

PIZZA HUT (UK) LIMITED

Directors' Report and Financial Statements

30 November 2008

Company Registration Number 1072921

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COMPANIES HOUSE

PIZZA HUT (UK) LIMITED DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 30th November 2008.

REVIEW OF BUSINESS

The principal activity during the period was trading as a restaurant and delivery operator. During the period 4 new units were opened, 15 were closed and 11 were Re-Franchised, resulting in a total Equity estate of 517 at 30th November 2008 (2007: 539).

FUTURE DEVELOPMENTS

The company will continue its expansion plan in 2009 throughout the United Kingdom and Ireland through both Equity, Franchising and Re-Franchising developments.

RESULTS AND DIVIDENDS

The loss on ordinary activities for the period, after taxation, amounted to £11,901,000 (2007: £7,316,000 loss). No interim dividend was paid during the year (2007: £10,000,000). The directors do not recommend a payment of a final dividend. The loss of £11,901,000 (2007: £7,316,000 loss) has been taken to reserves.

SUPPLIER PAYMENT POLICY

The company adheres to the payment terms which have been agreed with a supplier. Where payment terms have not been specifically agreed, it is the company's policy to settle invoices within 30 days of receipt. Adherence to these terms is dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis. The number of days' purchases outstanding for payment by the company at the period end was 25 (2007: 27).

FIXED ASSETS

The Directors consider that the current market value of land and buildings exceed their carrying amount, but are unable to quantify the excess.

DIRECTORS AND DIRECTORS INTEREST

The directors of the company during the period ended 30th November 2008 and since the period end are listed below.

J C Little	
P J Grismer	Resigned 1 October 2008
A Murdoch	Resigned 16 February 2009
N Barsegiyan	Appointed 20 February 2008
J Hofma	Appointed 16 February 2009

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

PIZZA HUT (UK) LIMITED
DIRECTORS' REPORT (continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the group made various charitable contributions totalling £11,405 (2007: £11,075). The group made no political contributions during the period (2007: nil).

ENHANCED BUSINESS REVIEW

Trading conditions on the high street have continued to be tough because of declining consumer confidence, which has also been reflected in increasing competitor pressure. The continued decline in consumer confidence is as a result of the financial difficulties in the US and UK banking sectors and the knock on effect in the economy.

In response to this challenging environment the business has invested in new products, advertising and restaurant refurbishments, which have contributed to sales from Equity and Franchise restaurants of £438,000,000 (2007: £443,700,000).

Higher food costs have increased cost of sales by 1.1% to 61.6% (2007: 60.5%) and labour cost has increased by 0.6% to 35.1% (2007: 34.5%).

In terms of the total system stores (Equity and Franchise) 31 stores opened and 23 stores were closed during the year. At year end, the total number of stores in the system was 702 (2007: 694).

In addition to monitoring the financial performance of the business, Pizza Hut uses a balanced scorecard to monitor performance in two key areas: employee and customer satisfaction.

In light of the difficult trading conditions Pizza Hut remains cautious about the retail environment for 2009. However, the company continues to reinvest in new products, advertising and restaurant refurbishments and is optimistic that the value for money offers in place will continue the improved performance experienced since the start of 2009.

In addition, the directors believe that the issue of £35,700,000 of new share capital since the year end has strengthened the company's balance sheet so as to enable the company to face the current difficult trading conditions with renewed optimism.

PIZZA HUT (UK) LIMITED
DIRECTORS' REPORT (continued)

EMPLOYEES

The policy of providing team members with information has continued during the period by means of leaflets, through which they are encouraged to give their views and suggestions relating to the performance of the company. In addition, all team members' views are canvassed via annual employee satisfaction surveys.

Frequent meetings and focus groups between management and team members are held at which such views and suggestions may be considered. More formally, team members are represented at the European Employee Forum.

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a disabled person.

With regards to those employees who become disabled during the period, the company will continue to examine ways and means of providing continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

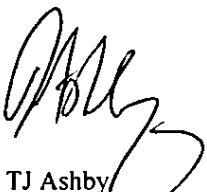
DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The company has passed elective resolutions whereby the company has dispensed with the requirements to hold an annual general meeting in each year, to lay the accounts in general meeting and to reappoint the auditors on an annual basis. Accordingly the auditors shall be deemed to be reappointed in accordance with the provisions of Section 385A of the Companies Act 1985.

