

**Kentucky Fried Chicken  
(Great Britain) Limited**

**Directors' report and financial statements**

**3 December 1995**

**Registered number 967403**



# Kentucky Fried Chicken (Great Britain) Limited

## Directors' report and financial statements

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# Kentucky Fried Chicken (Great Britain) Limited

## Company information

Registered in England  
on 2 December 1969  
Number 967403  
VAT 414 0215 13

### Registered office

Colonel Sanders House  
88/97 High Street  
Brentford  
Middlesex

### Directors

GD Allan  
DP Armstrong  
JK Averiss  
PR Hearl

### Company secretary

GP Broad

### Auditors

KPMG  
8 Salisbury Square  
London  
EC4Y 8BB

# Kentucky Fried Chicken (Great Britain) Limited

## Directors' report

The directors present their annual report and the audited financial statements for the 53 week year ended 3 December 1995.

### Principal activities

The principal activity of the company 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.

### Results and dividends

The profit on ordinary activities after taxation for the year ended 3 December 1995 amounted to £4,202,000 (1994: loss after exceptional items and taxation of £8,909,000), and has been retained in the company.

No dividends were paid or proposed during the year (1994: *£nil*).

The company administers the operational and financial management for Southern Fast Foods Limited, a fellow subsidiary undertaking, for which a management charge is levied.

### Significant changes in fixed assets

The movements in fixed assets are shown in notes 10 and 11 to the financial statements.

### Land and buildings

The directors are of the opinion that the market value of land and buildings is in excess of, or equal to, the value shown in the financial statements.

### Post balance sheet events

There are no significant events which have occurred since the end of the year.

### Directors and directors' interests

The directors who held office during the year or since the year end are as follows:

Mr GD Allan	
Mr DJ Armstrong	(appointed 20 December 1995)
Mrs J Averiss	(appointed 3 October 1995)
Mr CJ Garmston	(resigned 3 October 1995)
Mr PR Hearl	

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

# Kentucky Fried Chicken (Great Britain) Limited

## Directors' report

### Directors' and officers' liability insurance

The company's directors and officers are covered by an insurance policy for the above.

### 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 a news sheet.

### Health and safety at work

The company has a positive 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.

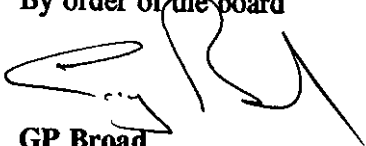
### Charitable and political donations

The company made no political contributions during the year. Donations to UK charities amounted to £14,000 (1994: £14,000).

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**GP Broad**  
Secretary

16 February 1996

Colonel Sanders House  
88/97 High Street  
Brentford  
Middlesex

# Kentucky Fried Chicken (Great Britain) Limited

## 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

**Auditors' report to the members of Kentucky Fried Chicken (Great Britain) Limited**

We have audited the financial statements on pages 5 to 19.

*Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

*Basis of 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 3 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

16 February 1996

# Kentucky Fried Chicken (Great Britain) Limited

## Profit and loss account

for the 53 week year ended 3 December 1995

	<i>Note</i>	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
<b>Turnover - continuing operations</b>	2	72,641	66,331
Cost of sales		<u>(42,267)</u>	<u>(39,422)</u>
<b>Gross profit</b>		30,374	26,909
Administrative expenses		<u>(23,927)</u>	<u>(23,482)</u>
<b>Operating profit - continuing operations</b>		6,447	3,427
Permanent change in value of fixed assets in continuing operations	3	-	<u>(11,114)</u>
<b>Profit/(loss) on ordinary activities before interest</b>		6,447	(7,687)
Other interest receivable and similar income	6	80	14
Interest payable and similar charges	7	-	(7)
<b>Profit/(loss) on ordinary activities before taxation</b>	2-5	6,527	(7,680)
Tax on profit/(loss) on ordinary activities	8	<u>(2,325)</u>	<u>(1,229)</u>
<b>Profit/(loss) for the financial period</b>	17	<u>4,202</u>	<u>(8,909)</u>

A statement of movements on reserves is given in note 17.

The company had no recognised gains or losses during the year other than those reflected in the above profit and loss account.



# Kentucky Fried Chicken (Great Britain) Limited

Balance sheet  
at 3 December 1995

	Note	3 December 1995		26 November 1994	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	10	22,783		22,260	
Investments in subsidiary undertakings	11	854		854	
			<u>23,637</u>		<u>23,114</u>
<b>Current assets</b>					
Stocks	12	997		958	
Debtors	13	14,776		10,895	
Cash at bank and in hand		5,601		1,669	
			<u>21,374</u>		<u>13,522</u>
<b>Creditors: amounts falling due within one year</b>	14	(19,019)		(17,346)	
<b>Net current liabilities</b>			<u>2,355</u>		<u>(3,824)</u>
<b>Total assets less current liabilities</b>			<u>25,992</u>		<u>19,290</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(2,500)		-
<b>Provisions for liabilities and charges</b>	15		-		-
<b>Net assets</b>			<u>23,492</u>		<u>19,290</u>
<b>Capital and reserves</b>					
Called up share capital	16		1,000		1,000
Share premium account	17		16,283		16,283
Investment revaluation reserve	17		507		507
Profit and loss account	17		5,702		1,500
<b>Shareholders' funds</b>	18		<u>23,492</u>		<u>19,290</u>

These financial statements were approved by the board of directors on 16 February 1996 and were signed on its behalf by:

  
PR Hearl  
Director

# Kentucky Fried Chicken (Great Britain) Limited

## Notes

*(forming part of the financial statements)*

### 1 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*

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 of a company incorporated in Great Britain.

