NZX

Directors' Report to Shareholders
For the Half Year ended 10 September 2007

Key Points

- Net Profit after Tax (NPAT) on continuing operations (excluding non trading items) for the half year ended 10 September was $5.4 million. This is up 12% on the $4.9 million achieved for the prior year comparable period.

- NPAT including non trading items was $4.5 million, up $4.3 million on prior year. The prior year included a write down of the Pizza Hut Victoria investment.

- Total revenues from continuing operations (New Zealand) for the first half were $164.3 million, up $7.9 million or 5.1% on prior year.

- KFC continued its transformation strategy, delivering another significant improvement in sales and profitability. Sales increased 10.8% to $106.2 million and EBITDA earnings were $19.2 million, up $3.7 million (24%) on prior year.

- Pizza Hut New Zealand operations saw a flattening off in the rate of sales decline, recording an 8.2% decrease in sales on prior year, EBITDA earnings were $2.4 million, $0.8 million down on the prior year.

- The Pizza Hut Victoria store disposal process continued with seven stores currently remaining of which two are subject to sale and purchase agreements. It is planned to have completed the exit from Victoria through the sale or closure of the remaining five stores by the end of the financial year. While every attempt has been made to provide for the final exit costs a further write off from these remaining stores may be required at year end.

- Directors have approved an interim dividend of 3.0 cents per share, fully imputed, payable on 23 November, 2007. This is a 0.5 cent increase on the 2.5 cent dividend paid in the 2006/7 year, and recognises the improvement in trading conditions and cash flow.

Group Operating Results

Restaurant Brands New Zealand Limited has produced an un-audited Net Profit after Tax for the half year ended 10 September 2007 of $4.5 million, up $4.3 million on the equivalent period last year. $3.7 million of the improvement however, arose from last year's losses in the Pizza Hut Victoria operation, which is now close to being exited.

New Zealand (continuing) operations produced a Net Profit after Tax of $4.5 million for the half year, up $0.6 million or 16% on prior year. Excluding non trading items, the New Zealand result was an NPAT of $5.4 million, up 12% on prior year.

The bulk of the profit improvement came from a continued strong performance by the KFC business, which generated close to record earnings with an EBITDA of $19.2 million, $3.7 million up on prior year. This was partially offset by a continued sub optimal performance by Pizza Hut in New Zealand which was $0.8 million below prior year. Increases in depreciation charges and interest costs arising from the transformation spend also partially offset the improved KFC earnings.

Total revenues from continuing operations totalled $164.3 million up 5.1% or $7.9 million on the 2006/7 year.

New Zealand Operations
KFC
The KFC brand continued to produce pleasing results, based on the continued roll out of store transformations, strong operational and customer satisfaction performance and a full promotional calendar including such successful promotional activity as *Hot & Spicy Boneless Chicken, Mashies and Wicked Wings.*

Total revenues for the half were $106.2 million, up 10.8% on prior year. This sales growth (9.9% on a same store basis) was despite the impact of quite significant store closures over the period as part of the store rebuild process and sets a new record for the brand.

The profit flow through was equally strong with KFC delivering an EBITDA of $19.2 million for the half year, an increase of 24.0%, despite continuing cost increases in labour, freight and some raw materials and the loss of profitability on closed stores during the transformation process. EBITDA margin was 18.1% for the half versus 16.2% for the prior year comparative.

Four stores were transformed during the first half, bringing the total transformed stores to 24 (including three completely new stores) since the project began in December 2004. The following transformed stores will be re-opened before Christmas: Whangarei, Hastings, Massey and Invercargill South.

KFC store numbers remained constant at 87.

Pizza Hut New Zealand
With changes to management, marketing and pricing activity, improved in-store operations and an increased focus on wastage and shrinkage, the Pizza Hut New Zealand business is starting to make some headway on a turnaround strategy. The market continues to be highly competitive, but the rate of profit decline has slowed.