By order of the board



TJ Ashby
Company Secretary

17th August 2009

Registered Office:
One, Imperial Place
Elstree Way
Borehamwood
Hertfordshire
WD6 1JN

PIZZA HUT (UK) LIMITED
DIRECTORS' REPORT (continued)

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).

The company financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Salisbury Square

London

EC4Y 8BB

United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (UK) LTD

We have audited the financial statements of Pizza Hut (UK) Limited for the period ended 30th November 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30th November 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

18 August 2009

PIZZA HUT (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 30 NOVEMBER 2008**

		2008		2007	
	Notes	£'000	£'000	£'000	£'000
Turnover	2	355,888		375,948	
Other operating income:					
Rental income		1,225		1,401	
Franchise income		<u>1,513</u>		<u>1,912</u>	
			358,626		379,261
Raw materials and consumables		79,722		84,150	
Other external charges		<u>139,490</u>		<u>143,150</u>	
			(219,212)		(227,300)
			<u>139,414</u>		<u>151,961</u>
Staff costs	5	124,855		129,549	
Depreciation and other amounts written off tangible and intangible fixed assets		<u>22,815</u>		<u>21,868</u>	
			(147,670)		(151,417)
OPERATING (LOSS) / PROFIT	3		<u>(8,256)</u>		<u>544</u>
Exceptional items	6		(1,985)		(5,044)
Other finance costs			(65)		(223)
Interest receivable		127		38	
Interest payable and similar charges	7	(3,307)		(1,681)	
Dividends receivable		<u>180</u>		<u>-</u>	
			(3,000)		(1,643)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>(13,306)</u>		<u>(6,366)</u>
Tax credit / (charge) on loss on ordinary activities	8		1,405		(950)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	18		<u>(11,901)</u>		<u>(7,316)</u>

All turnover and operating profit arises from continuing operations.

The notes on pages 9 to 22 form part of these financial statements.

A statement of movement on reserves is given in note 17.

PIZZA HUT (UK) LIMITED

BALANCE SHEET AS AT 30 NOVEMBER 2008

		2008		2007	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	9	2,138		2,343	
Tangible assets	10	113,835		120,432	
Shares in subsidiary undertakings	11	<u>2,263</u>		<u>2,453</u>	
			118,236		125,228
CURRENT ASSETS					
Stocks	12	2,008		1,904	
Debtors	13	14,307		10,253	
Cash at bank and in hand		<u>750</u>		<u>2,796</u>	
		17,065		14,953	
CREDITORS					
Amounts falling due within one year	14	<u>(107,611)</u>		<u>(97,010)</u>	
NET CURRENT LIABILITIES			<u>(90,546)</u>		<u>(82,057)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			27,690		43,171
DEFERRED TAX LIABILITY	15		(7,632)		(8,717)
PENSION LIABILITY	20		(13,196)		(9,284)
NET ASSETS			<u>6,862</u>		<u>25,170</u>
CAPITAL AND RESERVES					
Called up share capital	16		805		805
Profit and loss account	17		5,694		24,189
Other Reserves	17		363		176
SHAREHOLDERS' FUNDS	18		<u>6,862</u>		<u>25,170</u>

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

N Barsegiyan
Director



17th August 2009

The notes on pages 9 to 22 form part of these financial statements.

PIZZA HUT (UK) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 30 NOVEMBER 2008**

	2008	2007
	£'000	£'000
Loss for the financial year after taxation	(11,901)	(7,316)
Dividend	-	(10,000)
Actuarial (loss) / gain recognised in the pension scheme	(9,159)	4,638
Deferred tax arising on other (losses) / gains recognised in this statement	2,565	(1,621)
FRS 20 charge for the year	187	176
Total gains and losses recognised since last annual report	<u>(18,308)</u>	<u>(14,123)</u>

PIZZA HUT (UK) LIMITED
NOTES (forming part of the financial statements)

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The particular accounting policies adopted are described below. These accounting policies have been applied consistently throughout the current financial period and previous financial period.

