

COMPANY REGISTRATION NUMBER 00967403

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

FINANCIAL STATEMENTS

PERIOD ENDED

2 DECEMBER 2012



KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Statement of directors' responsibilities	4
Independent auditor's report to the shareholders	5
Profit and loss account	7
Statement of total recognised gains and losses	8
Balance sheet	9
Notes to the financial statements	10

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	MRF Shuker E Fieldgate (Resigned 7 December 2012) M McGowan J Watts (Appointed 8 February 2012) M Reich (Resigned 8 February 2012)
Company secretary	G Taylor
Registered office	32 Goldsworth Road Woking Surrey GU21 6JT
Auditor	KPMG LLP Chartered Accountants & Statutory Auditor 15 Canada Square London United Kingdom E14 5GL
Bankers	Royal Bank of Scotland 13 Market Place Reading Berks RG1 2EP

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

The directors have pleasure in presenting their report and the financial statements of the company for the period from 5 December 2011 to 2 December 2012

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 7.4% increase in sales to £423.3m (2011 £394.2m)

Despite the global increase in food commodity prices the company saw a decrease in cost of sales to 51.5% (2011 52.3%), however the business has increased administrative expenses by £22.4m to £165.6m (2011 £143.2m), as a result we have delivered operating profit of £42.9m (2011 £50.1m)

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 winning Britain's Top Employer

Outlook

Trading conditions remain challenging however we continue to invest in new stores as well as our existing estate. The company is a subsidiary of a much larger group and any potential funding requirements if required 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 £25,395,000. The directors have not recommended a dividend.

DIRECTORS

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

MRF Shuker	
E Fieldgate	(Resigned 7 December 2012)
M H McGowan	
J D Watts	(Appointed 8 February 2012)
M Reich	(Resigned 8 February 2012)

P MacKenzie was appointed as a director on 11 March 2013

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

RETIREMENT OF DIRECTORS

In accordance with the Articles of Association, MRF Shuker will retire from the board and, being eligible, will stand for re-appointment.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

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 15 days (2011 16 days)

DONATIONS

The company made no political contributions during the period (2011 £nil). The company made charitable donations to the value of £1,000 to a youth support programme during the period (2011 £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



MH McGowan
Director

Approved by the directors on 29 August 2013

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

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 accounting 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 5 DECEMBER 2011 TO 2 DECEMBER 2012

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) Limited for the period from 5 December 2011 to 2 December 2012 on pages 7 to 25. 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

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

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

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 2 December 2012 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

29 August 2013

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

		Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
TURNOVER	Note 3	423,345	394,244
Cost of sales		<u>(217,924)</u>	<u>(206,132)</u>
GROSS PROFIT		205,421	188,112
Administrative expenses		<u>(165,626)</u>	<u>(143,181)</u>
Other operating income	4	<u>3,118</u>	<u>5,196</u>
OPERATING PROFIT	5	42,913	50,127
Interest receivable and similar income	8	420	1,171
Interest payable and similar charges	9	<u>(4,196)</u>	<u>(4,066)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,137	47,232
Tax on profit on ordinary activities	10	<u>(13,742)</u>	<u>(11,365)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>25,395</u>	<u>35,867</u>

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 25 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Profit for the financial period attributable to the shareholders	25,395	35,867
Currency translation differences on foreign currency net investments	3,854	(1,172)
Total gains and losses recognised since the last annual report	<u>29,249</u>	<u>34,695</u>

The notes on pages 10 to 25 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

