

COMPANY REGISTRATION NUMBER 00967403

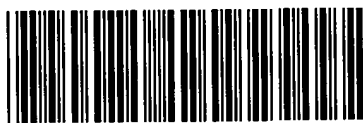
**KENTUCKY FRIED CHICKEN (GREAT BRITAIN)  
LIMITED**

**FINANCIAL STATEMENTS**

**PERIOD ENDED**

**30 NOVEMBER 2014**

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

## **FINANCIAL STATEMENTS**

**PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014**

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

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **The board of directors**

MRF Shuker  
CR Fells (Appointed 2 February 2015)  
M H McGowan (Resigned 13 December 2013)  
J D Watts  
PJ MacKenzie

### **Company secretary**

G Taylor

### **Registered office**

Orion Gate  
Guildford Road  
Woking  
Surrey  
GU22 7NJ

### **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 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### *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 7.1% increase in sales to £478.1m (2013: £446.4m).

Operating profit margin of 10.3% has increased slightly when compared to that of the prior year (2013: 9.5%) due to increase in other operating income to £6.5m (2013: £4.5m) mainly attributable to gains on refranchising, along with other cost saving initiatives implemented across the business during the year under review and as a result we have delivered an operating profit of £49.0m (2013: £42.5m).

The company has net assets of £171.8m as at the end of the 2014 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 source 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 franchisee to grow and add value, especially where there are synergies with adjacent ownerships and assets.

Signed on behalf of the directors



PJ MacKenzie

Director

Approved by the directors on ...25 August 2015

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

## **DIRECTORS' REPORT**

### **PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014**

The directors present their report and the financial statements of the company for the period from 2 December 2013 to 30 November 2014.

#### **RESULTS AND DIVIDENDS**

The profit for the period, after taxation, amounted to £36,459,000. The directors have not recommended a dividend.

#### **DIRECTORS**

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

MRF Shuker	
CR Fells	(Appointed 2 February 2015)
J D Watts	
PJ MacKenzie	
M H McGowan	(Resigned 13 December 2013)

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 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### AUDITOR

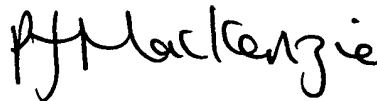
The company has passed elective resolutions whereby it has dispensed with the requirements to hold an annual general meeting in each year, to lay the accounts in general meeting and to reappoint the auditors on an annual basis. Accordingly the auditors are deemed to be reappointed in accordance with 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:  
Orion Gate  
Guildford Road  
Woking  
Surrey  
GU22 7NJ

Signed on behalf of the directors



PJ MacKenzie

Director

Approved by the directors on 25 August 2015

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014**

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.

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

**PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014**

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) Limited for the period from 2 December 2013 to 30 November 2014 on pages 8 to 28. 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](http://www.frc.org.uk/auditscopeukprivate).



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

**PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014**

**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 30 November 2014 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.



JEREMY HALL (Senior Statutory Auditor)  
For and on behalf of  
KPMG LLP  
Chartered Accountants & Statutory Auditor

15 Canada Square  
London  
United Kingdom  
E14 5GL

25 August 2015

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

	Note	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
<b>TURNOVER</b>	<b>3</b>	<b>478,123</b>	<b>446,400</b>
Cost of sales		<u>(247,062)</u>	<u>(234,170)</u>
<b>GROSS PROFIT</b>		<b>231,061</b>	<b>212,230</b>
Administrative expenses		<b>(188,550)</b>	<b>(174,262)</b>
Other operating income	<b>4</b>	<u>6,504</u>	<u>4,526</u>
<b>OPERATING PROFIT</b>	<b>5</b>	<b>49,015</b>	<b>42,494</b>
Interest receivable	<b>8</b>	<b>481</b>	<b>767</b>
Interest payable and similar charges	<b>9</b>	<u>(2,173)</u>	<u>(3,149)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u><b>47,323</b></u>	<u><b>40,112</b></u>
Tax on profit on ordinary activities	<b>10</b>	<b>(10,864)</b>	<b>(8,780)</b>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<u><u><b>36,459</b></u></u>	<u><u><b>31,332</b></u></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 29 form part of these financial statements.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Profit for the financial period attributable to the shareholders	36,459	31,332
Currency translation differences on foreign currency net investments	<u>2,810</u>	<u>(1,016)</u>
Total gains and losses recognised since the last annual report	<u>39,269</u>	<u>30,316</u>

The notes on pages 11 to 29 form part of these financial statements.

