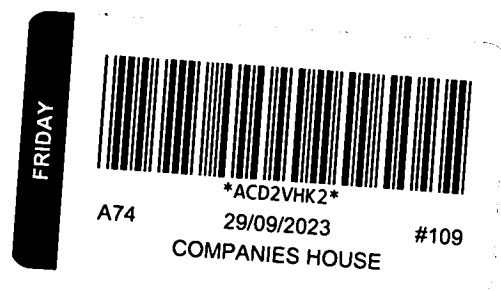


Registered number: 00894474

**PIZZA HUT HSR ADVERTISING LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2022**



PIZZA HUT HSR ADVERTISING LIMITED

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PIZZA HUT HSR ADVERTISING LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Directors	R H Borda Heiniger	(resigned 23 Jun 2022)
	N A D Manhas	(resigned 9 Feb 2023)
	C A Malanga	
	K J Mellor	(resigned 9 Feb 2023)
	N Burquier	(appointed 9 Feb 2023)
	K Vacovec	(appointed 4 Aug 2023)
Registered number	00894474	
Registered office	70 White Lion Street London N1 9PP	
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street London WC2B 5AH	
Banker	Barclays Bank PLC Bedford Sq. Leicester Leicestershire LE87 2BB	

PIZZA HUT HSR ADVERTISING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

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 mainly from contributions by these stores, and it is used to fund the promotion of the brand in the United Kingdom.

Results and dividends

The Company generated a loss on ordinary activities after tax of £440,113 (2021: profit of £40,129). This decline in performance was attributable to two key factors:

- a year over year reduction in sales following a return to pre-Covid levels
- deliberate accelerated investment in media activities (supplemented through additional funding from the parent) to drive sales

The Company is intended to be run at a break-even position over the financial year, but the directors are confident that this decision to invest ahead of turnover was appropriate for the longer term success of the brand. Net liabilities amounted to £3,023,774 (2021: £2,595,080).

The directors do not recommend the payment of a dividend.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its liabilities as they fall due, for the foreseeable future. The directors have concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecasts for the 12 month period after the approval of these financial statements.

The directors recognise that, at the date of approving these financial statements, there are significant economic headwinds for both consumers and companies as well as competitive pressure in the QSR space. The directors have considered severe but plausible downsides resulting from these factors and are confident in the ability of the business to continue to meet its liabilities as they fall due.

In addition, the directors note that Yum! III (UK) Limited confirms its intention to continue to provide further financial and other support to Pizza Hut HSR Advertising Ltd 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.

Employees

The Company does not employ any employees. However, there is a service arrangement with the parent company Yum! III (UK) Limited to provide services to manage the co-operative marketing fund. No salaries or wages have been paid by the Company to employees, including the directors, during the period.

PIZZA HUT HSR ADVERTISING LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

The directors who served during the year were:

RH Borda Heiniger (resigned 23 Jun 2022)
NAD Manhas (resigned 9 Feb 2023)
CA Malanga
KJ Mellor (resigned 9 Feb 2023)

Political contributions

The Company has not made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Auditor

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

This report was approved by the board of directors on 27 September 2023 and signed on its behalf by:



C A Malanga
Director

Registered office:
70 White Lion Street
London
N1 9PP

PIZZA HUT HSR ADVERTISING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 judgments and accounting estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern;
- 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; and
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT HSR ADVERTISING LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion

We have audited the financial statements of Pizza Hut HSR Advertising Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PIZZA HUT HSR ADVERTISING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT HSR ADVERTISING LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2022

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

PIZZA HUT HSR ADVERTISING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT HSR ADVERTISING LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the Company;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006 and taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested a sample of journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and relevant regulators.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

PIZZA HUT HSR ADVERTISING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT HSR ADVERTISING LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022

Use of our report

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.

