

Restaurant Holdings Limited
Financial Statements
4 December 2016

Restaurant Holdings Limited

Financial Statements

Period from 30 November 2015 to 4 December 2016

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Restaurant Holdings Limited

Strategic Report

Period from 30 November 2015 to 4 December 2016

Principal activity

The principal activity of the company during the period was to act as an intermediate holding company.

The directors do not foresee any change in the company's activities.

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.

Results and review

The loss for the period amounted to £74,780,000 (2015: profit of £34,818,000). The loss for the year was principally due to foreign exchange losses on US dollar-denominated loans.

At the end of the period, the company had net assets of £45,067,000 (2016: £119,847,000). The directors are reasonably certain that the company will be able to meet its obligations for the foreseeable future.

Amounts due to group undertakings are principally loans due to fellow subsidiary companies and the accrued interest thereon. At the period end, 85% of the loans payable were US dollar denominated. After the period end, all of loans were redenominated to US dollars as part of the debt restructure which is outlined in note 16 to the financial statements.

Risks and uncertainties

The principal risk to the company is the movement in foreign exchange on the US dollar-denominated loans. Foreign exchange movements that affect the annual interest payment are partially mitigated by the use of forward currency contracts, however, the company is also required to report the foreign exchange movement on the principal value of the loans and this may have a significant impact on the results from period to period.

This report was approved by the board of directors on 3 August 2017 and signed on behalf of the board by:



TM Colborn
Director

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

Restaurant Holdings 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 and since the period end were as follows:

P MacKenzie	
TM Colborn	
MRF Shuker	(Resigned 21 April 2017)
CM Boynton	(Appointed 11 July 2016)
GJ Taylor	(Resigned 1 April 2016)
CA Drew	(Appointed 24 March 2017)

Dividends

The directors do not recommend the payment of a dividend.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 16 to the financial statements.

Disclosure of information to auditor

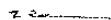
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 3 August 2017 and signed on behalf of the board by:



TM Colborn
Director

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

Restaurant Holdings Limited

Directors' Responsibilities Statement

Period from 30 November 2015 to 4 December 2016

The directors are responsible for preparing the Directors' Report, the Strategic 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 Restaurant Holdings Limited

Period from 30 November 2015 to 4 December 2016

We have audited the financial statements of Restaurant Holdings Limited for the period ended 4 December 2016, on pages 6 to 14. 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 loss 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 Restaurant Holdings 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 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 accountant & statutory auditor
15 Canada Square
London
E14 5GL
United Kingdom

3 August 2017

Restaurant Holdings Limited

Statement of Income and Retained Earnings

Period from 30 November 2015 to 4 December 2016

		Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
	Note		
Administrative expenses		(342)	(55)
Operating loss		(342)	(55)
Income from shares in group undertakings	6	–	40,000
Other interest receivable and similar income		26	546
Interest payable and similar charges	7	(91,783)	(6,530)
(Loss)/profit on ordinary activities before taxation		(92,099)	33,961
Tax on (loss)/profit on ordinary activities	8	17,319	857
(Loss)/profit for the financial period and total comprehensive income		<u>(74,780)</u>	<u>34,818</u>
Dividends paid and payable	9	–	(10,000)
Retained earnings at the start of the period		25,084	266
Retained (losses)/earnings at the end of the period		<u>(49,696)</u>	<u>25,084</u>

All the activities of the company are from continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

Restaurant Holdings Limited

Statement of Financial Position

4 December 2016

	Note	4 Dec 16 £000	29 Nov 15 £000
Fixed assets			
Investments	10	556,338	556,338
Current assets			
Debtors	11	18,838	1,519
Cash at bank and in hand		1,328	8,839
		<u>20,166</u>	<u>10,358</u>
Creditors: amounts falling due within one year	12	<u>(664)</u>	<u>(378)</u>
Net current assets		<u>19,502</u>	<u>9,980</u>
Total assets less current liabilities		<u>575,840</u>	<u>566,318</u>
Creditors: amounts falling due after more than one year	13	<u>(530,773)</u>	<u>(446,471)</u>
Net assets		<u><u>45,067</u></u>	<u><u>119,847</u></u>
Capital and reserves			
Called up share capital	14	94,763	94,763
Profit and loss account	15	<u>(49,696)</u>	<u>25,084</u>
Shareholder's funds		<u><u>45,067</u></u>	<u><u>119,847</u></u>

These financial statements were approved by the board of directors and authorised for issue on 3 August 2017, and are signed on behalf of the board by:

TM Colborn
Director

Company registration number: 05735916

The notes on pages 8 to 14 form part of these financial statements.

Restaurant Holdings 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 were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and 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.

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.

The company 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 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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has net assets of £45,067,000, with debts being owed to group undertakings, and predominantly due more than five years after the date of the balance sheet. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Transition to FRS 102

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

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

3. Accounting policies *(continued)*

Disclosure exemptions

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 17. 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.

Income tax

The charge or credit for taxation is based on the profit or loss 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 timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

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.

4. 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>8</u>	<u>8</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>8</u>	<u>8</u>

5. Remuneration of directors and employees

The directors did not receive any remuneration for their services to the company during the period.

The company has no employees.

