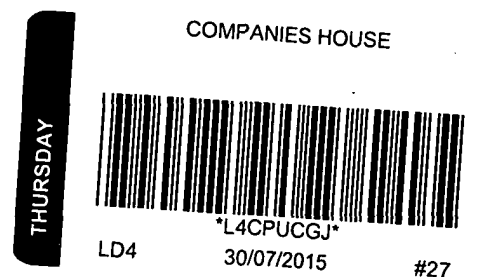


COMPANY REGISTRATION NUMBER 01072921

**PIZZA HUT (U.K.) LTD**  
**FINANCIAL STATEMENTS**  
**30 NOVEMBER 2014**



# **PIZZA HUT (U.K.) LTD**

## **FINANCIAL STATEMENTS**

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

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# **PIZZA HUT (U.K.) LTD**

## **THE STRATEGIC REPORT**

### **PERIOD FROM 2 December 2013 TO 30 November 2014**

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

#### **Principal Activities**

The principal activity of the company during the period was trading as a restaurant operator.

At the balance sheet date, Pizza Hut (UK) Ltd operated 285 restaurants.

#### **Performance**

The results of the company for the period are set out on Page 9 and show an operating profit, excluding exceptional items, of £3.34 million (2013: £1.69 million), which is 98% ahead of last year. Operating profit includes Restaurant EBITDA of £15.73 million (2013: £14.94 million), which was 5% ahead of last year.

The performance of the company is very positive with the first phase of restaurant refurbishments providing strong returns and improving like for like performance. With less than 20% of the Estate refurbished, a proportion of which took place in the latter half of 2014, the sales and profit impact of the programme is still in its infancy, and will build throughout 2015 and 2016.

The company reported Exceptional Costs totalling £4.14 million (2013: £2.13 million), which included an impairment of fixed assets, costs relating to early lease terminations, impairment on investments and a provision for dilapidations in respect of future store closures. These are detailed on page 15 of the report.

The overall profit for the year was £7.94 million (2013: £1.28 million loss), which was £9.22 million higher than last year.

The strong financial position of the company is reflected by a cash balance of £27.87 million at balance sheet date.

#### **KPI's**

The primary KPIs followed by the company are Sales and Restaurant EBITDA versus prior year.

The sales for the year were £225 million (2013: £230 million), with the year on year reduction attributable to the closure of 22 restaurants. On a like-for-like basis, sales were 3% higher than last year reflecting the benefits from the first phase of restaurant refurbishments and related initiatives. Sales growth will build in 2015 and 2016 as the company benefits from both the full year trading impact of the 2014 refurbishments and the additional refurbishments that will take place over the next 2 years.

Restaurant EBITDA, including central costs, was £15.73 million (2013: £14.94 million), which was 5% ahead of prior year. Factors driving the favourable performance included spend growth and labour efficiencies, as well as savings across a range of variable and fixed costs.

#### **Strategy**

Since the change in ownership in November 2012 the management has continued the strategic objective of developing and revitalising the Pizza Hut Restaurant brand within the UK.

# **PIZZA HUT (U.K.) LTD**

## **THE STRATEGIC REPORT (continued)**

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

The business commenced a major refurbishment programme during 2013 with a range of test sites and the re-opening of the first flagship restaurant at Crawley. The programme to refurbish the core restaurants within the estate is expected to take 3 years. Restaurants re-imaged during the year included locations at Manchester Trafford Centre, Bluewater Shopping Centre, Plymouth, Stevenage, Edinburgh, Leicester and Truro. At the end of the financial year 55 restaurants had been re-imaged.

The refurbishment programme has brought a more contemporary design to the restaurants whilst also capturing the essence of our American heritage. The new restaurant design is changing public perception of the brand, and with the reinvigorated look the re-imaged restaurants are seeing strong growth in sales and guest satisfaction. Guest experience surveys indicate strong growth in the Net Promoter score, which is an industry measure for guest satisfaction and whether they would recommend Pizza Hut to friends and family. In addition our own surveys indicate that customer feedback to changes being made is overwhelmingly positive.

