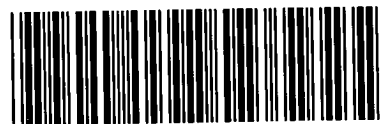


Kentucky Fried Chicken (Great Britain) Limited
Financial Statements
Period ended 4 December 2016

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Kentucky Fried Chicken (Great Britain) Limited

Financial Statements

Period from 30 November 2015 to 4 December 2016

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Kentucky Fried Chicken (Great Britain) Limited

Officers and Professional Advisers

The board of directors

MRF Shuker
PJ MacKenzie
CR Fells
CR Holmes (appointed 1 December 2015)
CA Drew (appointed 24 March 2017)

Company secretary

C Boynton (appointed 11 July 2016)

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 30 November 2015 to 4 December 2016

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period 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 in the UK and via its branch in Germany.

BUSINESS REVIEW

The business has continued to grow this financial period. 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 same store sales growth of 1.4% and a 3.1% increase in total sales to £479.9m (2015: £465.3m).

Operating profit margin of 12.6% has increased when compared to that of the prior year (2015: 12.2%). This is due to an increase in cost saving initiatives implemented across the business and a change in the product mix resulting in operating profit totalling £60.6m compared to £56.9m in 2015.

The Company has net assets of £132.9m as at the end of the 2016 financial period (2015: £106.1m).

The total average number of employees increased by 2.7% during the year. This was driven by an increase in volume of transactions resulting in a demand for employees in restaurants in addition to a focus to increase the quality of service provided.

In 2016, the Company donated 4 tonnes of chicken to local charities as part of a food donation scheme in over 400 restaurants.

PRINCIPAL 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, new products 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 sourced from within the group. As a result, minimal risk is associated with this area.

FUTURE DEVELOPMENTS

A key element of our contribution to the Yum! global strategy is to increase our franchise mix to at least 94% by the end of 2018 with an "own to learn" mindset. We are also accelerating the rollout of our delivery channel through our own website in addition to third party providers.

This report was approved by the board of directors on 29 August 2017 and signed on behalf of the board by:



CA Drew

Director

Registered office:

Orion Gate Guildford Road

Woking

Surrey

GU22 7NJ

Kentucky Fried Chicken (Great Britain) Limited

Directors' Report

Period from 30 November 2015 to 4 December 2016

The directors present their report and the financial statements of the Company for the period ended 4 December 2016.

Directors

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

MRF Shuker
PJ MacKenzie
CR Fells
CR Holmes

CA Drew was appointed as a director on 24 March 2017.

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

Dividends

The directors do not recommend the payment of a dividend. An ordinary resolution was passed that recommended a dividend in 2015 for the amount of £112,960,809 which was paid to Yum! Restaurant Holdings.

Employment of disabled persons

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.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 28 to the financial statements.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have 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.

Kentucky Fried Chicken (Great Britain) Limited

Directors' Report *(continued)*

Period from 30 November 2015 to 4 December 2016

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.

This report was approved by the board of directors on 29 August 2017 and signed on behalf of the board by:



CA Drew
Director

Registered office:
Orion Gate Guildford Road
Woking
Surrey
GU22 7NJ

Kentucky Fried Chicken (Great Britain) Limited

Statement of Directors' Responsibilities

Period from 30 November 2015 to 4 December 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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; and
- 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 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.

Independent Auditor's Report to the Member of Kentucky Fried Chicken (Great Britain) Limited

Period from 30 November 2015 to 4 December 2016

We have audited the financial statements of Kentucky Fried Chicken (Great Britain) Limited for the period ended 4 December 2016, on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's member, 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 member 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 member 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, 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.

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 4 December 2016 and of its performance 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 the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in these reports; and
- in our opinion, these reports have been prepared in accordance with the Companies Act 2006.

