

COMPANY REGISTRATION NUMBER 00967403

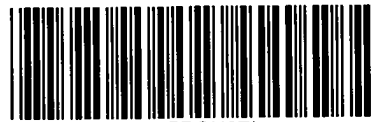
**KENTUCKY FRIED CHICKEN (GREAT BRITAIN)
LIMITED**

FINANCIAL STATEMENTS

PERIOD ENDED

1 DECEMBER 2013

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KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

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KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

MRF Shuker
E Fieldgate (Resigned 7 December 2012)
M H McGowan (Served from 4 May 2010 to 13
December 2013)
J D Watts
PJ MacKenzie (Appointed 11 March 2013)

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

STRATEGIC REPORT

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

BUSINESS REVIEW

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, whilst strong advertising and continuing investment in enhancing and maintaining our restaurant estate have helped to deliver a 5.5% increase in sales to £446.4m (2012: £423.3m).

Operating profit of 9.5% has declined slightly when compared to that of the prior year (2012: 10.1%) due to increased administrative expenses of £8.6m to £174.3m (2012: £165.6m) driven primarily by increased labour costs (£9.3m) in line with the increase in average staff headcount and depreciation (£4.1m) due to continued investment in new stores, store remodels and equipment. This has been offset by cost saving initiatives implemented across the business during the year under review and as a result we have delivered operating profit of £42.5m (2012: £42.9m).

The company has net assets of £132.6m as at the end of the 2013 financial period.

PRINCIPLE RISKS AND UNCERTAINTIES

The Quick Service Restaurant industry remains a strong competitive environment within a difficult economic climate. As a business we continue to invest in new stores and our existing estate, new product layers and are continuously looking at new and innovative design and trade concepts that drive increased transactional market share and sales year on year.

Interest Rate Risk

The company finances its operations through generated cash flows and retained profits in line with group investment requirements. As a result, minimal risk is associated with this area.

Liquidity Risk

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.

FUTURE DEVELOPMENTS

A key element of our ongoing strategy is to review our estate to identify where franchise ownership represents greater growth potential for the Brand in our market. This is a positive indication of our plans to focus our resources for future growth and to enable franchisees to grow and add value, especially where there are synergies with adjacent ownerships and assets.

Signed on behalf of the directors



MRF Shuker

Director

Approved by the directors on 11 August 2014

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

DIRECTORS' REPORT

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

The directors present their report and the financial statements of the company for the period from 3 December 2012 to 1 December 2013.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £31,332,000. The directors have not recommended a dividend.

DIRECTORS

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

MRF Shuker
M H McGowan
J D Watts
E Fieldgate

(Resigned 7 December 2012)

MH McGowan resigned on 13 December 2013 and PJ 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.

PRINCIPLE ACTIVITIES

The principle activity of the company during the period in the UK and via its branch in Germany continued to be the sale of KFC products through company-owned stores and the receipt of income from Franchisees of the KFC trademarks 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.

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

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

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

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.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all 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.

Registered office:
32 Goldsworth Road
Woking
Surrey
GU21 6JT

Signed on behalf of the directors



MRF Shuker

Director

Approved by the directors on 11 August 2014

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

The directors are responsible for preparing the Strategic Report, 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 period. 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 these 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.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

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

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) Limited for the period from 3 December 2012 to 1 December 2013 on pages 8 to 27. 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 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 3 DECEMBER 2012 TO 1 DECEMBER 2013

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 1 December 2013 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 MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and 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

11 August 2014

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

		Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
TURNOVER	Note 3	446,400	423,345
Cost of sales		<u>(234,170)</u>	<u>(217,924)</u>
GROSS PROFIT		212,230	205,421
Administrative expenses		<u>(174,262)</u>	<u>(165,626)</u>
Other operating income	4	<u>4,526</u>	<u>3,118</u>
OPERATING PROFIT	5	42,494	42,913
Interest receivable	8	767	420
Interest payable and similar charges	9	<u>(3,149)</u>	<u>(4,196)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40,112	39,137
Tax on profit on ordinary activities	10	<u>(8,780)</u>	<u>(13,742)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>31,332</u>	<u>25,395</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 11 to 27 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Profit for the financial period attributable to the shareholders	31,332	25,395
Currency translation differences on foreign currency net investments	(1,016)	3,854
Total gains and losses recognised since the last annual report	<u>30,316</u>	<u>29,249</u>

The notes on pages 11 to 27 form part of these financial statements.