There has been a re-design of the menu with a range of new items introduced. Chilli beef nachos, popcorn shrimp, bbq ribs, fries, onion rings and a range of chicken dishes have been added to our popular line up of pizzas, providing guests with an even greater choice for food. The improved and varied menu has seen positive growth in spend, particularly where new menu items such as fries are shared or compliment the main course.

Pizza Hut believes that at the heart of our restaurants are our people, and we have invested in new training programmes to ensure we deliver the right experience to our guests. Team members are the face of our business and they are as much of the experience as our menu. During the year Pizza Hut invested in new training programmes, including a new "Hut TV" video based training programme using our own team members, trained by actors to present to and engage our staff. At the same time we are heavily investing in on-shift training, providing a blend of e-learning and on the job training and coaching. We are also working with leading coaches in service, enabling Pizza Hut to re-design our restaurant shifts and our service standards so that the focus is on the guest and their experience.

With innovation and new initiatives comes an increasing need to create awareness of the changes taking place and to ensure we drive a brand refresh. We have changed from a national approach to marketing to a targeted, segmented approach to our messaging, designed to get the right news and information about the brand to the right people at the right time. With our restaurant estate segmented by restaurants that have been re-imaged and restaurants in line to be re-imaged, it is important that we communicate to our guests in the right way. This approach has been reflected in our media, digital and PR activity, particularly around the opening of re-imaged restaurants.

Pizza Hut utilises a CRM system to target specific areas of the country and specific demographics to drive awareness and interest in the brand and also builds profile and awareness via the website and social media. During the year Pizza Hut was recognised as the leading brand in the "Social Brands 100 Youth" ranking recognising Pizza Hut as the best brand at building and maintaining social media relationships with the UK's youth.

The last 12 months has seen changes to the business that are significant. The re-imaging of our restaurants, the redesign of our menu, the refocus on customer service and the strength in communicating those changes has provided a successful platform upon which to grow the business. This platform is providing the opportunity to rejuvenate the business and return Pizza Hut to the front of the casual dining sector.

# **PIZZA HUT (U.K.) LTD**

## **THE STRATEGIC REPORT (continued)**

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

### **Estate Consolidation**

Management has continued with the strategic objective of consolidating the estate and exiting restaurants that are under-performing or at date of lease expiry are not regarded as core to the business. Each closure decision considers the historic performance of the restaurant, the rent payable under the existing lease and whether there are any mitigating factors that would support a continuing operation.

During the year the business exited 22 locations. In several instances the exit at an underperforming restaurant was linked to an exit premium benefit, enabling both an improved group result and a cash flow benefit.

### **Future Outlook**

During 2015 the business will continue with the significant but targeted investment programme to both re-image restaurants and to improve service as well as enhancing the menu offering to customers. Between 70 and 80 restaurants will be re-imaged during the year, which will result in over 50% of the total estate having been re-imaged by the end of 2015.

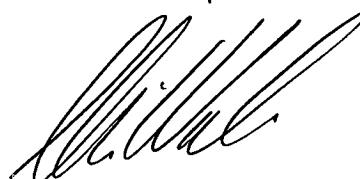
We will also be investing in restaurant IT infrastructure and rolling out a number of customer enhancing experiences. The programme of closing underperforming stores will continue and this will further improve profitability and cash generation.

Significant progress has been made in reshaping the restaurant estate for the future, and these innovations and initiatives will deliver strong performance growth opportunities for the business.

### **Risks & Uncertainties**

As a customer facing business, any risks to the UK economy as a whole, and in particular to consumer spending could impact on overall performance of the company. Whilst the principal risk to the business is lower guest volumes, the brand is relatively well positioned as a result of the overall affordability of the Pizza Hut offer. The risk to earnings performance can be mitigated by savings in labour, which reduce at lower volumes, and by controlling discretionary costs and capital expenditure.

Significant food and wage inflation are also risk factors, although the business can to a certain extent offset inflationary pressure through moderate menu price increases.



