

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements
Registered number 00894474
31 December 2019



PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Year Ended 31 December 2019

Contents

Officers and professional advisors	1
Directors' report	2-3
Statement of directors' responsibilities in respect of the director's report and the financial statements	4
Independent auditor's report to the member of Pizza Hut HSR Advertising Limited	5-6
Statement of Income and Retained Earnings	7
Statement of Financial Position	8
Notes	9-14

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements

Year Ended 31 December 2019

Officers and professional advisors

The board of directors

Mr NAD Manhas
Mr RE Neumann – appointed on 16th January 2019, resigned on 17th December 2019
Mrs RH Borda Heiniger – appointed on 17th December 2019
Mrs B D'Cruz – appointed on 17th December 2019, resigned on 27th August 2020

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 2019

Directors' report

The directors present their report and financial statements of the Company for the year ended 31 December 2019.

Principal activities

The Company will continue to operate as a co-operative marketing fund for the UK Pizza Hut stores. The revenue of the Company is derived from contributions by these stores. This is a not for profit entity that funds the promotion of the brand in the United Kingdom.

Results

The company generated a loss on ordinary activities after tax of £319,673 (2018; £159,098 loss), however, expect improvements in performance in 2020 as a direct result of the positive COVID-19 impacts on the delivery business. Net liabilities amounted to £2,614,982 (2018; £2,295,309). On 31 January 2020, the United Kingdom left the European Union. The directors do not consider that this will have a major impact on the company as there has been considerable work performed in this area to mitigate against potential exposure. This is an ongoing focus for the company and the directors are confident that there are sufficient procedures in place to ensure early detection and resolution should issues arise.

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 16th January 2019, resigned on 17th December 2019

Mrs RH Borda Heiniger – appointed on 17th December 2019

Mrs B D'Cruz – appointed on 17th December 2019, resigned on 27th August 2020

Going Concern

Notwithstanding net current liabilities of £2,614,982 as at 31 December 2019 and a loss for the year then ended of £319,673, 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 2020, the directors have prepared cash requirements forecast for the 2021 financial year which indicate that, taking account of reasonably possible downsides, including the impact of the global crisis resulting from the spread of coronavirus (COVID-19), the company will have sufficient funds, through funding from its parent Yum! III (UK) Limited, to meet its liabilities as they fall due for that period.

In addition, the directors note that Yum! III (UK) Limited 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.

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Year Ended 31 December 2019

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

The company does not employ any employees, however, there has been a service arrangement with the parent company Yum! III (UK) Ltd to provide services to manage the fund. No salaries or wages have been paid to employees, including the directors, during the period.

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

Neil Manhas

NAD Manhas
Director

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

17 December 2020

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements

Year Ended 31 December 2019

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 2019

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 2019 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

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 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.

Directors' report

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

Our responsibility is to read 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:

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

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Year Ended 31 December 2019

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.

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
London
E14 5GL

17/12/20

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements

Year Ended 31 December 2019

Statement of Income and Retained Earnings

for year ended 31 December 2019

	Note	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Turnover		14,000,662	15,079,722
Cost of sales		(12,286,749)	(13,697,091)
Gross profit		1,713,913	1,382,631
Administrative expenses		(2,033,586)	(1,541,729)
Operating loss		(319,673)	(159,098)
Loss before tax		(319,673)	(159,098)
Tax on loss on revenue	5	-	-
Loss after tax		(319,673)	(159,098)
Total comprehensive loss		(319,673)	(159,098)
Retained losses at the beginning of the period		(2,295,409)	(2,136,311)
Retained losses at the end of the period		(2,615,082)	(2,295,409)

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 2019

Statement of Financial Position

at 31 December 2019

	<i>Note</i>	31 Dec 19 £	£	31 Dec 18 £	£
Fixed assets					
Tangible assets	6	-		25,630	
			-		25,630
Current assets					
Debtors (including £29,566 (2018: £nil) due after more than one year)	7	2,384,340		1,793,296	
Cash at bank and in hand		583,330		583,330	
		<u>2,967,670</u>		<u>2,376,626</u>	
Creditors: amounts falling due within one period	8	(5,582,652)		(4,697,565)	
		<u>(2,614,982)</u>		<u>(2,295,309)</u>	
Net liabilities					
Capital and reserves					
Called up share capital	9	100		100	
Profit and loss account		(2,615,082)		(2,295,409)	
		<u>(2,614,982)</u>		<u>(2,295,309)</u>	
Shareholders' deficit					

These financial statements were approved by the board of directors on 17 December 2020 and were signed on its behalf by:

Neil Manhas

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 2019

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. Employees

No individuals are directly employed by the company. All payroll costs related the company's operations are borne by the fellow group company, YUMIII (UK) Ltd as well as Pizza Hut Europe Ltd.