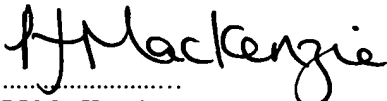
# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## BALANCE SHEET

30 NOVEMBER 2014

	Note	£000	30 Nov 14 £000	1 Dec 13 £000
<b>FIXED ASSETS</b>				
Intangible assets	11		8,879	11,846
Tangible assets	12		238,264	240,313
Investments	13		917	917
			<u>248,060</u>	<u>253,076</u>
<b>CURRENT ASSETS</b>				
Stocks	14	2,206		2,175
Debtors	15	56,737		58,591
Cash at bank and in hand		100,999		46,695
		<u>159,942</u>		107,461
<b>CREDITORS: Amounts falling due within one year</b>	17	<b>(231,310)</b>		<b>(226,540)</b>
<b>NET CURRENT LIABILITIES</b>			<b>(71,368)</b>	<b>(119,079)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>176,692</b>	<b>133,997</b>
<b>CREDITORS: Amounts falling due after more than one year</b>	18		<b>(4,924)</b>	<b>(1,412)</b>
			<u>171,768</u>	<u>132,585</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	22		18,000	18,000
Share premium account	23		16,283	16,283
Profit and loss account	24		137,485	98,302
<b>SHAREHOLDERS' FUNDS</b>	25		<b>171,768</b>	<b>132,585</b>

These accounts were approved by the directors and authorised for issue on 25 August 2015, and are signed on their behalf by:

  
 .....  
 PJ MacKenzie

Company Registration Number: 00967403

The notes on pages 11 to 29 form part of these financial statements.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 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 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 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**

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

#### **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.

#### **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.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 2. ACCOUNTING POLICIES *(continued)*

##### **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 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 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 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Company store sales	438,493	410,135
Franchise royalties and fees	39,630	36,265
	<u>478,123</u>	<u>446,400</u>

The split of turnover by geographical segment is shown below:

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Europe	76,455	68,033
United Kingdom	401,668	378,367
	<u>478,123</u>	<u>446,400</u>



# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 4. OTHER OPERATING INCOME

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Rent receivable	178	206
Commission receivable	403	581
Distribution income	2,583	1,899
Other operating income	3,340	1,840
	<u>6,504</u>	<u>4,526</u>

#### 5. OPERATING PROFIT

Operating profit is stated after charging:

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Amortisation of intangible assets	1,636	1,684
Depreciation of owned fixed assets	30,016	28,327
Impairment of owned fixed assets	1,932	576
Loss on disposal of fixed assets	945	1,628
Operating lease costs:		
- Plant and equipment	904	986
- Other	21,885	21,470
Net loss on foreign currency translation	<u>1</u>	<u>6</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### Auditor's fees

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

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Audit of financial statements	96	94
Tax compliance services	15	12
Other tax advisory services	43	62
Other assurance services	3	3
	<u>157</u>	<u>171</u>

#### 6. PARTICULARS OF EMPLOYEES

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

	Period from 2 Dec 13 to 30 Nov 14 No	Period from 3 Dec 12 to 1 Dec 13 No
Sales and distribution	7,557	7,444
Administration	618	618
	<u>8,175</u>	<u>8,062</u>

The aggregate payroll costs of the above were:

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Wages and salaries	122,011	114,568
Social security costs	10,398	9,824
Other pension costs	1,983	3,066
Equity-settled share-based payments	555	679
	<u>134,947</u>	<u>128,137</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 7. DIRECTORS' REMUNERATION

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

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Remuneration receivable	790	1,022
Value of company pension contributions to money purchase schemes	123	116
	<u>913</u>	<u>1,138</u>

#### Remuneration of highest paid director:

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Total remuneration (excluding pension contributions)	366	502
Value of company pension contributions to money purchase schemes	51	49
	<u>417</u>	<u>551</u>

The number of directors who exercised share options was 3 (2013: 3)

The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was 3 (2013: 3)

#### 8. INTEREST RECEIVABLE

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Other loan interest receivable	298	159
Interest received on taxation	–	583
Interest from group undertakings	183	25
	<u>481</u>	<u>767</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 9. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Interest owing to group undertakings	<u>2,173</u>	<u>3,149</u>

#### 10. TAXATION ON ORDINARY ACTIVITIES

##### (a) Analysis of charge in the period

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 21.65% (2013 - 23.33%)	12,692	11,857
Adjustment in respect of prior periods	<u>(69)</u>	<u>(934)</u>
	12,623	10,923
Group relief received for no consideration	-	<u>(83)</u>
Total current tax	<u>12,623</u>	10,840
Deferred tax:		
Origination and reversal of timing differences	<u>(1,759)</u>	<u>(2,060)</u>
Tax on profit on ordinary activities	<u>10,864</u>	<u>8,780</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 10. TAXATION ON ORDINARY ACTIVITIES *(continued)*

