

COMPANY REGISTRATION NUMBER 967403

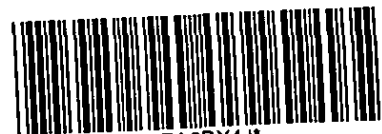
**KENTUCKY FRIED CHICKEN (GREAT BRITAIN)
LIMITED**

FINANCIAL STATEMENTS

PERIOD ENDED

28 NOVEMBER 2010

TUESDAY



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KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

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KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

MRF Shuker
M Reich
E Fieldgate
M McGowan

Company secretary

S Giles

Registered office

32 Goldsworth Road
Woking
Surrey
GU21 6JT

Auditor

KPMG LLP
Chartered Accountants
& Statutory Auditor
15 Canada Square
London
United Kingdom
E14 5GL

Bankers

National Westminster
13 Market Place
Reading
Berks
RG1 2EP

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

The directors have pleasure in presenting their report and the financial statements of the company for the period from 30 November 2009 to 28 November 2010

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period in the UK and Germany continued to be the sale of KFC through company-owned stores and the receipt of income from franchisees of the KFC trade marks and processes

The company makes up its accounts to the Sunday closest to 30 November and therefore has either a 52 or 53 week accounting period

Overview

The business has continued to grow this period as the trends from the prior year continued with once again a wet summer

Against the tough macro economic climate the business has continued to develop new products and new sales layers - including breakfast and a focus on beverages, whilst strong advertising and enhanced restaurant refurbishments have helped to deliver a 3.1% increase in sales to £371.2m (2009 £360.1m)

A focus on labour deployment in stores has helped decrease cost of sales, against the global increase in food commodity prices, by 1.5% to 51.6% (2009 53.1%) The business has experienced a £13.2m increase in administrative expenses to £144.3m (2009 £131.1m) driven mainly through the additional one-off injection of £7.8m into the defined benefit pension scheme The business has delivered operating profit of £41.2m (2009 £44.2m)

KPI performance

In addition to monitoring the financial performance of the business the company uses a balanced scorecard to monitor performance in two other key areas employee and customer satisfaction

To measure employee satisfaction the company tracks team member turnover Each restaurant is set a team member turnover target and at a company level the number of restaurants achieving target is tracked The number of restaurants achieving target this period has improved 2.9% to 81.3% (2009 78.4%) This improvement has been building over a number of year and has lead to accolades that the business has achieved in the year, such as being within the top 50 Great Place to Work companies

To measure customer satisfaction the company uses a mystery shopper programme that tracks 5 key areas of operational focus Customer, Hospitality, Accuracy, Maintenance, Product and Speed (CHAMPS) Each restaurant is set a CHAMPS target and at a company level the number of restaurants achieving target has significantly improved over the period to 57.2% (2009 27.5%), reflecting the increase in standards

Across the operational scorecard as a whole there has been an increase of 7.3% (2009 7.8%) in restaurant scores in the period which can be seen in the resulting increased sales

Outlook

Trading conditions remain challenging given the low global consumer confidence levels Nevertheless we continue to invest in new stores and new products and are confident that we will therefore see continued growth forthcoming The company is a subsidiary of a much larger group and any potential funding requirements would be sourced from within the group As a result, minimal risk is associated with this area

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £28,241,000 (2009 £34,785,000) Particulars of dividends paid are detailed in note 11 to the financial statements

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

DIRECTORS

The directors who served the company during the period were as follows

MRF Shuker	
M Reich	
E Fieldgate	(Appointed 1 March 2010)
M McGowan	(Appointed 4 May 2010)
A Graemiger	(Resigned 1 March 2010)

None of the directors who held office at the end of the period had any disclosable interest in the shares of the company

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy to make payment to creditors in accordance with their standard terms of supply. At the year end, creditors days on the company's principal business activities amounted to 15 days (2009 14 days)

DONATIONS

During the period the company made the following contributions

	Period from 30 November 2009 to 28 November 2010 £	Period from 1 December 2008 to 29 November 2009 £
Charitable	<u>23,620</u>	<u>24,060</u>

The company made no political contributions during the period (2009 £nil)

DISABLED EMPLOYEES

As an equal opportunity employer, it is the company's policy to give full and fair consideration to every application for employment from disabled persons, bearing in mind the abilities and aptitudes of the applicants in relation to available vacancies. Where existing employees become disabled their services will be retained wherever practicable.