Cash Flow Statement

Under FRS 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated accounts.

Consolidation

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

As 100% of the company's voting rights are controlled within the group headed by Yum! Brands Inc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Yum! Brands Inc within which this company is included, can be obtained from the address in note 23.

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The company is dependent for its working capital on funds provided to it by fellow group companies. Restaurant Holdings Limited, an intermediate holding company, has provided the company with an undertaking 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. 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.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(b) Depreciation

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

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold buildings	-	40 years
Leasehold land and buildings, including lease acquisition premiums	-	effective life of the lease
Fixtures, fittings, tools and equipment	-	3 years to 10 years
Motor vehicles	-	3 years

PIZZA HUT (UK) LIMITED

NOTES (continued)

1. ACCOUNTING POLICIES (continued)

(c) Stocks

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

(d) Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(e) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

(f) Operating rights

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

(g) Restaurants in course of construction

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

(h) Marketing costs

All marketing costs are written off as incurred, with the exception of advance media payments which are written off when the commercials are aired.

(i) Leasing and hire purchase commitments

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

(j) Research and development expenditure

All research and development expenditure is written off as incurred.

(k) Rent Free Periods

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

PIZZA HUT (UK) LIMITED

NOTES (continued)

(I) Share based payments

The share option programme allows employees to acquire shares of the ultimate parent company, Yum! Brands Inc. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 January 2006 is recognised as an employee expense with a corresponding increase in equity. The total expense related to such plans is based on the fair value of the options and other share based incentives on grant date, calculated using a valuation model and spread over the expected vesting period. The amounts recognised are adjusted to reflect the actual number of options and other share based incentives that are expected to vest.

(I) Pension scheme

For the company's defined benefit pension scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net pension funding cost in the interest receivable and payable. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company, in separate administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained on a triennial basis and are updated at each balance sheet date. The resulting defined benefit scheme assets or liabilities, net of the related deferred tax, are represented separately after other net assets on the face of the balance sheet.

The company also participates in a multi employer scheme run by Kentucky Fried Chicken (Great Britain) Limited. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement benefits", the scheme has been accounted for in these financial statements as if it was a defined contribution scheme.

The number of employees included within this scheme is not significant. As such, no further information is disclosed.

2. **TURNOVER**

Turnover represents the amount of sales in the United Kingdom, stated net of value added tax. The company operates in only one geographical area and business and therefore a segmental report has not been prepared.

3. **OPERATING (LOSS) / PROFIT**

	2008 £'000	2007 £'000
This is stated after charging/(crediting):		
<u>Auditors' remuneration</u>		
Fees for the audit of the companies annual accounts	39	51
Fees payable for other services – Sarbanes Oxley Audit	25	27
Tax services	8	9
Other	2	4
Rental on operating leases – land and buildings	36,972	37,268
Exchange differences	103	(28)
Depreciation of fixed assets	22,621	21,674
Amortisation of intangible fixed assets	194	194

PIZZA HUT (UK) LIMITED

NOTES (continued)

4. REMUNERATION OF DIRECTORS

	2008 £'000	2007 £'000
Directors' emoluments	<u>802</u>	<u>849</u>

The emoluments, excluding pension contributions, of the highest paid director were £359,029 (2007: £367,669) and the company paid pension contributions of £24,520 (2007: £46,550)

Since the company and its subsidiaries meet the definition in s736(2)(3) of the Companies Act 1985 of wholly owned subsidiaries of body corporates incorporated outside Great Britain, they have taken advantage of regulation 3 (1)(a) of Statutory Instrument 1985/802 exempting them from the requirement to disclose directors' share interests and options in group companies.

