

**COMPANY REGISTRATION NUMBER 00967403**

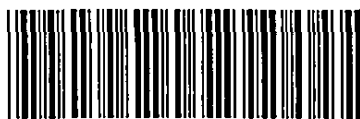
**KENTUCKY FRIED CHICKEN (GREAT BRITAIN)  
LIMITED**

**FINANCIAL STATEMENTS**

**PERIOD ENDED**

**4 DECEMBER 2011**

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

## **FINANCIAL STATEMENTS**

**PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

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

## **OFFICERS AND PROFESSIONAL ADVISERS**

<b>The board of directors</b>	MRF Shuker E Fieldgate M McGowan J Watts	(Appointed 8 February 2012)
<b>Company secretary</b>	G Taylor	
<b>Registered office</b>	32 Goldsworth Road Woking Surrey GU21 6JT	
<b>Auditor</b>	KPMG LLP Chartered Accountants & Statutory Auditor 15 Canada Square London United Kingdom E14 5GL	
<b>Bankers</b>	National Westminster 13 Market Place Reading Berks RG1 2EP	

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## THE DIRECTORS' REPORT

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

The directors have pleasure in presenting their report and the financial statements of the company for the period from 29 November 2010 to 4 December 2011

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period in the UK and via its branch in 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 has an accounting reference date of 30 November and makes up its accounts to a Sunday near that date, therefore it has a 52 or 53 week accounting period

#### *Overview*

The business has continued to grow this financial period. Against the tough macro economic climate we have continued to develop our new products and new sales layers - including non-fried, whilst strong advertising and continuing investment in enhancing and maintaining our restaurant estate have helped to deliver a 6.2% increase in sales to £394.2m (2010 £371.2m)

The global increase in food commodity prices has resulted in an increase in cost of sales to 52.3% (2010 51.6%), however the business has reduced administrative expenses by £1.1m to £143.2m (2010 £144.3m), as a result we have delivered operating profit of £50.1m (2010 £41.2m)

The company has continued to work hard in the area of employee engagement and people development which has resulted in being recognised by a number of accolades during the period such as inclusion in both top 50 Great Places to Work and Britain's Top Employer. The company partnered with City & Guilds to launch an Apprenticeship scheme in 2011 for training team leaders in our stores, this has provided our employees with an opportunity to gain a qualification equivalent to NVQ Level 2 whilst undertaking their in-store training to move to the Team Leader role in store.

Operational excellence and providing unrivalled customer experience has been an area of focus during the year with the continuation of our CHAMPS (Customer, Hospitality, Accuracy, Maintenance, Produce and Speed) mystery shopper programme and CER (CHAMPS Excellence Review) process in store.

#### *Outlook*

Trading conditions remain challenging however we continue to invest in new stores as well as our existing estate. We have launched a new design concept for our restaurants during 2012 which changes the look and feel of our assets and we continue to develop new products to offer excitement and choice to the customer. People continue to be one of the businesses greatest assets and we continue to look for opportunities to improve employee satisfaction, this has been rewarded in early 2012 by being awarded first place in Britain's Top Employer award. 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 £35.9m. Particulars of dividends paid are detailed in note 11 to the financial statements.

#### DIRECTORS

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

MRF Shuker

M Reich

E Fieldgate

M McGowan

(Resigned 8 February 2012)

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

## **THE DIRECTORS' REPORT** *(continued)*

### **PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

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 AUDITOR**

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 auditor is 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 auditor is 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 16 days (2010 15 days)

#### **DONATIONS**

The company made no political contributions during the period (2010 £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

#### **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



G TAYLOR  
Company Secretary

Approved by the directors on 24 August 2012

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

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.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED**

### **PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) Limited for the period from 29 November 2010 to 4 December 2011 on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 and express an opinion on 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 website at [www.kfc.org.uk/apb/scope/private.cfm](http://www.kfc.org.uk/apb/scope/private.cfm).

