

Kentucky Fried Chicken (Great Britain) Limited

Directors' report and financial
statements

Registered number 967403

2 December 2001



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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	(resigned 19 July 2001)
JJ Ash	
KP Higgins	(resigned 10 January 2002)
I Schofield	(resigned 19 July 2001)
S Gehin	(resigned 18 June 2001)
EMM Hodding	
G Koser	(resigned 18 January 2001)
K-H Ruether	(resigned 10 January 2002)
AE Perren	(appointed 19 July 2001)
N Chaudhary	(appointed 19 July 2001)
VP Toolan	(appointed 19 July 2001)
GO Ashford	(appointed 19 July 2001)
C Harrison Church	(appointed 10 January 2002)
D Royden	(appointed 10 January 2002)
JC Johannsen	(appointed 10 January 2002)

Company Secretary

N Thomson

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Directors' report

The directors present their report and audited financial statements for the 52 weeks ended 2 December 2001.

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 company for the period ended 2 December 2001 amounted to £16,141,000 (2000: £12,192,000).

The directors do not recommend the payment of a final dividend. During the period an interim dividend of £15,000,000 was paid (2000: £Nil). The balance of £1,141,000 (2000: £12,192,000) has been transferred to reserves.

Directors and directors' interests

The directors who held office during the period and since the year end were as follows:

GD Allan	(resigned 19 July 2001)
JJ Ash	
KP Higgins	(resigned 10 January 2002)
I Schofield	(resigned 19 July 2001)
S Gehin	(resigned 18 June 2001)
EMM Hodding	
G Koser	(resigned 18 January 2001)
K-H Ruether	(resigned 10 January 2002)
AE Perren	(appointed 19 July 2001)
N Chaudhary	(appointed 19 July 2001)
VP Toolan	(appointed 19 July 2001)
GO Ashford	(appointed 19 July 2001)
C Harrison Church	(appointed 10 January 2002)
D Royden	(appointed 10 January 2002)
JC Johannsen	(appointed 10 January 2002)

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

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors who held office at the end of the period who had the following outstanding options to acquire ordinary shares of Yum! Brands Inc (formerly known as Tricon Global Restaurants Inc) were:

	Date of grant	Number granted	Exercise price US\$	Date from which exercisable	Expiry date
JJ Ash	27 January 2000	20,145	30.2813	27 January 2004	27 January 2010
	25 January 2001	12,662	33.565	25 January 2002	25 January 2011
KP Higgins	20 January 1998	4,129	27.2500	20 January 2002	20 January 2008
	21 January 1999	2,236	46.9688	21 January 2003	21 January 2009
	27 January 2000	5,615	30.2813	27 January 2004	27 January 2010
	25 January 2001	5,214	33.565	25 January 2002	25 January 2011
EMM Hodding	25 July 1996	5,026	24.8738	1 August 1997	25 July 2006
	20 January 1998	8,257	27.2500	20 January 2002	20 January 2008
	21 January 1999	4,471	46.9688	21 January 2003	21 January 2009
	27 January 2000	7,431	30.2813	27 January 2004	27 January 2010
	25 January 2001	5,959	33.565	25 January 2002	25 January 2011
	20 January 1998	8,257	27.2500	20 January 2002	20 January 2008
AE Perren	21 January 1999	3,407	46.9688	21 January 2003	21 January 2009
	27 January 2000	5,615	30.2813	27 January 2004	27 January 2010
	25 January 2001	5,214	33.565	25 January 2002	25 January 2011
	20 January 1998	8,257	27.2500	20 January 2002	20 January 2008
GO Ashford	10 February 1999	428	46.75	10 February 2003	10 February 2009
	10 August 1999	485	41.25	10 August 2003	10 August 2009
	10 February 2000	613	31.00	10 February 2004	10 February 2010
	25 January 2001	2,086	33.565	25 January 2002	25 January 2011

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 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.

Directors' report *(continued)*

Payments to 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 19 days (2000: 18 days).

