

PIZZA HUT HSR ADVERTISING LIMITED

Financial Statements
Registered number 00894474
31 December 2017



PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

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
Period from 5 December 2016 to 31 December 2017

Officers and professional advisors

The board of directors Mr NAD Manhas

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

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

Bankers Barclays Bank PLC
Bedford Square
Leicestershire
Leicester
LE87 2BB

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

Directors' report

The directors present their report and financial statements of the Company for the period ended 31 December 2017.

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.

Long Accounting Period

During the year the company has changed its accounting reference date to the 31 December to align with YUM! Brands, Inc. The financial period for these financial statements has been extended to 56 weeks to take account of the new accounting reference date.

Results

The company generated a loss on ordinary activities after tax of £1,841,621 (2016; £294,690) and expect improvements in performance as the new operating model becomes more established. Net liabilities amounted to £2,136,211 (2016; £294,590).

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 R Miolane - resigned on 28 February 2018

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £2,136,211 (2016; £294,590) and a loss after tax for the year of £1,841,621 (2016; £294,690) which the directors believe to be appropriate. In the case where the company has insufficient funds to support its immediate working capital needs, it is dependent on funds provided by YUM! Brands, Inc., the company's ultimate parent.

YUM! Brands, Inc. has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Employees

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

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

Directors' report *(continued)*

Political contributions

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

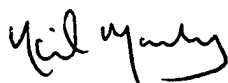
Disclosure of information to auditor

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
England
AL1 2QU

28 September 2018

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

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
Period from 5 December 2016 to 31 December 2017

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

Opinion

We have audited the financial statements of Pizza Hut HSR Advertising Limited ("the company") for the period ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PIZZA HUT HSR ADVERTISING LIMITED *(Continued)*

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
United Kingdom

28 September 2018

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

Statement of Income and Retained Earnings
for period ended 31 December 2017

| | | Period from 5 Dec 16 to 31 Dec 17 | Period from 30 Nov 15 to 4 Dec 2016 |
|---|-------------|---|---|
| | <i>Note</i> | £ | £ |
| Turnover | | 16,614,337 | 14,705,580 |
| Cost of sales | | (17,006,988) | (13,961,237) |
| Gross profit | | (392,651) | 744,343 |
| Administrative expenses | | (1,375,297) | (1,112,706) |
| Operating loss | | (1,767,948) | (368,363) |
| Loss before tax | | (1,767,948) | (368,363) |
| Tax on loss on revenue | 5 | (73,673) | 73,673 |
| Loss after tax | | (1,841,621) | (294,690) |
| Total comprehensive loss | | (1,841,621) | (294,690) |
| Retained losses at the beginning of the period | | (294,690) | - |
| Retained losses at the end of the period | | (2,136,311) | (294,690) |

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

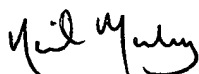
Period from 5 December 2016 to 31 December 2017

Statement of Financial Position

at 31 December 2017

| | Note | 31 Dec 17 £ | £ | 4 Dec 16 £ | £ |
|---|------|----------------|-------------|---------------|-------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | 51,259 | | - | |
| | | | 51,259 | | - |
| Current assets | | | | | |
| Debtors | 7 | 2,976,924 | | 1,886,198 | |
| Cash at bank and in hand | | 583,330 | | 583,329 | |
| | | | 3,560,254 | | 2,469,527 |
| Creditors: amounts falling due within one period | 8 | | (5,747,724) | | (2,764,117) |
| Net liabilities | | | (2,136,211) | | (294,590) |
| Capital and reserves | | | | | |
| Called up share capital | 9 | | 100 | | 100 |
| Profit and loss account | | | (2,136,311) | | (294,690) |
| Shareholders' deficit | | | (2,136,211) | | (294,590) |

These financial statements were approved by the board of directors on 28 September 2018 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
Period from 5 December 2016 to 31 December 2017

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. Long Accounting Period

During the year the company has changed its accounting reference date to the 31 December to align with YUM! Brands, Inc. The financial period for these financial statements has been extended to 56 weeks to take account of the new accounting reference date.

3.3. Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £2,136,211 (2016; £294,590) and a loss after tax for the year of £1,841,621 (2016; £294,690) which the directors believe to be appropriate. In the case where the company has insufficient funds to support its immediate working capital needs, it is dependent on funds provided by YUM! Brands, Inc., the company's ultimate parent.

YUM! Brands, Inc. has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

3.4. 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

Period from 5 December 2016 to 31 December 2017

Accounting policies (continued)

3.5. Turnover

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

3.6. 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.

3.7. 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.

3.8. 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.

3.9. Tangible Assets

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

3.10. 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

Period from 5 December 2016 to 31 December 2017

Accounting policies (continued)

4. Expenses and Auditors remuneration

Included in profit/loss is the following:

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|----------------------------------|--|--|
| Impairment loss on trade debtors | 364,150 | 166,442 |
| Depreciation | 25,630 | - |

Auditor's remuneration:

Audits of these financial statements

| | | |
|--|--------------|--------------|
| Audit of these financial statements of subsidiaries of the company | 5,945 | 5,675 |
| Taxation compliance services | 1,500 | 1,250 |

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

Notes

5. Tax on loss

Major components of tax income

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|--|--|--|
| Current tax on loss for the period | - | (73,673) |
| Adjustment in respect of prior periods | 73,673 | - |
| | <hr/> | <hr/> |
| Total current tax | 73,673 | (73,673) |
| | <hr/> | <hr/> |

Reconciliation of tax income

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|---|--|--|
| Loss before taxation | (1,767,948) | (368,363) |
| | <hr/> | <hr/> |
| Tax using the UK Corporation tax rate of 19.31% (2016 20%) | (341,391) | (73,673) |
| Adjustment to tax charge in respect of prior periods | 73,673 | - |
| Group relief surrendered for no consideration | 314,739 | - |
| Timing differences for which no deferred tax asset was recognised | 26,652 | - |
| | <hr/> | <hr/> |
| Total tax expense included in profit or loss | 73,673 | (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 £90,487 (2016: £nil) 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
Period from 5 December 2016 to 31 December 2017

Notes *(continued)*

6. Tangible Fixed Assets

| | Software £ |
|-----------------------------|---------------|
| Cost | |
| As at 5 Dec 2016 | |
| Additions | 76,889 |
| As at 31 Dec 2017 | 76,889 |
| Depreciation | |
| Depreciation for the period | (25,630) |
| Depreciation at 31 Dec 2017 | (25,630) |
| At 31 December 2017 | 51,259 |

7. Debtors

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|------------------------------------|--|--|
| Trade debtors | 2,388,024 | 1,516,104 |
| Amounts owed by group undertakings | (73,673) | 73,673 |
| Other debtors | 400,324 | 217,890 |
| Prepayments and accrued income | 262,249 | 78,531 |
| | 2,976,924 | 1,886,198 |

PIZZA HUT HSR ADVERTISING LIMITED
Financial Statements
Period from 5 December 2016 to 31 December 2017

Notes (continued)

8. Creditors: amounts falling due within one year

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|------------------------------------|--|--|
| Trade creditors | 1,474,067 | 479,682 |
| Amounts owed to group undertakings | 3,866,107 | 1,985,270 |
| Other creditors | 407,550 | 299,165 |
| | <hr/> 5,747,724 <hr/> | <hr/> 2,764,117 <hr/> |

9. Capital

| | Period from 5 Dec 16 to 31 Dec 17 £ | Period from 30 Nov 15 to 4 Dec 16 £ |
|---|--|--|
| <i>Allotted, called up and fully paid</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