(6,977)	(2,234)	(9,211)
(11,153)	(2,001)	(13,154)	(19,288)	(3,428)	(22,716)
(6,620)	(1,262)	(7,882)	(11,694)	(2,218)	(13,912)
12,239	**(2,454)**	**9,785**	**25,096**	**(4,505)**	**20,591**
(405)	(76)	(481)	(1,935)	(167)	(2,102)
-	(3,023)	(3,023)	-	(7,115)	(7,115)
11,834	**(5,553)**	**6,281**	**23,161**	**(11,787)**	**11,374**
(1,008)	79	(929)	(2,395)	85	(2,310)
10,826	**(5,474)**	**5,352**	**20,766**	**(11,702)**	**9,064**
(3,450)	783	(2,667)	(6,684)	2,817	(3,867)
7,376	**(4,691)**	**2,685**	**14,082**	**(8,885)**	**5,197**
7,604	(1,619)	5,985	15,316	(2,990)	12,326
7.61	**(4.84)**	**2.77**	**14.52**	**(9.16)**	**5.36**

Notes to the Financial Statements (continued)

Note 3 – Business Segments

$000 (Unaudited)	2007 KFC	2006 KFC	2007 Pizza Hut	2006 Pizza Hut
Store sales revenue	95,837	90,758	44,124	49,869
Other revenue				
Total operating revenue	95,837	90,758	44,124	49,869
Segment result before non-trading	11,858	11,447	255	4,121
Segment result	**10,446**	**11,278**	**208**	**3,883**
Unallocated expenses (NZ Support Centre)				
Operating profit (loss) (EBIT)				
Net financing costs				
Net profit before taxation				
Income tax expense				
Net profit after taxation				
Net profit after taxation excl non-trading				

* All segments are continuing operations except Restaurant Brands Australia.

Concept EBITDA before G&A	**15,491**	**14,586**	**3,152**	**6,689**

2007	2006	2007	2006	2007	2006	2007	2006	2006
Starbucks Coffee		Restaurant Brands Australia*		Other		Consolidated Half Year		Full Year
16,256	14,348	15,786	15,627			172,003	170,602	316,352
				219	206	219	206	389
16,256	14,348	15,786	15,627	219	206	172,222	170,808	316,741
205	732	(2,684)	(1,890)			9,634	14,410	20,011
205	**614**	**(5,398)**	**(5,554)**	**-**	**-**	**5,461**	**10,221**	**18,606**
						(3,702)	(3,940)	(7,232)
						1,759	**6,281**	**11,374**
						(1,323)	(929)	(2,310)
						436	**5,352**	**9,064**
						(227)	(2,667)	(3,867)
						209	**2,685**	**5,197**
						3,053	**5,985**	**12,326**
1,753	**2,168**	**(1,581)**	**(87)**			**18,815**	**23,356**	**45,058**

Notes to Financial Statements (continued)

Note 4 – Basis of Preparation

These unaudited financial statements for the 28-week period ended 11 September, 2006 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting, and should be read in conjunction with the financial statements published in the Annual Report for the period ended 27, February 2006 (referred to in these statements as "2006 Full Year").

The Group (Restaurant Brands New Zealand Limited and its subsidiaries) divides its financial year into 13 four-week periods. These interim financial statements are for the first seven periods (28 weeks) of the year ending on 11 September, 2006 (2006:28 weeks ending on 12 September, 2005). The second half will be for six periods (24 weeks).

Note 5 – International Financial Reporting Standards (NZ IFRS)

Basis of presentation

The interim financial statements presented are those of Restaurant Brands New Zealand Limited and its subsidiaries (the "Group"). Restaurant Brands New Zealand Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and NZ IFRS1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards.

The policies on which these interim financial statements have been prepared are consistent with those applied in preparing the financial statements in the Annual Report.

To ensure consistency with current period, comparative figures have been restated where appropriate.

Changes in accounting policies and NZ IFRS

In December 2002, the New Zealand Accounting Standards Review Board announced that New Zealand standards which comply with International Financial Reporting Standards (NZ IFRS) will apply to New Zealand entities for periods commencing 1 January, 2007. Entities also had the option of early adoption from 1 January, 2005, in line with Australian and European requirements.

The Group has prepared these interim financial statements using NZ IFRS and has restated the comparative financial statements. In the 2006 Annual Report, the Group published restated financial information for the balance dates at February 2005, September 2005, and February 2006, and the income statements for the year ending 28 February, 2006 and the half year ending September 2005.

The significant changes in accounting policies on adoption of NZ IFRS are as follows. The Group no longer amortises goodwill, but subjects this to an annual impairment test. Deferred tax is now accounted for under the "balance sheet" approach rather than the "profit and loss account" approach. Non-routine revenue is recognised in the income statement on a systematic basis over the life of the associated contract. Long service leave is now recognised on an accrual basis rather than when it vests. The Group now accounts for its financial instruments under NZ IFRS. The Group has elected to recognise the carrying value of fixed assets as the deemed historic cost on adoption of NZ IFRS. The balance of the foreign currency translation reserve at 28 February, 2005 has been transferred to retained earnings.

There have been some very minor changes to the restated balances as previously published for the income statement.