Charitable and political donations

Donations to UK charities amounted to £960 (2000: £4,200). The company made no political contributions during the period (2000: £Nil).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



N Thomson

Secretary

3 January 2003

32 Goldsworth Road
Woking
Surrey
GU21 1JT

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.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2 December 2001 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

V. G. L. L.

KPMG LLP
Chartered Accountants
Registered Auditors

Date 3 January 2003

Profit and loss account

for the 52 weeks ended 2 December 2001

	Note	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Turnover	3	194,088	144,762
Cost of sales		(104,584)	(76,719)
Gross profit		89,504	68,043
Administrative expenses		(67,718)	(52,652)
Other operating income		2,811	1,585
Operating profit		24,597	16,976
Other interest receivable and similar income	7	1,330	1,822
Interest payable and similar charges	8	(1,837)	(722)
Profit on ordinary activities before taxation	4	24,090	18,076
Tax on profit on ordinary activities	9	(7,949)	(5,884)
Profit on ordinary activities after taxation		16,141	12,192
Dividends paid or proposed	10	(15,000)	-
Retained profit for financial period		1,141	12,192

The turnover and operating profit relate wholly to continuing activities.

A statement of movements on reserves is given in note 19.

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

Balance sheet

at 2 December 2001

	Note	2 December 2001		3 December 2000	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	11		19,110		20,087
Tangible fixed assets	12		82,759		65,342
Investments in subsidiary undertakings	13		933		933
			<u>102,802</u>		<u>86,362</u>
Current assets					
Stocks	14	1,131		876	
Debtors	15	16,983		30,684	
Cash at bank and in hand		15,605		875	
		<u>33,719</u>		<u>32,435</u>	
Creditors: amounts falling due within one year	16	(62,249)		(45,723)	
Net current liabilities			<u>(28,530)</u>		<u>(13,288)</u>
Total assets less current liabilities			<u>74,272</u>		<u>73,074</u>
Creditors: amounts falling due after more than one year	16		(1,439)		(1,382)
Net assets			<u>72,833</u>		<u>71,692</u>
Capital and reserves					
Called up share capital	18		18,000		18,000
Share premium account	19		16,283		16,283
Profit and loss account	19		38,550		37,409
Shareholders' funds	19		<u>72,833</u>		<u>71,692</u>

These financial statements were approved by the board of directors on 3 January 2003 and were signed on its behalf by:

V Toolan

V Toolan
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 or 53 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 by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

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

As 100% of the company's voting rights are controlled within the group headed by Restaurant Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Restaurant Holdings Limited, within which this company is included, can be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3UZ.

Intangible fixed assets

Intangible fixed assets represents goodwill arising on the merger with Roberts Restaurants Limited and on the acquisition of two former franchise companies and key money paid on leases entered into, which are written off to the profit and loss account over the expected useful lives of the assets as follows:

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

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.

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 is a member of the Kentucky Fried Chicken (Great Britain) Pension and Life Assurance Plan 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 charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP 24. A new pension cost accounting standard, FRS 17, must be used for the figures that will be shown in the accounts at November 2003 and subsequent years. Under transitional arrangements the company is required to disclose information about the scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

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 2 December 2001 £000	53 weeks ended 3 December 2000 £000
<i>By activity</i>		
Company stores sales	182,550	134,231
Franchise royalties and fees	11,538	10,531
	<hr/>	<hr/>
	194,088	144,762
	<hr/>	<hr/>

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 2 December 2001 £000	53 weeks ended 3 December 2000 £000
<i>Profit on ordinary activities before taxation is stated after charging / (crediting)</i>		
Foreign exchange loss/(gain)	8	(220)
Auditors' remuneration:		
Audit	47	49
Other services	36	42
Amortisation of intangible fixed assets	1,183	942
Depreciation of tangible fixed assets	9,568	7,049
Hire of plant and machinery - rentals payable under operating leases	162	140
Hire of other assets - operating leases	486	393
Leasehold property rents	9,802	8,170
	<hr/>	<hr/>

5 Remuneration of directors

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Directors' emoluments excluding pension contributions:		
As directors	743	1,859
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the highest paid director were £259,000 (2000: £388,000) and the company paid pension contributions of £14,000 (2000: £22,000) during the period. This period's highest paid director is a different person to last period. At the period end he had accrued a pension of £4,000 per annum (2000: £nil).

