Kentucky Fried Chicken (Great Britain) Limited

Directors' report and financial statements

30 November 1997
Registered number 967403

Directors' report and financial statements

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Company information

Registered in England
on 2 December 1969
Number 967403
VAT 414 0215 13

Registered Office	Kentucky Fried Chicken (Great Britain) Limited 32 Goldsworth Road Woking Surrey GU21 1JT
Directors	GD Allan JJ Ash GP Broad KP Higgins MRF Shuker
Company Secretary	GP Broad
Auditors	KPMG 8 Salisbury Square London EC4Y 8BB

Directors' report

The directors present their report and audited financial statements for the 52 weeks ended 30 November 1997.

Principal activities

The principal activity of the company during the period 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.

Results and dividends

The profit on ordinary activities after taxation of the group for the period ended 30 November 1997 amounted to £3,419,000 (1996: £8,733,000).

As a result of the spin-off of the former Restaurants division from PepsiCo Inc. to form Tricon Global Restaurants Inc. on 7 October 1997, a dividend of £17,500,000 *(1996: £Nil)* was paid to PepsiCo Holdings Limited, the parent company at the time, to settle various intercompany loans. A group reorganisation was also undertaken, resulting in the company becoming the immediate holding company of Roberts Restaurants Limited following a share for share exchange with PepsiCo Holdings Limited, under which it issued 17 million £1 ordinary shares. In these financial statements this transaction is accounted for as a merger, as discussed in note 1. The trade assets and liabilities of Southern Fast Foods Limited, a subsidiary of Roberts Restaurants Limited, were transferred to the company during the year at net book value, to consolidate the trading operations of the group in a single legal entity.

Dividends totalling £8,023,000 were received from subsidiary companies.

Directors and directors' interests

The directors who held office during the period are as follows:

GD Allan	
DJ Armstrong	(resigned 16 May 1997)
JJ Ash	(appointed 16 May 1997; resigned 6 April 1998)
TJ Ashby	(resigned 6 October 1997)
GP Broad	(appointed 6 April 1998)
KP Higgins	(appointed 6 April 1998)
MRF Shuker	(appointed 10 November 1997)

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

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.

Directors' report *(continued)*

Employee involvement in decision making

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 together with the regular publication of an in-house magazine.

Health and safety at work

The company has a proactive approach to health and safety at work, regarding compliance with statutory requirements as a minimum standard. The company's formal health and safety statement is available at all company locations.

Charitable and political donations

Donations to UK charities amounted to £13,958 (1996: £2,500). The company made no political contributions during the period.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

GP Broad
Secretary

32 Goldsworth Road
Woking
Surrey
GU21 1JT

23/9/1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 5 to 22.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 1997 and of its results for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

23rd September 1998

Consolidated profit and loss account

for the 52 weeks ended 30 November 1997

	Note	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Turnover	3	**103,718**	94,825
Cost of sales		**(57,946)**	(51,235)
Gross profit		**45,772**	43,590
Administrative expenses		**(34,162)**	(32,977)
Other operating income		**1,438**	1,727
Operating profit		**13,048**	12,340
Other interest receivable and similar income	7	**276**	382
Interest payable and similar charges	8	**(125)**	(219)
Profit on ordinary activities before taxation	4	**13,199**	12,503
Tax on profit on ordinary activities	9	**(9,780)**	(3,770)
Profit on ordinary activities after taxation		**3,419**	8,733
Dividends payable (£0.97 per ordinary share)		**(17,500)**	-
(Loss)/profit retained for the financial period		**(14,081)**	8,733

The turnover and operating profit relate wholly to continuing activities.

A statement of movements on reserves is given in note 18.

The group had no recognised gains or losses during the period other than those reflected in the above profit and loss account.