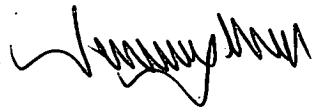
Independent Auditor's Report to the Member of Kentucky Fried Chicken (Great Britain) Limited *(continued)*

Period from 30 November 2015 to 4 December 2016

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 director's 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, Statutory Auditor
Chartered Accountants
15 Canada Square,
Canary Wharf,
London,
E14 5GL

29 August 2017

Kentucky Fried Chicken (Great Britain) Limited

Statement of Comprehensive Income

Period from 30 November 2015 to 4 December 2016

		Period from 30 Nov 15 to 4 Dec 16	Period from 1 Dec 14 to 29 Nov 15
	Note	£000	£000
Turnover	4	479,870	465,334
Cost of sales		(237,982)	(232,393)
Gross profit		241,888	232,941
Administrative expenses		(186,462)	(181,771)
Other operating income	5	5,164	5,741
Operating profit	6	60,590	56,911
Other interest receivable and similar income	10	264	789
Interest payable and similar charges	11	(1,862)	(1,754)
Profit on ordinary activities before taxation		58,992	55,946
Tax on profit on ordinary activities	12	(15,507)	(15,582)
Profit for the financial period		43,485	40,364
Foreign currency retranslation		(16,339)	8,867
Actuarial loss recognised in the pension scheme		(1,800)	(2,050)
Total comprehensive income for the period		25,346	47,181

All the activities of the Company are from continuing operations.

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 Financial Position

4 December 2016

	Note	4 Dec 16 £000	29 Nov 15 £000
Fixed assets			
Intangible assets	14	5,134	6,994
Tangible assets	15	251,565	243,228
Investments	16	917	917
		<u>257,616</u>	<u>251,139</u>
Current assets			
Stocks	17	1,993	2,115
Debtors	18	54,486	51,862
Cash at bank and in hand		102,076	49,279
		<u>158,555</u>	<u>103,256</u>
Creditors: amounts falling due within one year	19	<u>(274,033)</u>	<u>(243,027)</u>
Net current liabilities		<u>(115,478)</u>	<u>(139,771)</u>
Total assets less current liabilities		<u>142,138</u>	<u>111,368</u>
Creditors: amounts falling due after more than one year	20	<u>(9,265)</u>	<u>(5,225)</u>
Net assets		<u><u>132,873</u></u>	<u><u>106,143</u></u>
Capital and reserves			
Called up share capital	24	18,000	18,000
Share premium account	25	16,283	16,283
Other reserves	25	1,625	241
Profit and loss account	25	96,965	71,619
Member funds		<u><u>132,873</u></u>	<u><u>106,143</u></u>

These financial statements were approved by the board of directors and authorised for issue on 29 August 2017, and are signed on behalf of the board by:



CA Drew
Director

Company registration number: 00967403

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

Kentucky Fried Chicken (Great Britain) Limited

Statement of Changes in Equity

Period from 30 November 2015 to 4 December 2016

		Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 December 2014	Note	18,000	16,283	86	137,399	171,768
Profit for the period		—	—	—	40,364	40,364
Other comprehensive income:						
- Actuarial loss in the pension scheme		—	—	—	(2,050)	(2,050)
- Foreign currency translation differences		—	—	—	8,867	8,867
Total comprehensive income for the period		—	—	—	47,181	47,181
Dividends paid and payable	13	—	—	—	(112,961)	(112,961)
Equity settled share based payments		—	—	155	—	155
Total investments by and distributions to owners		—	—	155	(112,961)	(112,806)
At 29 November 2015		18,000	16,283	241	71,619	106,143
Profit for the period		—	—	—	43,485	43,485
Other comprehensive income:						
- Actuarial loss in the pension scheme		—	—	—	(1,800)	(1,800)
- Foreign currency translation differences		—	—	—	(16,339)	(16,339)
Total comprehensive income for the period		—	—	—	25,346	25,346
Equity settled share based payments		—	—	1,384	—	1,384
Total investments by and distributions to owners		—	—	1,384	—	1,384
At 4 December 2016		18,000	16,283	1,625	96,965	132,873

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements

Period from 30 November 2015 to 4 December 2016

1. General information

The Company is a private company limited by shares, registered in England and Wales. The address of the registered office is Orion Gate, Guildford Road, Woking, Surrey, GU22 7NJ, United Kingdom.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in UK and the Republic of Ireland' ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

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 (2016 has a 53 week accounting period relative to 2015 with a 52 week accounting period).