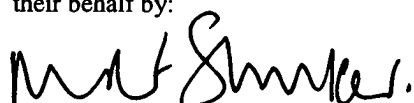
KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

BALANCE SHEET

1 DECEMBER 2013

	Note	£000	1 Dec 13 £000	2 Dec 12 £000
FIXED ASSETS				
Intangible assets	11		11,846	13,118
Tangible assets	12		240,313	216,151
Investments	13		917	917
			<u>253,076</u>	<u>230,186</u>
CURRENT ASSETS				
Stocks	14	2,175		2,277
Debtors	15	58,591		38,491
Cash at bank and in hand		46,695		37,061
		107,461		77,829
CREDITORS: Amounts falling due within one year	17	(226,540)		(202,130)
NET CURRENT LIABILITIES			(119,079)	(124,301)
TOTAL ASSETS LESS CURRENT LIABILITIES			133,997	105,885
CREDITORS: Amounts falling due after more than one year				
	18		(1,412)	(1,297)
			<u>132,585</u>	<u>104,588</u>
CAPITAL AND RESERVES				
Called-up equity share capital	22		18,000	18,000
Share premium account	23		16,283	16,283
Profit and loss account	24		98,302	70,305
SHAREHOLDERS' FUNDS	25		<u>132,585</u>	<u>104,588</u>

These accounts were approved by the directors and authorised for issue on 11 August 2014, and are signed on their behalf by:



MRF SHUKER

Company Registration Number: 00967403

The notes on pages 11 to 27 form part of these financial statements.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

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 3 DECEMBER 2012 TO 1 DECEMBER 2013

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 3 DECEMBER 2012 TO 1 DECEMBER 2013

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 3 DECEMBER 2012 TO 1 DECEMBER 2013

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. confirms that it intends to continue to provide financial and other support to Kentucky Fried Chicken (Great Britain) Limited for at least the next twelve months from the date of approval of these financial statements which would 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 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Company store sales	410,135	388,347
Franchise royalties and fees	36,265	34,998
	<u>446,400</u>	<u>423,345</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

4. OTHER OPERATING INCOME

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Rent receivable	206	326
Commission receivable	581	355
Distribution income	1,899	1,952
Other operating income	1,840	485
	4,526	3,118

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Amortisation of intangible assets	1,684	1,647
Depreciation of owned fixed assets	28,327	24,288
Impairment of owned fixed assets	576	1,865
Loss on disposal of fixed assets	1,628	1,696
Auditor's remuneration		
- as auditor	94	98
- for other services	77	32
Operating lease costs:		
- Plant and equipment	986	812
- Other	21,470	20,377
Net loss/(profit) on foreign currency translation	6	(6)
	6	(6)

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Audit	94	98
Taxation compliance	12	32
Other tax advisory	62	
Taxation	3	-
	171	32

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

6. PARTICULARS OF EMPLOYEES

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

	Period from 3 Dec 12 to 1 Dec 13 No	Period from 5 Dec 11 to 2 Dec 12 No
Sales and distribution	7,444	6,798
Administration	618	599
	<u>8,062</u>	<u>7,397</u>

The aggregate payroll costs of the above were:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Wages and salaries	114,568	104,106
Social security costs	9,824	9,485
Other pension costs	3,066	4,566
Equity-settled share-based payments	679	687
	<u>128,137</u>	<u>118,844</u>

7. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Remuneration receivable	1,022	1,145
Value of company pension contributions to money purchase schemes	116	134
	<u>1,138</u>	<u>1,279</u>

Remuneration of highest paid director:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Total remuneration (excluding pension contributions)	502	464
Value of company pension contributions to money purchase schemes	49	64
	<u>551</u>	<u>528</u>

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 2 (2012: 3)

The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was 3 (2012: 3)

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

8. INTEREST RECEIVABLE

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Other loan interest receivable	159	98
Interest received on taxation	583	104
Interest from group undertakings	25	218
	<u>767</u>	<u>420</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Interest owing to group undertakings	<u>3,149</u>	<u>4,196</u>

10. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 23.33% (2012 - 24.66%)	11,857	11,075
Adjustment in respect of prior periods	(934)	1,958
	<u>10,923</u>	<u>13,033</u>
Group relief received for no consideration	(83)	(32)
Total current tax	<u>10,840</u>	<u>13,001</u>
Deferred tax:		
Origination and reversal of timing differences	(2,060)	741
Tax on profit on ordinary activities	<u>8,780</u>	<u>13,742</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 23.33% (2012 - 24.66%).