5. STAFF COSTS

	2008 £'000	2007 £'000
Wages and salaries	115,544	119,721
Share based payments (see note 21)	187	176
Social security costs	7,155	7,722
Other pension costs	1,969	1,930
	<u>124,855</u>	<u>129,549</u>

The average weekly number of employees during the period was made up as follows:

	Number of employees	
	2008	2007
Office and management	1,208	1,220
Restaurants	16,843	18,012
	<u>18,051</u>	<u>19,232</u>

6. EXCEPTIONAL ITEMS

	2008 £'000	2007 £'000
Exceptional (profit) / loss on disposal of fixed assets	(112)	2,032
Impairments	2,097	3,012
	<u>1,985</u>	<u>5,044</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Bank overdraft	388	859
Interest on intercompany loan	2,896	781
Other	23	41
	<u>3,307</u>	<u>1,681</u>

8. TAXATION

Analysis of (credit) / charge in period

	2008 £'000	£'000	2007 £'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the period	(588)		2,026	
Adjustments in respect of prior periods	<u>117</u>		<u>1</u>	
Total current tax		(471)		2,027
<i>Deferred tax</i>				
Reversal of timing differences	(934)		(498)	
Effect of decreased tax rate	<u>-</u>		<u>(579)</u>	
Total deferred tax		(934)		(1,077)
Tax on loss on ordinary activities		<u>(1,405)</u>		<u>950</u>

Factors affecting the tax (credit) / charge for the current period

The effective tax rate for 2008 is 3.9% (2007: (31.8%)). The differences are explained below.

	2008 £'000	2007 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	<u>(13,306)</u>	<u>(6,366)</u>
Current tax at 28.67% (2007: 30%)	(3,815)	(1,910)
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily depreciation of ineligible assets)	2,142	3,608
Differences between capital allowances and depreciation of eligible assets	1,085	328
Adjustments to tax charge in respect of previous periods	117	1
Total current tax (credit) / charge (see above)	<u>(471)</u>	<u>2,027</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

8. TAXATION (continued)

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years. No provision has been made for deferred tax on the sale of properties when gains have been rolled over into replacement assets. The total amount unprovided for is estimated at £1,192,764. (2007: £865,215).

9. INTANGIBLE FIXED ASSETS

	Operating Rights £'000
Cost	
At 2 nd December 2007	5,023
Additions	39
Disposals	(83)
At 30 th November 2008	<u>4,979</u>
Amortisation	
At 2 nd December 2007	2,680
Charge for the period	194
Disposals	(33)
At 30 th November 2008	<u>2,841</u>
Net book value	
At 30 th November 2008	2,138
At 2 nd December 2007	<u>2,343</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

10. TAN GIBLE FIXED ASSETS

	Land and Buildings £'000	Fixtures, Fittings, Tools and Equipment £'000	Motor Vehicles £'000	Assets In course of Construction £'000	Total £'000
Cost					
At 2 nd December 2007	180,284	106,884	40	3,726	290,934
Additions	6,009	10,328	-	7,721	24,058
Disposals	(12,603)	(13,586)	(40)	-	(26,229)
Transfer of assets	4,544	4,689	-	(9,233)	-
At 30 th November 2008	<u>178,234</u>	<u>108,315</u>	<u>-</u>	<u>2,214</u>	<u>288,763</u>
Depreciation					
At 2 nd December 2007	94,398	76,064	40	-	170,502
Charge for the period	11,357	11,264	-	-	22,621
Impairment charge	1,258	839	-	-	2,097
Disposals	(8,456)	(11,796)	(40)	-	(20,292)
At 30 th November 2008	<u>98,557</u>	<u>76,371</u>	<u>-</u>	<u>-</u>	<u>174,928</u>
Net book value					
At 30 th November 2008	79,677	31,944	-	2,214	113,835
At 2 nd December 2007	<u>85,886</u>	<u>30,820</u>	<u>-</u>	<u>3,726</u>	<u>120,432</u>

	2008	2007
	£'000	£'000
Land and buildings		
The net book value of land and buildings can be analysed as follows:		
Freehold	1,367	1,750
Long leasehold	217	245
Short leasehold	78,093	83,891
	<u>79,677</u>	<u>85,886</u>

The gross amount of non-depreciable assets that are included in Land and Buildings is: £0.1m (2007:£0.3m).