Mr A Walker  
Director

Approved by the directors on 2 June 2015

# **PIZZA HUT (U.K.) LTD**

## **THE DIRECTORS' REPORT**

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

### **RESULTS AND DIVIDENDS**

The profit for the period amounted to £7,935,000 (2013: loss of £1,281,000). The directors have not recommended a dividend (2013: nil).

### **DIRECTORS**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr J Hofma  
Mr H Birts  
Ms K Austin  
Mr M Spencer  
Mr A Walker

(Appointed 29 September 2014)

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

### **GOING CONCERN**

The directors believe that the company is a going concern as it is in a net asset position and is able to satisfy all liabilities as they fall due.

### **DISABLED EMPLOYEES**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### **EMPLOYEE INVOLVEMENT**

Throughout this period, Team Member engagement has remained a key focus for the business. Communication takes place through team, function, area, district and company meetings as well as regular newsletters and blogs from senior management.

Pizza Hut's internal two way communication and social media website is used to share video news and announcements and every piece of communication allows Team Members to publicly give their opinion and feedback on anything they wish. Team Members are actively encouraged to share their views on anything in the business, and they are regularly canvassed for ideas and suggestions on business activity both through this website and regular company engagement surveys.

# **PIZZA HUT (U.K.) LTD**

## **THE DIRECTORS' REPORT** *(continued)*

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

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **DIRECTOR'S INDEMNITIES**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

#### **FINANCIAL RISK MANAGEMENT POLICY**

As a customer facing business, any risks to the UK economy as a whole, and in particular to consumer spending could impact on the overall performance of the company. However the brand is relatively well positioned as a result of the overall affordability of the Pizza Hut Restaurants offering. Significant food and wage inflation are also risk factors, although the business can to a certain extent offset inflationary pressure through moderate menu price increases.

# **PIZZA HUT (U.K.) LTD**

## **THE DIRECTORS' REPORT** *(continued)*

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

### **DISCLOSURE IN THE STRATEGIC REPORT**

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 2. These matters relate to principal activities, business review, future developments and risks and uncertainties.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

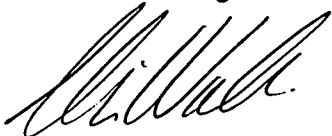
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **AUDITOR**

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:  
Building 1 Imperial Place  
Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1JN

The financial statements on pages 9 to 21 were approved by the Board of Directors on 2<sup>nd</sup> June 2015 and signed on behalf of board by



Mr A Walker  
Director



# PIZZA HUT (U.K.) LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LTD

### Report on the financial statements

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#### Our opinion

In our opinion, Pizza Hut (U.K.) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 November 2014 and of its profit for the period then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### What we have audited

Pizza Hut (U.K.) Limited's financial statements comprise:

- the balance Sheet as at 30 November 2014;
- the profit and loss account for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### Opinion on other matter prescribed by the Companies Act 2006

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In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### Other matters on which we are required to report by exception

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#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# PIZZA HUT (U.K.) LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LTD (continued)

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Matthew Mullins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

14 June 2015

# PIZZA HUT (U.K.) LTD

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

	Note	2014 £000	2013 £000
TURNOVER	2	225,464	230,106
Other operating income	3	316	522
		<u>225,780</u>	<u>230,628</u>
Operating costs	4	(226,578)	(231,077)
<b>OPERATING LOSS</b>	6	<b>(798)</b>	<b>(449)</b>

<b>Analysed as:</b>			
<b>OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS</b>		<b>3,340</b>	<b>1,687</b>
Exceptional Items	8	(4,138)	(2,136)
<b>OPERATING LOSS</b>		<b>(798)</b>	<b>(449)</b>

Interest receivable and similar income	9	146	97
Interest payable and similar charges	9	(430)	(616)
Income from Shares in Group undertakings		12,352	-
Amounts written off investments	13	(2,262)	-
		<u>9,008</u>	<u>(968)</u>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>9,008</b>	<b>(968)</b>
Tax on profit / (loss) on ordinary activities	10	(1,073)	(313)
<b>PROFIT / (LOSS) FOR THE FINANCIAL PERIOD</b>		<b>7,935</b>	<b>(1,281)</b>

The notes on pages 11 to 21 form part of these financial statements.

