

Kentucky Fried Chicken (Great Britain) Limited

Directors' report and financial
statements

Registered number 967403

1 December 2002



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Company information

Registered in England
on 1 December 1969
Number 967403
VAT 414 0215 13

Registered Office Kentucky Fried Chicken (Great Britain) Limited
32 Goldsworth Road
Woking
Surrey
GU21 1JT

Directors

JJ Ash	
EMM Hodding	
AE Perren	
N Chaudhary	
VP Toolan	(resigned 4 January 2003)
GO Ashford	
C Harrison Church	(appointed 10 January 2002)
D Royden	(appointed 10 January 2002)
JC Johannsen	(appointed 10 January 2002)
KP Higgins	(resigned 10 January 2002)
K-H Ruether	(resigned 10 January 2002)
MS Haure-Petersen	(resigned 31 July 2003)
JA Bhansali	(appointed 26 August 2003)

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 1 December 2002.

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 1 December 2002 amounted to £11,890,000 (*2001 restated: £15,297,000*), which has been taken to reserves.

The directors do not recommend the payment of a dividend. During the previous period an interim dividend of £15,000,000 was paid, the remaining £297,000 being taken to reserves.

Directors and directors' interests

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

JJ Ash	
EMM Hodding	
AE Perren	
N Chaudhary	
VP Toolan	(resigned 4 January 2003)
GO Ashford	
C Harrison Church	(appointed 10 January 2002)
D Royden	(appointed 10 January 2002)
JC Johannsen	(appointed 10 January 2002)
KP Higgins	(resigned 10 January 2002)
K-H Ruether	(resigned 10 January 2002)
MS Haure-Petersen	(resigned 31 July 2003)
JA Bhansali	(appointed 26 August 2003)

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	40,290	15.1407	27 January 2004	27 January 2010
	25 January 2001	21,524	16.7825	25 January 2002	25 January 2011
	31 December 2001	17,058	24.9160	31 December 2002	31 December 2011
	24 January 2002	8,474	26.5550	24 January 2003	24 January 2012
EMM Hodding	20 January 1998	16,514	13.6250	20 January 2002	20 January 2008
	21 January 1999	8,942	23.4844	21 January 2003	21 January 2009
	27 January 2000	14,862	15.1407	27 January 2004	27 January 2010
	25 January 2001	11,918	16.7825	25 January 2002	25 January 2011
AE Perren	31 December 2001	8,028	24.9160	31 December 2002	31 December 2011
	21 January 1999	6,814	23.4844	21 January 2003	21 January 2009
	27 January 2000	11,230	15.1407	27 January 2004	27 January 2010
	25 January 2001	10,428	16.7825	25 January 2002	25 January 2011
N Chaudhary	31 December 2001	5,018	24.9160	31 December 2002	31 December 2011
	21 January 1999	3,408	23.4844	21 January 2003	21 January 2009
	27 January 2000	5,616	15.1407	27 January 2004	27 January 2010
	25 January 2001	5,364	16.7825	25 January 2002	25 January 2011
VP Toolan	31 December 2001	3,614	24.9160	31 December 2002	31 December 2011
	31 December 2001	3,614	24.9160	31 December 2002	31 December 2011
GO Ashford	10 February 1999	856	23.3750	10 February 2003	10 February 2009
	10 August 1999	970	20.6250	10 August 2003	10 August 2009
	10 February 2000	1,226	15.5000	10 February 2004	10 February 2010
	25 January 2001	4,172	16.7825	25 January 2002	25 January 2011
	31 December 2001	3,614	24.9160	31 December 2002	31 December 2011
C Harrison-Church	31 December 2001	5,018	24.9160	31 December 2002	31 December 2011
D Royden	25 January 2001	4,172	16.7825	25 January 2002	25 January 2011
	31 December 2001	3,614	24.9160	31 December 2002	31 December 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.

Directors' report *(continued)*

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.

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 *(2001: 19 days)*.

Charitable and political donations

Donations to UK charities amounted to £3,070 *(2001: £960)*. The company made no political contributions during the period *(2001: £Nil)*.

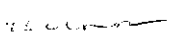
Auditors

In accordance with Section 384 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

 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 24.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

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 1 December 2002 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

4th November 2003

Profit and loss account

for the 52 weeks ended 1 December 2002

		52 weeks ended 1 December 2002 £000	52 weeks ended 2 December (restated) * 2001 £000
Turnover	3	220,554	194,088
Cost of sales		(119,256)	(104,584)
Gross profit		101,298	89,504
Administrative expenses		(80,871)	(67,718)
Other operating income		1,196	2,811
Operating profit		21,623	24,597
Other interest receivable and similar income	7	1,146	1,330
Interest payable and similar charges	8	(1,839)	(1,837)
Profit on ordinary activities before taxation	4	20,930	24,090
Tax on profit on ordinary activities	9	(9,040)	(8,793)
Profit on ordinary activities after taxation		11,890	15,297
Dividends paid or proposed	10	-	(15,000)
Retained profit for financial period		11,890	297

The turnover and operating profit relate wholly to continuing activities.