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

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED *(continued)***

**PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

### **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 4 December 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial period 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  
Chartered Accountants & Statutory Auditor

15 Canada Square  
London  
United Kingdom  
E14 5GL

30 August 2012

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

		Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
<b>TURNOVER</b>	<b>Note</b> <b>3</b>	<b>394,244</b>	<b>371,215</b>
Cost of sales		(206,132)	(191,594)
<b>GROSS PROFIT</b>		<b>188,112</b>	<b>179,621</b>
Administrative expenses		(143,181)	(144,292)
Other operating income	<b>4</b>	<b>5,196</b>	<b>5,900</b>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>50,127</b>	<b>41,229</b>
Interest receivable	<b>8</b>	<b>1,171</b>	<b>794</b>
Interest payable and similar charges	<b>9</b>	<b>(4,066)</b>	<b>(3,634)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>47,232</b>	<b>38,389</b>
Tax on profit on ordinary activities	<b>10</b>	<b>(11,365)</b>	<b>(10,148)</b>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<b>35,867</b>	<b>28,241</b>

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 10 to 24 form part of these financial statements.

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

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011**

	<b>Period from 29 Nov 10 to 4 Dec 11 £000</b>	<b>Period from 30 Nov 09 to 28 Nov 10 £000</b>
Profit for the financial period attributable to the shareholders	<b>35,867</b>	<b>28,241</b>
Currency translation differences on foreign currency net investments	<b>(1,172)</b>	<b>3,948</b>
Total gains and losses recognised since the last annual report	<b><u>34,695</u></b>	<b><u>32,189</u></b>

**The notes on pages 10 to 24 form part of these financial statements.**

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## BALANCE SHEET

4 DECEMBER 2011

	Note	£000	4 Dec 11 £000	28 Nov 10 £000
<b>FIXED ASSETS</b>				
Intangible assets	12		13,847	15,317
Tangible assets	13		180,606	159,525
Investments	14		917	917
			<u>195,370</u>	<u>175,759</u>
<b>CURRENT ASSETS</b>				
Stocks	15	1,925		1,882
Debtors	16	60,530		43,151
Cash at bank		15,829		12,693
		<u>78,284</u>		<u>57,726</u>
<b>CREDITORS: Amounts falling due within one year</b>	18	(194,595)		(154,433)
<b>NET CURRENT LIABILITIES</b>			(116,311)	(96,707)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>79,059</u>	<u>79,052</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	19		(1,430)	(2,192)
<b>PROVISIONS FOR LIABILITIES</b>				
Deferred taxation	17		—	(1,443)
			<u>77,629</u>	<u>75,417</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	23		18,000	18,000
Share premium account	24		16,283	16,283
Profit and loss account	25		43,346	41,134
<b>SHAREHOLDERS' FUNDS</b>	26		<u>77,629</u>	<u>75,417</u>

These financial statements were approved by the directors and authorised for issue on 24 August 2012, and are signed on their behalf by



M McGowan  
Director

Company Registration Number 00967403

The notes on pages 10 to 24 form part of these financial statements.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 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 Improvements	-	20 years
Machinery and Equipment	-	3-15 years

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

### 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 the 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.

The assets and liabilities of overseas branches are translated at the closing exchange rates. Profit and loss accounts of the branches are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

#### 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.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 2. ACCOUNTING POLICIES *(continued)*

##### 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

##### 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 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Company store sales	360,720	340,764
Franchise royalties and fees	33,524	30,451
	<u>394,244</u>	<u>371,215</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

### 4. OTHER OPERATING INCOME

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Rent receivable	571	590
Refranchising income	–	2,256
Distribution income	2,412	2,031
Other operating income	2,213	1,023
	<u>5,196</u>	<u>5,900</u>

### 5. OPERATING PROFIT

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Amortisation of intangible assets	1,607	1,596
Depreciation of owned fixed assets	20,903	19,272
Impairment of owned fixed assets	767	184
Loss on disposal of fixed assets	411	1,651
Auditor's remuneration		
- as auditor	92	91
- tax services	13	9
- for other services	2	2
Operating lease costs		
- Plant and equipment	856	567
- Leasehold property rents	19,048	18,595
- Other	808	737
Net loss on foreign currency translation	28	33

