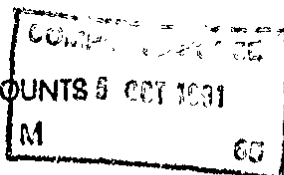


KENTUCKY FRIED CHICKEN
(GREAT BRITAIN) LIMITED

DIRECTORS' REPORT AND ACCOUNTS 5 OCT 1991

31 January 1991

Registered number : 967403



KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

DIRECTORS' REPORT

The Directors present their Report and Audited Financial Statements of the Company for the year ended 31 January 1991.

FINANCIAL RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year ended 31 January 1991 amounted to £5,623,000 (15 months to 31 January 1990: profit £5,424,000). Details are contained in the consolidated Profit and Loss Account on page 4. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the group during the year continued to be the sale of Kentucky Fried Chicken through company-owned stores and the receipt of licence income from licensees of the Kentucky Fried Chicken trade marks and processes, together with the sale to them of goods required for the process.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the year ended 31 January 1991 were as follows:

GFL Proctor	
AJ Hearn	
AE Engel	
DL Pierce	USA (resigned 31 May 1990)
M Grahne	
A Huston	USA (appointed 25 June 1990)

According to the register maintained under the Companies Act 1985 none of the directors had any beneficial interests in the share capital of the Company or any other group undertakings.

FIXED ASSETS

The Company incurred capital expenditure of £6,030,000 in the year to 31 January 1991 (fifteen months to 31 January 1990 : £9,830,000). This investment was mainly in respect of new stores, refurbishments to existing stores and site acquisition for development in the year to 31 January 1992.

DISABLED PERSONS

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons.

Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company.

EMPLOYEE INVOLVEMENT

The Company is committed to involve all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employees and subjects affecting day to day operations of the group.

AUDITORS

The joint auditors, Price Waterhouse and KPMG Peat Marwick McLintock have expressed their willingness to continue in office as joint auditors and a resolution proposing their reappointment will be submitted to the Annual General Meeting.

By Order of the Board



PJ Wilson
Secretary

3 October 1991

Colonel Sanders House
88/97 High Street
Brentford
Middlesex

JOINT AUDITORS' REPORT TO THE MEMBERS OF
KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

We have audited the financial statements on pages 4 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 January 1991 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Whitehead

Chartered Accountants
& Registered Auditors

3 October 1991

KPMG *Paul Maitland*

Chartered Accountants
& Registered Auditors

3 October 1991

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1991

	Note	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
TURNOVER	2	49,910	51,379
Cost of sales		(29,796)	(30,461)
GROSS PROFIT		20,114	20,918
Administrative expenses		(12,541)	(13,630)
NET OPERATING INCOME	3	7,573	7,288
Interest receivable and similar income	4	218	423
Interest payable and similar charges	5	(2)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,774	7,711
Taxation	8	(2,151)	(2,287)
PROFIT FOR THE PERIOD	18	5,623	5,424
STATEMENT OF RETAINED PROFITS			
Balance at 1 February 1990		9,300	3,876
Profit for the period		5,623	5,424
Balance at 31 January 1991		14,923	9,300

The notes on pages 8 to 18 form part of these accounts.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

CONSOLIDATED BALANCE SHEET - 31 JANUARY 1991

	<u>Note</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	10	<u>22,702</u>	<u>18,198</u>
CURRENT ASSETS			
Stocks	12	850	658
Debtors	13	5,262	3,581
Cash at bank and in hand		<u>921</u>	<u>398</u>
		7,033	4,637
CREDITORS (amounts falling due within one year)	14	<u>(9,159)</u>	<u>(7,797)</u>
NET CURRENT LIABILITIES		<u>(2,126)</u>	<u>(3,160)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,576	15,038
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	15	(5)	(5)
Other provisions		<u>-</u>	<u>(85)</u>
		<u>20,571</u>	<u>14,948</u>
CAPITAL AND RESERVES			
Called up share capital	16	8	8
Share premium account		5,640	5,640
Profit and loss account	18	<u>14,923</u>	<u>9,300</u>
		<u>20,571</u>	<u>14,948</u>

Approved by the Board on 3 October 1991

DIRECTORS

The notes on pages 8 to 18 form part of these accounts.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