All amounts relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented.

# PIZZA HUT (U.K.) LTD

## BALANCE SHEET

30 NOVEMBER 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
<b>FIXED ASSETS</b>					
Intangible assets	11		974		1,150
Tangible assets	12		52,340		45,811
Investments	13		-		2,262
			<u>53,314</u>		<u>49,223</u>
<b>CURRENT ASSETS</b>					
Stocks	14	1,094		1,125	
Debtors	15	7,452		9,138	
Cash at bank and in hand		27,873		29,117	
		<u>36,419</u>		<u>39,380</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	(37,064)		(46,351)	
<b>NET CURRENT LIABILITIES</b>			<u>(645)</u>		<u>(6,971)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>52,669</u>		<u>42,252</u>
<b>PROVISIONS FOR LIABILITIES</b>					
Taxation including deferred taxation	19		(14)		983
Other provisions	20		(1,485)		-
<b>NET ASSETS INCLUDING PENSION ASSET</b>			<u>51,170</u>		<u>43,235</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		71,505		71,505
Profit and loss account	23		(20,335)		(28,270)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	24		<u>51,170</u>		<u>43,235</u>

The financial statements on pages 9 to 21 were approved by the Board of Directors on 2<sup>nd</sup> June 2015 and signed on behalf of board by:

  
.....  
Mr A Walker  
Company Registration Number: 01072921

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards and the policies have been applied consistently between years.

The Company is a wholly-owned subsidiary of PHH2 Limited and is included in the consolidated financial statements of PHH1 Limited which are publically available. Consequently the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

#### **Going concern**

The financial statements have been prepared on a going concern basis.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

#### **Turnover**

Turnover is recognised at the point of sale and represents the amount of sales in the United Kingdom, stated net of value added tax.

#### **Fixed assets**

Tangible fixed assets are stated at their purchase cost, together with any incidental cost of acquisition, less accumulated depreciation and when appropriate, provision for impairment.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Land and buildings - effective life of the lease.

Fixtures and fittings - 3 years to 10 years.

#### **Restaurants in course of construction**

Capital costs are included in tangible fixed assets, and depreciated from the time that they are recognised as an asset on the fixed asset register and used in the business. Revenue costs are expensed as incurred.

#### **Investments**

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

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

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

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value on a first in, first out basis.

##### **Operating lease agreements**

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Rentals received under sublease agreements are credited to the income on a straight line basis over the lease term.

##### **Pension costs and other post-retirement benefits**

The Company operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

##### **Taxation included Deferred taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Rent free periods**

Where a rent free period is granted to the company, the accounting policy adopted is to charge the profit and loss account with a constant periodic rental over the period to the date of the next rent review.

##### **Operating rights**

Operating rights, representing initial franchise fees payable for new restaurants, are amortised over a fixed period of 20 years. Initial fees receivable on franchise restaurants are recognised in the period of opening.

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

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

#### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2014 £000	2013 £000
United Kingdom	225,464	230,106

#### 3. OTHER OPERATING INCOME

	2014 £000	2013 £000
Rent receivable	316	522
	<u>316</u>	<u>522</u>

#### 4. OPERATING COSTS

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

	Note	Excluding exceptional items £000	Exceptional items Note 8 £000	Total £000
Raw materials and consumables		(51,053)	-	(51,053)
Other external charges		(83,434)	(2,153)	(85,587)
Staff costs	5	(77,911)	-	(77,911)
Depreciation and other amounts written off tangible and intangible assets	6	(10,042)	(1,985)	(12,027)
<b>Total operating costs</b>		<u>(222,440)</u>	<u>(4,138)</u>	<u>(226,578)</u>

##### PERIOD FROM 3 DECEMBER 2012 TO 1 DECEMBER 2013

	Note	Excluding exceptional items £000	Exceptional items Note 8 £000	Total £000
Raw materials and consumables		(52,078)	-	(52,078)
Other external charges		(87,525)	(1,379)	(88,904)
Staff costs	5	(79,716)	-	(79,716)
Depreciation and other amounts written off tangible and intangible assets	6	(9,622)	(757)	(10,379)
<b>Total operating costs</b>		<u>(228,941)</u>	<u>(2,136)</u>	<u>(231,077)</u>

