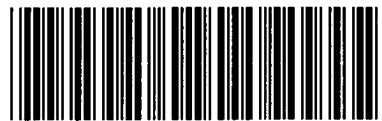


**PIZZA HUT HSR ADVERTISING LIMITED**

**Financial Statements**  
**Registered number 00894474**  
**31 December 2018**

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**PIZZA HUT HSR ADVERTISING LIMITED**  
***Financial Statements***  
***Year Ended 31 December 2018***

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***PIZZA HUT HSR ADVERTISING LIMITED***  
***Financial Statements***  
***Year Ended 31 December 2018***

**Officers and professional advisors**

**The board of directors**                      Mr NAD Manhas  
    Mr RE Neumann – appointed on 16 January 2019

**Registered office**                              Building 2  
    Abbey View  
    Everard Close  
    St Albans  
    Herts  
    AL1 2QU

**Auditor**    KPMG LLP  
    Chartered Accountants & Statutory Auditor  
    15 Canada Square  
    London  
    E14 5GL

**Bankers**    Barclays Bank PLC  
    Bedford Square  
    Leicestershire  
    Leicester  
    LE87 2BB

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**Directors' report**

The directors present their report and financial statements of the Company for the year ended 31 December 2018.

**Principal activities**

The Company will continue to operate as a co-operative marketing fund for the UK and Ireland Pizza Hut stores. The revenue of the Company is derived from contributions by these stores.

**Results**

The company generated a loss on ordinary activities after tax of £159,098 (2017; £1,841,621 loss) and expect improvements in performance as the new operating model becomes more established. Net liabilities amounted to £2,295,309 (2017; £2,136,211).

**Proposed dividend**

The directors do not recommend the payment of a dividend.

**Directors**

The directors who held office during the year were as follows:

Mr NAD Manhas

Mr RE Neumann – appointed on 16 January 2019

**Going Concern**

Notwithstanding net current liabilities of £2,295,309 as at 31 December 2018 and a loss for the year then ended of £159,098, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In addition to the draft break even financial position in 2019, the directors have prepared cash requirements forecast for the 2020 financial year which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent Yum Brands Inc., to meet its liabilities as they fall due for that period.

In addition, the directors note that YUM Brands, Inc. confirms that it intends to continue to provide further financial and other support to Pizza Hut HSR Advertising Limited, including not requiring repayment of amounts that, if required to be repaid, would not allow Pizza Hut HSR Advertising Limited to satisfy its obligations and debt service requirements, for at least the next twelve months from the date of approval of the financial statements to enable it to meet its liabilities as they fall due.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

**Employees**

No salaries or wages have been paid to employees, including the directors, during the period.

**PIZZA HUT HSR ADVERTISING LIMITED**

***Financial Statements***

***Year Ended 31 December 2018***

**Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

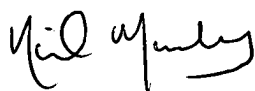
**Disclosure of information to auditor**

The director who held office at the date of approval of this director's report confirm that, so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and the 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 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.

By order of the board



**NAD Manhas**

*Director*

Registered office:  
Building 2 Abbey View  
Everard Close  
St Albans  
Hertfordshire  
AL1 2QU

30 September 2019

**PIZZA HUT HSR ADVERTISING LIMITED**

**Financial Statements**

**Year Ended 31 December 2018**

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

The directors are responsible for preparing 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 year. 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PIZZA HUT HSR ADVERTISING LIMITED**

**Opinion**

We have audited the financial statements of Pizza Hut HSR Advertising Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, 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 members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Hall (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

30 September 2019



**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**Statement of Income and Retained Earnings**  
*for year ended 31 December 2018*