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

* Restated as a result of FRS 19 adoption

Balance sheet

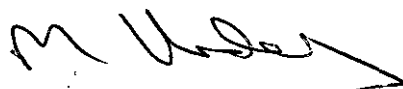
at 1 December 2002

	Note	1 December 2002		2 December 2001
		£000	£000	Restated * £000
Fixed assets				
Intangible fixed assets	11		19,047	19,110
Tangible fixed assets	12		102,073	82,759
Investments in subsidiary undertakings	13		933	933
			<hr/>	<hr/>
			122,053	102,802
Current assets				
Stocks	14	1,394		1,131
Debtors	15	17,394		16,983
Cash at bank and in hand		26,896		15,605
			<hr/>	<hr/>
		45,684		33,719
Creditors: amounts falling due within one year	16	(79,440)		(62,249)
		<hr/>		<hr/>
Net current liabilities			(33,756)	(28,530)
			<hr/>	<hr/>
Total assets less current liabilities			88,297	74,272
Creditors: amounts falling due after more than one year	16	(1,897)		(1,439)
Provisions for liabilities and charges	17	(6,042)		(4,365)
			<hr/>	<hr/>
Net assets			80,358	68,468
			<hr/>	<hr/>
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	46,075		34,185
			<hr/>	<hr/>
Shareholders' funds			80,358	68,468
			<hr/>	<hr/>

* Restated as a result of FRS 19 adoption

These financial statements were approved by the board of directors on 23 October 2003 and were signed on its behalf by:

Director



E.M.M. HODDING

Statement of total recognised gains and losses

for the period ended 1 December 2002

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 (* restated) £000
Profit on ordinary activities after tax	11,890	15,297
Dividends	-	(15,000)
Total recognised gains and losses relating to the financial period	11,890	297
Prior year adjustment	(4,365)	
Total gains and losses recognised since last annual report	7,525	

* Restated as a result of FRS 19 adoption

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. The company has adopted the transitional provisions of the new accounting standard, FRS 17.

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. 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.

The company has changed its accounting policy on deferred tax to comply with the requirements of FRS 19 "Deferred Tax". The change in accounting policy is reflected by way of a prior period adjustment and the prior period comparisons have been adjusted accordingly. The effect of the prior period adjustment is to increase the tax charge for the period ended 1 December 2002 by £1,677,000 (2001: £844,000) and the deferred tax provision at 1 December 2002 by £6,042,000 (2001: £4,365,000). The effect on the accounts is disclosed in note 17.

Turnover

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

Notes (continued)

3 Analysis of turnover

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
<i>By activity</i>		
Company stores sales	207,719	182,550
Franchise royalties and fees	12,835	11,538
	220,554	194,088
	220,554	194,088

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.

4 Profit on ordinary activities before taxation

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
<i>Profit on ordinary activities before taxation is stated after charging / (crediting)</i>		
Foreign exchange (gain)/loss	(373)	8
Auditors' remuneration:		
Audit	61	47
Other services	45	36
Amortisation of intangible fixed assets	1,189	1,183
Depreciation of tangible fixed assets	11,219	9,568
Hire of plant and machinery - rentals payable under operating leases	219	162
Hire of other assets - operating leases	552	486
Leasehold property rents	10,861	9,802
	10,861	9,802
	10,861	9,802

Notes (continued)

5 Remuneration of directors

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Directors' emoluments	1,039	743

The emoluments, excluding pension contributions, of the highest paid director were £246,000 (2001: £259,000) and the company paid pension contributions of £ 15,000 (2001: £14,000) during the period. At the period end he had accrued a pension of £ 4,000 per annum (2001: £4000).

	Number of directors	
	52 weeks ended 1 December 2002	52 weeks ended 2 December 2001
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	7	7

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 1 December 2002	52 weeks ended 2 December 2001
Total	5,166	4,001

The aggregate payroll costs of these persons were as follows:

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Wages and salaries	46,669	33,429
Social security costs	3,348	2,036
Other pension costs (see note 22)	1,162	801
	51,179	36,266

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 prior period.