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 6. PARTICULARS OF EMPLOYEES

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

	Period from 29 Nov 10 to 4 Dec 11 No	Period from 30 Nov 09 to 28 Nov 10 No
Sales and distribution	6,225	6,190
Administration	570	563
	<u>6,795</u>	<u>6,753</u>

The aggregate payroll costs of the above were

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Wages and salaries	97,682	94,352
Social security costs	8,893	7,976
Other pension costs	5,316	8,639
Equity-settled share-based payments	765	654
	<u>112,656</u>	<u>111,621</u>

#### 7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Remuneration receivable	937	1,188
Value of company pension contributions to money purchase schemes	87	25
	<u>1,024</u>	<u>1,213</u>

#### Remuneration of highest paid director

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Total remuneration (excluding pension contributions)	485	557
Value of company pension contributions to money purchase schemes	45	—
	<u>530</u>	<u>557</u>

Benefits are accruing under a defined benefits pension scheme and, at the year end the accrued pension amounted to £Nil (2010 - £58,000)

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 7 DIRECTORS' REMUNERATION *(continued)*

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

	Period from 29 Nov 10 to 4 Dec 11 No	Period from 30 Nov 09 to 28 Nov 10 No
Defined benefit schemes	-	2

Figures for Directors emoluments do not include amounts related to gains on the exercise of share options, when in 2010 these amounts were included. Comparative figures have been adjusted accordingly.

The number of directors who exercised share options was 1 (2010: 2)

The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was 4 (2010: 3)

#### 8 INTEREST RECEIVABLE

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Other loan interest receivable	68	36
Interest received on taxation	871	-
Interest from group undertakings	232	758
	<u>1,171</u>	<u>794</u>

#### 9 INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Interest payable to group companies	<u>4,066</u>	<u>3,634</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 10 TAXATION ON ORDINARY ACTIVITIES

##### (a) Analysis of charge in the period

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 26 67% (2010 - 28%)	13,850	13,141
Adjustment in respect of prior periods	751	(561)
	<u>14,601</u>	<u>12,580</u>
Group relief received for no consideration	(560)	-
Total current tax	<u>14,041</u>	<u>12,580</u>
Deferred tax		
Origination and reversal of timing differences	(2,676)	(2,432)
Tax on profit on ordinary activities	<u>11,365</u>	<u>10,148</u>

##### (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 26 67% (2010 - 28%)

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Profit on ordinary activities before taxation	<u>47,232</u>	<u>38,389</u>
Profit on ordinary activities by rate of tax	12,596	10,749
Expenses not deductible for tax purposes	127	912
Capital allowances for period in excess of depreciation	1,583	44
Adjustments to tax charge in respect of previous periods	191	(561)
Pension spreading	(456)	1,436
Total current tax (note 10(a))	<u>14,041</u>	<u>12,580</u>

##### (c) Factors that may affect future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22 per cent by 2014. A reduction in the rate from 26 per cent to 25 per cent (effective from 1 April 2012) was substantively enacted on 5 July 2011 and therefore the effect of the rate reduction on the deferred tax balances as at 4 December 2011 has been included in the figures reported.

A further reduction to 24 per cent (effective from 1 April 2012) was substantively enacted on 26 March 2012. A reduction to 23 per cent (effective from 1 April 2013) was substantively enacted on 3 July 2012. These changes have not been reflected in the figures above as they were not substantively enacted at the balance sheet date.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

### 11. DIVIDENDS

#### Equity dividends

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Interim dividend paid	<u>32,240</u>	<u>27,901</u>