EMPLOYEE INVOLVEMENT

The directors consider that the involvement of employees is important to the success of the company. Employees are regularly informed of the company's performance and progress at both formal and informal meetings.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

AUDITOR

The company has passed elective resolutions whereby it has dispensed with the requirements to hold an annual general meeting in each year, to lay the accounts in general meeting and to reappoint the auditors on an annual basis. Accordingly the auditors are deemed to be reappointed in accordance with the provisions of Section 487 of the Companies Act 2006.

Registered office
32 Goldsworth Road
Woking
Surrey
GU21 6JT

Signed by order of the directors



S GILES
Company Secretary

Approved by the directors on 26 August 2011

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.



KPMG LLP

15 Canada Square
London
E14 5GL

Independent auditors' report to the members of Kentucky Fried Chicken (Great Britain) Limited

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) for the period from 30 November 2009 to 28 November 2010 on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Independent auditors' report to the members of Kentucky Fried Chicken (Great Britain) Limited (continued)

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 November 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

26 August 2011

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

		Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
TURNOVER	Note 3	371,215	360,109
Cost of sales		(191,594)	(191,431)
GROSS PROFIT		179,621	168,678
Administrative expenses		(144,292)	(131,109)
Other operating income	4	5,900	6,653
OPERATING PROFIT	5	41,229	44,222
Interest receivable	8	794	1,150
Interest payable and similar charges	9	(3,634)	(3,385)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		38,389	41,987
Tax on profit on ordinary activities	10	(10,148)	(7,202)
PROFIT FOR THE FINANCIAL PERIOD		28,241	34,785

All of the activities of the company are classed as continuing

There is no difference between the company's profit and loss account and the historical cost profits and losses. Accordingly no note of historical profits and losses for the period has been presented.

The notes on pages 11 to 24 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Profit for the financial period attributable to the shareholders	28,241	34,785
Currency translation differences on foreign currency net investments	3,948	(4,658)
Total gains and losses recognised since the last annual report	<u>32,189</u>	<u>30,127</u>

The notes on pages 11 to 24 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

BALANCE SHEET

28 NOVEMBER 2010

	Note	£000	28 Nov 10 £000	29 Nov 09 £000
FIXED ASSETS				
Intangible assets	12		15,317	16,800
Tangible assets	13		159,525	141,615
Investments	14		917	917
			<u>175,759</u>	<u>159,332</u>
CURRENT ASSETS				
Stocks	15	1,882		1,693
Debtors	16	43,151		46,460
Cash at bank		12,693		19,322
		57,726		67,475
CREDITORS: Amounts falling due within one year	17	(154,433)		(145,279)
NET CURRENT LIABILITIES			<u>(96,707)</u>	<u>(77,804)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>79,052</u>	<u>81,528</u>
CREDITORS: Amounts falling due after more than one year	18		(2,192)	(2,273)
PROVISIONS FOR LIABILITIES				
Deferred taxation	20		<u>(1,443)</u>	<u>(3,875)</u>
			<u>75,417</u>	<u>75,380</u>
CAPITAL AND RESERVES				
Called-up equity share capital	23		18,000	18,000
Share premium account	24		16,283	16,283
Profit and loss account	25		41,134	41,097
SHAREHOLDERS' FUNDS	26		<u>75,417</u>	<u>75,380</u>

These financial statements were approved by the directors and authorised for issue on 26 August 2011, and are signed on their behalf by



M McGowan
Director

Company Registration Number 967403

The notes on pages 11 to 24 form part of these financial statements

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

1. ACCOUNTING REFERENCE DATE

Since it is part of a retail group, the company operates a 52 or 53 week accounting year rather than a full calendar year

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Consolidation

The company was, at the end of the period, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Related parties transactions

As 100% of the the company's voting rights are controlled within the group headed by Yum! Brands Inc , the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Turnover

Turnover comprises sales of KFC food and drinks at company owned stores and royalties and fees from franchise licences

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill	-	20 years
Key Money	-	Lesser of 20 years or the life of the lease

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Buildings	-	20 years
Leasehold Property	-	20 years
Machinery & Equipment	-	3-15 years

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

2 ACCOUNTING POLICIES *(continued)*

All buildings held on lease of less than twenty years are amortised over the unexpired term. No depreciation is provided in respect of land.

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried above their recoverable amounts.

Profit or loss on the sale of property is the difference between the disposal proceeds and the net book value.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

In accordance with SSAP 21 rental charges on all operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Investments

Fixed asset investments are stated at cost unless there is considered to be a permanent diminution in value, in which case a provision is made to write them down to realisable value.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

2 ACCOUNTING POLICIES *(continued)*

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The company is dependant for its working capital on funds provided to it by Yum! Brands Inc, the company's ultimate parent company. Yum! Brands Inc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

3. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below.