3. 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").

4. Accounting policies

4.1. 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.

4.2. Going concern

Notwithstanding net current liabilities of £2,614,982 as at 31 December 2019 and a loss for the year then ended of £319,673, 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 2020, the directors have prepared cash requirements forecast for the 2021 financial year which indicate that, taking account of reasonably possible downsides, including the impact of the global crisis resulting from the spread of coronavirus (COVID-19), the company will have sufficient funds, through funding from its parent Yum! III (UK) Limited, to meet its liabilities as they fall due for that period.

In addition, the directors note that Yum! III (UK) Limited 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.

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements

Year Ended 31 December 2019

4.3. 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 12. 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.

4.4. Turnover

Turnover represents amounts paid by Pizza Hut franchisees pursuant to obligations under franchise agreements and by Yum! III Limited as Franchisor. All turnover is generated by contributions from UK Pizza Hut stores.

4.5. 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.

4.6. 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.

4.7. 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.

4.8. Tangible Assets

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

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Year Ended 31 December 2019

4.9. 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

5. Expenses and Auditors remuneration

Included in loss is the following:

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Impairment loss on trade debtors	1,290,074	805,001
Depreciation	-	25,630
Disposal	25,630	-

Auditor's remuneration:

Audits of these financial statements

Audit of these financial statements of subsidiaries of the company	6,295	6,615
Taxation compliance services	2,550	1,538

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Year Ended 31 December 2019

6. Tax on loss

Major components of tax income

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Current tax on loss for the period	-	-
Adjustment in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

Reconciliation of tax income

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Loss on ordinary activities before taxation	(319,673)	(159,098)
	<hr/>	<hr/>
Tax using the UK Corporation tax rate of 19% (2018: 19%)	(60,738)	(30,229)
Adjustment to tax charge in respect of prior periods	-	-
Group relief surrendered for no consideration	55,868	62,385
Timing differences for which no deferred tax asset was recognised	4,870	(32,156)
	<hr/>	<hr/>
Total tax expense included in profit or loss	-	-
	<hr/>	<hr/>

Factors that may affect future tax income

Deferred tax assets of £67,495 (2018: £72,443) 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 2019

7. Tangible Fixed Assets

Cost	31 Dec 2019
Balance at 31 Dec 2018	76,889
Disposals	(76,889)
Balance at 31 Dec 2019	-
Depreciation	
Balance at 31 December 2018	(51,260)
Depreciation for the year	51,260
Balance at 31 Dec 2019	-
Net book value	
At 31 December 2018	25,630
At 31 December 2019	-

8. Debtors

	31 Dec 2019	31 Dec 2018
	£	£
Trade debtors	2,161,062	1,765,472
Prepayments and accrued income	223,278	27,824
	2,384,340	1,793,296

Debtors include deferred income of £29,566 (2018: £nil) due after more than one year.

9. Creditors: amounts falling due within one year

	31 Dec 2019	31 Dec 2018
	£	£
Trade creditors	1,090,150	597,176
Amounts owed to group undertakings	3,713,648	3,361,035
VAT liability	154,051	108,713
Other creditors	624,803	630,641
	5,582,652	4,697,565

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements

Year Ended 31 December 2019

10. Capital

	31 Dec 2019	31 Dec 2018
<i>Allotted, called up and fully paid</i>	£	£
100 ordinary shares of £1 each	100	100

11. 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.

12. 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

13. Subsequent events

During 2020, the COVID-19 pandemic has resulted in significant and on-going disruption to the economy. The directors are reasonably confident that the company can continue to meet its day-to-day costs. If there is further business disruption, then the directors are reasonably certain that the company can draw on funds from elsewhere in the wider group if this should be required.

On 31 January 2020, the United Kingdom left the European Union. The directors do not consider that this will have a major impact on the company as there has been considerable work performed in this area mitigate against potential exposure. This is an ongoing focus for the company and the directors are confident that there are sufficient procedures in place to ensure early detection and resolution should issues arise.