### 12. INTANGIBLE FIXED ASSETS

	Goodwill £000	Key Money £000	Total £000
<b>COST</b>			
At 29 November 2010	30,180	1,950	32,130
Additions	-	163	163
Disposals	-	(29)	(29)
Foreign exchange	-	3	3
<b>At 4 December 2011</b>	<u>30,180</u>	<u>2,087</u>	<u>32,267</u>
<b>AMORTISATION</b>			
At 29 November 2010	16,014	799	16,813
Charge for the period	1,510	97	1,607
<b>At 4 December 2011</b>	<u>17,524</u>	<u>896</u>	<u>18,420</u>
<b>NET BOOK VALUE</b>			
<b>At 4 December 2011</b>	<u>12,656</u>	<u>1,191</u>	<u>13,847</u>
At 28 November 2010	<u>14,166</u>	<u>1,151</u>	<u>15,317</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

### 13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
<b>COST OR VALUATION</b>				
At 29 November 2010	60,096	128,748	117,834	306,678
Additions	30,518	468	13,501	44,487
Disposals	(3,739)	(319)	(3,820)	(7,878)
Foreign exchange	215	308	182	705
Transfers	1,730	(5,666)	3,936	-
<b>At 4 December 2011</b>	<b>88,820</b>	<b>123,539</b>	<b>131,633</b>	<b>343,992</b>
<b>DEPRECIATION</b>				
At 29 November 2010	16,361	53,072	77,720	147,153
Charge for the period	7,814	625	12,464	20,903
Impairment for the period	415	2	350	767
On disposals	(1,682)	(230)	(3,691)	(5,603)
Foreign exchange	19	53	94	166
<b>At 4 December 2011</b>	<b>22,927</b>	<b>53,522</b>	<b>86,937</b>	<b>163,386</b>
<b>NET BOOK VALUE</b>				
At 4 December 2011	65,893	70,017	44,696	180,606
At 28 November 2010	43,735	75,676	40,114	159,525

### 14. INVESTMENTS

	Total £000
<b>COST</b>	
At 29 November 2010 and 4 December 2011	917
<b>NET BOOK VALUE</b>	
At 4 December 2011 and 28 November 2010	917

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011.

### 14 INVESTMENTS *(continued)*

#### 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
Kentucky Fried Chicken (Great Britain) Services 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

	4 Dec 11 £000	28 Nov 10 £000
Food and packaging	<u>1,925</u>	<u>1,882</u>

### 16. DEBTORS

	4 Dec 11 £000	28 Nov 10 £000
Trade debtors	8,437	5,693
Amounts owed by group undertakings	23,032	11,364
Corporation tax repayable	5,959	5,045
Other debtors	9,195	9,221
Prepayments and accrued income	12,674	11,828
Deferred taxation (note 17)	<u>1,233</u>	<u>—</u>
	<u>60,530</u>	<u>43,151</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 17. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Included in debtors (note 16)	1,233	-
Included in provisions	-	(1,443)
	<u>1,233</u>	<u>(1,443)</u>

The movement in the deferred taxation account during the period was

	Period from 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Balance brought forward	(1,443)	(3,875)
Profit and loss account movement arising during the period	2,676	2,432
Balance carried forward	<u>1,233</u>	<u>(1,443)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	4 Dec 11 £000	28 Nov 10 £000
Excess of taxation allowances over depreciation on fixed assets	(1,640)	(4,737)
Short term timing differences	1,433	1,705
Other timing differences	1,440	1,589
	<u>1,233</u>	<u>(1,443)</u>

#### 18. CREDITORS: Amounts falling due within one year

	4 Dec 11 £000	28 Nov 10 £000
Trade creditors	9,958	7,677
Amounts owed to group undertakings	144,218	100,633
Other creditors including taxation and social security		
Other taxation and social security	4,988	2,236
Other creditors	898	42
	<u>160,062</u>	<u>110,588</u>
Accruals and deferred income	34,533	43,845
	<u>194,595</u>	<u>154,433</u>

#### 19. CREDITORS: Amounts falling due after more than one year

	4 Dec 11 £000	28 Nov 10 £000
Accruals and deferred income	<u>1,430</u>	<u>2,192</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 20. PENSIONS

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £1,779,000 (2010 £349,616)

There were no outstanding or prepaid contributions at either the beginning or end of the financial year

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. The scheme was closed to future accrual of benefits from 1 July 2011. 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 £nil (2010 £93,000)

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 2011. This valuation showed a funding deficit on the scheme of £2.1m. It has been agreed with the trustees of the scheme that this deficit will be cash funded before 31 July 2012.