BALANCE SHEET - 31 JANUARY 1991

	<u>Note</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	10	22,702	18,198
Investments in subsidiaries	11	<u>854</u>	<u>347</u>
		<u>23,556</u>	<u>18,545</u>
CURRENT ASSETS			
Stocks	12	850	658
Debtors	13	5,262	3,581
Cash at bank and in hand		<u>921</u>	<u>398</u>
		7,033	4,637
CREDITORS (amounts falling due within one year)	14	<u>(10,013)</u>	<u>(8,595)</u>
		<u>(2,980)</u>	<u>(3,958)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		20,576	14,587
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	15	(5)	(5)
Other provisions		<u>-</u>	<u>(85)</u>
		<u>20,571</u>	<u>14,497</u>
CAPITAL AND RESERVES			
Called up share capital	16	8	8
Share premium account		5,640	5,640
Revaluation reserve	17	507	-
Profit and loss account	18	<u>14,416</u>	<u>8,849</u>
		<u>20,571</u>	<u>14,497</u>

Approved by the Board on 3 October 1991.

DIRECTORS



The notes on pages 8 to 18 form part of these accounts.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 JANUARY 1991

	Year ended 31 January <u>1991</u> £'000	Fifteen months ended 31 January <u>1990</u> £'000
SOURCES OF FUNDS		
FROM OPERATIONS		
Profit on ordinary activities before taxation	7,774	7,711
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	1,524	1,362
(Profit)/loss on sale of fixed assets	(5)	103
Other provisions	<u>—</u>	<u>85</u>
Total generated by operations	9,293	9,261
OTHER SOURCES		
Proceeds of sale of tangible fixed assets	7	225
Loans repaid by joint venture company	<u>—</u>	<u>832</u>
	9,300	10,318
FUNDS APPLIED		
Purchase of tangible fixed assets	(6,030)	(9,830)
Taxation paid	<u>(1,053)</u>	<u>(897)</u>
MOVEMENT IN WORKING CAPITAL	<u>2,217</u>	<u>(409)</u>
Arising from movements in:		
Stocks	192	193
Debtors	(277)	(582)
Trade and other creditors	1,122	(1,793)
Balances with related undertakings and joint venture company	<u>657</u>	<u>760</u>
	1,694	(1,422)
Movement in net liquid funds	<u>523</u>	<u>1,013</u>
	<u>2,217</u>	<u>(409)</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by revaluations of investments in subsidiaries and in accordance with applicable accounting standards. The principal accounting policies are as detailed below.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the year ended 31 January 1991.

(c) Depreciation of tangible fixed assets

No depreciation is provided on freehold properties or properties on leases with twenty years and over to run at the balance sheet date. It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly the directors consider that the lives of these assets are so long and residual values so high that their depreciation is insignificant. All properties held on leases of less than twenty years are amortized over the unexpired term.

The costs of all other fixed assets are depreciated by equal annual instalments over the expected useful lives of the assets as follows:

Machinery and equipment	5 - 10 years
Motor vehicles	over 4 years
Computer equipment	5 years

(d) Goodwill

Goodwill arising on acquisitions is written off immediately against reserves.

(e) Stock

Stocks are stated at the lower of cost on a first in first out basis and net realisable value after making due allowances for any obsolete or slow moving items.

(f) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that it is probable that a liability will crystallise.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

1 ACCOUNTING POLICIES (continued)

(g) Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. All exchange differences thus arising are reported as part of the profit for the year.

(h) Leasing

Rentals in respect of property leases are charged to the profit and loss account as incurred. Lease premiums paid on finance leases are capitalised and are amortised over the life of the lease.

(i) Change of year-end

The financial year-end was moved from 31 October to 31 January in the prior period. Therefore comparative figures shown in the Directors Report and Accounts cover the period of fifteen months to 31 January 1990.

2 TURNOVER

- (a) Turnover comprises sales (exclusive of VAT) of food and drinks at company-owned stores, royalty and option fees from Franchisee Licences, sales of food and packaging material to distributors, sales of equipment to Franchise Licensees, and rents receivable from tenants.
- (b) Analysis of turnover between activities

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Company stores sales	36,381	37,439
Sales to distributors and franchisees	8,924	10,218
Franchise royalties and option fees	3,291	3,554
Rents receivable	204	168
	<u>49,910</u>	<u>51,379</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

3 NET OPERATING INCOME is stated after charging/(crediting):

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Intercompany management fee payable to joint venture company	-	140
Depreciation of tangible fixed assets	1,525	1,362
Hire of plant and equipment	467	243
Leasehold property rents	2,100	2,188
(Profit)/loss on sale of tangible fixed assets	(5)	103
Auditors' remuneration	<u>40</u>	<u>48</u>