#### *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
Motor vehicles	4 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. There are no monetary assets and liabilities denominated in foreign currencies.

#### *Goodwill*

Goodwill relating to a business purchased by the company has been written off immediately against reserves.

# Kentucky Fried Chicken (Great Britain) Limited

## Notes *(continued)*

### 1 Accounting policies *(continued)*

#### *Leases*

All leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account as incurred over the term of the lease.

#### *Pension costs*

The company operates a pension scheme 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 assessed by a qualified actuary using the projected unit method. The expected cost of pensions in respect of the scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

#### *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 year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover comprises sales (exclusive of VAT) of food and drinks at company owned stores, royalty and option fees from franchise licences, sales of food and packaging material to distributors, sales of equipment to franchise licensees, and rents receivable from tenants.

# Kentucky Fried Chicken (Great Britain) Limited

## Notes (continued)

### 2 Analysis of turnover

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
<i>By activity</i>		
Company stores sales	53,562	47,295
Sales to distributors and franchisees	13,844	14,567
Franchise royalties and option fees	4,837	4,161
Rents receivable	398	308
	<u>72,641</u>	<u>66,331</u>

The directors are of the opinion that it would not be meaningful to analyse profit before taxation or net assets by activity.

### 3 Profit/(loss) on ordinary activities before taxation

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	60	60
Other services	36	49
Depreciation of tangible fixed assets	3,470	2,937
Hire of plant and machinery - rentals payable under operating leases	292	310
Hire of other assets - operating leases	299	72
Leasehold property rents	3,866	3,819
Exceptional items:		
- provision for store closures	-	1,302
- permanent change in value of fixed assets	-	11,114

# Kentucky Fried Chicken (Great Britain) Limited

Notes (continued)

## 4 Remuneration of directors

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
Directors' emoluments including pension contributions:		
As directors	<u>583</u>	<u>424</u>

The emoluments, excluding pension contributions, of the chairman were *£nil* (1994: *£Nil*) and those of the highest paid director were £335,000 (1994: £286,000).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	Year ended 3 December 1995	Year ended 26 November 1994
£0 - £ 5,000	2	6
£135,001 - £140,000	-	1
£245,001 - £250,000	1	-
£285,001 - £290,000	-	1
£330,001 - £335,000	1	-

# Kentucky Fried Chicken (Great Britain) Limited

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	Year ended 3 December 1995	Year ended 26 November 1994
Full time	1,095	1,240
Part time	561	390
	<hr/>	<hr/>
	1,656	1,630
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
Wages and salaries	14,999	11,352
Social security costs	938	850
Other pension costs (see note 20)	208	194
	<hr/>	<hr/>
	16,145	12,396
	<hr/>	<hr/>

# Kentucky Fried Chicken (Great Britain) Limited

## Notes (continued)

### 6 Other interest receivable and similar income

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
Short-term deposits	<u>80</u>	<u>14</u>

### 7 Interest payable and similar charges

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>-</u>	<u>7</u>

### 8 Taxation

	Year ended 3 December 1995 £000	Year ended 26 November 1994 £000
UK corporation tax at 33% (1994:33%) on the profit/(loss) for the year on ordinary activities	2,325	1,448
Prior year over provision	-	(219)
	<u>2,325</u>	<u>1,229</u>

The tax charge for the year represents group relief paid and payable.

### 9 Dividends

No dividends were paid or proposed during the year (1994: £nil).

# Kentucky Fried Chicken (Great Britain) Limited

Notes (continued)

## 10 Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Machinery, equipment and motor vehicles	Total
	£000	£000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	6,093	24,101	18,340	48,539
Additions	528	2,680	801	4,009
Disposals	-	-	(29)	(29)
At end of year	6,626	26,781	19,112	52,519
<i>Depreciation and diminution in value</i>				
At beginning of year	3,158	13,931	9,190	26,279
Charge for year	25	1,806	1,639	3,470
Disposals	-	-	(13)	(13)
At end of year	3,183	15,737	10,816	29,736
<i>Net book value</i>				
At 3 December 1995	3,443	11,044	8,296	22,783
At 26 November 1994	2,940	10,170	9,150	22,260

The net book value at 3 December 1995 of long leasehold property included in leasehold improvements above was £2,544,000 (1994: £2,288,000).