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

6. Income from shares in group undertakings

	Period from 30 Nov 15 to 4 Dec 16 £000	Period from 1 Dec 14 to 29 Nov 15 £000
Income from group undertakings	<u>–</u>	<u>40,000</u>

7. 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 payable to group undertakings	24,315	3,292
Foreign currency losses	67,468	3,238
	<u>91,783</u>	<u>6,530</u>

8. Tax on (loss)/profit on ordinary activities

Major components of tax income

	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 income	(17,319)	(857)
Tax on (loss)/profit on ordinary activities	<u>(17,319)</u>	<u>(857)</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the period is higher than (2015: lower 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
(Loss)/profit on ordinary activities before taxation	(92,099)	33,961
(Loss)/profit on ordinary activities by rate of tax	(18,420)	6,904
Effect of expenses not deductible for tax purposes	1,101	371
Non-taxable dividends received	–	(8,132)
Tax on (loss)/profit on ordinary activities	<u>(17,319)</u>	<u>(857)</u>

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

8. Tax on (loss)/profit on ordinary activities *(continued)*

Factors that may affect future tax income

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.

9. Dividends

Dividends paid during the period (excluding those for which a liability existed at the end of the prior period):

	4 Dec 16 £000	29 Nov 15 £000
Dividends on equity shares	<u>–</u>	<u>10,000</u>

10. Investments

	Shares in group undertakings £000
Cost	
At 30 Nov 2015 and 4 Dec 2016	<u>556,338</u>
Impairment	
At 30 Nov 2015 and 4 Dec 2016	<u>–</u>
Carrying amount	
At 4 December 2016	<u>556,338</u>

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

10. Investments *(continued)*

Group investments

The undertakings in which the company has a direct interest at the period end is as follows:

	Country of incorporation	Holding	Principal Activity
Yum! Restaurant Holdings	England	100% ordinary shares	Investment holding
YRH HoldCo Limited	England	100% ordinary shares	Investment holding

The undertakings in which the company has an indirect interest at the period end are as follows:

	Country of incorporation	Holding	Principal Activity
Kentucky Fried Chicken (Great Britain) Limited	England	100% ordinary shares	Trading
Kentucky Fried Chicken (Germany) Restaurant Holdings GmbH	Germany	100% ordinary shares	Investment holding
Yum! Restaurants International Limited	England	100% ordinary shares	Investment holding
Pizza Hut Korea Limited	Korea	100% ordinary shares	Trading
Yum! III (UK) Limited	England	100% ordinary shares	Trading
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
Pizza Hut HSR Advertising Limited	England	100% ordinary shares	Advertising co-operative
PH Restaurant Holdings GmbH	Germany	100% ordinary shares	Trading

Yum! Restaurants International Limited and Kentucky Fried Chicken (Germany) Restaurant Holdings GmbH are partners in Yum! Restaurants International Limited & Co KG, a company registered in Germany. Kentucky Fried Chicken (Germany) Restaurant Holdings GmbH has an interest of 100% of the partnership capital of Yum! Restaurants International Limited & Co KG. Yum! Restaurants International Limited acts as a general partner and has no interest in the partnership capital.

See note 16 for particulars of changes to the company's investments after the end of the reporting period.

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

11. Debtors

	4 Dec 16	29 Nov 15
	£000	£000
Amounts owed by group undertakings	<u>18,838</u>	<u>1,519</u>

12. Creditors: amounts falling due within one year

	4 Dec 16	29 Nov 15
	£000	£000
Amounts owed to group undertakings	328	351
Accruals and deferred income	<u>336</u>	<u>27</u>
	<u>664</u>	<u>378</u>

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

	4 Dec 16	29 Nov 15
	£000	£000
Amounts owed to group undertakings	<u>530,773</u>	<u>446,471</u>

The whole of the amount due after more than one year falls due more than five years after the date of the balance sheet. The interest payable on the debt is charged at an arm's-length rate.

14. Called up share capital

Authorised share capital

	4 Dec 16		29 Nov 15	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>500,000,000</u>	<u>500,000</u>	<u>500,000,000</u>	<u>500,000</u>

Issued, called up and fully paid

	4 Dec 16		29 Nov 15	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>94,762,992</u>	<u>94,763</u>	<u>94,762,992</u>	<u>94,763</u>

15. Reserves

The called up share capital account records the shares held by the company's parent company at cost.

The profit and loss account records retained earnings and accumulated losses.

Restaurant Holdings Limited

Notes to the Financial Statements *(continued)*

Period from 30 November 2015 to 4 December 2016

16. Events after the end of the reporting period

After the period end, Yum! Restaurant Holdings, a subsidiary of the company, distributed Kentucky Fried Chicken (Great Britain) Limited to the company in the form of a dividend which was measured at the fair value of Kentucky Fried Chicken (Great Britain) Limited at the date of the distribution. As a result of this transaction, the company wrote down the value of its investment in Yum! Restaurant Holdings to properly reflect its value following the sale of Kentucky Fried Chicken (Great Britain) Limited. The fair value of Kentucky Fried Chicken (Great Britain) Limited exceeded the value of Yum! Restaurant Holdings' investment in Kentucky Fried Chicken (Great Britain) Limited and therefore the company has made a net gain from the transaction.

In order to ensure it had distributable reserves, the company issued a number of bonus shares which were subsequently cancelled. The company then sold Yum! Restaurant Holdings to its subsidiary YRH HoldCo Limited. Following this, the company sold YRH HoldCo Limited to its parent company Yum! Restaurants International Management LLC, a company registered in the United States of America.

These transactions were undertaken as part of a major reorganisation project in the wider group to which the company belongs.

In addition to the transactions above, the company also took the opportunity to restructure its debt and subsequently listed its debt on The International Stock Exchange (formerly known as the Channel Islands Securities Exchange Authority Limited).

17. Controlling party

The company is a subsidiary undertaking of Yum! Restaurants International Management LLC, a company registered in the United States of America.

The smallest and largest group in which the results of the company are consolidated is that headed by Yum! Brands Inc. The consolidated accounts of this group are available to the public and may be obtained from:

Yum! Brands Inc.
1441 Gardiner Lane
Louisville
Kentucky
40213
United States of America