Notes (continued)

7 Other interest receivable and similar income

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Interest on short-term deposits	-	177
Other interest receivable	1,146	1,153
	<u>1,146</u>	<u>1,330</u>

8 Interest payable and similar charges

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Amounts payable on bank overdrafts	-	52
Other interest	1,839	1,785
	<u>1,839</u>	<u>1,837</u>

9 Taxation

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 (Restated) * £000
UK corporation tax at 30% (2001: 30%)	7,576	7,709
Adjustment in respect of prior periods	(213)	240
	<u>7,363</u>	<u>7,949</u>
Deferred tax charge for the year	1,677	844
	<u>9,040</u>	<u>8,793</u>

* Restated as a result of FRS 19 adoption

Notes *(continued)*

Factors affecting the tax charge for the current period

The current tax charge is higher (2001 – higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Profit on ordinary activities before taxation	20,930	24,090
Current tax at 30% (2001: 30%)	6,279	7,227
Effects of:		
Expenses not deductible for tax purposes (primarily depreciation of ineligible assets)	2,885	1,349
Capital allowances for period in excess of depreciation of eligible assets	(1,588)	(867)
Adjustments to tax charge in respect of prior periods	(213)	240
Total current tax charge (see above)	<u>7,363</u>	<u>7,949</u>

Notes (continued)

10 Dividends

	52 weeks ended 1 December 2002 £000	52 weeks ended 2 December 2001 £000
Interim dividend paid	-	15,000
	-	15,000

11 Intangible assets

	Key money £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of period	405	23,248	23,653
Additions	1,126	-	1,126
	1,531	23,248	24,779
<i>Amortisation</i>			
At beginning of period	38	4,505	4,543
Charge for period	26	1,163	1,189
	64	5,668	5,732
<i>Net book value</i>			
At 1 December 2002	1,467	17,580	19,047
At 2 December 2001	367	18,743	19,110

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	24,044	70,713	57,462	152,219
Additions	5,087	14,485	11,359	30,931
Disposals	(90)	(1,246)	(301)	(1,637)
Foreign exchange	13	149	52	214
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	29,054	84,101	68,572	181,727
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>				
At beginning of period	5,785	30,880	32,795	69,460
Charge for period	1,051	4,150	6,018	11,219
Disposals	(86)	(705)	(251)	(1,042)
Foreign exchange	1	7	9	17
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	6,751	34,332	38,571	79,654
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 1 December 2002	22,303	49,769	30,001	102,073
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 December 2001	18,259	39,833	24,667	82,759
	<hr/>	<hr/>	<hr/>	<hr/>

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
	<u> </u>	<u> </u>	<u> </u>

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 1 December 2002 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

	1 December 2002 £000	2 December 2001 £000
Food and packaging	1,394	1,131
	<u> </u>	<u> </u>

Notes (continued)

15 Debtors

	1 December 2002 £000	2 December 2001 £000
<i>Amounts due within one year:</i>		
Trade debtors	3,589	2,941
Other debtors	1,428	1,003
Amounts owed by parent company	106	10,370
Amounts owed by fellow subsidiary undertakings	9,993	431
Amounts owed by subsidiary undertakings	311	311
Prepayments and accrued income	1,967	1,927
	<u>17,394</u>	<u>16,983</u>

16 Creditors

	1 December 2002		2 December 2001	
	£000	£000	£000	£000
<i>Amounts falling due within one year:</i>				
Trade creditors		7,311		6,911
Amounts owed by parent company		10,076		
Amounts owed to fellow subsidiary Undertakings		27,766		24,199
Amounts owed to subsidiary undertakings		2,991		2,468
Other creditors including taxation and social security:				
Corporation tax	5,421		5,822	
Other taxes and social security	7,893		7,990	
		<u>13,314</u>		13,812
Accruals and deferred income		17,982		14,859
		<u>79,440</u>		<u>62,249</u>
<i>Amounts falling due after one year:</i>				
Accruals and deferred income		1,897		1,439

Notes (continued)

17 Provisions for liabilities and charges

Balances in respect of deferred taxation are set out below:

	1 December 2002		2 December 2001 Restated *	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	6,536	-	4,948	-
Short term timing differences	(494)	-	(583)	-
Net chargeable gains	-	1,106	-	1,106
	<u>6,042</u>	<u>1,106</u>	<u>4,365</u>	<u>1,106</u>

* Restated as a result of FRS 19 adoption

18 Called up share capital

	1 December 2002 £000	2 December 2001 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>

19 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of period	16,283	38,550
Prior period adjustment	-	(4,365)
As restated	<u>16,283</u>	<u>34,185</u>
Retained profit for the period	-	11,890
At end of period	<u>16,283</u>	<u>46,075</u>

Notes (continued)

20 Reconciliation of movements in shareholders' funds

	1 December 2002 £000	2 December 2001 £000
Opening shareholders' funds as previously stated	72,833	71,692
Prior period adjustment	(4,365)	(3,521)
	68,468	68,171
Opening shareholders' funds as restated	68,468	68,171
Profit for the financial period	11,890	297
	80,358	68,468