	Number of directors	
	52 weeks ended 2 December 2001	53 weeks ended 3 December 2000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	7	10
	<hr/>	<hr/>

Notes (continued)

6 Staff numbers and costs

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

	Number of employees	
	52 weeks ended 2 December 2001	53 weeks ended 3 December 2000
Total	4,001	2,121

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Wages and salaries	33,429	9,737
Social security costs	2,036	473
Other pension costs (see note 22)	898	789
	<u>36,363</u>	<u>10,999</u>

Kentucky Fried Chicken (Great Britain) Limited used its subsidiary KFC Services Limited as employer for a proportion of staff employed in the group in the period and prior period.

7 Other interest receivable and similar income

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Interest on short-term deposits	177	56
Other interest receivable	1,153	1,766
	<u>1,330</u>	<u>1,822</u>

Notes *(continued)*

8 Interest payable and similar charges

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Amounts payable on bank overdrafts	52	426
Other interest	1,785	296
	<u>1,837</u>	<u>722</u>

9 Taxation

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
UK corporation tax at 30% (2000: 30%)	7,709	6,136
Adjustment in respect of prior periods	240	(252)
	<u>7,949</u>	<u>5,884</u>

10 Dividends

	52 weeks ended 2 December 2001 £000	53 weeks ended 3 December 2000 £000
Interim dividend paid	<u>15,000</u>	<u>-</u>

Notes (continued)

11 Intangible assets

	Key money	Goodwill	Total
	£000	£000	£000
Cost			
At beginning of period	405	23,042	23,447
Additions	-	206	206
	<hr/>	<hr/>	<hr/>
At end of period	405	23,248	23,653
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of period	18	3,342	3,360
Charge for period	20	1,163	1,183
	<hr/>	<hr/>	<hr/>
At end of period	38	4,505	4,543
	<hr/>	<hr/>	<hr/>
Net book value			
At 2 December 2001	367	18,743	19,110
	<hr/>	<hr/>	<hr/>
At 3 December 2000	387	19,700	20,087
	<hr/>	<hr/>	<hr/>

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. Similarly on 3 December 2000 the company acquired the trade, assets and liabilities from its subsidiary companies, Lookchief Limited and the Anglian Fast Foods Limited group of companies. The company's cost of investment in these companies has been re-allocated so as to recognise the goodwill interest in those businesses. 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.

Key money represents amounts paid to a lessor on the inception of a lease.

Notes (continued)

12 Tangible fixed assets

	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
<i>Cost or valuation</i>				
At beginning of period	17,338	59,537	50,003	126,878
Additions	7,650	11,713	8,645	28,008
Disposals	(944)	(635)	(1,217)	(2,796)
Foreign exchange	-	98	31	129
At end of period	24,044	70,713	57,462	152,219
<i>Depreciation and diminution in value</i>				
At beginning of period	5,311	27,904	28,321	61,536
Charge for period	677	3,494	5,397	9,568
Disposals	(203)	(520)	(926)	(1,649)
Foreign exchange	-	2	3	5
At end of period	5,785	30,880	32,795	69,460
<i>Net book value</i>				
At 2 December 2001	18,259	39,833	24,667	82,759
At 3 December 2000	12,027	31,633	21,682	65,342

Notes (continued)

13 Fixed asset investments

	Cost or valuation £000	Provisions £000	Net book value £000
At beginning and end of period	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.

On 3 April 2000, the company acquired Lockchief Limited and on 10 July 2000 the company acquired the Anglian Fast Foods Limited group of companies. On 3 December 2000 the company acquired the trade, assets and liabilities of these subsidiary companies and consequently, as set out in note 11, the cost of investment has been reclassified as goodwill.

The subsidiary undertakings of the group at 2 December 2001 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	Non-trading	100% ordinary shares
Anglian Fast Foods Ltd	Non-trading	100% ordinary shares
Norfolk Fast Foods Ltd	Non-trading	100% ordinary shares
Suffolk Fast Foods Ltd	Non-trading	100% ordinary shares
Lookchief Limited	Non-trading	100% ordinary shares

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

14 Stocks

	2 December 2001 £000	3 December 2000 £000
Food and packaging	1,131	876

Notes (continued)

15 Debtors

	2 December 2001 £000	3 December 2000 £000
<i>Amounts due within one year:</i>		
Trade debtors	2,941	2,975
Other debtors	1,003	1,208
Amounts owed by parent company	10,370	8,560
Amounts owed by fellow subsidiary undertakings	431	16,561
Amounts owed by subsidiary undertakings	311	311
Prepayments and accrued income	1,927	1,069
	<u>16,983</u>	<u>30,684</u>