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Profit on ordinary activities before taxation	<u>40,112</u>	<u>39,137</u>
Profit on ordinary activities by rate of tax	9,358	9,651
Expenses not deductible for tax purposes	3,077	1,975
Capital allowances for period in excess of depreciation	(180)	(129)
Adjustments to tax charge in respect of previous periods	(1,017)	1,926
Pension spreading	(398)	(422)
Total current tax (note 10(a))	<u>10,840</u>	<u>13,001</u>

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 1 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

11. INTANGIBLE FIXED ASSETS

	Goodwill £000	Key Money £000	Total £000
COST			
At 3 December 2012	30,601	2,584	33,185
Additions	-	1,352	1,352
Disposals	(369)	(600)	(969)
Foreign Exchange	10	19	29
At 1 December 2013	<u>30,242</u>	<u>3,355</u>	<u>33,597</u>
AMORTISATION			
At 3 December 2012	19,074	993	20,067
Charge for the period	1,560	124	1,684
At 1 December 2013	<u>20,634</u>	<u>1,117</u>	<u>21,751</u>
NET BOOK VALUE			
At 1 December 2013	<u>9,608</u>	<u>2,238</u>	<u>11,846</u>
At 2 December 2012	<u>11,527</u>	<u>1,591</u>	<u>13,118</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
COST OR VALUATION				
At 3 December 2012	104,324	149,595	143,017	396,936
Additions	30,682	11,454	18,481	60,617
Disposals	(13,015)	(16)	(14,426)	(27,457)
Foreign exchange	458	786	381	1,625
Transfers	10,697	(14,153)	3,456	-
At 1 December 2013	<u>133,146</u>	<u>147,666</u>	<u>150,909</u>	<u>431,721</u>
DEPRECIATION				
At 3 December 2012	31,273	53,249	96,263	180,785
Charge for the period	10,933	1,387	16,007	28,327
Impairment for the period	1	341	234	576
On disposals	(7,060)	(6)	(11,543)	(18,609)
Foreign Exchange	44	104	181	329
At 1 December 2013	<u>35,191</u>	<u>55,075</u>	<u>101,142</u>	<u>191,408</u>
NET BOOK VALUE				
At 1 December 2013	<u>97,955</u>	<u>92,591</u>	<u>49,767</u>	<u>240,313</u>
At 2 December 2012	73,051	96,346	46,754	216,151

Freehold land and buildings includes property with a net book value of £1.7m which, at year end, was held with an intention to sell.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

13. INVESTMENTS

	Total £000
COST	
At 3 December 2012 and 1 December 2013	917 <u> </u>
NET BOOK VALUE	
At 1 December 2013 and 2 December 2012	917 <u> </u>

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.

14. STOCKS

	1 Dec 13 £000	2 Dec 12 £000
Food and packaging	2,175 <u> </u>	2,277 <u> </u>

15. DEBTORS

	1 Dec 13 £000	2 Dec 12 £000
Trade debtors	19,354	9,821
Amounts owed by group undertakings	21,396	12,969
Corporation tax repayable	–	5,420
Other debtors	5,795	3,280
Prepayments and accrued income	9,494	6,509
Deferred taxation (note 16)	2,552 <u> </u>	492 <u> </u>
	58,591 <u> </u>	38,491 <u> </u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

16. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Included in debtors (note 15)	2,552	492

The movement in the deferred taxation account during the period was:

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Balance brought forward	492	1,233
Profit and loss account movement arising during the period	2,060	(741)
Balance carried forward	2,552	492

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

	1 Dec 13 £000	2 Dec 12 £000
Excess of depreciation over taxation allowances	610	(1,981)
Short term timing differences	455	816
Other timing differences	1,487	1,657
	2,552	492