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 December 2014. No transitional adjustments were required in equity or profit or loss for the period.

Disclosure exemption

FRS 102 grants certain first-time exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease incentives – for leases commenced before 1 December 2014, the Company continued to account for lease incentives under previous UK GAAP

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 401 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is not established under the law of an EEA State.

The Company's ultimate parent undertaking, Yum! Brands, Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Yum! Brands, Inc., are available to the public and may be obtained from the address as detailed in note 29. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes
- Key Management Personnel compensation
- Related party transactions with entities which form part of the group

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

3. Accounting policies *(continued)*

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate notwithstanding net current liabilities of £115,478,000. Despite having a deficiency of net current assets, Kentucky Fried Chicken (Great Britain) Limited has and shall continue to cover its own working capital needs however 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.

Dividends on shares presented within member 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.

Turnover

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

Income tax

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 102.

Foreign currencies

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 *(continued)*

Period from 30 November 2015 to 4 December 2016

3. Accounting policies *(continued)*

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

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

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	-	20 years
Freehold Buildings	-	20 years
Machinery and Equipment	-	3-15 years

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.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

3. Accounting policies *(continued)*

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured as the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are accounted for within in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

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.

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

3. Accounting policies *(continued)*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Company also operates a defined benefit scheme for employees (closed to future accrual of benefits from 1 July 2011). 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.

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.

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

4. Turnover

The turnover is attributable to the one principal activity of the Company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Company store sales	428,235	418,301
Franchise royalties and fees	51,635	47,033
	<u>479,870</u>	<u>465,334</u>

The split of turnover by geographical segment is shown below:

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Europe	67,053	73,082
United Kingdom	412,817	392,252
	<u>479,870</u>	<u>465,334</u>

5. Other operating income

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Rental income	177	259
Commission receivable	—	39
Distribution income	4,840	3,256
Other operating income	147	2,187
	<u>5,164</u>	<u>5,741</u>

6. Operating profit

Operating profit or loss is stated after charging/(crediting):

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Amortisation of intangible assets	1,564	1,581
Depreciation of tangible assets	29,553	28,706
Impairment of tangible assets	899	2,398
Loss on disposal of tangible assets	1,232	1,012
Impairment of trade debtors	109	184
Refranchising loss	3,168	782
Operating lease costs:		
- Plant and equipment	40	898
- Land and buildings	19,031	20,379
Equity-settled share-based payments expense	4,283	679
Foreign exchange differences	(14)	(4)
	<u></u>	<u></u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

7. Auditor's remuneration

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Fees payable for the audit of the financial statements	<u>116</u>	<u>106</u>
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	15	15
Taxation advisory services	14	17
Other assurance services	3	1
	<u>32</u>	<u>33</u>

8. Particulars of employees

The average number of staff employed by the Company during the period, including the directors, amounted to:

	4 Dec 16 No.	29 Nov 15 No.
Distribution staff	7,942	7,706
Administrative staff	706	711
	<u>8,648</u>	<u>8,417</u>

The aggregate payroll costs of the above, were:

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Wages and salaries	123,944	121,575
Social security costs	10,489	9,821
Other pension costs	3,982	3,680
Equity-settled share-based payments	4,283	679
	<u>142,698</u>	<u>135,755</u>

9. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Remuneration	1,221	1,203
Amount received under long term incentive schemes	929	190
Value of Company pension contributions to money purchase schemes	153	146
	<u>2,303</u>	<u>1,539</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

9. Directors' remuneration *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Total remuneration	489	713
Value of Company pension contributions to money purchase schemes	72	59
	<u>561</u>	<u>772</u>

The number of directors who exercised share options was 2 (2015: 1)

The number of directors in respect of whose services shares were received or receivable under long-term incentive schemes was 4 (2015: 3)

Retirement benefits are accruing to 4 (2015: 3) directors under defined contribution schemes.

