

**Kentucky Fried Chicken (Bermuda)
Limited**

Financial Statements
January 31, 2009

May 7, 2009

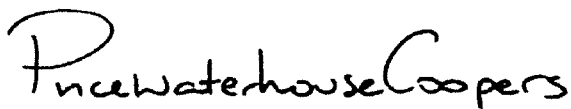
Auditors' Report

**To the Shareholders of
Kentucky Fried Chicken (Bermuda) Limited**

We have audited the balance sheet of Kentucky Fried Chicken (Bermuda) Limited ("the Company") as at January 31, 2009 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.



Chartered Accountants

A list of partners can be obtained from the above address.

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers (a Bermuda partnership) or, as the context requires, the PricewaterhouseCoopers global network or other member Firms of the network, each of which is a separate and independent legal entity.

Kentucky Fried Chicken (Bermuda) Limited

Balance Sheet

As at January 31, 2009

	2009 \$	2008 \$
Assets		
Current assets		
Cash and cash equivalents	2,306,170	2,066,381
Accounts receivable	9,841	4,850
Inventory	39,177	35,902
Prepaid expenses	83,949	27,648
	<u>2,439,137</u>	<u>2,134,781</u>
Fixed assets (note 3)	<u>781,113</u>	<u>847,257</u>
	<u>3,220,250</u>	<u>2,982,038</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>394,760</u>	<u>361,996</u>
Shareholders' equity		
Capital stock (notes 6 and 9)	582,760	591,900
Share premium (note 6)	1,475,841	1,523,444
Retained earnings	<u>766,889</u>	<u>504,698</u>
	<u>2,825,490</u>	<u>2,620,042</u>
	<u>3,220,250</u>	<u>2,982,038</u>

Approved by the Board of Directors

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Kentucky Fried Chicken (Bermuda) Limited

Statement of Income and Retained Earnings

For the year ended January 31, 2009

	2009 \$	2008 \$
Income		
Sales	5,219,911	4,785,570
Cost of sales	1,318,310	1,190,557
Gross margin	3,901,601	3,595,013
Expenses		
Payroll costs and benefits (note 8)	1,726,008	1,646,975
Direct operating costs	1,082,926	999,585
Administrative expenses (note 10)	335,251	315,704
Occupancy cost	240,938	237,187
Depreciation	184,028	168,257
Total operating expenses	3,569,151	3,367,708
Operating income for the year	332,450	227,305
Other income		
Interest income	38,318	73,695
Sundry income	9,067	9,009
	47,385	82,704
Net income for the year	379,835	310,009
Retained earnings - beginning of year	504,698	372,259
Dividends	(117,644)	(177,570)
Retained earnings - end of year	766,889	504,698
Earnings per share (note 4)	0.65	0.52
Fully diluted earnings per share (note 4)	0.65	0.52

The accompanying notes are an integral part of these financial statements.

Kentucky Fried Chicken (Bermuda) Limited
Statement of Cash Flows
For the year ended January 31, 2009

	2009 \$	2008 \$
Cash flows from operating activities		
Net income for the year	379,835	310,009
Items not affecting cash		
Depreciation	184,028	168,257
	563,863	478,266
Changes in non-cash working capital		
Accounts receivable	(4,991)	10,115
Inventory	(3,275)	(12,576)
Prepaid expenses	(56,301)	19,883
Accounts payable and accrued liabilities	32,764	69,763
Cash provided by operating activities	532,060	565,451
Cash flow for investing activity		
Purchase of fixed assets	(117,884)	(138,529)
Cash used for investing activity	(117,884)	(138,529)
Cash flows for financing activities		
Payment of dividends	(117,127)	(118,380)
Dividends payable	(517)	(59,190)
Shares re-purchased and cancelled	(56,743)	-
Cash used for financing activities	(174,387)	(177,570)
Increase in cash for the year	239,789	249,352
Cash and cash equivalents - beginning of the year	2,066,381	1,817,029
Cash and cash equivalents - end of the year	2,306,170	2,066,381

The accompanying notes are an integral part of these financial statements.

Kentucky Fried Chicken (Bermuda) Limited

Notes to Financial Statements

January 31, 2009

1. Operations

Kentucky Fried Chicken (Bermuda) Limited ("the Company") was incorporated on September 1, 1969 under the laws of Bermuda. The Company is engaged in the sale of food products, primarily fried chicken, under a franchise agreement with Kentucky Fried Chicken International Holdings Inc., a Delaware corporation, which was renewed in July 2002 for a further 10 year period.

2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The significant accounting policies are:

(a) Basis of preparation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the period. Actual results could differ from those estimates.

(b) Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis, and net realizable value.