Blick Rothenberg Audit LLP

Mahmood Ramji
for and on behalf of
Blick Rothenberg Audit LLP,
Chartered Accountants & Statutory Auditor
16 Great Queen Street
London
WC2B 5AH

27 September 2023

PIZZA HUT HSR ADVERTISING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

			(As Restated, see note 16)
	Note	2022 £	2021 £
Turnover	4	8,632,486	11,856,000
Cost of sales		<u>(9,069,593)</u>	<u>(10,843,313)</u>
Gross profit		(437,107)	1,012,687
Administrative expenses		<u>(727,794)</u>	<u>(1,011,016)</u>
Operating profit/(loss)	5	(1,164,901)	1,671
Tax on profit/(loss)	9	<u>724,788</u>	<u>38,458</u>
Total comprehensive income/(loss)		<u>(440,113)</u>	<u>40,129</u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

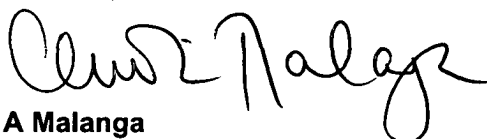
The notes on pages 11 to 20 form part of these financial statements.

PIZZA HUT HSR ADVERTISING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible fixed assets	10	–	3,668
Current assets			
Debtors: Amounts due after one year	11	<u>2,412,147</u>	<u>1,969,592</u>
		2,412,147	1,969,592
Creditors: Amounts falling due within one year	12	<u>(5,435,921)</u>	<u>(4,568,340)</u>
Net current liabilities		<u>(3,023,774)</u>	<u>(2,598,748)</u>
Total assets less current liabilities		<u>(3,023,774)</u>	<u>(2,595,080)</u>
Net liabilities		<u>(3,023,774)</u>	<u>(2,595,080)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	<u>(3,023,874)</u>	<u>(2,595,180)</u>
Shareholders' deficit		<u>(3,023,774)</u>	<u>(2,595,080)</u>

The financial statements were approved by the board of directors and authorised for issue on 27 September 2023 and were signed on its behalf by:


C A Malanga
 Director

27 September 2023

The notes on pages 11 to 20 form part of these financial statements.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 General information

Pizza Hut HSR Advertising Limited (the "Company") is a company limited by shares and incorporated in the UK. The address of the registered office is 70 White Lion Street, London, N1 9PP

2 Statement of compliance

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

The financial statements are prepared in Sterling.

3 Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis, and in accordance with applicable accounting standards.

The financial statements are prepared in Pound sterling, which is the functional currency.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

3.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its liabilities as they fall due, for the foreseeable future. The directors have concluded that it is appropriate to adopt the going concern basis, having undertaken an assessment of the financial forecasts for the 12 month period after the approval of these financial statements.

The directors recognise that, at the date of approving these financial statements, we are in unprecedented times with ongoing impacts as a result of the pandemic, significant economic pressures on both consumers and companies and the knock on effects of the Russian conflict. The directors have considered severe but plausible downsides resulting from these factors and are confident in the ability of the business to continue to meet its liabilities as they fall due.

In addition, the directors note that Yum! III (UK) Limited confirms its intention to continue to provide further financial and other support to Pizza Hut HSR Advertising Ltd 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.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3 Accounting policies (continued)

3.3 Disclosure exemptions

The Company's ultimate parent undertaking, Yum! Brands, Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Yum! Brands, Inc., are available to the public and may be obtained from the address as detailed in Note 15. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key Management Personnel Compensation ;
- Related party transactions with entities which form part of the group; and
- Certain disclosures required by FRS102.26 Share Based Payments

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3.4 Financial instruments

The Company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest rate method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3 Accounting policies (continued)

3.4 Financial instruments (continued)

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the Company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.5 Revenue recognition

Turnover mainly represents amounts paid by Pizza Hut franchisees pursuant to obligations under franchise agreements. The main element of turnover is represented by marketing contributions. Marketing contributions are calculated on a percentage of net sales basis. Turnover is exclusive of value added tax.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3 Accounting policies (continued)

3.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in profit or loss within administrative expenses.

3.7 Taxation

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Software	-	3 years
Equipment	-	5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4 Turnover

	2022 £	2021 £
Marketing contribution	8,260,323	10,403,763
Other income	372,163	1,452,237
	<u>8,632,486</u>	<u>11,856,000</u>

All turnover arose within the United Kingdom.