10. Interest receivable and similar income

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Other loan interest receivable	257	439
Interest from group undertakings	7	350
	<u>264</u>	<u>789</u>

11. Interest payable and similar charges

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Interest owing to group undertakings	1,862	1,754

12. Tax on profit on ordinary activities

Major components of tax expense

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Current tax:		
UK current tax expense	14,295	13,106
Adjustments in respect of prior periods	(349)	86
Total current tax	<u>13,946</u>	<u>13,192</u>
Deferred tax:		
Origination and reversal of timing differences	1,632	1,326
Adjustments in respect of prior years	(136)	1,064
Effect of changes in tax rates	65	-
Tax on profit on ordinary activities	<u>15,507</u>	<u>15,582</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

12. Tax on profit on ordinary activities *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.33%).

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Profit on ordinary activities before taxation	58,992	55,946
Profit on ordinary activities by rate of tax	11,798	11,373
Adjustment to tax charge in respect of prior periods	(485)	1,150
Effect of expenses not deductible for tax purposes	4,128	3,059
Effect of changes in tax rates	65	-
Tax on profit on ordinary activities	15,507	15,582

Deferred tax balances are expected to reverse in future periods in line with prior period reversals.

Factors that may affect future tax expense

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 4 December 2016 has been calculated based on these rates.

13. Dividends

Equity dividends paid during the period:	4 Dec 16 £000	29 Nov 15 £000
Dividends paid	-	112,961

An ordinary resolution was passed that recommended a dividend in the amount of £ 112,960,809 be paid on the 18th November 2015 to the sole member of the Company, Yum! Restaurant Holdings. The directors do not recommended a dividend this year.

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

14. Intangible assets

	Goodwill £000	Key Money £000	Total £000
Cost			
At 30 November 2015	29,382	1,935	31,317
Additions	-	50	50
Disposals	(444)	-	(444)
Foreign exchange	74	90	164
At 4 December 2016	<u>29,012</u>	<u>2,075</u>	<u>31,087</u>
Amortisation			
At 30 November 2015	23,583	988	24,571
Charge for the period	1,469	95	1,564
Disposals	(234)	-	(234)
Foreign exchange	36	16	52
At 4 December 2016	<u>24,854</u>	<u>1,099</u>	<u>25,953</u>
Carrying amount			
At 4 December 2016	<u>4,158</u>	<u>976</u>	<u>5,134</u>
At 29 November 2015	<u>5,799</u>	<u>1,195</u>	<u>6,994</u>

15. Tangible assets

	Freehold land and buildings £000	Leasehold improvement £000	Machinery and equipment £000	Total £000
Cost or valuation				
At 30 November 2015	156,808	144,961	131,385	433,154
Additions	16,015	8,529	21,107	45,651
Disposals	(5,616)	(17,044)	(17,365)	(40,025)
Foreign exchange	10,275	7,093	4,430	21,798
Transfers	(43,582)	43,564	18	-
At 4 December 2016	<u>133,900</u>	<u>187,103</u>	<u>139,575</u>	<u>460,578</u>
Depreciation				
At 30 November 2015	42,197	58,381	89,348	189,926
Charge for the period	5,713	7,856	15,984	29,553
Impairment	-	731	168	899
Disposals	(742)	(6,654)	(10,053)	(17,449)
Foreign exchange	1,596	1,706	2,782	6,084
At 4 December 2016	<u>48,764</u>	<u>62,020</u>	<u>98,229</u>	<u>209,013</u>
Carrying amount				
At 4 December 2016	<u>85,136</u>	<u>125,083</u>	<u>41,346</u>	<u>251,565</u>
At 29 November 2015	<u>114,611</u>	<u>86,580</u>	<u>42,037</u>	<u>243,228</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

16. Investments

	Shares in group undertakings £000
Cost	
At 30 Nov 2015 and 4 Dec 2016	<u>917</u>
Impairment	
At 30 Nov 2015 and 4 Dec 2016	<u>-</u>
Carrying amount	
At 30 Nov 2015 and 4 December 2016	<u>917</u>

Group investments

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

Name	Country of incorporation	Holding	Principal Activity
KFC Advertising Limited	England	100% ordinary shares	Advertising Co-operative
Yum! Restaurants 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.