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:

	1 December 2002 £000	2 December 2001 £000
Authorised but not contracted	27,230	26,745
	27,230	26,745

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

	1 December 2002		2 December 2001	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	151	-	747	-
In the second to fifth years inclusive	695	771	668	648
Over five years	7,117	-	6,844	-
	7,963	771	8,259	648

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 Yum! Restaurants Europe 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 full actuarial assessment of the scheme was carried out as at 31 March 2002. 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 6.75% pre retirement and 5.25% post retirement, the rate of increase in salaries would be 5.5% per annum reverting to 4.75% per annum on 31 March 2005 and the rate of increase in pensions earned from 6 April 1997 would be 2.75%.

The pension charge for the period was £ 1,162,000 (2001: £801,600). A provision of £208,000 (2001 prepayment £37,000) is included in the company's balance sheet.

The market value of the fund's assets at 31 March 2002 was £7,487,000. 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 £1,760,000. The actuarial value of assets was sufficient to cover 81% of the value of liabilities at that date.

A full actuarial valuation was carried out on 31 March 2002 and was updated to 1 December 2002 by a qualified independent actuary. The next actuarial valuation falls due on 31 March 2005.

The major assumptions used by the actuary were:

	2002	2001
Discount rate	5.8%	5.5%
Rate of increase in salaries	4.3%	4.4%
Rate of increase of pensions in payment	2.3%	2.4%
Inflation assumptions	2.3%	2.4%

Notes (continued)

The assets and liabilities of the fund and the expected rates of return as at 1 December 2002 were:

	Expected rate of return	2002 £000	Expected rate of return	2001 £000
Equities	6.5%	5,574	7.25%	5,604
Bonds	4.5%	1,372	4.75%	1,371
Cash	3.5%	-	3.75%	14
		<hr/>		<hr/>
Market value of asset		6,946		6,989
Actuarial value of liabilities		(10,266)		(9,161)
		<hr/>		<hr/>
Deficit to the fund		(3,320)		(2,172)
Related deferred tax asset		996		652
		<hr/>		<hr/>
Net pension liability		(2,324)		(1,520)
		<hr/> <hr/>		<hr/> <hr/>

If the above pension liability was recognised in the financial statements, the company's net assets and profit and loss reserves would be as follows:

	2002 £000	2001 £000
Net assets excluding pension liability	80,297	68,468
Release of SSAP 24 accrual / (prepayment)	208	(37)
Pension liability	(2,324)	(1,520)
	<hr/>	<hr/>
Net assets including pension liability	78,181	66,911
	<hr/> <hr/>	<hr/> <hr/>
	2002	2001
	£000	£000
Profit and loss reserve excluding pension liability	46,075	34,185
Release of SSAP 24 accrual / (prepayment)	208	(37)
Pension liability	(2,324)	(1,520)
	<hr/>	<hr/>
Profit and loss reserve including pension liability	43,959	32,628
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

If FRS 17 had been fully adopted the impact on the pension costs for defined benefit schemes would have been:

	2002
	£000
Analysis of amount charged to operating profit	
Service Cost	1,056
Past Service Cost	-
	<hr/>
Total Operating Charge	1,056
	<hr/> <hr/>
Analysis of net return on pension scheme	
Expected return on pension scheme assets	507
Interest on pension scheme liabilities	(536)
	<hr/>
Net return	(29)
	<hr/> <hr/>
Analysis of amount recognised in STRGL	
Actual return less expected return on assets	(1,582)
Experience gain and losses on liabilities	(759)
Changes in assumptions	1,361
	<hr/>
Actuarial loss recognised in STRGL	(980)
Adjustment to surplus cap	-
	<hr/>
Net loss recognised	(980)
	<hr/> <hr/>
Movement in surplus during the year	
Opening surplus/deficit	(2,172)
Current service costs	(1,056)
Contributions	917
Net return on assets	(29)
Actuarial gain/loss	(980)
	<hr/>
Closing surplus/deficit	(3,320)
	<hr/> <hr/>
History of experience gains/losses	
Difference between expected and actual rate return on scheme assets	
Amount	(1,582)
% of scheme assets	-23%
Experience gains and losses on scheme liabilities	
Amount	(759)
% of scheme liabilities	-7%
Total amount recognised in STRGL	
Amount	(980)
% of scheme liabilities	-10%

Notes *(continued)*

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

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

The smallest group in which the results of the company are consolidated is that headed by Restaurant Holdings Limited. These consolidated accounts are available to the public and may be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3UZ.

The largest group in which the results of the company are consolidated is that headed by Tricon Global Restaurants Inc, a company incorporated in the United States of America. 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
PO Box 37330
Louisville
Kentucky
40213 USA