##### (b) Factors affecting current tax charge

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Profit on ordinary activities before taxation	<u>47,323</u>	<u>40,112</u>
Profit on ordinary activities by rate of tax	10,245	9,358
Expenses not deductible for tax purposes	3,063	3,077
Capital allowances for period in excess of depreciation	(616)	(180)
Adjustments to tax charge in respect of previous periods	(69)	(1,017)
Pension spreading	-	(398)
Total current tax (note 10(a))	<u>12,623</u>	<u>10,840</u>

##### (c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge and reduce the deferred tax liability accordingly.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 11. INTANGIBLE FIXED ASSETS

	Goodwill £000	Key Money £000	Total £000
<b>COST</b>			
At 2 December 2013	30,242	3,355	33,597
Additions	-	19	19
Disposals	(672)	(38)	(710)
Foreign exchange	18	(39)	(21)
Transfers <sup>1</sup>	-	(619)	(619)
<b>At 30 November 2014</b>	<b>29,588</b>	<b>2,678</b>	<b>32,266</b>
<b>AMORTISATION</b>			
At 2 December 2013	20,634	1,117	21,751
Charge for the period	1,490	146	1,636
<b>At 30 November 2014</b>	<b>22,124</b>	<b>1,263</b>	<b>23,387</b>
<b>NET BOOK VALUE</b>			
<b>At 30 November 2014</b>	<b>7,464</b>	<b>1,415</b>	<b>8,879</b>
At 1 December 2013	9,608	2,238	11,846

<sup>1</sup>This transfer is a movement of £174,000 from tangible assets to key money and £793,000 that has been moved from key money to prepaid rent.

#### 12. TANGIBLE FIXED ASSETS

	Freehold land and buildings improvements £000	Leasehold improvements £000	Machinery and equipment £000	Total £000
<b>COST</b>				
At 2 December 2013	133,146	147,666	150,909	431,721
Additions	18,502	14,090	16,192	48,784
Disposals	(22,903)	(80)	(41,707)	(64,690)
Foreign Exchange	(1,702)	(1,566)	(997)	(4,265)
Transfers <sup>2</sup>	4,517	(7,465)	2,774	(174)
<b>At 30 November 2014</b>	<b>131,560</b>	<b>152,645</b>	<b>127,171</b>	<b>411,376</b>
<b>DEPRECIATION</b>				
At 2 December 2013	35,191	55,075	101,142	191,408
Charge for the period	9,475	3,501	17,040	30,016
Impairment for the period	1,378	-	554	1,932
On disposals	(11,456)	(312)	(37,533)	(49,301)
Foreign Exchange	(157)	(288)	(498)	(943)
<b>At 30 November 2014</b>	<b>34,431</b>	<b>57,976</b>	<b>80,705</b>	<b>173,112</b>
<b>NET BOOK VALUE</b>				
<b>At 30 November 2014</b>	<b>97,129</b>	<b>94,669</b>	<b>46,466</b>	<b>238,264</b>
At 1 December 2013	97,955	92,591	49,767	240,313

Freehold land and buildings includes property with a net book value of £2.8m which, at year end, was held with an intention to sell.

<sup>2</sup>This transfer is a movement of £174,000 from tangible assets to key money.

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 13. INVESTMENTS

	<b>Total £000</b>
<b>COST</b>	
At 2 December 2013 and 30 November 2014	<u>917</u>
<b>NET BOOK VALUE</b>	
At 30 November 2014 and 1 December 2013	<u>917</u>

#### Group investments

The undertakings in which the company's interest at the period is as follows:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Holding</b>	<b>Principal Activity</b>
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) 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

	<b>30 Nov 14 £000</b>	<b>1 Dec 13 £000</b>
Food and packaging	<u>2,206</u>	<u>2,175</u>

#### 15. DEBTORS

	<b>30 Nov 14 £000</b>	<b>1 Dec 13 £000</b>
Trade debtors	12,462	19,354
Amounts owed by group undertakings	25,213	21,396
Corporation tax	225	-
Other debtors	9,813	5,795
Prepayments and accrued income	4,713	9,494
Deferred taxation (note 16)	<u>4,311</u>	<u>2,552</u>
	<u>56,737</u>	<u>58,591</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 16. DEFERRED TAXATION

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

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Included in debtors (note 15)	<u>4,311</u>	<u>2,552</u>

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

	Period from 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Balance brought forward	2,552	492
Profit and loss account movement arising during the period	<u>1,759</u>	<u>2,060</u>
Balance carried forward	<u>4,311</u>	<u>2,552</u>