17. CREDITORS: Amounts falling due within one year

	1 Dec 13 £000	2 Dec 12 £000
Overdrafts	101,487	-
Trade creditors	15,543	9,140
Amounts owed to group undertakings	56,261	150,828
Other creditors including taxation:		
Corporation tax	4,459	-
Other taxation	6,146	4,286
Other creditors	118	183
	184,014	164,437
Accruals and deferred income	42,526	37,693
	226,540	202,130

Kentucky Fried Chicken (Great Britain) Limited participates in a notional cash pooling arrangement whereby it borrows funds from third party Bank Mendes Gans using Yum's consolidated cash position as collateral to make short term investments or deposits. These borrowings are shown under overdraft.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

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

	1 Dec 13	2 Dec 12
	£000	£000
Accruals and deferred income	<u>1,412</u>	<u>1,297</u>

19. 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. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2013 Weighted average exercise price US\$	2013 Number of options	2012 Weighted average exercise price US\$	2012 Number of options
Outstanding at the beginning of the period	\$40.33	212,926	\$35.18	215,426
Granted during the period	\$71.36	22,842	\$68.92	29,354
Exercised during the period	\$70.34	(44,722)	\$33.96	(37,467)
Transfers in during the year	\$40.33	2,029	\$34.23	19,194
Transfers out during the year	\$46.23	(4,746)	0	0
Lapsed during the period	\$41.67	(17,302)	\$30.25	(13,210)
Outstanding at the end of the period	\$46.87	171,027	\$40.33	215,926
Exercisable at the end of the period	\$30.30	50,446	\$24.78	47,537

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

	2013 Weighted average exercise price US\$	2013 Number of options	2012 Weighted average exercise price US\$	2012 Number of options
Outstanding at the beginning of the period	\$40.13	320,258	\$34.05	381,670
Granted during the period	\$62.93	44,333	\$64.44	50,653
Exercised during the period	\$71.52	(33,642)	\$33.23	(39,783)
Transfers in during the year	\$40.13	11,992	\$40.17	18,596
Transfers out during the year	\$45.55	(43,742)	\$31.84	(90,878)
Lapsed during the period	\$64.44	(1,864)	0	0
Outstanding at the end of the period	\$43.68	297,335	\$40.13	320,258
Exercisable at the end of the period	\$35.75	183,585	\$32.45	168,660

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

19. SHARE-BASED PAYMENTS *(continued)*

The weighted average share price at the date of exercise of share options exercised during the period was US\$70.84 (2012: US\$59.06).

The options outstanding at the period end have an exercise price in the range of US\$16.88 to US\$71.75 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:

	2013 YUMBUCKS	2012 YUMBUCKS	2013 SOIP	2012 SOIP
Fair value at measurement date	US\$16.85	US\$13.29	US\$24.29	US\$16.50
Weighted average share price	US\$46.87	US\$40.33	US\$43.68	US\$40.13
Exercise price	US\$71.36	US\$70.90	US\$62.93	US\$64.44
Expected volatility	25.00%	31.00%	30.00%	31.00%
Option life (years)	10	5	10	5
Expected dividends	US\$1.48	US\$1.34	US\$1.48	US\$1.34
Risk-free interest rate (based on national government bonds)	1.37%	0.77%	1.55%	0.67%

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:

	1 Dec 13 £000	3 Dec 12 £000
Equity settled share based payments charge	678	687
Total carrying amount of liabilities	7,358	6,989

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

20. 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.

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 £10.079m (2012: 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.

Change in the present value of the defined benefit obligation are as follows:

	1 Dec 13 £000	2 Dec 12 £000
Benefit obligation at beginning of the year	(57,091)	-
Interest cost	(2,606)	-
Amendments	(7,107)	-
Benefits paid from the plan/company	882	-
Obligations acquired on transfer	-	(57,091)
Closing defined benefit obligation	<u>(65,922)</u>	<u>(57,091)</u>

Changes in the fair value of scheme assets are as follows:

	1 Dec 13 £000	2 Dec 12 £000
Fair value of plan assets at beginning of the year	65,264	-
Expected return on plan assets	2,606	-
Actuarial gain/(loss) on plan assets	9,013	-
Benefits paid from plan/company	(882)	-
Assets acquired on transfer	-	65,264
Fair value of plan assets at year end	<u>76,001</u>	<u>65,264</u>