PIZZA HUT (UK) LIMITED**NOTES (continued)****11. SHARES IN SUBSIDIARY UNDERTAKINGS****£'000****Cost**At 2nd December 2007 and
30 November 20082,453**Impairment**At 2nd December 2007
Impairment Losses-
190At 30th November 2008190**Net book value**At 30th November 2008

2,263

At 2nd December 20072,453

The group holds more than 10% of the equity of the following companies:

<u>Name of Company</u>	<u>Holding</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
Pizza Hut HSR Advertising Limited	Ordinary shares	100%	Advertising co-operative
West End Restaurants (Holdings) Limited	Ordinary shares	100%	Holding Company
West End Restaurants (Investments) Limited	Ordinary shares	100%	Holding Company
West End Restaurants Limited	Ordinary shares	100%	Dormant Company
Pizza Hut (UK) Pension Trust Limited	Ordinary shares	100%	Dormant Company
Pizza Hut FSR Advertising Limited	Ordinary shares	100%	Advertising co-operative

All the above subsidiary undertakings are incorporated in Great Britain and registered in England and Wales.

12. STOCKS

	2008	2007
	£'000	£'000
Ingredients	1,824	1,862
Merchandising	184	42
	<u>2,008</u>	<u>1,904</u>

The estimated replacement cost of stocks is not materially different from the above existing values.

PIZZA HUT (UK) LIMITED

NOTES (continued)

13. DEBTORS

	2008	2007
	£'000	£'000
Trade debtors	5,104	5,104
Other debtors	4	4
Prepayments and accrued income	5,126	5,145
Amounts due from Parent and fellow subsidiary undertakings	25	-
Amounts due from Subsidiary undertakings	3,472	-
Corporation Tax	576	-
	<u>14,307</u>	<u>10,253</u>

All debtors fall due within one year.

14. CREDITORS – amounts falling due within one year

	2008	2007
	£'000	£'000
Short term loan	13,000	-
Trade creditors	9,231	13,476
Amounts owed to Parent and fellow subsidiary undertakings	39,761	37,696
Amounts owed to Subsidiary undertakings	14,555	12,533
Taxation and Social Security	8,851	8,376
Other creditors	2,086	3,626
Accruals	20,127	20,465
Corporation tax	-	838
	<u>107,611</u>	<u>97,010</u>

15. DEFERRED TAXATION

Provisions for liabilities and charges	£'000
At 02 December 2007	8,717
Profit and loss credit	(1,085)
At 30 November 2008	<u>7,632</u>

The overall deferred tax position is as follows:

	2008	2007
	£'000	£'000
Fixed asset timing differences	<u>7,632</u>	<u>8,717</u>

PIZZA HUT (UK) LIMITED**NOTES (continued)****16. CALLED UP SHARE CAPITAL**

		2008 £'000	2007 £'000
Equity:	Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	805	805
		<u>805</u>	<u>805</u>

17. CAPITAL AND RESERVES

	Share Capital £'000	Profit and loss £'000	Other Reserves £'000
At 2nd December 2007	805	24,189	176
Actuarial loss recognised in STRGL	-	(9,159)	-
Deferred tax recognised in STRGL	-	2,565	-
Loss on ordinary activities after taxation	-	(11,901)	-
FRS 20 charge for the year	-	-	187
At 30th November 2008	<u>805</u>	<u>5,694</u>	<u>363</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Opening shareholders' funds	25,170	39,293
Dividend	-	(10,000)
Actuarial (loss) / gain recognised in STRGL	(9,159)	4,638
Deferred tax recognised in STRGL	2,565	(1,621)
Loss after taxation	(11,901)	(7,316)
FRS 20 charge for the year	187	176
Closing shareholders' funds	<u>6,862</u>	<u>25,170</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

19. COMMITMENTS

At 30th November 2008 the annual commitments under non-cancellable operating leases were as follows:

	2008 Land and Buildings £'000	2007 Land and Buildings £'000
Operating leases which expire:		
Within one year	1,807	1,314
In second to fifth years inclusive	7,298	6,888
Over five years	28,887	30,208
	<u>37,992</u>	<u>38,410</u>