Consolidated balance sheet

at 30 November 1997

	Note	30 November 1997 £000	£000	1 December 1996 £000	£000
Fixed assets					
Tangible fixed assets	*11*		32,724		32,205
Current assets					
Stocks	*13*	470		1,113	
Debtors	*14*	5,484		20,042	
Cash at bank and in hand		3,469		7,366	
		9,423		28,521	
Creditors: amounts falling due within one year	*15*	(16,985)		(21,688)	
Net current (liabilities)/assets			(7,562)		6,833
Total assets less current liabilities			25,162		39,038
Creditors: amounts falling due after more than one year	*15*		(1,385)		(980)
Provisions for liabilities and charges	*16*		-		(200)
Net assets			23,777		37,858
Capital and reserves					
Called up share capital	*17*		18,000		18,000
Share premium account	*18*		16,283		16,283
(Deficit) arising on merger	*18*		(16,111)		(16,111)
Revaluation reserve	*18*		-		788
Profit and loss account	*18*		5,605		18,898
Shareholders' funds	*19*		23,777		37,858

These financial statements were approved by the board of directors on 23/9/ 1998 and were signed on its behalf by:

G. J. Allan

GD Allan
Director

Balance sheet

at 30 November 1997

	Note	30 November 1997 £000	£000	1 December 1996 £000	£000
Fixed assets					
Intangible fixed assets	10		15,305		-
Tangible fixed assets	11		32,724		25,846
Investments in subsidiary undertakings	12		933		854
			48,962		26,700
Current assets					
Stocks	13	459		940	
Debtors	14	5,168		19,312	
Cash at bank and in hand		2,780		6,746	
		8,407		26,998	
Creditors: amounts falling due within one year	15	(17,283)		(23,565)	
Net current (liabilities)/assets			(8,876)		3,433
Total assets less current liabilities			40,086		30,133
Creditors: amounts falling due after more than one year	15		(1,385)		(748)
Net assets			38,701		29,385
Capital and reserves					
Called up share capital	17		18,000		1,000
Share premium account	18		16,283		16,283
Investment revaluation reserve	18		-		507
Profit and loss account	18		4,418		11,595
Shareholders' funds	19		38,701		29,385

These financial statements were approved by the board of directors on 23/9/1998 and were signed on its behalf by:

G.D. Allan

GD Allan
Director

Notes

(forming part of the financial statements)

1 Accounting reference date

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

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation of financial statements

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

The company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary. The ultimate parent company, Tricon Global Restaurants Inc. prepares consolidated financial statements including the company's results, which are publicly available.

Basis of consolidation

The group accounts consolidate the accounts of Kentucky Fried Chicken (Great Britain) Limited, Roberts Restaurants Limited and their subsidiary undertakings, as set out below.

Roberts Restaurants Limited is the parent company of Southern Fast Foods Limited. At the beginning of the period the company merged with Roberts Restaurants Limited, following a share for share exchange with PepsiCo Holdings Limited and, in a related transaction, the trade assets and liabilities of Southern Fast Foods Limited were transferred to Kentucky Fried Chicken (Great Britain) Limited at net book value.

The merger method of accounting has been adopted for the merger with Roberts Restaurants Limited. The difference arising on merger has been shown as a deficit on reserves in accordance with the provisions of the Companies Act. The acquisition method has been adopted for all other subsidiaries and goodwill arising has been written off against reserves.

The accounts have been prepared as though the group has been in place throughout the current and previous periods.

In accordance with the Companies Act 1985 the company is not required to present its own profit and loss account.

Intangible fixed assets

In the company's accounts, intangible fixed assets, representing goodwill arising on the merger with Roberts Restaurants Limited, are written off to the profit and loss account over 20 years.

Tangible fixed assets and depreciation

The costs of tangible fixed assets are depreciated by equal annual instalments over the expected useful lives of the assets as follows:

Freehold and long leasehold buildings	-	20 years
Machinery and equipment	-	3-15 years

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

Notes *(continued)*

2 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. There are no monetary assets and liabilities denominated in foreign currencies.

Leases

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

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Contributions to the scheme are assessed by a qualified actuary using the projected unit method. The expected cost of pensions in respect of the scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

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

3 Analysis of turnover

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
By activity		
Company stores sales	**90,855**	83,783
Group Franchise income	**12,863**	11,042
	103,718	94,825

The directors state that it is not possible to analyse profit before taxation or net assets by activity as the information is not readily available.