The amounts recognised in the balance sheet are as follows:

	1 Dec 13 £000	2 Dec 12 £000
Present value of wholly or partly funded obligations	(65,922)	(57,091)
Fair value of plan asset	<u>76,001</u>	<u>65,264</u>
Surplus/(deficit) of funded plans	10,079	8,173
Effect of asset limit	(10,079)	(8,173)
Net asset/(liability)	<u>-</u>	<u>-</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

20. PENSIONS AND OTHER POST RETIREMENT BENEFITS (continued)

The amounts recognised in profit and loss are as follows:

	1 Dec 13	2 Dec 12
	£000	£000
Interest Cost	2,606	-
Expected return on plan assets	(2,606)	-
Total pension cost recognized in the P/L Account	<u>-</u>	<u>-</u>

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

	1 Dec 13	2 Dec 12
	%	%
Equity Securities	78.52	74.55
Debt Securities	20.99	23.76
Other assets	0.49	1.69

The principal actuarial assumptions to determine benefit obligations as at the balance sheet date were:

	1 Dec 13	2 Dec 12
	%	%
Discount rate	4.70	4.60
Rate of increase in inflation (RPI)	3.50	2.90
Rate of increase in inflation (CPI)	2.70	2.10
Rate of pension increases (RPI up to 5%)	3.40	2.90
Rate of pension increases (CPI up to 5%)	2.70	2.10

The principal actuarial assumptions to determine net pension cost as at the balance sheet date were:

	1 Dec 13	2 Dec 12
	%	%
Discount rate	4.60	n/a
Expected long-term rate of return on plan assets	5.35	n/a
Rate of increase in inflation (RPI)	2.90	n/a
Rate of increase in inflation (CPI)	2.10	n/a
Rate of pension increases (RPI up to 5%)	2.90	n/a
Rate of pension increases (CPI up to 5%)	2.10	n/a
Assumed life expectations on retirement at age 65		
	1 Dec 13	2 Dec 12
	%	%
Retiring today (member age 65)	22.50	22.60
Retiring in 25 years (member age 40 today)	24.60	24.80

The amounts recognised in the balance sheet are as follows:

	1 Dec 13	2 Dec 12
	£000	£000
Defined benefit obligation	(65,922)	(57,091)
Fair value of plan asset	76,001	65,264
Surplus/(deficit) of funded plans	<u>10,079</u>	<u>8,173</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

21. COMMITMENTS UNDER OPERATING LEASES

At 1 December 2013 the company had annual commitments under non-cancellable operating leases as set out below.

	1 Dec 13		2 Dec 12	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	997	-	1,386	-
Within 2 to 5 years	2,084	1,456	3,911	1,297
After more than 5 years	<u>11,911</u>	-	<u>19,387</u>	-
	<u>14,992</u>	<u>1,456</u>	<u>24,684</u>	<u>1,297</u>

22. SHARE CAPITAL

Allotted, called up and fully paid:

	1 Dec 13		2 Dec 12	
	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>

23. SHARE PREMIUM ACCOUNT

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

24. PROFIT AND LOSS ACCOUNT

	Period from 3 Dec 12 to 1 Dec 13 £000	Period from 5 Dec 11 to 2 Dec 12 £000
Balance brought forward	70,305	43,346
Profit for the financial period	31,332	25,395
Recharge for share-based payments	(2,998)	(2,977)
Credit in relation to share-based payments	679	687
Exchange rate movement	<u>(1,016)</u>	<u>3,854</u>
Balance carried forward	<u>98,302</u>	<u>70,305</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1 Dec 13	2 Dec 12
	£000	£000
Profit for the financial period	31,332	25,395
Recharge for share-based payments	(2,998)	(2,977)
Credit in relation to share-based payments	679	687
Exchange rate movement	(1,016)	3,854
Net addition to shareholders' funds	27,997	26,959
Opening shareholders' funds	104,588	77,629
Closing shareholders' funds	<u>132,585</u>	<u>104,588</u>

26. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £11,865,000 (2012 - £7,789,000).

27. 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