5 Operating profit/(loss)

The operating profit/(loss) is stated after (crediting)/charging:

	2022 £	2021 £
Impairment loss on trade debtors	(104,226)	80,987
Depreciation	<u>(1,572)</u>	<u>1,048</u>

6 Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>15,000</u>	<u>15,000</u>

7 Employees

No individuals are directly employed by the Company. All payroll costs related the Company's operations are borne by Pizza Hut Europe Limited.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

8 Directors' remuneration

As in prior years, total directors' remuneration for qualifying services for the financial year was £nil. All remuneration for directors was incurred by Pizza Hut Europe Limited.

9 Taxation

		(As Restated, see note 16)
	2022	2021
	£	£
Current tax:		
Current tax on profit for the year	—	4,634
Group relief adjustment re prior years	(301,773)	(43,092)
Total current tax	(301,773)	(38,458)
	2022	2021
	£	£
Deferred tax:		
Origination and reversal of timing differences	(411,596)	—
Adjustments in respect of prior years	(11,419)	—
Total deferred tax	(423,015)	—
Tax on loss	(724,788)	(38,458)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	(As Restated, see note 16) 2021 £
Profit/(loss) on ordinary activities before tax	(1,164,901)	1,671
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(221,331)	317
Effects of:		
Group relief re prior years	(301,773)	(38,827)
Deferred tax	(423,015)	—
Timing differences for which no deferred tax asset was recognised	221,331	52
Total tax charge for the year	(724,788)	(38,458)

Factors that may affect future tax charges

In prior year financial statements, the Company had not envisaged receiving group relief compensation for any year except 2019. Following a group wide reassessment of the group relief compensation for 2017 to 2020 the Company has now recognised that it will receive group relief compensation where relevant for years since 2017.

The 2019 group relief settlement had been incorrectly reflected in the profit and loss account in 2021 and as such, the comparatives have been restated (see note 16).

Following the finalization of the 2021 tax returns for the UK tax group and considering the treasury needs of the Group, the Company will not surrender its losses for 2021 and 2022. However, it is expected that the losses will be used against future profits in the UK tax group, therefore a deferred tax asset has been set-up to recognise this. The tax charge reflects the reversal of the group relief from the prior year and the set-up of the deferred tax asset in the current year.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2021: 19%).

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tangible fixed assets

	Total fixed assets
	£
Cost	
At 1 January 2022 and 31 December 2022	—
Depreciation	
At 1 January 2022	1,572
Charge for the year	(1,572)
At 31 December 2022	—
Net book value	
At 31 December 2022	—
At 31 December 2021	3,668

11 Debtors

	2022	2021
	£	£
Due within one year		
Deferred tax	423,015	—
Trade debtors	1,587,328	1,692,505
Amounts owed by group undertakings	356,286	3,923
Prepayments and accrued income	45,518	273,164
	2,412,147	1,969,592

The Company has no material deferred tax liabilities. The deferred tax asset is entirely related to unused tax losses of the Company. There are no additional unrecognized gross tax losses. There is no expiry date on the unused tax losses.

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12 Creditors: amounts falling due within one year

	2022	(As Restated, see note 16) 2021
	£	£
Trade creditors	(551,715)	(312,224)
Amounts owed to group undertakings	(4,216,456)	(2,546,023)
VAT liability	(79,027)	(65,249)
Accruals and deferred income	(588,723)	(1,644,844)
	<u>(5,435,921)</u>	<u>(4,568,340)</u>

13 Share capital

	2022	2021
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
100 (2021 - 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14 Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Yum! III (UK) Limited, a company registered in England and Wales.

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 accounts of this group are available to the public at <https://investors.yum.com/financial-information/sec-filings/> or at the below address:

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

PIZZA HUT HSR ADVERTISING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16 Prior period adjustment

The following adjustments reflect reclassifications to prior year numbers in the profit and loss account and balance sheet respectively, to reflect more appropriate mapping.

There is no impact on the reported results for 2021 or the balance sheet totals.

Statement of comprehensive income adjustments:

		2021 £	
	As previously stated	Adjustment	Restated
Cost of sales	(10,956,651)	113,338	(10,843,313)
Administrative expenses	(854,586)	(156,430)	(1,011,016)
Corporation Tax (Group relief)	4,634	(43,092)	(38,458)

Statement of financial position adjustments:

		2021 £	
	As previously stated	Adjustment	Restated
VAT liability	(30,715)	(34,354)	(65,069)
Amounts owed to group undertakings	(2,580,557)	34,534	(2,546,023)