BALANCE SHEET

2 DECEMBER 2012

	Note	£000	2 Dec 12 £000	4 Dec 11 £000
FIXED ASSETS				
Intangible assets	12		13,118	13,847
Tangible assets	13		216,151	180,606
Investments	14		917	917
			<u>230,186</u>	<u>195,370</u>
CURRENT ASSETS				
Stocks	15	2,277		1,925
Debtors	16	38,491		60,530
Cash at bank and in hand		37,061		15,829
		<u>77,829</u>		<u>78,284</u>
CREDITORS: Amounts falling due within one year	18	<u>(202,130)</u>		<u>(194,595)</u>
NET CURRENT LIABILITIES			<u>(124,301)</u>	<u>(116,311)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>105,885</u>	<u>79,059</u>
CREDITORS: Amounts falling due after more than one year	19		<u>(1,297)</u>	<u>(1,430)</u>
NET ASSETS INCLUDING PENSION ASSET			<u>104,588</u>	<u>77,629</u>
CAPITAL AND RESERVES				
Called-up equity share capital	23		18,000	18,000
Share premium account	24		16,283	16,283
Profit and loss account	25		70,305	43,346
SHAREHOLDERS' FUNDS	26		<u>104,588</u>	<u>77,629</u>

These financial statements were approved by the directors and authorised for issue on 29 August 2013 and are signed on their behalf by



M McGowan
Director

Company Registration Number 00967403

The notes on pages 10 to 25 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

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 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 5 DECEMBER 2011 TO 2 DECEMBER 2012

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.

Pension costs and other post-retirement benefits

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company.

Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the profit and loss account. Past service costs are recognised over the vesting period or immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest cost and the expected return on assets are shown as a net amount in the profit and loss account as other finance costs or income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Pension scheme surpluses (to the extent that they can be recovered) are recognised in full on the balance sheet, net of related deferred tax.

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.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

2. ACCOUNTING POLICIES *(continued)*

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.

Share-based payments

The ultimate parent company, Yum! Brands Inc, operates a number of share based incentive schemes (awards of shares and options). These share option programmes allow employees to acquire shares of the ultimate parent company, Yum! Brands Inc.

The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. Where the Company's parent grants rights to its equity instruments to the Company employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity settled.

Financial instruments

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

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

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

Investments

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

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

2. ACCOUNTING POLICIES *(continued)*

Going concern

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

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

Research and development expenditure

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

Dividends on shares presented within shareholders' funds

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

Cash

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

3. TURNOVER

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

An analysis of turnover is given below.

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Company store sales	388,347	360,720
Franchise royalties and fees	34,998	33,524
	<u>423,345</u>	<u>394,244</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

4. OTHER OPERATING INCOME

	Period from 5 Dec 11 to 2 Dec 12	Period from 29 Nov 10 to 4 Dec 11
	£000	£000
Rent receivable	326	571
Commission receivable	355	-
Distribution income	1,952	2,412
Other operating income	485	2,213
	3,118	5,196

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	Period from 5 Dec 11 to 2 Dec 12	Period from 29 Nov 10 to 4 Dec 11
	£000	£000
Amortisation of intangible assets	1,647	1,607
Depreciation of owned fixed assets	24,288	20,902
Impairment of owned fixed assets	1,865	767
Loss on disposal of fixed assets	1,696	411
Auditor's remuneration		
- as auditor	98	92
- for other services	32	15
Operating lease costs		
- Plant and equipment	812	856
- Other	20,377	19,856
Net (profit)/loss on foreign currency translation	(6)	28

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

6. PARTICULARS OF EMPLOYEES

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

	Period from 5 Dec 11 to 2 Dec 12 No	Period from 29 Nov 10 to 4 Dec 11 No
Sales and distribution	6,798	6,225
Administration	599	570
	<u>7,397</u>	<u>6,795</u>

The aggregate payroll costs of the above were

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Wages and salaries	104,106	97,682
Social security costs	9,485	8,893
Other pension costs	4,566	5,316
Equity-settled share-based payments	687	765
	<u>118,844</u>	<u>112,656</u>

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income (see note 8) and amounts recognised in the statement of recognised gains and losses

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Remuneration receivable	1,145	937
Value of company pension contributions to money purchase schemes	134	87
	<u>1,279</u>	<u>1,024</u>

Remuneration of highest paid director:

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Total remuneration (excluding pension contributions)	464	485
Value of company pension contributions to money purchase schemes	64	45
	<u>528</u>	<u>530</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