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

### 5. PARTICULARS OF EMPLOYEES

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

	<b>2014</b>	2013
	<b>No</b>	No
Office and Management	<b>742</b>	754
Restaurants	<b>7,712</b>	8,589
	<b><u>8,454</u></b>	<u>9,343</u>

The aggregate payroll costs of the above were:

	<b>2014</b>	2013
	<b>£000</b>	£000
Wages and salaries	<b>72,650</b>	74,498
Social security costs	<b>4,350</b>	4,478
Other pension costs	<b>911</b>	740
	<b><u>77,911</u></b>	<u>79,716</u>

Included within accruals is £171k (2013: £145k) in relation to defined contribution pension schemes.

### 6. OPERATING PROFIT / (LOSS)

Operating Profit / (Loss) is stated after charging:

	<b>2014</b>	2013
	<b>£000</b>	£000
Depreciation of owned fixed assets	<b>9,866</b>	9,488
Amortisation of intangible fixed assets	<b>129</b>	134
Operating lease costs:		
- Land and Buildings	<b>27,784</b>	29,815
Auditor's remuneration – audit of the financial statements	<b>36</b>	36
Auditor's remuneration – other fees:		
- Taxation services	<b>7</b>	17



# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

### 7. DIRECTORS' REMUNERATION

The emoluments of those directors who are also directors of the parent company are disclosed in the financial statements of PHH2 Limited.

### 8. EXCEPTIONAL ITEMS

	2014 £000	2013 £000
Lease termination costs	(668)	(1,379)
Impairment of fixed assets	(1,985)	(757)
Dilapidations	(1,485)	-
	<u>(4,138)</u>	<u>(2,136)</u>

Lease termination costs - These costs relate to store closures which fall outside of the groups re-image programme which was identified and controlled by management as part of the turnaround strategy implemented at the time of Pizza Hut (U.K.) Limited acquisition.

Impairments – The impairment of the tangible fixed assets following a review in accordance with FRS 11 on a value in use basis using a discount rate of 12%.

Dilapidations – Dilapidation costs recognised in respect of future store closures. These costs relate to lease entered into in prior periods and as such have been classified as an exceptional item, dilapidation costs recognised in future years will be recognised within other external charges.

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME AND INTEREST PAYABLE AND SIMILAR CHARGES

#### Interest Receivable and similar income

	2014 £000	2013 £000
Deposit Interest	(146)	(97)
	<u>(146)</u>	<u>(97)</u>

#### Interest payable and similar charges

	2014 £000	2013 £000
Bank Interest	-	11
Intercompany Interest	430	605
	<u>430</u>	<u>616</u>

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014 TAXATION ON ORDINARY ACTIVITIES

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

	2014 £000	2013 £000
Current tax:		
In respect of the period:		
U.K. Corporation tax based on the results for the period at 21.65% (2013: 23.33%)	776	1,408
Group Relief	(847)	-
Under/(over) provision in prior years	147	32
Total current tax	<u>76</u>	<u>1,440</u>
Deferred tax:		
Origination and reversal of timing differences	997	(1,127)
Tax on ordinary activities	<u>1,073</u>	<u>313</u>

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

Tax expense for the period is lower (2013: lower) than the standard rate of corporation tax in the UK for the period ended 30 November 2013 of 21.65% (2013: 23.33%). The differences are explained below:

	2014 £000	2013 £000
Profit (loss) on ordinary activities before tax	9,008	(968)
Current Tax at 21.65% (2013: 23.33%)	1,950	(223)
Expenses not deductible for tax purposes	(1,576)	946
Differences between capital allowances and depreciation of eligible assets	402	685
Corporation tax based on results for the period	<u>776</u>	<u>1,408</u>
Group Relief	(847)	-
Under/(over) provision in prior years	147	32
Total current tax (see above)	<u>76</u>	<u>1,440</u>

#### Note on taxation:

The tax charge for the year has been reduced by £847k because of losses surrendered by the parent undertaking. No payment for this surrender is to be made by the company.