16 Creditors

	2 December 2001 £000 £000		3 December 2000 £000 £000	
<i>Amounts falling due within one year:</i>				
Trade creditors		6,911		5,751
Amounts owed to fellow subsidiary undertakings		24,199		4,302
Amounts owed to subsidiary undertakings		2,468		15,368
Other creditors including taxation and social security:				
Corporation tax	5,822		2,579	
Other taxes and social security	7,990		3,745	
		<u>13,812</u>		<u>6,324</u>
Accruals and deferred income		14,859		13,978
		<u>62,249</u>		<u>45,723</u>
<i>Amounts falling due after one year:</i>				
Accruals and deferred income		1,439		1,382
		<u>1,439</u>		<u>1,382</u>

Notes (continued)

17 Provisions for liabilities and charges

Balances in respect of deferred taxation are set out below:

	2 December 2001		3 December 2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	4,948	-	4,081
Short term timing differences	-	(583)	-	(560)
Net chargeable gains	-	1,106	-	713
	-	5,471	-	4,234

18 Called up share capital

	2 December 2001 £000	3 December 2000 £000
<i>Authorised</i>		
Ordinary shares of £1 each	25,000	25,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	18,000	18,000

19 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of period	16,283	37,409
Retained profit for the period	-	1,141
At end of period	16,283	38,550

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	2 December 2001 £000	3 December 2000 £000
Opening shareholders' funds	71,692	59,500
Profit for the financial period	1,141	12,192
	<hr/>	<hr/>
Closing shareholders' funds	72,833	71,692
	<hr/>	<hr/>

All shareholders' funds relate to equity interests.

21 Commitments

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

	2 December 2001 £000	3 December 2000 £000
Authorised but not contracted	26,745	3,227
	<hr/>	<hr/>

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

	2 December 2001		3 December 2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	747	-	28	-
In the second to fifth years inclusive	668	648	1,305	533
Over five years	6,844	-	5,803	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,259	648	7,136	533
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

22 Pension scheme

As explained in the accounting policies set out on page 9, the company is a member of the Kentucky Fried Chicken (Great Britain) Limited Pension and Life Assurance Plan. This Plan is of the funded defined benefit type providing benefits to certain employees of Kentucky Fried Chicken (Great Britain) Limited and KFC Services Limited and the assets are held separately from the company'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 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed for the purposes of this valuation that the rate of return on the fund's assets would be 7.5%, the rate of increase in salaries would be 5.5% per annum, the rate of increase in pensions earned from 6 April 1997 would be 3.0% and the rate of growth in dividends to be 4.25%.

The pension charge for the period was £802,000 (2000: £762,900). A prepayment of £37,000 (2000: £26,000) is included, this being the accumulated excess of the amount paid over the pension charge.

The market value of the fund's assets at 1 April 1999 was £8,155,000. The benefits which had accrued to members, after allowing for expected future increases in earnings, exceeded the actuarial value of assets at that date by £820,000. The actuarial value of assets was sufficient to cover 89% of the value of liabilities at that date.

The next actuarial valuation falls due on 1 April 2002.

The actuarial valuation carried out at 1 April 1999 was updated to 2 December 2001 by a qualified independent actuary using more up to date data. The major assumptions used by the actuary were:

	2001
Discount rate	5.5%
Rate of increase in salaries	4.4%
Rate of increase of pensions in payment	2.4%
Inflation assumptions	2.4%

Notes (continued)

The assets and liabilities of the fund and the expected rates of return as at 2 December 2001 were:

	Expected rate of return	Value £000
Equities	7.25%	6,638
Bonds	4.75%	1,625
Cash	3.75%	16
		<hr/>
Market value of asset		8,279
Actuarial value of liabilities		(10,148)
		<hr/>
Deficit to the fund		(1,869)
Related deferred tax asset		561
		<hr/>
Net pension liability		(1,308)
		<hr/>

The net pension scheme liability under FRS17 would reduce company reserves under adoption of this standard.

23 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. On 16th May 2002 Tricon Global Restaurants Inc. changed its name to Yum! Brands Inc.. The consolidated accounts of this group are available to the public and may be obtained from:

Yum! Brands Inc.
(formally known as Tricon Global Restaurants Inc.)
 1441 Gardiner Lane
 Louisville
 Kentucky
 40213
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