With effect from 30 August 2016, Valleythorn Limited changed its name to Yum! Restaurants Limited.

17. Stocks

	4 Dec 16 £000	29 Nov 15 £000
Raw materials and consumables	<u>1,993</u>	<u>2,115</u>

18. Debtors

	4 Dec 16 £000	29 Nov 15 £000
Trade debtors	20,108	15,782
Amounts owed by group undertakings	20,617	10,979
Prepayments and accrued income	4,684	12,838
Other debtors	8,716	10,342
Deferred tax (see note 21)	361	1,921
	<u>54,486</u>	<u>51,862</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

19. Creditors: amounts falling due within one year

	4 Dec 16	29 Nov 15
	£000	£000
Overdrafts	37	5,617
Trade creditors	9,095	5,870
Amounts owed to group undertakings	203,489	166,299
Accruals and deferred income	52,905	46,851
Corporation tax	982	1,327
Other taxation	7,057	16,472
Other creditors	468	591
	<u>274,033</u>	<u>243,027</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.

20. Creditors: amounts falling due after more than one year

	4 Dec 16	29 Nov 15
	£000	£000
Accruals and deferred income	<u>9,265</u>	<u>5,225</u>

21. Deferred tax

The deferred tax included within debtors is as follows:

	4 Dec 16	29 Nov 15
	£000	£000
Deferred tax provision	<u>361</u>	<u>1,921</u>

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

	4 Dec 16	29 Nov 15
	£000	£000
Balance brought forward	1,921	4,311
Profit and loss account movement arising during the period	(1,560)	(2,390)
Balance carried forward	<u>361</u>	<u>1,921</u>

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

	4 Dec 16	29 Nov 15
	£000	£000
Excess of depreciation over taxation allowances	(1,187)	(198)
Short term timing differences	509	394
Other timing differences	1,039	1,725
	<u>361</u>	<u>1,921</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

22. Employee benefits

The Company operates a defined benefit pension scheme, closed to future accrual of benefits from 1 July 2011. There is an open defined benefit contribution scheme, and employees continue to contribute to this scheme.

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 31 March 2014. This valuation showed a funding deficit on the scheme of £1,000,000. The next valuation will be carried out in Autumn 2017.

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

	4 Dec 16	29 Nov 15
	£000	£000
Benefit obligation at beginning of the period	(76,667)	(74,246)
Interest cost	(2,923)	(2,871)
Actuarial loss	(20,199)	(833)
Benefits paid from the plan	1,513	1,283
Closing defined benefit obligation	<u>(98,276)</u>	<u>(76,667)</u>

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

	4 Dec 16	29 Nov 15
	£000	£000
Fair value of plan assets at beginning of the period	85,642	82,292
Interest income	3,299	3,222
Remeasurement: return on plan assets less interest income	15,699	(519)
Employers contribution	1,800	2,050
Benefits paid	(1,513)	(1,283)
Administrative expenses paid from plan assets	(220)	(120)
Fair value of plan assets at year end	<u>104,707</u>	<u>85,642</u>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

22. Employee benefits *(continued)*

The amounts recognised in the balance sheet are as follows:

	4 Dec 16 £000	29 Nov 15 £000
Present value of wholly or partly funded obligations	(98,276)	(76,667)
Fair value of plan asset	104,707	85,642
Surplus of funded plans	6,431	8,975
Effect of asset limit	(6,431)	(8,975)
Net asset	-	-

The amounts recognised in profit and loss are as follows:

	4 Dec 16 £000	29 Nov 15 £000
Interest expense	2,923	2,871
Interest income on plan assets	(3,299)	(3,222)
Interest expense on effect of asset ceiling	346	314
Administrative expenses	220	120
Total pension cost recognized in the profit and loss account	190	83

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

	4 Dec 16 £000	29 Nov 15 £000	30 Nov 14 £000	1 Dec 13 £000	30 Nov 12 £000
Present value of scheme liabilities	(98,276)	(76,667)	(74,246)	(65,922)	(57,091)
Fair values of scheme assets	104,707	85,642	82,292	76,001	65,264
Surplus	6,431	8,975	8,046	10,079	8,173

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 5 years' worth of information available, inclusive of this period end.