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

	30 Nov 14 £000	1 Dec 13 £000
Excess of taxation allowances over depreciation on fixed assets	2,354	610
Short term timing differences	469	455
Other timing differences	<u>1,488</u>	<u>1,487</u>
	<u>4,311</u>	<u>2,552</u>



# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 17. CREDITORS: Amounts falling due within one year

	30 Nov 14	1 Dec 13
	£000	£000
Overdrafts	118,994	101,487
Trade creditors	9,219	15,543
Amounts owed to group undertakings	55,378	56,261
Other creditors including taxation:		
Corporation tax	-	4,459
Other taxation	6,747	6,146
Other creditors	154	118
	<u>190,492</u>	<u>184,014</u>
Accruals and deferred income	40,818	42,526
	<u>231,310</u>	<u>226,540</u>

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.

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

	30 Nov 14	1 Dec 13
	£000	£000
Accruals and deferred income	4,924	1,412

#### 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:

	2014 Weighted average exercise price US\$	2014 Number of options	2013 Weighted average exercise price US\$	2013 Number of options
Outstanding at the beginning of the period	\$46.87	171,027	\$40.33	212,926
Granted during the period	\$75.71	16,192	\$71.36	22,842
Exercised during the period	\$76.40	(36,975)	\$70.34	(44,722)
Transfers in during the year	\$65.05	9,958	\$40.33	2,029
Transfers out during the year	-	-	\$46.23	(4,746)
Lapsed during the period	\$51.04	(9,505)	\$41.67	(17,302)
Outstanding at the end of the period	\$47.15	150,697	\$46.87	171,027
Exercisable at the end of the period	\$34.43	65,259	\$30.30	50,446

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 19. SHARE-BASED PAYMENTS *(continued)*

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

	2014 Weighted average exercise price US\$	2014 Number of options	2013 Weighted average exercise price US\$	2013 Number of options
Outstanding at the beginning of the period	\$43.68	297,335	\$40.13	320,258
Granted during the period	\$71.62	64,126	\$62.93	44,333
Exercised during the period	\$76.31	(20,060)	\$71.52	(33,642)
Transfers in during the year	\$63.72	20,724	\$40.13	11,992
Transfers out during the year	\$48.57	(36,310)	\$45.55	(43,742)
Lapsed during the period	\$60.30	(11,021)	\$64.44	(1,864)
Outstanding at the end of the period	\$50.14	314,794	\$43.68	297,335
Exercisable at the end of the period	\$42.59	222,201	\$35.75	183,585

The weighted average share price at the date of exercise of share options exercised during the period was US\$76.36 (2013: US\$70.84).

The options outstanding at the period end have an exercise price in the range of US\$23.00 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:

	2014 YUMBUCKS	2013 YUMBUCKS	2014 SOIP	2013 SOIP
Fair value at measurement date	US\$47.42	US\$16.85	US\$17.04	US\$24.29
Weighted average share price	US\$47.15	US\$40.33	US\$50.14	US\$40.13
Exercise price	US\$24.47	US\$70.90	US\$71.53	US\$64.44
Expected volatility	23.00%	31.00%	25.00%	31.00%
Option life (years)	10	5	5	5
Expected dividends	US\$1.64	US\$1.34	US\$1.64	US\$1.34
Risk-free interest rate (based on national government bonds)	1.45%	0.77%	1.82%	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:

	30 Nov 14 £000	1 Dec 13 £000
Equity settled share based payments charge	555	679
Total carrying amount of liabilities	7,061	5,358

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 20. PENSIONS AND OTHER POST RETIREMENT BENEFITS

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

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

Every 3 years an actuarial valuation of the defined benefit pension scheme is carried out by a qualified, independent actuary, the latest of which was carried out as at 30 November 2012. This valuation showed a funding surplus on the scheme of £8.046m (2013: £10.079m). 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 2014 is £nil, again restricted due to the surplus cap.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. A deduction of 0.5% was then made to make allowance for the investment and administrative expenses incurred by the Plan. This resulted in the selection of the Expected Return on Assets (ERA) assumption of 5.10% per annum.