For a full reconciliation of the restated numbers of the income statement, equity and the balance sheet, showing the effects of changes in presentation and accounting policies arising from adoption of NZ IFRS, see the website at www.restaurantbrands.co.nz. A summary of the changes is as follows:

Reconciliation from NZ GAAP to NZ IFRS (Group)

	Equity as at Feb 2005 Audited $000	**Equity** 2006 Half Year Unaudited $000	**Equity** 2006 Full Year Audited $000
Changes carried forward		(3,068)	(3,068)
Equity adjustments:			
Share-based payments	-	-	-
Financial assets - cash flow hedges	57	(57)	(49)
Intangible assets	(79)	1,122	2,118
Deferred tax	1,510	(76)	(375)
Creditors & accruals (deferred revenue)	(4,117)	(252)	172
Employee benefits – long service leave	(439)	(5)	(36)
Impact on Equity	**(3,068)**	**732**	**1,830**
Equity under NZ GAAP	51,071	47,866	45,148
Equity under NZ IFRS	**48,003**	**45,530**	**43,910**
Income adjustments:			
Share-based payments		(13)	(24)
Financial assets – cash flow hedges		-	-
Intangible assets		1,122	2,079
Deferred tax		(76)	(375)
Creditors & accruals (deferred revenue)		(252)	172
Employee benefits – long service leave		(3)	(34)
Impact on earnings		**778**	**1,818**
Earnings under NZ GAAP		1,907	3,379
Earnings under NZ IFRS		**2,685**	**5,197**

Note 6 – Assets held for sale and discontinued operations

The deficit from the discontinued operation includes a further impairment of the assets of the Pizza Hut Victoria business of $2.6 million before tax. This reflects the amount required to write down carrying values of store assets, for which an offer for purchase has been made and accepted and a sale process under way, to fair value (based on the agreed purchase price) after taking into account expected disposal costs.

Notes to Financial Statements (continued)

Negotiations are also currently under way with the franchisor, Yum, to agree further costs associated with the cost of selling or exiting stores that are currently not under offer. Once these further costs have been agreed, an evaluation of fair values of remaining stores can be made, and the remaining disposal costs of all stores can be quantified. This may result in a further impairment of assets held for sale up to a maximum amount of their current carrying value. As at 11 September, 2006, the value of property, plant and equipment held for sale is $4.1 million. It is proposed any further impairment would occur during the current financial year ended 28 February, 2007.

In addition to impairment of the Pizza Hut Victoria assets, further losses could also arise dependant upon

(1) costs of disposal of assets exceeding their anticipated proceeds, and/or
(2) the final outcome of negotiations with Yum on exit terms.

The quantification of these potential losses is highly dependent on a number of matters which are uncertain, including the outcome of the negotiations with Yum, the outcome of sales of further stores and the impact of changes in ongoing trading. An assessment will be made before year end as to the full extent of which any further losses relating to a full exit will be recognised in the 2007 financial year.

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

	2007 Half Year Unaudited $000
Assets classified as held for sale:	
Property, plant and equipment	4,131
Inventories	276
Trade and other receivables	701
	5,108
Liabilities classified as held for sale:	
Creditors and accruals	3,191
Bank loans and leases	9
	3,200

Note 7 – Renewal of Yum KFC franchise fees

During the current half year, the Group signed a new KFC Master Franchise Agreement with Yum, the franchisor for its KFC and Pizza Hut brands. Under the agreement, approximately 50% of the KFC store franchises were renewed for $2.5 million. The remaining KFC stores will be renewed in May 2007, on payment of a similar renewal fee. The payment of $2.5 million is included under intangible assets.

Note 8 – Contingencies

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as cannot presently be reliably measured

Note 9 – Post balance date events

On 11 October, 2006, the Directors declared an interim dividend of 2.5 cents per share or $2.42 million (2006: $4.367 million). A supplementary dividend of approximately 0.44 cents per share will be paid to overseas shareholders when the dividend is paid.

Note 10 – Capital commitments

The Group had capital commitments totalling $4.83 million (2006: $4.32 million) that are not provided for in these financial statements. In addition to the new KFC Master Franchise Agreement, the Group has also signed an agreement with Yum that provides for a committed investment by the Group of $35 million into the KFC store transformation project over a three-year period. $16.5 million of this amount has already been expended.

Note 11 – Earnings per share

The calculation of basic earnings per share for the half year ended 11 September, 2006 was based on the profit from continuing operations attributable to ordinary shareholders of $3.88 million and a weighted average number of ordinary shares outstanding during the half year of 97,104,090 shares calculated as follows:

	Group 2007 Half Year Unaudited $000	**Group** 2006 Half Year Unaudited $000	**Group** 2006 Full Year Audited $000
Profit attributable to ordinary shareholders	**3,877**	**7,377**	**14,032**
Weighted average number of ordinary shares			
For the period ended 11 September 2006	**000's of shares**	**000's of shares**	**000's of shares**
Issued ordinary shares at February 2005		96,843	96,843
Effect of shares issued in May 2005		4	6
Effect of shares issued in July 2005		41	83
Effect of shares issued in August 2005		6	21
Effect of shares issued in September 2005		1	13
Effect of shares issued in October 2005		-	2
Effect of shares issued in December 2005		-	1
Issued ordinary shares at February 2006	97,082	-	-
Effect of shares issued in March 2006	6	-	-
Effect of shares issued in May 2006	11	-	-
Effect of shares issued in June 2006	1	-	-
Effect of shares issued in July 2006	4	-	-
Weighted average number of ordinary shares at 11 September 2006	**97,104**	**96,895**	**96,970**

Shares on Issue

As at 11 September 2006, the total number of ordinary shares on issue was 97,123,163 (2006: 97,050,033).

Corporate Directory

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Victoria Jane Salmon (Chief Executive)
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Danny Diab
David Alan Pilkington
Suzzanne Helen Suckling

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Financial Calendar

INTERIM DIVIDEND PAID:
24 November, 2006

FINANCIAL YEAR END:
28 February, 2007

ANNUAL PROFIT ANNOUNCEMENT:
April 2007