4 INTEREST RECEIVED

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Bank interest	117	319
From joint venture companies	47	104
On overpaid taxation	<u>54</u>	<u>-</u>
	<u>218</u>	<u>423</u>

5 INTEREST PAID

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
On loans repayable within 5 years	10	-
On taxation	<u>7</u>	<u>-</u>
	<u>17</u>	<u>-</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

6 STAFF COSTS AND EMPLOYEES

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Wages and salaries	9,610	9,530
Social security costs	<u>614</u>	<u>825</u>
	<u>10,224</u>	<u>10,455</u>

The average number of persons employed by the group was as follows:

	Year ended 31 January 1991 No	Fifteen months ended 31 January 1990 No
Full time	838	945
Part time	<u>407</u>	<u>179</u>
	<u>1,245</u>	<u>1,124</u>

7 EMOLUMENTS OF DIRECTORS

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Aggregate emoluments paid by the company	<u>79</u>	<u>118</u>

The emoluments of the chairman and other directors of the company, excluding pension contributions, for the year were distributed as follows

	Year ended 31 January 1991 £'000	Fifteen months ended 31 January 1990 £'000
Chairman	-	-
Highest paid director	<u>64</u>	<u>103</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

7 EMOLUMENTS OF DIRECTORS (continued)

	Year ended 31 January 1991 <u>No</u>	Fifteen months ended 31 January 1990 <u>No</u>
Other directors		
ENI	<u>4</u>	<u>4</u>

8 TAXATION

	Year ended 31 January 1991 <u>£'000</u>	Fifteen months ended 31 January 1990 <u>£'000</u>
The charge for the year comprises:		
UK corporation tax	2,247	2,052
Prior year over provision	<u>(96)</u>	<u>(366)</u>
	<u>2,151</u>	<u>2,287</u>

UK corporation tax has been provided at 34.2% (1990 35%)

9 PROFIT FOR THE FINANCIAL YEAR

In accordance with the exemption allowed by section 228(7) of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the profit for the year to 31 January 1991 £5,567,000 (fifteen months to 31 January 1990 - profit £5,424,000) has been dealt with in the accounts of the Company.

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

10 TANGIBLE FIXED ASSETS

GROUP AND COMPANY	Freehold land & buildings £'000	Leasehold improvements £'000	Machinery equipment & motor vehicles £'000	Total £'000
<u>Cost</u>				
At 1 February 1990				
Additions	5,490	9,944	6,419	21,853
Disposals	518	2,682	2,830	6,030
Reclassifications	-	-	(24)	(24)
Fully written off	-	(81)	81	-
At 31 January 1991	<u>6,008</u>	<u>12,545</u>	<u>(745)</u>	<u>(745)</u>
<u>Depreciation</u>				
At 1 February 1990				
Charge for year	107	1,788	1,760	3,655
Disposals	-	643	881	1,524
Fully written off	-	-	(22)	(22)
At 31 January 1991	<u>107</u>	<u>2,431</u>	<u>(745)</u>	<u>(745)</u>
<u>Net book amounts</u>				
At 31 January 1991	<u>5,901</u>	<u>10,114</u>	<u>6,687</u>	<u>22,702</u>
At 31 January 1990	<u>5,283</u>	<u>8,156</u>	<u>4,659</u>	<u>18,198</u>

The net book amount at 31 January 1991 of long leasehold property included in the leasehold improvements above was £2,934,000 (1990 - £1,900,000).

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

11 INVESTMENTS IN SUBSIDIARIES

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Shares in group undertakings	2,981	2,981
Provision for diminution in value	<u>(2,127)</u>	<u>(2,634)</u>
	<u>854</u>	<u>347</u>

The group undertakings at 31 January 1991 were:

<u>Company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>Proportion held</u>	<u>Nature of business</u>
Kentucky Fried Chicken Limited	England	Ordinary shares	100%	Non-trading
KFC Advertising Limited	England	Ordinary shares	100%	Advertising company for Kentucky Fried Chicken
Valleythorn Limited	England	Ordinary shares	100%	Non-trading
Finger Lickin Chicken Limited	England	Ordinary shares	100%	Non-trading

The accounts of KFC Advertising Limited have not been consolidated as the company effectively acts as Trustee. KFC Advertising Limited is non-profit making and its management is strongly influenced by participating franchisees as well as the parent company.