Notes *(continued)*

4 Profit on ordinary activities before taxation

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	51	63
Other services	42	14
Depreciation of tangible fixed assets	4,948	5,125
Hire of plant and machinery - rentals payable under operating leases	271	295
Hire of other assets - operating leases	351	372
Leasehold property rents	5,239	4,205

5 Remuneration of directors

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Directors' emoluments including pension contributions:		
As directors	411	462

The emoluments, excluding pension contributions, of the highest paid director were £266,000 *(1996: £292,000)*.

	Number of directors 52 weeks ended 30 November 1997	52 weeks ended 1 December 1996
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period was as follows:

	Number of employees	
	52 weeks ended 30 November 1997	52 weeks ended 1 December 1996
Total	**2,629**	2,524

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Wages and salaries	**24,924**	20,622
Social security costs	**1,743**	1,431
Other pension costs (see note 21)	**371**	236
	27,038	22,289

7 Other interest receivable and similar income

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Interest on short-term deposits	**276**	382

Notes *(continued)*

8 Interest payable and similar charges

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
Other interest	**125**	219

9 Taxation

	52 weeks ended 30 November 1997 £000	52 weeks ended 1 December 1996 £000
UK corporation tax at 31.67% *(1996:33%)* on the profit for the period on ordinary activities	**4,062**	3,635
Additional payments for group relief to PepsiCo Holdings Limited	**5,815**	-
Adjustment in respect of prior periods	**(97)**	135
	9,780	3,770

10 Intangible assets

Company	**Goodwill** £000
Cost	
On acquisition	16,111
Amortisation	
Charge for period	806
Net book value	
At 30 November 1997	15,305

On 1 December 1996, the company merged with Roberts Restaurants Limited. The book value of the investment in Roberts Restaurants Limited was less than the fair value of that company. The company's cost of investment in Roberts Restaurants Limited has been re-allocated so as to recognise the goodwill inherent in the business. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires the purchase price of an asset to be based on the actual price paid. Had the requirements of the Act been followed, the diminution in value of the investment arising from the transfer of the business at less than fair value would have had to be recognised as a loss. The directors consider that, as there had been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the profit and loss account for the year and it should instead be reallocated to goodwill.

Notes *(continued)*

11 Tangible fixed assets

Group	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
Cost or valuation				
At beginning of period	10,437	33,113	30,541	74,091
Additions	1,679	1,323	3,300	6,302
Disposals	(236)	(926)	(818)	(1,980)
At end of period	11,880	33,510	33,023	78,413
Depreciation and diminution in value				
At beginning of period	3,693	20,469	17,724	41,886
Charge for period	354	1,689	2,905	4,948
Disposals	(99)	(584)	(462)	(1,145)
At end of period	3,948	21,574	20,167	45,689
Net book value				
At 30 November 1997	**7,932**	**11,936**	**12,856**	**32,724**
At 1 December 1996	6,744	12,644	12,817	32,205

Notes *(continued)*

11 Tangible fixed assets

Company	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
Cost or valuation				
At beginning of period	8,219	29,168	21,498	58,885
Transferred from Southern Fast Foods Limited	2,218	3,945	9,043	15,206
Additions	1,679	1,323	3,300	6,302
Disposals	(236)	(926)	(818)	(1,980)
At end of period	11,880	33,510	33,023	78,413
Depreciation and diminution in value				
At beginning of period	3,212	16,970	12,857	33,039
Transferred from Southern Fast Foods Limited	481	3,499	4,867	8,847
Charge for period	354	1,689	2,905	4,948
Disposals	(99)	(584)	(462)	(1,145)
At end of period	3,948	21,574	20,167	45,689
Net book value				
At 30 November 1997	**7,932**	**11,936**	**12,856**	**32,724**
At 1 December 1996	5,007	12,198	8,641	25,846

Notes *(continued)*

12 Subsidiary undertakings

	Cost or valuation £000	Provisions £000	Net book value £000
As at 1 December 1996	2,981	(2,127)	854
Additions	17,000	-	17,000
Transfer to goodwill	(16,111)	-	(16,111)
Release of revaluation reserve	(507)	-	(507)
Increase in provisions	-	(303)	(303)
	3,363	2,430	933

On 1 December 1996, the company issued 17 million £1 ordinary shares in consideration for the acquisition of Roberts Restaurants Limited as part of a share for share exchange with PepsiCo Holdings Limited.