		Year ended 31 Dec 2018	Period from 5 Dec 2016 to 31 Dec 2017
	<i>Note</i>	£	£
<b>Turnover</b>		15,079,722	16,614,337
Cost of sales		(13,697,091)	(17,006,988)
		<hr/>	<hr/>
<b>Gross profit</b>		1,382,631	(392,651)
Administrative expenses		(1,541,729)	(1,375,297)
		<hr/>	<hr/>
<b>Operating loss</b>		(159,098)	(1,767,948)
		<hr/>	<hr/>
<b>Loss before tax</b>		(159,098)	(1,767,948)
		<hr/>	<hr/>
Tax on loss on revenue	5	-	(73,673)
		<hr/>	<hr/>
<b>Loss after tax</b>		(159,098)	(1,841,621)
		<hr/>	<hr/>
<b>Total comprehensive loss</b>		(159,098)	(1,841,621)
		<hr/> <hr/>	<hr/> <hr/>
<b>Retained losses at the beginning of the period</b>		(2,136,311)	(294,690)
		<hr/>	<hr/>
<b>Retained losses at the end of the period</b>		(2,295,409)	(2,136,311)
		<hr/> <hr/>	<hr/> <hr/>

All the activities of the company are from continuing operations.

The notes on page 9 to 14 form part of these financial statement

**PIZZA HUT HSR ADVERTISING LIMITED**

**Financial Statements**

**Year Ended 31 December 2018**

**Statement of Financial Position**

**at 31 December 2018**

	<i>Note</i>	<b>31 Dec 18</b>		<b>31 Dec 17</b>	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6	25,630		51,259	
			25,630		51,259
<b>Current assets</b>					
Debtors	7	1,793,296		2,976,924	
Cash at bank and in hand		583,330		583,330	
			2,376,626		3,560,254
<b>Creditors: amounts falling due within one period</b>	8		(4,697,565)		(5,747,724)
<b>Net liabilities</b>			(2,295,309)		(2,136,211)
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Profit and loss account			(2,295,409)		(2,136,311)
<b>Shareholders' deficit</b>			(2,295,309)		(2,136,211)

These financial statements were approved by the board of directors on 30 September 2019 and were signed on its behalf by:



**NAD Manhas**

*Director*

Company registered number: 00894474

The notes on page 9 to 14 form part of these financial statements.

# **PIZZA HUT HSR ADVERTISING LIMITED**

## **Financial Statements**

**Year Ended 31 December 2018**

**Notes** (forming part of the financial statements)

### **1. General information**

Pizza Hut HSR Advertising Limited is a company limited by shares and incorporated and domiciled in the UK. The address of the registered office is Building 2 Abbey View, Everard Close, St Albans, Hertfordshire, AL1 2QU.

### **2. Statement of Compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in UK and Republic of Ireland ("FRS 102").

### **3. Accounting policies**

#### **3.1. Basis of preparation**

The financial statements have been prepared on the historic cost basis as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The financial statements are prepared in sterling, which is the functional currency. All amounts in the financial statements are rounded to the nearest £1.

#### **3.2. Going concern**

Notwithstanding net current liabilities of £2,295,309 as at 31 December 2018 and a loss for the year then ended of £159,098, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

In addition to the draft break even financial position in 2019, the directors have prepared cash requirements forecast for the 2020 financial year which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent Yum Brands Inc., to meet its liabilities as they fall due for that period.

Yum Brands Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the projections. 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.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### **3.3. Disclosure exemption**

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 detailed in note 11. 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; and
- related party with entities which form part of the group.

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**3.4. Turnover**

Turnover represents amounts paid by Pizza Hut franchisees pursuant to obligations under franchise agreements and by Yum! III Limited as Franchisor.

**3.5. Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction.

**3.6. Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**3.7. Taxation**

Tax on the profit or loss for the period comprises current tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised (when applicable), without discounting, in respect of all timing differences between the treatments of certain items for taxation and accounting purpose. In the current year no deferred tax has been recognised.