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Company store sales	340,764	333,993
Franchise royalties and fees	30,451	26,116
	<u>371,215</u>	<u>360,109</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

4. OTHER OPERATING INCOME

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Rent receivable	590	605
Refranchising income	2,256	3,638
Distribution income	2,031	2,027
Other operating income	1,023	383
	<u>5,900</u>	<u>6,653</u>

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Amortisation of intangible assets	1,596	1,644
Depreciation of owned fixed assets	19,272	17,939
Impairment of owned fixed assets	184	814
Loss on disposal of fixed assets	1,651	647
Auditor's remuneration		
- as auditor	100	100
- for other services	2	2
Operating lease costs		
- Plant and equipment	567	341
- Leasehold property rents	18,595	18,911
- Other	737	343
Net loss/(profit) on foreign currency translation	<u>33</u>	<u>(92)</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

6. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to

	Period from 30 Nov 09 to 28 Nov 10 No	Period from 1 Dec 08 to 29 Nov 09 No
Sales and distribution	6,190	6,164
Administration	563	585
	<u>6,753</u>	<u>6,749</u>

The aggregate payroll costs of the above were

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Wages and salaries	94,352	90,712
Social security costs	7,976	8,157
Other pension costs	8,639	2,179
Equity-settled share-based payments	654	605
	<u>111,621</u>	<u>101,653</u>

7 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Remuneration receivable	<u>1,840</u>	<u>1,887</u>

Remuneration of highest paid director.

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Total remuneration (excluding pension contributions)	<u>1,114</u>	<u>797</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £58,000 (2009 - £51,000)

The number of directors who accrued benefits under company pension schemes was as follows

	Period from 30 Nov 09 to 28 Nov 10 No	Period from 1 Dec 08 to 29 Nov 09 No
Defined benefit schemes	<u>2</u>	<u>5</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

8. INTEREST RECEIVABLE

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Other loan interest receivable	36	—
Other interest	—	13
Interest from group undertakings	758	1,137
	<u>794</u>	<u>1,150</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Interest payable to group companies	3,634	3,385

10 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 28% (2009 - 28%)	13,141	11,576
Adjustment in respect of prior periods	(561)	657
	<u>12,580</u>	<u>12,233</u>
Group relief received for no consideration	—	(6,237)
Total current tax	<u>12,580</u>	<u>5,996</u>
Deferred tax		
Origination and reversal of timing differences	(2,432)	1,206
Tax on profit on ordinary activities	<u>10,148</u>	<u>7,202</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Profit on ordinary activities before taxation	<u>38,389</u>	<u>41,987</u>
Profit on ordinary activities by rate of tax	10,749	11,756
Expenses not deductible for tax purposes	2,348	792
Capital allowances for period in excess of depreciation	44	(972)
Adjustments to tax charge in respect of previous periods	(561)	657
Group relief received for no consideration	-	(6,237)
Total current tax (note 10(a))	<u>12,580</u>	<u>5,996</u>

(c) Factors that may affect future tax charges

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28 per cent to 27 per cent with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 December 2010 has been included in the figures reported.

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011 and a further reduction to 25 per cent with effect from 1 April 2012. These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

The Chancellor proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures reported. These reductions are not expected to have a material effect upon the company's results.

11. DIVIDENDS

Equity dividends

	Period from 30 Nov 09 to 28 Nov 10 £000	Period from 1 Dec 08 to 29 Nov 09 £000
Interim dividend paid	<u>27,901</u>	<u>21,834</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

12. INTANGIBLE FIXED ASSETS

	Goodwill £000	Key Money £000	Total £000
COST			
At 30 November 2009	30,180	1,837	32,017
Additions	–	119	119
Foreign exchange	–	(6)	(6)
At 28 November 2010	30,180	1,950	32,130
AMORTISATION			
At 30 November 2009	14,504	713	15,217
Charge for the period	1,510	86	1,596
At 28 November 2010	16,014	799	16,813
NET BOOK VALUE			
At 28 November 2010	14,166	1,151	15,317
At 29 November 2009	15,676	1,124	16,800