#### 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:

	2011 Weighted average exercise price US\$	2011 Number of options	2010 Weighted average exercise price US\$	2010 Number of options
Outstanding at the beginning of the period	31.39	260,673	26.10	252,874
Granted during the period	50.98	22,905	39.28	70,722
Exercised during the period	21.24	(43,387)	17.99	(48,190)
Lapsed during the period	34.33	(24,855)	22.19	(14,643)
Outstanding at the end of the period	35.18	215,426	31.39	260,763
Exercisable at the end of the period	24.69	42,274	23.00	88,608

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 21. SHARE-BASED PAYMENTS *(continued)*

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

	2011 Weighted average exercise price US\$	2011 Number of options	2010 Weighted average exercise price US\$	2010 Number of options
Outstanding at the beginning of the period	30.68	457,256	28.39	414,729
Granted during the period	55.06	63,344	32.73	159,300
Exercised during the period	28.78	(86,988)	22.40	(74,609)
Lapsed during the period	38.86	(51,942)	30.51	(42,164)
Outstanding at the end of the period	34.05	381,670	30.68	457,256
Exercisable at the end of the period	30.10	186,287	30.35	323,675

The weighted average share price at the date of exercise of share options exercised during the period was US\$53.59 (2010 US\$39.72)

The options outstanding at the period end have an exercise price in the range of US\$11.50 to US\$51.50 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

	2011 YUMBUCKS	2010 YUMBUCKS	2011 SOIP	2010 SOIP
Fair value at measurement date	US\$14.44	US\$18.92	US\$15.29	US\$19.11
Weighted average share price	US\$35.18	US\$31.39	US\$34.05	US\$30.68
Exercise price	US\$51.22	US\$39.49	US\$49.30	US\$32.98
Expected volatility	32.00%	30.03%	31.00%	30.00%
Option life (years)	5.0	5.0	5.0	5.0
Expected dividends	US\$1.14	US\$0.84	US\$1.14	US\$0.84
Risk-free interest rate (based on national government bonds)	0.75%	2.40%	0.51%	2.43%

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

	4 Dec 11 £000	28 Nov 10 £000
Equity settled share based payments charge	765	654
Total carrying amount of liabilities	5,743	6,807

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

#### 22. COMMITMENTS UNDER OPERATING LEASES

At 4 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	4 Dec 11		28 Nov 10	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	281	-	718	-
Within 2 to 5 years	5,499	1,183	3,226	764
After more than 5 years	19,552	-	17,963	-
	<u>25,332</u>	<u>1,183</u>	<u>21,907</u>	<u>764</u>

#### 23. SHARE CAPITAL

Authorised share capital.

	4 Dec 11 £000	28 Nov 10 £000
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

Allotted, called up and fully paid:

	4 Dec 11		28 Nov 10	
	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 29 Nov 10 to 4 Dec 11 £000	Period from 30 Nov 09 to 28 Nov 10 £000
Balance brought forward	41,134	41,097
Profit for the financial period	35,867	28,241
Equity dividends	(32,240)	(27,901)
Recharge for share-based payments	(1,008)	(4,905)
Credit in relation to share-based payments	765	654
Exchange rate movement	<u>(1,172)</u>	<u>3,948</u>
Balance carried forward	<u>43,346</u>	<u>41,134</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 29 NOVEMBER 2010 TO 4 DECEMBER 2011

### 26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	4 Dec 11	28 Nov 10
	£000	£000
Profit for the financial period	35,867	28,241
Equity dividends	(32,240)	(27,901)
Recharge for share-based payments	(1,008)	(4,905)
Credit in relation to share-based payments	765	654
Exchange rate movement	(1,172)	3,948
Net addition to shareholders' funds	2,212	37
Opening shareholders' funds	75,417	75,380
Closing shareholders' funds	77,629	75,417

### 27. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £7,561,000 (2010 - £6,762,000)

### 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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