(c) Depreciation

The Company depreciates the cost of its fixed assets on a straight-line basis over the following estimated useful lives:

Equipment	4 - 10 years
Furniture and fixtures	10 years
Leasehold improvements	Term of leases including renewal option period
Major renovations	10 years

(d) Employee future benefits

The costs of employee future benefits are recognized over the periods in which employees render services to the Company in return for the benefits.

(e) Cash and cash equivalents

Cash and cash equivalents include deposits having a maturity from the date of acquisition of three months or less which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

(f) Revenue recognition

Sales comprise the fair value of the consideration received for the sale of food products in the ordinary course of the Company's activities.

Kentucky Fried Chicken (Bermuda) Limited

Notes to Financial Statements

January 31, 2009

3. Fixed assets

Fixed assets comprise:

	Cost \$	Accumulated depreciation \$	2009 Net book value \$	2008 Net book value \$
Major renovations	299,150	140,850	158,300	188,215
Equipment	1,281,013	1,128,497	152,516	107,461
Furniture and fixtures	298,617	283,251	15,366	20,927
Leasehold improvements	1,345,670	890,739	454,931	530,654
	<u>3,224,450</u>	<u>2,443,337</u>	<u>781,113</u>	<u>847,257</u>

4. Earnings per share

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal periods. Fully diluted earnings per share have been calculated in the same manner.

5. Commitments

The Company entered into operating leases for two buildings with a related party, that provide for minimum annual lease payments totalling \$217,144 (2008 - \$217,144) for the next year and \$217,144 per year for the following two years.

6. Share capital and share premium

	2009 \$	2008 \$
Authorized:		
1,000,000 common shares of a par value of \$1.00 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
582,760 (2008 - 591,900) common shares of a par value of \$1.00 each	<u>582,760</u>	<u>591,900</u>
Share premium	<u>1,475,841</u>	<u>1,523,444</u>

The directors have decided that from time to time the Company should repurchase its shares when the share price is deemed attractive. During 2009 9,140 (2008 - Nil) shares were repurchased and cancelled.

Kentucky Fried Chicken (Bermuda) Limited

Notes to Financial Statements

January 31, 2009

7. Financial instruments

The Company's financial instruments are cash, accounts receivable and accounts payable. The fair values of these instruments approximate the carrying values in the balance sheet of the Company.

8. Employee future benefits

The Company operates a defined contribution pension scheme for all eligible employees of the Company. During the year the Company made contributions of \$67,091 (2008 - \$68,002) into the plan. As at January 31, 2009 there were contributions payable of \$9,079 (2008 - \$10,950).

9. Shareholders and directors

- (a) Bermuda Management Holdings Limited (BMH), an affiliated company, is the single largest shareholder of the Company with holdings of 239,731 shares (2008 – 239,731 shares).
- (b) The Directors and officers hold 53,960 (2008 – 53,960) shares.
- (c) There are no service contracts in existence for the directors.
- (d) There are no contracts of significance subsisting during or at the end of the financial year in which a director was materially interested either directly or indirectly.

10. Related party transactions

Accounting services provided by an affiliated company amounted to \$40,000 (2008 - \$40,000), which is recognized under administrative expenses in the statement of income and retained earnings.

11. Comparative figures

The following represents the results of operating and financial position for the past five years:

	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$
Balance sheet					
Current assets	2,439,137	2,134,781	1,902,851	1,759,922	1,359,930
Fixed assets	781,113	847,257	876,985	946,116	1,068,817
	<u>3,220,250</u>	<u>2,982,038</u>	<u>2,779,836</u>	<u>2,706,038</u>	<u>2,428,747</u>
Current liabilities	394,760	361,996	292,233	315,073	292,353
Capital stock	582,760	591,900	591,900	591,900	595,900
Share premium	1,475,841	1,523,444	1,523,444	1,523,444	1,539,444
Retained earnings (deficit)	766,889	504,698	372,259	275,621	1,050
	<u>3,220,250</u>	<u>2,982,038</u>	<u>2,779,836</u>	<u>2,706,038</u>	<u>2,428,747</u>

Kentucky Fried Chicken (Bermuda) Limited

Notes to Financial Statements

January 31, 2009

	2009 \$	2008 \$	2007 \$	2006 \$	2005 \$
Statement of income					
Sales	5,219,911	4,785,570	4,717,807	4,773,098	4,479,763
Cost of sales	(1,318,310)	(1,190,557)	(1,105,470)	(1,143,454)	(1,041,434)
Gross margin	3,901,601	3,595,013	3,612,337	3,629,644	3,438,329
Operating expenses	(3,569,151)	(3,367,708)	(3,291,968)	(3,177,179)	(2,975,188)
Operating income for the year	332,450	227,305	320,369	452,465	463,141
Other income	47,385	82,704	72,219	59,266	26,820
Net income for the year	379,835	310,009	392,588	511,731	489,961