12 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Food, drink and packaging	249	243	249	243
Equipment	<u>601</u>	<u>415</u>	<u>601</u>	<u>415</u>
	<u>850</u>	<u>658</u>	<u>850</u>	<u>658</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

13 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	1,850	2,333	1,850	2,333
Amounts owed by related undertakings	2,303	-	2,303	-
Amounts owed by joint venture company	2	346	2	346
Other debtors	132	316	132	316
Prepayments and accrued income	946	586	946	586
Pensions	<u>29</u>	<u>-</u>	<u>29</u>	<u>-</u>
	<u>5,262</u>	<u>3,581</u>	<u>5,262</u>	<u>3,581</u>

14 CREDITORS: amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade creditors	2,918	3,418	2,918	3,418
Corporation tax	2,110	1,013	2,110	1,013
Other creditors including tax and social security	1,734	2,269	1,734	2,269
Amounts owed to group undertakings	-	-	854	798
Accruals	895	897	895	897
Amounts owed to related undertakings	<u>1,502</u>	<u>200</u>	<u>1,502</u>	<u>200</u>
	<u>9,159</u>	<u>7,797</u>	<u>10,013</u>	<u>8,595</u>

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

15 DEFERRED TAXATION

GROUP AND COMPANY

	Amount provided		Potential liability	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	973	892
Interest receivable	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</u>	<u>978</u>	<u>897</u>

Movement for the year:

	<u>1991</u>	<u>1990</u>
	£'000	£'000
At 1 February 1990		
Profit and loss account	5	5
At 31 January 1991	<u>5</u>	<u>5</u>

16 CALLED UP SHARE CAPITAL

	<u>1991</u>	<u>1990</u>
	£'000	£'000
Authorised, allotted and fully paid 8,004 ordinary shares of £1 each	<u>8</u>	<u>8</u>

17 REVALUATION RESERVE - Company

	£'000
At 1 February 1990	
Surplus on revaluation of investments	<u>507</u>
At 31 January 1991	<u>507</u>

300-100-9

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

18 PROFIT AND LOSS ACCOUNT

	<u>1991</u> £'000	<u>1990</u> £'000
(a) Group		
Retained by:		
The Company	14,416	8,849
Subsidiary companies	<u>507</u>	<u>451</u>
	<u>14,923</u>	<u>9,300</u>
(b) Company		
Balance at 1 February 1990	8,849	3,425
Retained profit for the period	<u>5,567</u>	<u>5,424</u>
Balance at 31 January 1991	<u>14,416</u>	<u>8,849</u>

19 CAPITAL COMMITMENTS

	<u>1991</u> £'000	<u>1990</u> £'000
Authorised and committed		
Authorised and not contracted for	3,294	269
	<u>-</u>	<u>-</u>

20 PENSION COMMITMENTS

The Group participates in the Kentucky Fried Chicken Pension Fund. This scheme is of the defined benefit type providing benefits to certain employees within the Kentucky Fried Chicken Group and the assets are held separately from the Group's assets.

The liabilities of the scheme are valued regularly by independent actuaries using the projected unit method. The latest actuarial assessment of the scheme was carried out as at 1 January 1990. It was assumed for the 1990 valuation that the rate of return on the Fund's assets of 6% would exceed the rate of increase in salaries by 2½% per annum.

The market value of the Fund's assets at 1 January 1990 was £1,742,000. The actuarial value at that date exceeded the benefits which had accrued to members, after allowing for expected future increases in earnings, by 36%. This is amortised over the average remaining working lifetime of scheme members, which is estimated to be seventeen years.

The total net pension cost for the Group was £31,000 (1990 - £25,000).

KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1991 (continued)

21 COMMITMENTS UNDER OPERATING LEASES

Group and Company

The annual commitments payable under non-cancellable operating leases are as follows:

	<u>Land and buildings</u>		<u>Plant and machinery</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Leases expiring:				
Within 1 year	70	79	16	20
Within 2 to 5 years	323	302	-	21
Thereafter	<u>1,890</u>	<u>1,703</u>	<u>-</u>	<u>-</u>
	<u>2,283</u>	<u>2,084</u>	<u>16</u>	<u>41</u>

22 JOINT VENTURE PARENT COMPANIES

The shares of Kentucky Fried Chicken (Great Britain) Limited are owned equally by PepsiCo Holdings Limited incorporated in England and Forte (UK) Limited (formerly Trusthouse Forte (UK) Limited) incorporated in England.