7. DIRECTORS' REMUNERATION *(continued)*

Figures for Directors emoluments does not include amounts related to gains on the exercise of share options

The number of directors who exercised share options was 3 (2011 1)

The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was 3 (2011 4)

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Other loan interest receivable	98	68
Interest received on taxation	104	871
Interest from group undertakings	218	232
	<u>420</u>	<u>1,171</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Interest payable to group companies	<u>4,196</u>	<u>4,066</u>

10. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 24.66% (2011 - 26.67%)	11,075	13,850
Adjustment in respect of prior periods	1,958	751
	<u>13,033</u>	<u>14,601</u>
Group relief received for no consideration	(32)	(560)
Total current tax	<u>13,001</u>	<u>14,041</u>
Deferred tax		
Origination and reversal of timing differences	741	(2,676)
Tax on profit on ordinary activities	<u>13,742</u>	<u>11,365</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 24.66% (2011 - 26.67%)

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Profit on ordinary activities before taxation	<u>39,137</u>	<u>47,232</u>
Profit on ordinary activities by rate of tax	9,651	12,596
Expenses not deductible for tax purposes	1,975	127
Capital allowances for period in excess of depreciation	(129)	1,583
Adjustments to tax charge in respect of previous periods	1,926	191
Pension spreading	(422)	(456)
Total current tax (note 10(a))	<u>13,001</u>	<u>14,041</u>

11. DIVIDENDS

Equity dividends

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Interim dividend paid	<u>-</u>	<u>32,240</u>

12. INTANGIBLE FIXED ASSETS

	Goodwill £000	Key Money £000	Total £000
COST			
At 5 December 2011	30,180	2,087	32,267
Additions	421	513	934
Foreign Exchange	-	(16)	(16)
At 2 December 2012	<u>30,601</u>	<u>2,584</u>	<u>33,185</u>
AMORTISATION			
At 5 December 2011	17,524	896	18,420
Charge for the period	1,550	97	1,647
At 2 December 2012	<u>19,074</u>	<u>993</u>	<u>20,067</u>
NET BOOK VALUE			
At 2 December 2012	<u>11,527</u>	<u>1,591</u>	<u>13,118</u>
At 4 December 2011	<u>12,656</u>	<u>1,191</u>	<u>13,847</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
COST OR VALUATION				
At 5 December 2011	88,820	123,539	131,633	343,992
Additions	16,921	33,422	15,936	66,279
Disposals	(986)	(3,469)	(5,968)	(10,423)
Foreign exchange	(1,086)	(1,004)	(822)	(2,912)
Transfers	655	(2,893)	2,238	-
At 2 December 2012	<u>104,324</u>	<u>149,595</u>	<u>143,017</u>	<u>396,936</u>
DEPRECIATION				
At 5 December 2011	22,927	53,522	86,937	163,386
Charge for the period	8,800	1,482	14,006	24,288
Impairment for the period	111	797	957	1,865
On disposals	(475)	(2,354)	(5,257)	(8,086)
Revaluation adjustment	(90)	(198)	(380)	(668)
At 2 December 2012	<u>31,273</u>	<u>53,249</u>	<u>96,263</u>	<u>180,785</u>
NET BOOK VALUE				
At 2 December 2012	<u>73,051</u>	<u>96,346</u>	<u>46,754</u>	<u>216,151</u>
At 4 December 2011	65,893	70,017	44,696	180,606

14. INVESTMENTS

	Total £000
COST	
At 5 December 2011 and 2 December 2012	917
NET BOOK VALUE	
At 5 December 2011 and 2 December 2012	917

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

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
Kentucky Fried Chicken(Great Britain)Pension Trust Limited(U K)	England	100% ordinary shares	Non-trading
Kentucky Fried Chicken (Great Britain) Services Limited	England	100% ordinary shares	Service Company