20. PENSION

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2007 and updated to 09 December 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At year end 30/11/2008	At year end 02/12/2007
Rate of increase in salaries	3.85%	4.00%
Rate of increase of pensions in payment	3.10%	3.25%
Discount rate	5.40%	5.50%
Inflation assumption	3.10%	3.25%

	At year-end 30/11/2008	At year-end 30/11/2008	At year-end 02/12/2007	At year end 02/12/2007
		£'000		£'000
Equities	7.90%	18,047	8.40%	21,324
Bonds	4.40%	5,067	5.00%	4,502
Property	3.10%	21	3.50%	30
Total market value of assets		23,135		25,856
Actuarial value of liability		<u>(42,365)</u>		<u>(38,760)</u>
Recoverable deficit in the schemes		(19,230)		(12,904)
Related deferred tax asset		<u>6,034</u>		<u>3,620</u>
Net pension liability		<u>(13,196)</u>		<u>(9,284)</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

20. PENSION (continued)

Analysis of the amount charged to operating profit

	Year to 30/11/2008 £'000	Year to 02/12/2007 £'000
Service cost	1,480	1,509
Past service cost	-	-
Total operating charge	<u>1,480</u>	<u>1,509</u>

Analysis of net return on pension scheme

	Year to 30/11/2008 £'000	Year to 02/12/2007 £'000
Expected return on pension scheme assets	2,114	1,681
Interest on pension liabilities	<u>(2,179)</u>	<u>(1,904)</u>
Net interest cost	<u>(65)</u>	<u>(223)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 30/11/2008 £'000	Year to 02/12/2007 £'000
Actual return less expected return on assets	(9,540)	75
Experience gains and (losses) on liabilities	-	5,129
Changes in assumptions	<u>381</u>	<u>(565)</u>
Actuarial (loss)/gain recognised in STRGL	<u>(9,159)</u>	<u>4,638</u>
Net (loss) / gain recognised	<u>(9,159)</u>	<u>4,638</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

20. PENSION (continued)

Movement in deficit during the year

	Year to 30/11/2008 £'000	Year to 2/12/2007 £'000
Deficit in scheme at beginning of year	(12,904)	(16,977)
Movement in year:		
Current service cost	(1,480)	(1,509)
Contributions	4,378	1,166
Past service costs	-	-
Net interest cost	(65)	(223)
Actuarial (loss) / gain	(9,159)	4,638
Deficit in scheme at end of year	(19,230)	(12,904)

History of experience gains and losses

	Financial year ending in		
	2008	2007	2006
Difference between expected and actual return on scheme assets:			
amount (£'000)	(9,540)	75	(85)
percentage of scheme assets	(4%)	-	-
Experience gains and losses on scheme liabilities:			
amount (£'000)	-	5,129	-
percentage of scheme liabilities	-	13%	-
Total amount recognised in statement of total recognised gains and losses:			
amount (£'000)	(9,159)	4,638	(2,560)
percentage of scheme liabilities	(22%)	12%	(6%)

Pizza Hut (UK) Ltd expects to contribute approximately £4,458,000 to the Pizza Hut UK Pension Plan in the next financial year.

21. EMPLOYEE SHARE SCHEMES – SHARE BASED PAYMENTS

Employees of the company are eligible to participate in various share plans as operated by the ultimate parent company, Yum! Brands, Inc. Full details of these plans, and the valuations methodologies applied, are set out in the Annual Report and Accounts of Yum! Brands, Inc. These are available free of charge from the address in Note 23, and are also available on the company's website at www.yum.com.

The charge for the year relating to the share option plans amounted to £187,000 (2007: £176,000).

PIZZA HUT (UK) LIMITED

NOTES (continued)

22. POST BALANCE SHEET EVENTS

On 14 August 2009, the company's authorised share capital was increased from £805,000 to £100,000,000.
On 14 August 2009, the company issued 35,700,000 ordinary shares of £1 each, at par, to the immediate holding company, Yum! Restaurant Holdings.

23. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

The company is a subsidiary undertaking of Yum! Restaurant Holdings, 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 and may be obtained from:

YUM! Brands, Inc
1441 Gardiner Lane
Louisville
KY 40213
USA