# Kentucky Fried Chicken (Great Britain) Limited

Notes (continued)

## 11 Fixed asset investments

	Shares in subsidiary undertakings £000
<i>Shares</i>	
<i>Cost</i>	
At beginning and end of year	2,981
<i>Provisions</i>	
At beginning and end of year	2,127
<i>Net book value</i>	
At 26 November 1994 and 3 December 1995	854

The subsidiary undertakings at 3 December 1995 were as follows:

	Country of registration	Principal activity	Class and percentage of shares held
Kentucky Fried Chicken Limited	England	Non-trading	100% ordinary shares
KFC Advertising Limited	England	Advertising services for Kentucky Fried Chicken	100% ordinary shares
Valleythorn Limited	England	Non-trading	100% ordinary shares
Finger Lickin' Chicken Limited	England	Non-trading	100% ordinary shares

In the opinion of the directors the investments in the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

# Kentucky Fried Chicken (Great Britain) Limited

Notes (continued)

## 12 Stocks

	3 December 1995 £000	26 November 1994 £000
Food and packaging	451	385
Equipment	546	573
	<u>997</u>	<u>958</u>

## 13 Debtors

	3 December 1995 Due within one year £000	26 November 1994 Due within one year £000
Trade debtors	2,007	3,402
Other debtors	219	340
Amounts owed by parent and fellow subsidiary undertakings	10,862	5,097
Prepayments and accrued income	1,688	2,056
	<u>14,776</u>	<u>10,895</u>

# Kentucky Fried Chicken (Great Britain) Limited

## Notes (continued)

### 14 Creditors

Amounts falling due within one year	3 December 1995		26 November 1994	
	£000	£000	£000	£000
Trade creditors		3,045		6,076
Amounts owed to fellow subsidiary undertaking		1,847		389
Amounts owed to subsidiary undertakings		854		854
Other creditors including taxation and social security:				
Corporation tax	4,265		2,488	
Other taxes and social security	2,287		2,304	
		<u>6,552</u>		<u>4,792</u>
Taxation and social security				
Other creditors		-		304
		<u>6,552</u>		<u>5,096</u>
Accruals and deferred income		6,721		4,931
		<u>19,019</u>		<u>17,346</u>
Amounts falling due after one year				
Accruals and deferred income		2,500		-
		<u>2,500</u>		<u>-</u>

### 15 Provisions for liabilities and charges

Balances in respect of deferred taxation are set out below:

	3 December 1995		26 November 1994	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Accelerated capital allowances	-	1,947	-	1,830
Short term timing differences	-	(464)	-	(491)
		<u>1,483</u>		<u>1,339</u>

# Kentucky Fried Chicken (Great Britain) Limited

Notes (continued)

16 Called up share capital

	3 December 1995 £000	26 November 1994 £000
<i>Authorised, allotted, called up and fully paid</i> Ordinary shares of £1 each	1,000	1,000

17 Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	16,283	507	1,500
Transfer from profit and loss account for the year	-	-	4,202
<b>At end of year</b>	<b>16,283</b>	<b>507</b>	<b>5,702</b>

18 Reconciliation of movements in shareholders' funds

	3 December 1995 £000	26 November 1994 £000
Opening shareholders' funds	19,290	28,199
Profit/(loss) for the financial period	4,202	(8,909)
<b>Closing shareholders' funds</b>	<b>23,492</b>	<b>19,290</b>

All shareholders' funds relate to equity interests.

# Kentucky Fried Chicken (Great Britain) Limited

## Notes (continued)

### 19 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	3 December 1995 £000	26 November 1994 £000
Contracted	1,251	514
Authorised but not contracted	<u>3,035</u>	<u>218</u>

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

	3 December 1995		26 November 1994	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	256	-	100	42
In the second to fifth years inclusive	421	592	427	460
Over five years	3,193	-	3,255	-
	<u>3,870</u>	<u>592</u>	<u>3,782</u>	<u>502</u>

### 20 Pension scheme

The company 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 April 1993. It was assumed for the purposes of this valuation that the rate of return on the fund's assets would be 9% and the rate of increase in salaries would be 6.5% per annum.

The market value of the fund's assets at 1 April 1993 was £1,747,000. The actuarial value at that date exceeded the benefits which had accrued to members, after allowing for expected future increases in earnings, by £180,000. This is amortised over the average remaining working lifetime of scheme members, which is estimated to be 16 years.

The total net pension cost for the company was £208,000 (1994: £194,000).

The next actuarial valuation is due in April 1996.

# Kentucky Fried Chicken (Great Britain) Limited

Notes *(continued)*

- 21 **Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of PepsiCo Holdings Limited, a company registered in England and Wales and the smallest group in which the results of the company are consolidated is that headed by PepsiCo 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 PepsiCo, Inc., a company incorporated in the US. The consolidated accounts of this group are available to the public and may be obtained from:

PepsiCo, Inc.  
700 Anderson Hill Road  
Purchase  
New York  
10577  
United States of America