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

	2 Dec 12 £000	4 Dec 11 £000
Food and packaging	<u>2,277</u>	<u>1,925</u>

16. DEBTORS

	2 Dec 12 £000	4 Dec 11 £000
Trade debtors	9,821	8,437
Amounts owed by group undertakings	12,969	23,032
Corporation tax repayable	5,420	5,959
Other debtors	3,280	9,195
Prepayments and accrued income	6,509	12,674
Deferred taxation (note 17)	492	1,233
	<u>38,491</u>	<u>60,530</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

17. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Included in debtors (note 16)	492	1,233
	<u>492</u>	<u>1,233</u>

The movement in the deferred taxation account during the period was

	Period from 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Balance brought forward	1,233	(1,443)
Profit and loss account movement arising during the period	(741)	2,676
Balance carried forward	<u>492</u>	<u>1,233</u>

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

	2 Dec 12 £000	4 Dec 11 £000
Excess of taxation allowances over depreciation on fixed assets	(1,981)	(1,640)
Short term timing differences	816	1,433
Other timing differences	1,657	1,440
	<u>492</u>	<u>1,233</u>

18. CREDITORS: Amounts falling due within one year

	2 Dec 12 £000	4 Dec 11 £000
Trade creditors	9,140	9,958
Amounts owed to group undertakings	150,828	144,218
Other creditors including taxation and social security	4,286	4,988
Other creditors	183	898
	<u>164,437</u>	<u>160,062</u>
Accruals and deferred income	37,693	34,533
	<u>202,130</u>	<u>194,595</u>

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

	2 Dec 12 £000	4 Dec 11 £000
Accruals and deferred income	1,297	1,430
	<u>1,297</u>	<u>1,430</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

20. 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:

	2012 Weighted average exercise price US\$	2012 Number of options	2011 Weighted average exercise price US\$	2011 Number of options
Outstanding at the beginning of the period	35.18	215,426	31.39	260,673
Granted during the period	68.92	29,354	50.98	22,905
Exercised during the period	33.96	(37,467)	21.24	(43,387)
Transfers in during the year	34.23	19,194	-	-
Transfers out during the year	-	-	-	-
Lapsed during the period	30.25	(13,210)	34.33	(24,855)
Outstanding at the end of the period	40.33	212,926	35.18	215,426
Exercisable at the end of the period	24.78	47,537	24.69	42,274

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

	2012 Weighted average exercise price US\$	2012 Number of options	2011 Weighted average exercise price US\$	2011 Number of options
Outstanding at the beginning of the period	34.05	381,670	30.68	457,256
Granted during the period	64.44	50,653	55.06	63,344
Exercised during the period	33.23	(39,783)	28.78	(86,988)
Transfers in during the year	40.17	18,596	-	-
Transfers out during the year	31.84	(90,878)	-	-
Lapsed during the period	-	-	38.86	(51,942)
Outstanding at the end of the period	40.13	320,258	34.05	381,670
Exercisable at the end of the period	32.45	168,660	30.10	186,287

The weighted average share price at the date of exercise of share options exercised during the period was US\$59.06 (2011: US\$53.59).

The options outstanding at the period end have an exercise price in the range of US\$11.50 to US\$71.50 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.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

20. SHARE-BASED PAYMENTS *(continued)*

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

	2012 YUMBUCKS	2011 YUMBUCKS	2012 SOIP	2011 SOIP
Fair value at measurement date	US\$13.29	US\$14.44	US\$16.50	US\$15.29
Weighted average share price	US\$40.33	US\$35.18	US\$40.13	US\$34.05
Exercise price	US\$70.90	US\$51.22	US\$64.44	US\$49.30
Expected volatility	31.00%	32.00%	31.00%	31.00%
Option life (years)	5.0	5.0	5.0	5.0
Expected dividends	US\$1.34	US\$1.14	US\$1.34	US\$1.14
Risk-free interest rate (based on national government bonds)	0.77%	0.75%	0.67%	0.51%

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

	3 Dec 12 £000	4 Dec 11 £000
Equity settled share based payments charge	687	765
Total carrying amount of liabilities	6,989	5,743