Total sales for the half at $40.5 million were 8.2% down on prior year, but 5.7% down on a same store basis. The rate of same store sales decline has reduced as follows:

Q2 07 (16.5)%
Q3 07 (10.3)%
Q4 07 (7.5)%
Q1 08 (8.0)%
Q2 08 (4.0)%

EBITDA was $2.4 million, a 24.2% decrease on the prior year. Cost increases in labour and raw materials were not immediately recoverable in the very competitive marketplace and de-leverage in fixed cost recoveries continued with the lower sales volumes. EBITDA margin was 5.9% for the half compared to 7.1% in the prior year.

The changes in management and an increased focus on in-store controls over the past 3-4 months have produced an improving profit trend during the half year. EBITDA margin for the second quarter at 9.5% of sales was ahead of the first quarter (1.2%) and better than the first half of last year (7.1%).

Store numbers reduced by three over the half year with the progressive closure of another three non performing red roof stores at Northcote, Papakura and Palmerston North. Two additional red roof restaurants and one delco closure are anticipated by the end of the financial year bringing store numbers down from the current 100 to 97.

Starbucks Coffee
The Starbucks Coffee business continued to produce a steady performance. Sales for the first six months of the year were up 7.2% to $17.4 million with same store sales increasing 2.5%.

Total EBITDA for the brand was $2.1 million, up 20.3% on the prior year's $1.8 million. Margin increased from 10.8% of sales to 12.1% on the back of higher revenues and an improved exchange rate.

Store numbers reduced by one to 46 over the half with the closure of a non performing store at 105 Queen Street, Auckland pending relocation later this year to a higher profile site.

Pizza Hut Victoria
The focus for the Pizza Hut Victoria business, which was classified as a discontinued operation last year, continues to be the sale or closure of the remaining stores.

At half year, there were eleven stores remaining of the original fifty. A further three were sold and one closed subsequent to half year balance date. Another two are expected to be settled within the next two months. This leaves five stores yet to be resolved; although every possible avenue is being explored for sale or closure to achieve a full exit by the end of the financial year.

The deficit from discontinued operations for Pizza Hut Victoria continues to be taken up to a closure provision made at the end of the last financial year. While every attempt has been made to quantify and provide for the full exit costs, the complicated nature of multiple lease assignments, the franchisor purchaser approvals and transfer costs mean that the final exit costs are still not known. The final wash up on completion may still result in a further write-off and a review of the provision will be undertaken prior to year end.

Cash Flow and Balance Sheet
Operating cash flows improved from $8.9 million to $13.4 million for the half, largely due to the substantial increase in KFC earnings and the lower levels of cash loss in the Victoria business. Investing cash flows decreased from $14.7 million to $9.8 million for the half year with KFC transformation spend running at lower levels and a spreading of franchise renewal fees in the current year.

Total assets at $117.9 million were down $1.9 million on the prior period with the Victoria sell down. Fixed assets were up $2.8 million with the KFC transformation spend and intangibles were up $1.4 million with payment of franchise fee renewals. Commensurate with the investment in the KFC business, bank term debt has risen to $48.7 million, compared with $44.1 million in September 2006. It is however slightly reduced from the $49.2 million in February 2007.

Dividend
With an improving trading and cash flow position the directors have resolved to pay an interim dividend of 3.0 cents per share, fully imputed, compared with 2.5 cents for the last interim dividend. The dividend will be paid on Friday, 23 November to all shareholders on the register at 5.00 pm on Friday, 9 November. For overseas shareholders, a supplementary dividend of 0.5294 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

Following an extensive search process, the appointment of Russel Creedy as CEO was made on 14 September 2007. Russel who had been in an acting CEO role since March 2007 originally joined Restaurant Brands in 2001 as Supply Chain Director.

During the half year, there were also changes in the senior management of the company with the appointment of Rod de Vries as General Manager of Pizza Hut. Rod's considerable experience in the turnaround of KFC is now being applied to the Pizza Hut business in New Zealand.