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Reductions in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) were substantively enacted on 3 July 2013 respectively. Further reductions to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge and reduce the deferred tax liability accordingly.

#### 11. INTANGIBLE FIXED ASSETS

	Operating Rights £000
<b>COST</b>	
At 2 December 2013	4,374
Disposals	(106)
<b>At 30 NOVEMBER 2014</b>	<u>4,268</u>
<b>AMORTISATION</b>	
At 2 December 2013	3,224
Charge for the period	129
On disposals	(59)
<b>At 30 NOVEMBER 2014</b>	<u>3,294</u>
<b>NET BOOK VALUE</b>	
<b>At 30 NOVEMBER 2014</b>	<u>974</u>
At 2 December 2013	<u>1,150</u>

#### 12. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Assets in Course of Construction £000	Fixtures & Fittings £000	Total £000
<b>COST OR VALUATION</b>				
At 2 December 2013	134,158	1,511	80,211	215,880
Additions	5,756	5,025	9,022	19,803
Disposals	(22,563)	-	(13,136)	(35,699)
Transfers	1,505	(2,619)	1,114	-
<b>At 30 November 2014</b>	<u>118,856</u>	<u>3,917</u>	<u>77,211</u>	<u>199,984</u>
<b>DEPRECIATION</b>				
At 2 December 2013	97,795	-	72,274	170,069
Charge for the period	5,128	-	4,738	9,866
On disposals	(21,471)	-	(12,805)	(34,276)
Impairment charge	1,439	-	546	1,985
<b>At 30 November 2014</b>	<u>82,891</u>	<u>-</u>	<u>64,753</u>	<u>147,644</u>
<b>NET BOOK VALUE</b>				
<b>At 30 November 2014</b>	<u>35,965</u>	<u>3,917</u>	<u>12,458</u>	<u>52,340</u>
At 2 December 2013	<u>36,363</u>	<u>1,511</u>	<u>7,937</u>	<u>45,811</u>

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

### 13. INVESTMENTS

	<b>£000</b>
<b>COST</b>	
At 2 December 2013 and 30 November 2014	<b>2,262</b>
<b>IMPAIRMENT</b>	
Impairment charge	<b>2,262</b>
<b>At 30 NOVEMBER 2014</b>	<b><u>2,262</u></b>
<b>NET BOOK VALUE</b>	
At 30 NOVEMBER 2014	<b>-</b>
At 2 December 2013	<b><u>2,262</u></b>

The impairment charge has been recognised to write the investment down to net realisable value.

The company owns 100% of the issued share capital of the companies listed below

Name of Company	Holding	Nature of Business
West End Restaurants (Holdings) Limited *	Ordinary Shares	Holding Company
West End Restaurants (Investments) Limited *	Ordinary Shares	Holding Company
West End Restaurants Limited	Ordinary Shares	Dormant Company

\*Direct holding of Pizza Hut (U.K.) Ltd

### 14. STOCKS

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Ingredients	<b>1,052</b>	1,057
Merchandising	<b>42</b>	68
	<b><u>1,094</u></b>	<b><u>1,125</u></b>

### 15. DEBTORS

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>3,908</b>	4,664
Corporation tax repayable	<b>492</b>	-
Prepayments and accrued income	<b>3,052</b>	4,474
	<b><u>7,452</u></b>	<b><u>9,138</u></b>

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

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

	2014	2013
	£'000	£'000
Trade creditors	6,555	6,939
Amounts owed to parent undertaking	4,663	5,090
Amounts owed to group undertakings	-	12,532
Taxation and social security	7,147	7,153
Other Creditors	4,668	2,328
	<u>23,033</u>	<u>34,042</u>
Accruals and deferred income	14,031	12,309
	<u>37,064</u>	<u>46,351</u>

### 17. RELATED PARTY DISCLOSURES

Pizza Hut (U.K.) Ltd pays a management fee to Rutland Partners LLP. During the period to 30 November 2014 it amounted to £172k (2013: £150k).