The subsidiary undertakings of the group at 30 November 1997 were as follows:

	Principal activity	Class and percentage of shares held
Kentucky Fried Chicken Limited	Non-trading	100% ordinary shares
KFC Advertising Limited	Advertising Co-operative	100% ordinary shares
Valleythorn Limited	Non-trading	100% ordinary shares
Finger Lickin' Chicken Limited	Non-trading	100% ordinary shares
Roberts Restaurants Limited	Non-trading	100% ordinary shares
Southern Fast Foods Limited	Non-trading	100% ordinary shares
KFC Services Limited	Services Company	100% ordinary shares

All companies are registered in England and Wales and operate in the United Kingdom.

Notes *(continued)*

13 Stocks

	Group		Company	
	30 November 1997 £000	1 December 1996 £000	**30 November 1997 £000**	1 December 1996 £000
Food and packaging	**452**	462	**452**	332
Equipment	**7**	608	**7**	608
Promotional items	**11**	43	**-**	-
	470	1,113	**459**	940

14 Debtors

	Group		Company	
	30 November 1997 £000	1 December 1996 £000	**30 November 1997 £000**	1 December 1996 £000
Amounts due within one year:				
Trade debtors	**1,582**	1,658	**800**	1,045
Other debtors	**2,063**	288	**2,063**	225
Amounts owed by fellow subsidiary undertakings	**1,159**	608	**1,159**	608
Amounts owed by PepsiCo Holdings Limited (former parent company)	**-**	15,362	**-**	15,362
Amounts owed by subsidiary undertakings	**-**	-	**545**	-
Prepayments and accrued income	**680**	2,126	**601**	2,072
	5,484	20,042	**5,168**	19,312

Notes *(continued)*

15 Creditors

Group	30 November 1997		1 December 1996	
	£000	**£000**	£000	£000
Amounts falling due within one year:				
Trade creditors		**3,713**		3,288
Amounts owed to former ultimate parent and fellow subsidiary undertakings		**33**		1,157
Other creditors including taxation and social security:				
Corporation tax	**4,078**		4,338	
Other taxes and social security	**1,669**		3,495	
		5,747		7,833
Accruals and deferred income		**7,492**		9,410
		16,985		21,688
Amounts falling due after one year:				
Accruals and deferred income		**1,385**		980

Company	30 November 1997		1 December 1996	
	£000	**£000**	£000	£000
Amounts falling due within one year:				
Trade creditors		**2,513**		2,623
Amounts owed to former ultimate parent and fellow subsidiary undertakings		**31**		357
Amounts owed to subsidiary undertakings		**1,500**		5,018
Other creditors including taxation and social security:				
Corporation tax	**4,078**		3,100	
Other taxes and social security	**1,669**		3,495	
		5,747		6,595
Accruals and deferred income		**7,492**		8,972
		17,283		23,565
Amounts falling due after one year:				
Accruals and deferred income		**1,385**		748

Notes *(continued)*

16 Provisions for liabilities and charges

Balances in respect of deferred taxation are set out below:

Group

Deferred tax	**30 November 1997** **Provided** **£000**	**Unprovided** **£000**	1 December 1996 Provided £000	Unprovided £000
Accelerated capital allowances	-	2,708	200	3,137
Short term timing differences	-	(524)	-	(597)
Net chargeable gains	-	302	-	197
	-	2,486	200	2,737

Company

	30 November 1997 **Provided** **£000**	**Unprovided** **£000**	1 December 1996 Provided £000	Unprovided £000
Accelerated capital allowances	-	2,708	200	2,059
Short term timing differences	-	(524)	-	(483)
Net chargeable gains	-	302	-	151
	-	2,486	200	1,727

Movements on deferred taxation in the period were as follows:

Group and Company	£000
Balance at 1 December 1996	200
Reclassified to accrued liabilities	(200)
Balance at 30 November 1997	-

Notes *(continued)*

17 Called up share capital

	30 November 1997 £000	1 December 1996 £000
Authorised		
Ordinary shares of £1 each	**25,000**	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**18,000**	1,000

The authorised ordinary share capital has been increased to 25 million £1 ordinary shares and, as a result of the share for share exchange referred to in note 12, a further 17 million £1 ordinary shares have been issued.