The Company expects to contribute approximately £1.8m to its defined benefit plans in the next financial year.

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

22. Employee benefits *(continued)*

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

	4 Dec 16	29 Nov 15
	%	%
Equity Securities	48.78	78.86
Debt Securities	51.06	19.22
Other assets	0.16	1.92

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

	4 Dec 16	29 Nov 15
	%	%
Discount rate	2.95	3.85
Rate of increase in inflation (RPI)	3.25	3.20
Rate of increase in inflation (CPI)	2.25	2.20
Rate of pension increases (RPI up to 5%)	3.20	3.10
Rate of pension increases (CPI up to 5%)	2.25	2.20

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

	4 Dec 16	29 Nov 15
	%	%
Discount rate	3.85	3.90
Rate of increase in inflation (RPI)	3.20	3.20
Rate of increase in inflation (CPI)	2.20	2.20
Rate of pension increases (RPI up to 5%)	3.20	3.10
Rate of pension increases (CPI up to 5%)	2.20	2.20

Assumed life expectations on retirement at age 65

	4 Dec 16	29 Nov 15
	%	%
Retiring today (member age 65)	21.60	21.90
Retiring in 20 years (member age 45 today)	23.80	24.10

Actual return on planned assets:

	4 Dec 16	29 Nov 15
	£000	£000
Actual return on planned assets	18,998	2,703

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

23. 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 fair value of services received in return for share options granted are measured by reference to the fair value of share options granted which is calculated using the Black-Scholes option-pricing model with assumptions as below. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

	2016 YUMBUCKS	2015 YUMBUCKS	2016 SOIP	2015 SOIP
Fair value at measurement date	US\$15.84	US\$12.25	US\$18.98	US\$14.98
Weighted average share price	US\$48.79	US\$62.23	US\$41.67	US\$53.38
Exercise price	US\$55.00	US\$79.19	US\$49.68	US\$74.20
Expected volatility	26.00%	28.00%	26.00%	27.00%
Option life (years)	10	10	10	10
Expected dividends	US\$1.20	US\$1.84	US\$1.20	US\$1.84
Risk-free interest rate (based on national government bonds)	1.58%	1.55%	1.85%	1.84%

During the year, the ultimate holding company, Yum! Brands Inc, spun off its China business into a separate company called Yum! China Holdings Inc, listed on the New York Stock Exchange ("Yum! China"). Following the separation of Yum China, employees holding awards prior to the separation received an equal number of awards of both Yum and Yum China. The exercise prices of the post separation awards were established that, on a combined basis, maintained the intrinsic value of the Yum awards prior to the separation. Yum! Brands Inc has no obligation to settle the Yum China shares therefore the liability has been removed. As a result, the vesting period for the Yum China shares has been accelerated resulting in a higher expense in the year.

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

	2016 Weighted average exercise price US\$	2016 Number of options	2015 Weighted average exercise price US\$	2015 Number of options
Outstanding at the beginning of the period	\$62.33	127,466	\$47.15	150,697
Granted during the period	\$66.50	48,845	\$78.06	33,461
Exercised during the period	\$84.74	(15,768)	\$83.49	(23,837)
Transfers in during the period	\$52.53	1,894	-	-
Transferred out during the period	\$71.25	(181)	-	-
Lapsed during the period	\$68.23	(70,236)	\$48.43	(32,855)
Outstanding at the end of the period	\$48.79	92,020	\$62.33	127,466
Exercisable at the end of the period	\$34.64	26,489	\$38.42	43,933