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
COST OR VALUATION				
At 30 November 2009	52,330	119,017	111,434	282,781
Additions	16,603	14,318	16,819	47,740
Disposals	(11,264)	(583)	(9,731)	(21,578)
Foreign exchange	(674)	(727)	(864)	(2,265)
Transfers	3,101	(3,277)	176	–
At 28 November 2010	60,096	128,748	117,834	306,678
DEPRECIATION				
At 30 November 2009	14,642	52,204	74,320	141,166
Charge for the period	7,115	1,089	11,068	19,272
Impairment for the period	–	–	184	184
On disposals	(5,318)	–	(7,460)	(12,778)
Foreign exchange	(78)	(221)	(392)	(691)
At 28 November 2010	16,361	53,072	77,720	147,153
NET BOOK VALUE				
At 28 November 2010	43,735	75,676	40,114	159,525
At 29 November 2009	37,688	66,813	37,114	141,615

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

14. INVESTMENTS

	Total £000
COST	
At 30 November 2009 and 28 November 2010	917

NET BOOK VALUE	
At 28 November 2010 and 29 November 2009	917

Group investments

The principal undertaking in which the company's interest at the period end is more than 20% is as follows

Name	Country of Incorporation	Holding	Principal Activity
KFC Advertising Limited	England	100% ordinary shares	Advertising Co-operative
Valleythorn Limited	England	100% ordinary shares	Non-trading
Finger Lickin' Chicken Limited	England	100% ordinary shares	Non-trading
Southern Fast Foods Limited	England	100% ordinary shares	Non-trading
Norfolk Fast Foods Ltd	England	100% ordinary shares	Non-trading
Suffolk Fast Foods Limited	England	100% ordinary shares	Non-trading

In the opinion of the directors, the investments in the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements

15. STOCKS

	28 Nov 10 £000	29 Nov 09 £000
Food and packaging	1,882	1,693

16. DEBTORS

	28 Nov 10 £000	29 Nov 09 £000
Trade debtors	5,693	7,616
Amounts owed by group undertakings	11,364	22,908
Corporation tax repayable	5,045	9,534
Other debtors	9,221	2,395
Prepayments and accrued income	11,828	4,007
	43,151	46,460

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

17. CREDITORS: Amounts falling due within one year

	28 Nov 10	29 Nov 09
	£000	£000
Trade creditors	7,677	8,323
Amounts owed to group undertakings	100,633	98,977
Other creditors including taxation and social security		
Other taxation and social security	2,236	2,488
Other creditors	42	—
	<u>110,588</u>	<u>109,788</u>
Accruals and deferred income	43,845	35,491
	<u>154,433</u>	<u>145,279</u>

18 CREDITORS: Amounts falling due after more than one year

	28 Nov 10	29 Nov 09
	£000	£000
Accruals and deferred income	<u>2,192</u>	<u>2,273</u>

19. PENSIONS

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement benefits", the scheme has been accounted for in these financial statements as if it was a defined contribution scheme.

The creditor for the year relating to pension payments that were accrued amounted to £93,000 (2009 £122,000).

Every 3 years an actuarial valuation of the defined benefit pension scheme is carried out by a qualified, independent actuary, the latest of which was carried out as at 31 March 2008. This valuation showed a funding deficit on the scheme of £10.3m. It has been agreed with the trustees of the scheme that this deficit will be cash funded before the next tri-annual valuation of the scheme is undertaken at 31 March 2011.

20. DEFERRED TAXATION

The movement in the deferred taxation provision during the period was

	Period from 30 Nov 09 to 28 Nov 10	Period from 1 Dec 08 to 29 Nov 09
	£000	£000
Provision brought forward	3,875	2,669
Profit and loss account movement arising during the period	(2,432)	1,206
Provision carried forward	<u>1,443</u>	<u>3,875</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

20. DEFERRED TAXATION *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	28 Nov 10	29 Nov 09
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	7,761	4,959
Short term timing differences	(6,318)	(1,084)
	<u>1,443</u>	<u>3,875</u>

21. SHARE-BASED PAYMENTS

Equity-settled share-based payments

Share options in the ultimate holding company Yum! Brands Inc are granted to certain senior employees on a discretionary basis. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Awards have a four year vesting period, expire ten years after the grant date and are equity settled.