The comparative disclosure in the group balance sheet arises as a result of the adoption of the merger method of accounting, as described in note 1.

18 Reserves

Group	**Share premium account £000**	**Revaluation reserve £000**	**(Deficit) arising on merger £000**	**Profit and loss account £000**
At beginning of period	16,283	788	(16,111)	18,898
Retained loss for the period	-	-	-	(3,419)
Net dividends payable	-	-	-	(17,500)
Realisation of revaluation reserve	-	(788)	-	788
At end of period	16,283	-	(16,111)	5,605

Company	**Share premium account** £000	**Investment revaluation reserve** £000	**Profit and loss account** £000
At beginning of period	16,283	507	11,595
Retained profit for the period	-	-	2,300
Net dividends payable	-	-	(9,477)
Revaluation during the year	-	(507)	-
At end of period	16,283	-	4,418

Notes *(continued)*

18 Reserves *(continued)*

The deficit arising on merger results from the share for share exchange with PepsiCo Holdings Limited to purchase the Roberts Restaurants Limited Group and was calculated as follows:

	£000
Shares issued by Kentucky Fried Chicken (Great Britain) Limited	17,000
Net asset value of Roberts Restaurants Limited Group	(889)
Deficit arising on merger taken to reserves	16,111

19 Reconciliation of movements in shareholders' funds

Group

	30 November 1997 £000	1 December 1996 £000
Opening shareholders' funds	**37,858**	29,125
Profit for the financial period	**3,419**	8,733
Net dividends payable	**(17,500)**	-
Closing shareholders' funds	**23,777**	37,858

Company

	30 November 1997 £000	1 December 1996 £000
Opening shareholders' funds	**29,385**	23,492
Profit for the financial period	**2,300**	5,893
Net dividends payable	**(9,477)**	-
Issue of ordinary shares	**17,000**	-
Revaluation of investments	**(507)**	-
Closing shareholders' funds	**38,701**	29,385

All shareholders' funds relate to equity interests.

Notes *(continued)*

20 Commitments

Group

(i) Capital commitments at the end of the financial period for which no provision has been made are as follows:

	30 November 1997 £000	1 December 1996 £000
Authorised but not contracted	**1,589**	2,643

(ii) Annual commitments under non-cancellable operating leases are as follows:

	30 November 1997		1 December 1996	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**142**	**-**	154	-
In the second to fifth years inclusive	**920**	**622**	512	624
Over five years	**4,410**	**-**	4,201	-
	5,472	**622**	4,867	624

Company

(i) Capital commitments at the end of the financial period for which no provision has been made are as follows:

	30 November 1997 £000	1 December 1996 £000
Authorised but not contracted	**1,589**	2,643

(ii) Annual commitments under non-cancellable operating leases are as follows:

	30 November 1997		1 December 1996	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**142**	**-**	81	-
In the second to fifth years inclusive	**920**	**622**	346	624
Over five years	**4,410**	**-**	3,311	-
	5,472	**622**	3,738	624

Notes *(continued)*

21 Pension scheme

The company participates in the Kentucky Fried Chicken Pension Fund. This scheme is of the defined benefit type providing benefits to certain employees within the Kentucky Fried Chicken Group and the assets are held separately from the group's assets.

The liabilities of the scheme are valued regularly by independent actuaries using the projected unit method. The latest actuarial assessment of the scheme was carried out as at 1 April 1996. It was assumed for the purposes of this valuation that the rate of return on the fund's assets would be 12% and the rate of increase in salaries would be 6.5% per annum.

The market value of the fund's assets at 1 April 1997 was £3,038,000. The actuarial value at that date exceeded the benefits which had accrued to members, after allowing for expected future increases in earnings, by £145,000.

The net pension cost for the company was £371,000 (1996: £236,000).

The next actuarial valuation is due at 1 April 1999.

22 Parent companies

The entity is a subsidiary undertaking of Restaurant Holdings Limited, a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Tricon Global Restaurants Inc., a company incorporated in North Carolina, USA. The consolidated accounts of this group are available to the public and may be obtained from:

Tricon Global Restaurants Inc.
1441 Gardiner Lane
Louisville
Kentucky
40213
United States of America