The company has taken advantage of the exemption provided by FRS8 "related party disclosures" from disclosing related party transactions with other companies within the PHH1 Limited Group on the basis that it is a wholly owned subsidiary and its ultimate parent publishes consolidated financial statements.

### 18. GUARANTEE

There is a charge over the assets of Pizza Hut U.K. for Loan Notes of £21.05 million, issued by PHH2. The loan notes are repayable on 10 November 2017.

### 19. DEFERRED TAXATION

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

	2014	2013
	£000	£000
Provision brought forward	983	(144)
Profit and loss account movement arising during the period	(997)	1,127
Provision carried forward	<u>(14)</u>	<u>983</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2014	2013
	£000	£000
Excess of depreciation on fixed assets over taxation allowances	(205)	582
Other timing differences	191	401
	<u>(14)</u>	<u>983</u>

# PIZZA HUT (U.K.) LTD

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

### 20. OTHER PROVISIONS

	<b>Dilapidations</b>
	<b>2014</b>
	<b>£000</b>
At 2 December 2013	-
Charged to the profit and loss account	<b>1,485</b>
At 30 November 2014	<b><u>1,485</u></b>

Dilapidations provisions relate to the expected future exit costs of operating lease agreements. The charge for the year has been disclosed as an exceptional item as disclosed in note 8.

### 21. COMMITMENTS

At 2 December 2013 and 30 November 2014 the company had annual commitments under non-cancellable operating leases as set out below.

	<b>Land and buildings</b>	
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Operating leases which expire:		
Within 1 year	<b>912</b>	1,474
Within 2 to 5 years	<b>4,001</b>	4,328
After more than 5 years	<b>20,913</b>	21,862
	<b><u>25,826</u></b>	<b><u>27,664</u></b>

In relation to the amounts shown above, the company has sublease agreements with an income of £346,000 (2013: £394,000)

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

### 22. CALLED UP SHARE CAPITAL

#### Authorised share capital:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
100,000,000 (2013: 100,000,000) Ordinary shares of £1 each	<b><u>100,000</u></b>	<b><u>100,000</u></b>

#### Allotted, called up and fully paid:

	<b>2014</b>		<b>2013</b>	
	<b>No</b>	<b>£000</b>	<b>No</b>	<b>£000</b>
71,505,000 (2013: 71,505,000) Ordinary shares of £1 each	<b><u>71,505,000</u></b>	<b><u>71,505</u></b>	<b><u>71,505,000</u></b>	<b><u>71,505</u></b>

## PIZZA HUT (U.K.) LTD

### NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 DECEMBER 2013 TO 30 NOVEMBER 2014

#### 23. PROFIT AND LOSS ACCOUNT

	<b>2014</b>	2013
	<b>£000</b>	£000
Balance brought forward	<b>(28,270)</b>	(26,989)
Profit / (loss) for the financial period	<b>7,935</b>	(1,281)
Balance carried forward	<b><u>(20,335)</u></b>	<u>(28,270)</u>

#### 24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	<b>2014</b>	2013
	<b>£000</b>	£000
Profit / (loss) for the financial period	<b>7,935</b>	(1,281)
Net addition to shareholder's funds	<b>7,935</b>	(1,281)
Opening shareholder's funds	<b>43,235</b>	44,516
Closing shareholder's funds	<b><u>51,170</u></b>	<u>43,235</u>

#### 25. ULTIMATE PARENT COMPANY

The immediate parent of Pizza Hut (U.K.) Limited is PHH2 Limited, a company registered in England and Wales.

The ultimate parent company is PHH1 Limited, a company registered in England and Wales.

The address of the immediate and ultimate parent companies where the financial statements can be obtained from is Building 1 Imperial Place, Elstree Way, Borehamwood, Hertfordshire, WD6 1JN.

The controlling party is deemed to be Rutland Partners LLP through its ownership of PHH1 Limited.

#### 26. POST BALANCE SHEET EVENTS

On 13 January 2015, the company's subsidiaries West End Restaurants (Holdings) Limited, West End Restaurants (Investments) Limited and West End Restaurants Limited have been placed into members voluntary liquidation.