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The company operates a defined contribution pension scheme, closed to future accrual of benefits from 1 July 2011

The scheme was accounted for as a defined contribution plan in previous years of assessment. The company took the decision to disclose its commitment to the plan on a defined benefit basis following a change of the participating employers in the plan and, consequently, adopted FRS17 as at 30 November 2012. As the plan was not recognised in the accounts for the year ended 04 December 2011 there are no prior year figures

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

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 30 November 2012. This valuation showed a funding surplus on the scheme of £(8 173m). In accordance with paragraphs 37 and 41 of FRS17, the net asset has been restricted to nil. The estimated pension expense for the fiscal year ended 30 November 2013 is £nil, again restricted due to the surplus cap

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

21. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Other finance income is included in the profit and loss account within interest receivable and similar income

Change in the present value of the defined benefit obligation is as follows

	2 Dec 12
	£000
Liabilities acquired on transfer	(57,091)
Closing defined benefit obligation	<u>(57,091)</u>

Changes in the fair value of scheme assets are as follows

	2 Dec 12
	£000
Assets acquired on transfer	65,264
Closing fair value of scheme assets	<u>65,264</u>

The amounts recognised in the balance sheet are as follows

	2 Dec 12
	£000
Present value of wholly or partly funded obligations	(57,091)
Fair value of plan asset	65,264
Surplus/(deficit) of funded plans	8,173
Effect of asset limit	<u>(8,173)</u>
Net asset/(liability)	<u>-</u>

The fair value of the major categories of scheme assets as a percentage of total scheme assets are as follows

	2 Dec 12
	%
Equity Securities	74.55
Debt Securities	23.76
Other assets	1.69

The principal actuarial assumptions as at the balance sheet date were

	2 Dec 12
	%
Discount rate	4.60
Rate of increase in pensions in payment	2.10
Rate of increase in inflation (CPI)	2.10
Retiring today (male member aged 65)	22.60
Retiring in 20 years (male member aged 45 today)	24.80

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

22. COMMITMENTS UNDER OPERATING LEASES

At 2 December 2012 the company had annual commitments under non-cancellable operating leases as set out below

	2 Dec 12		4 Dec 11	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	1,386	-	281	-
Within 2 to 5 years	3,911	1,297	5,499	1,183
After more than 5 years	19,387	-	19,552	-
	<u>24,684</u>	<u>1,297</u>	<u>25,332</u>	<u>1,183</u>

23. SHARE CAPITAL

Allotted, called up and fully paid.

	2 Dec 12		4 Dec 11	
	No	£000	No	£000
18,000,000 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 5 Dec 11 to 2 Dec 12 £000	Period from 29 Nov 10 to 4 Dec 11 £000
Balance brought forward	43,346	41,134
Profit for the financial period	25,395	35,867
Equity dividends	-	(32,240)
Recharge for share-based payments	(2,977)	(1,008)
Credit in relation to share-based payments	687	765
Exchange rate movement	3,854	(1,172)
Balance carried forward	<u>70,305</u>	<u>43,346</u>

26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2 Dec 12 £000	4 Dec 11 £000
Profit for the financial period	25,395	35,867
Equity dividends	-	(32,240)
Recharge for share-based payments	(2,977)	(1,008)
Credit in relation to share-based payments	687	765
Exchange rate movement	3,854	(1,172)
Net addition to shareholders' funds	<u>26,959</u>	<u>2,212</u>
Opening shareholders' funds	<u>77,629</u>	<u>75,417</u>
Closing shareholders' funds	<u>104,588</u>	<u>77,629</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 5 DECEMBER 2011 TO 2 DECEMBER 2012

27. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £7,789,000 (2011 - £7,561,000)

28. ULTIMATE PARENT COMPANY

At the year end, the company was a subsidiary undertaking of Yum! Restaurant Holdings, 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

Yum! Brands Inc
1441 Gardiner Lane
PO Box 37330
Louisville
Kentucky
40213 USA