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

	30 Nov 14	1 Dec 13
	£000	£000
Benefit obligation at beginning of the year	(65,922)	(57,091)
Interest cost	(3,085)	(2,606)
Actuarial loss	(5,806)	(7,107)
Benefits paid from the plan/company	567	882
Obligations acquired on transfer	-	-
Closing defined benefit obligation	<u>(74,246)</u>	<u>(65,922)</u>

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

	30 Nov 14	1 Dec 13
	£000	£000
Fair value of plan assets at beginning of the year	76,001	65,264
Expected return on plan assets	3,085	2,606
Actuarial gain on plan assets	3,773	9,013
Benefits paid from plan/company	(567)	(882)
Assets acquired on transfer	-	-
Net asset/(liability)	<u>82,292</u>	<u>76,001</u>

The amounts recognised in the balance sheet are as follows:

	30 Nov 14	1 Dec 13
	£000	£000
Present value of wholly or partly funded obligations	(74,246)	(65,922)
Fair value of plan asset	82,292	76,001
Surplus of funded plans	8,046	10,079
Effect of asset limit	(8,046)	(10,079)
Net asset/(liability)	<u>-</u>	<u>-</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 20. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

The amounts recognised in profit and loss are as follows:

	30 Nov 14	1 Dec 13
	£000	£000
Interest cost	3,085	2,606
Expected return on plan assets	<u>(3,085)</u>	<u>(2,606)</u>
Total pension cost recognized in the profit and loss account	<u>-</u>	<u>-</u>

The history of the plans for the current and prior periods is as follows:

	30 Nov 14	1 Dec 13	30 Nov 12
	£000	£000	£000
Present value of scheme liabilities	(74,246)	(65,922)	(57,091)
Fair value of scheme assets	82,292	76,001	65,264
Surplus	<u>8,046</u>	<u>10,079</u>	<u>8,173</u>

	30 Nov 13	1 Dec 13	30 Nov 12
	%	%	%
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	4%	0%	0%
Experience adjustments on scheme assets as a percentage of scheme liabilities	-5%	-12%	0%

In the periods ending 4 December 2011 and prior, the company was part of a larger, group-wide pension scheme, and were therefore unable to identify their share of the scheme assets and liabilities. As a result, there are only 3 years' worth of information available, inclusive of this period end.

The Company expects to contribute approximately £2.05m to its defined benefit plans in the next financial year.

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

	30 Nov 14	1 Dec 13
	%	%
Equity Securities	79.30	78.52
Debt Securities	20.60	20.99
Other assets	0.10	0.49

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

	30 Nov 14	1 Dec 13
	%	%
Discount rate	3.90	4.70
Rate of increase in inflation (RPI)	3.20	3.50
Rate of increase in inflation (CPI)	2.20	2.70
Rate of pension increases (RPI up to 5%)	3.10	3.40
Rate of pension increases (CPI up to 5%)	2.20	2.70

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 20. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

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

	30 Nov 14 %	1 Dec 13 %
Discount rate	4.70	4.60
Expected long-term rate of return on plan assets	6.00	5.35
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
Assumed life expectations on retirement at age 65		
	30 Nov 14 Years	1 Dec 13 Years
Retiring today (member age 65)	21.80	22.50
Retiring in 25 years (member age 40 today)	24.00	24.60

The amounts recognised to be recognised in STRGL:

	30 Nov 14 £000	1 Dec 13 £000
Defined benefit obligation	2,033	(1,906)
Fair value of plan asset	(2,033)	1,906
Surplus of funded plans	-	-

The cumulative amount of actuarial (gains)/losses recognized:

	30 Nov 14 £000	1 Dec 13 £000
Defined benefit obligation	127	(1,906)

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 21. COMMITMENTS UNDER OPERATING LEASES

At 30 November 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	30 Nov 14		1 Dec 13	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	596	-	997	-
Within 2 to 5 years	1,433	1,465	2,084	1,456
After more than 5 years	10,892	-	11,911	-
	<u>12,921</u>	<u>1,465</u>	<u>14,992</u>	<u>1,456</u>

#### 22. SHARE CAPITAL

Allotted, called up and fully paid:

	30 Nov 14		1 Dec 13	
	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 2 Dec 13 to 30 Nov 14 £000	Period from 3 Dec 12 to 1 Dec 13 £000
Balance brought forward	98,302	70,305
Profit for the financial period	36,459	31,332
Recharge for share-based payments	(641)	(2,998)
Credit in relation to share-based payments	555	679
Exchange rate movement	2,810	(1,016)
Balance carried forward	<u>137,485</u>	<u>98,302</u>

# KENTUCKY FRIED CHICKEN (GREAT BRITAIN) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Nov 14	1 Dec 13
	£000	£000
Profit for the financial period	36,459	31,332
Recharge for share-based payments	(641)	(2,998)
Credit in relation to share-based payments	555	679
Exchange rate movement	2,810	(1,016)
Net addition to shareholders' funds	39,183	27,997
Opening shareholders' funds	132,585	104,588
Closing shareholders' funds	171,768	132,585

#### 26. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £7,418,000 (2013: £11,865,000).

#### 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