Outlook

It is anticipated that the KFC business will continue its momentum in the back half of the year with continued strong sales and profit growth. A further five KFC stores will be transformed in the second half, bringing total transformations to 29.

While the pizza market continues to be very competitive, Pizza Hut is expected to deliver an improved profit performance in the second half compared to the second half of the 2006/7 year.

Starbucks Coffee is also expected to deliver modest sales growth and maintenance of current margins.

The Pizza Hut Victoria business is still planned to be exited by the end of the financial year with all stores closed or sold and the final quantification of any residual exit costs taken up at year end.

Directors remain confident the company will produce a NPAT (excluding non trading items) in the vicinity of $9 - $10 million for the full year.

For further information, please contact:

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CFO/Company Secretary
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RESTAURANT BRANDS GROUP

Consolidated Income Statement

	1st Half 2008 10 September 2007 Unaudited (NZ $000's)		vs Prior %	1st Half 2007 11 September 2006 Unaudited (NZ $000's)	
Continuing Operations:					
Sales					
KFC	106,175		*10.8*	95,837	
Pizza Hut	40,507		*(8.2)*	44,124	
Starbucks Coffee	17,425		*7.2*	16,256	
Other Revenue	238		*8.7*	219	
Total Operating Revenue	**164,345**		*5.1*	**156,436**	
Cost of Goods Sold	(134,852)		*(5.4)*	(127,948)	
Gross Margin	**29,493**		*3.5*	**28,488**	
Distribution Expenses	(2,773)		*17.8*	(3,372)	
Marketing Expenses	(9,903)		*4.0*	(10,314)	
General & Administration	(6,023)		*2.7*	(6,187)	
EBIT before non trading	**10,794**		*25.3*	**8,615**	
Non Trading - Other	(1,413)		*3.1*	(1,458)	
EBIT	**9,381**		*31.1*	**7,157**	
Interest Income	19		*(95.7)*	440	
Interest Expense	(2,655)		*(50.8)*	(1,761)	
Net Profit Before Tax	**6,745**		*15.6*	**5,836**	
Taxation Expense	(2,262)		*(15.5)*	(1,959)	
Net Profit After Tax from continuing operations	**4,483**		*15.6*	**3,877**	
(Loss) from Discontinued Operation net of tax*	-		*100.0*	(3,668)	
Total Profit after Tax	**4,483**		*2,045.0*	**209**	
NPAT on continuing operations excluding non trading items	**5,430**		*12.0*	**4,850**	
Total NPAT excluding non trading items	**5,430**		*77.9*	**3,053**	
EBITDA					
KFC	19,210	*18.1*	*24.0*	15,491	*16.2*
Pizza Hut	2,390	*5.9*	*(24.2)*	3,152	*7.1*
Starbucks Coffee	2,109	*12.1*	*20.3*	1,753	*10.8*
Total New Zealand	23,709	*14.4*	*16.2*	20,396	*13.1*
Pizza Hut Victoria*	-	*0.0*	*n/a*	(1,581)	*(10.0)*

* 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 are non store related costs

Restaurant Brands New Zealand Limited

(Name of Listing Issuer)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

PRELIMINARY HALF YEAR REPORT ANNOUNCEMENT

For Half Year Ended 10 September 2007

(referred to in this report as the "current half year")

Preliminary **Half year** report on consolidated results (including the results for the previous corresponding full year) in accordance with Listing Rule 10.4.2.

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on **unaudited** financial statements. If the report is based on audited financial statements, any qualification made by the auditor is to be attached.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

Reporting Period	6 months to 10 September 2007
Previous Reporting Period	6 months to 11 September 2006

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ$164,345	5.1%
Profit (loss) from ordinary activities after tax attributable to security holder.	NZ$4,483	2,044.9%
Net profit (loss) attributable to security holders.	NZ$4,483	2,044.9%

Interim/Final Dividend	Amount per security	Imputed amount per security
	NZ 3.0 cents	NZ 1.477611 cents

Record Date	5pm, 9 November 2007
Dividend Payment Date	23 November 2007

Comments:	