**3.8. Tangible Assets**

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

**3.9. 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.

The asset lives are as follows:

Asset class	Asset life
Software	3 years

**PIZZA HUT HSR ADVERTISING LIMITED**

***Financial Statements***

***Year Ended 31 December 2018***

**4. Expenses and Auditors remuneration**

**Included in loss is the following:**

	<b>Year ended 31 Dec 2018</b>	<b>Period from 5 Dec 2016 to 31 Dec 2017</b>
	<b>£</b>	<b>£</b>
Impairment loss on trade debtors	<b>805,001</b>	364,150
Depreciation	<b>25,630</b>	25,630

*Auditor's remuneration:*

*Audits of these financial statements*

Audit of these financial statements of subsidiaries of the company	<b>6,615</b>	5,945
Taxation compliance services	<b>1,538</b>	1,500

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**5. Tax on loss**

**Major components of tax income**

	Year ended 31 Dec 2018	Period from 5 Dec 2016 to 31 Dec 2017
	£	£
Current tax for the period	-	-
Adjustment in respect of prior periods	-	73,673
	<hr/>	<hr/>
Total current tax	-	73,673
	<hr/>	<hr/>

**Reconciliation of tax income**

	Year ended 31 Dec 2018	Period from 5 Dec 2016 to 31 Dec 2017
	£	£
Loss before taxation	(159,098)	(1,767,948)
	<hr/>	<hr/>
Tax using the UK Corporation tax rate of 19% (2017 19.31%)	(30,229)	(341,391)
Adjustment to tax charge in respect of prior periods	-	73,673
Group relief surrendered for no consideration	62,385	314,739
Timing differences for which no deferred tax asset was recognised	(32,156)	26,652
	<hr/>	<hr/>
Total tax expense included in profit or loss	-	73,673
	<hr/>	<hr/>

**Factors that may affect future tax income**

Reductions to 19% (effective from 1 April 2017) and to 18% (effective from 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. These reductions are not expected to have a material effect upon the company's results.

Deferred tax assets of £72,443 (2017: £90,487) in relation to unutilised tax losses and other timing differences have not been recognised as the directors do not believe that the availability of suitable future tax profits against which these losses and other timing differences can be utilised is sufficiently certain.

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**6. Tangible Fixed Assets**

	Software £
<b>Cost</b>	
Balance at 31 Dec 2017	76,889
Additions	-
Disposals	-
<b>Balance at 31 Dec 2018</b>	<b>76,889</b>
<b>Depreciation</b>	
Balance at 31 December 2017	(25,630)
Depreciation for the year	(25,630)
<b>Balance at 31 Dec 2018</b>	<b>(51,260)</b>
<b>Net book value</b>	
At 31 December 2017	51,259
<b>At 31 December 2018</b>	<b>25,629</b>

**7. Debtors**

	31 Dec 2018 £	31 Dec 2017 £
Trade debtors	1,765,472	2,388,024
Amounts owed by group undertakings	-	(73,673)
Other debtors	-	400,324
Prepayments and accrued income	27,824	262,249
	<b>1,793,296</b>	<b>2,976,924</b>

**8. Creditors: amounts falling due within one year**

	31 Dec 2018 £	31 Dec 2017 £
Trade creditors	597,176	1,474,067
Amounts owed to group undertakings	3,361,035	3,866,107
Other creditors	739,354	407,550
	<b>4,697,565</b>	<b>5,747,724</b>

**PIZZA HUT HSR ADVERTISING LIMITED**  
**Financial Statements**  
**Year Ended 31 December 2018**

**9. Capital**

	31 Dec 2018	31 Dec 2017
<i>Allotted, called up and fully paid</i>	<i>£</i>	<i>£</i>
100 ordinary shares of £1 each	100	100

**10. Reserves**

The called up shared capital account records the shares held by the company's parent company at cost. The profit and loss account records retained earnings and accumulated loss.

**11. Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Yum! III (UK) Limited.

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 financial statements of these groups are available to the public and may be obtained from:

Yum! Brands, Inc.  
1441 Gardiner Lane  
PO Box 37330  
Louisville  
Kentucky  
40213  
USA