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

23. Share-based payments *(continued)*

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

	2016 Weighted average exercise price US\$	2016 Number of options	2015 Weighted average exercise price US\$	2015 Number of options
Outstanding at the beginning of the period	\$53.38	316,483	\$50.14	314,794
Granted during the period	\$56.35	125,454	\$72.23	49,541
Exercised during the period	\$81.62	(43,631)	\$82.52	(15,221)
Transfers in during the period	\$50.10	21,523	-	-
Transfers out during the period	\$58.74	(2,748)	\$55.72	(9,032)
Lapsed during the period	\$64.80	(71,690)	\$64.23	(23,599)
Outstanding at the end of the period	\$41.67	345,391	\$53.38	316,483
Exercisable at the end of the period	\$38.64	260,110	\$47.01	235,646

The weighted average share price at the date of exercise of share options exercised during the period was US\$82.45 (2015: US\$83.11).

The options outstanding at the period end have an exercise price in the range of US\$20.30 to US\$64.65 and a weighted average contractual life of 10 years.

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:

	4 Dec 16 £000	30 Nov 15 £000
Equity settled share based payments charge	4,283	679
Total carrying amount of liabilities	5,961	5,620

24. Called up share capital

Issued, called up and fully paid

	4 Dec 16 No. £000	29 Nov 15 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>

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

25. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves - This reserve includes share option reserve which records the value received in relation to the issue of share options.

Profit and loss account - This reserve records retained earnings and accumulated losses.

26. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	4 Dec 16 £000	29 Nov 15 £000
Tangible assets	<u>7,392</u>	<u>10,562</u>

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	4 Dec 16 £000	29 Nov 15 £000
Not later than 1 year	443	356
Later than 1 year and not later than 5 years	8,833	7,509
Later than 5 years	<u>18,321</u>	<u>20,572</u>
	<u>27,597</u>	<u>28,437</u>

28. Events after the end of the reporting period

Kentucky Fried Chicken (Great Britain) Limited incorporated the following subsidiaries after the balance sheet date:

Name	Country of incorporation	Incorporation date	Issued Share Capital
Chelcol Limited	England	27 March 2017	1 ordinary share of £1.00
Demipower (2017) Limited	England	27 March 2017	1 ordinary share of £1.00
Gastronomy Restaurants Limited	England	28 March 2017	1 ordinary share of £1.00
Harland South Limited	England	27 March 2017	1 ordinary share of £1.00
K&Z South London Limited	England	28 March 2017	1 ordinary share of £1.00
KZ Catering Limited	England	27 March 2017	1 ordinary share of £1.00
Splendid Restaurants (Harland) Limited	England	27 March 2017	1 ordinary share of £1.00
SASA Foods Limited	England	29 March 2017	1 ordinary share of £1.00
Scotco Trowbridge Limited	England	29 March 2017	1 ordinary share of £1.00
Mfit Foods Ltd	England	19 June 2017	1 ordinary share of £1.00
K&Z Crawley Limited	England	11 July 2017	1 ordinary share of £1.00
Demipower Eastern Limited	England	3 August 2017	1 ordinary share of £1.00
Scotco One Five Five Limited	England	15 August 2017	1 ordinary share of £1.00

Kentucky Fried Chicken (Great Britain) Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

28. Events after the end of the reporting period *(continued)*

Yum! Brands Inc. group of companies undertook a corporate reorganisation to facilitate the legal separation of brands within each jurisdiction. As part of the reorganisation, on 6 December 2016, Yum! Restaurant Holdings transferred the interest and entire share capital of Kentucky Fried Chicken (Germany) Restaurant Holding GmbH and Yum! Restaurants International Limited to Kentucky Fried Chicken (Great Britain) Limited for a total consideration of £142,687,000 satisfied by the issue of additional share capital.

Additionally, on 12 December 2016, Yum! Restaurant Holdings distributed the entire share capital of the company to Restaurant Holdings Limited.

29. Controlling party

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