The number and weighted average exercise prices of share options for YUMBUCKS are as follows

	2010 Weighted average exercise price US\$	2010 Number of options	2009 Weighted average exercise price US\$	2009 Number of options
Outstanding at the beginning of the period	26.10	252,874	22.68	281,606
Granted during the period	39.28	70,722	28.81	55,576
Exercised during the period	17.99	(48,190)	18.02	(46,880)
Lapsed during the period	22.19	(14,643)	14.50	(37,428)
Outstanding at the end of the period	31.39	260,763	26.10	252,874
Exercisable at the end of the period	23.00	88,608	18.04	111,334

The number and weighted average exercise prices of share options for SOIP are as follows

	2010 Weighted average exercise price US\$	2010 Number of options	2009 Weighted average exercise price US\$	2009 Number of options
Outstanding at the beginning of the period	28.39	414,729	25.07	372,238
Granted during the period	32.73	159,300	28.94	135,333
Exercised during the period	22.40	(74,609)	17.57	(80,573)
Lapsed during the period	30.51	(42,164)	36.50	(12,269)
Outstanding at the end of the period	30.68	457,256	28.39	414,729
Exercisable at the end of the period	30.35	323,675	26.72	297,128

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

21 SHARE-BASED PAYMENTS *(continued)*

The weighted average share price at the date of exercise of share options exercised during the period was US\$39.72 (2009 US\$34.01)

The options outstanding at the period end have an exercise price in the range of US\$8.94 to US\$46.50 and a weighted average contractual life of 10 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted

The principal assumptions used in arriving at the valuations of options granted in the current and prior periods are as follows

	2010 YUMBUCKS	2009 YUMBUCKS	2010 SOIP	2009 SOIP
Fair value at measurement date	US\$18.92	US\$10.71	US\$19.11	US\$10.46
Weighted average share price	US\$31.39	US\$32.54	US\$30.68	US\$29.29
Exercise price	US\$39.49	US\$28.81	US\$32.98	US\$29.92
Expected volatility	30.03%	30.00%	30.00%	28.44%
Option life (years)	5.0	5.0	5.0	6.0
Expected dividends	US\$0.84	US\$0.76	US\$0.84	US\$0.76
Risk-free interest rate (based on national government bonds)	2.40%	1.85%	2.43%	1.87%

The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information

The total expenses recognised for the period and the total liabilities (at fair value) recognised at the end of the period arising from share based payments are as follows

	28 Nov 10 £000	29 Nov 09 £000
Equity settled share based payments charge	654	605
Total carrying amount of liabilities	6,807	3,643

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

22. COMMITMENTS UNDER OPERATING LEASES

At 28 November 2010 the company had annual commitments under non-cancellable operating leases as set out below

	28 Nov 10		29 Nov 09	
	Land and buildings	Other Items	Land and buildings	Other Items
	£000	£000	£000	£000
Operating leases which expire				
Within 1 year	718	-	279	-
Within 2 to 5 years	3,226	764	2,086	684
After more than 5 years	17,963	-	16,547	-
	<u>21,907</u>	<u>764</u>	<u>18,912</u>	<u>684</u>

23. SHARE CAPITAL

Authorised share capital:

	28 Nov 10	29 Nov 09
	£000	£000
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

Allotted, called up and fully paid:

	28 Nov 10		29 Nov 09	
	No	£000	No	£000
Ordinary shares of £1 each	<u>18,000,000</u>	<u>18,000</u>	<u>18,000,000</u>	<u>18,000</u>

24. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial period

25. PROFIT AND LOSS ACCOUNT

	Period from 30 Nov 09 to 28 Nov 10	Period from 1 Dec 08 to 29 Nov 09
	£000	£000
Balance brought forward	41,097	34,007
Profit for the financial period	28,241	34,785
Equity dividends	(27,901)	(21,834)
Recharge for share-based payments	(4,905)	(1,808)
Credit in relation to share-based payments	654	605
Exchange rate movement	3,948	(4,658)
Balance carried forward	<u>41,134</u>	<u>41,097</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 30 NOVEMBER 2009 TO 28 NOVEMBER 2010

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	28 Nov 10	29 Nov 09
	£000	£000
Profit for the financial period	28,241	34,785
Equity dividends	(27,901)	(21,834)
Recharge for share-based payments	(4,905)	(1,808)
Credit in relation to share-based payments	654	605
Exchange rate movement	3,948	(4,658)
Net addition to shareholders' funds	37	7,090
Opening shareholders' funds	75,380	68,290
Closing shareholders' funds	75,417	75,380

27. CAPITAL COMMITMENTS

Capital commitments authorised but not contracted at the end of the financial period for which no provision has been made in the financial statements amounted to £6,762,000 (2009 - £8,749,000)

28. ULTIMATE PARENT COMPANY

At the year end, the company was a subsidiary undertaking of Restaurant Holdings (UK) Limited, a company registered in England and Wales

The smallest and largest group in which the results of the company are consolidated is that headed by Yum! Brands Inc, a company incorporated in the United States of America. The consolidated accounts of this group are available to the public and may be obtained from

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