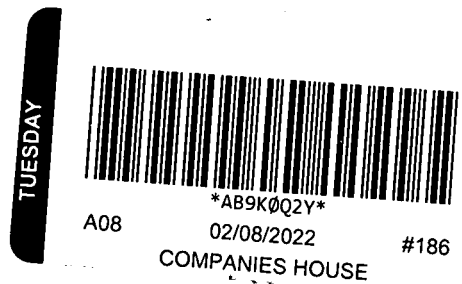


Company Registration No. 01072921 (England and Wales)

PIZZA HUT (U.K.) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 5 DECEMBER 2021



PIZZA HUT (U.K.) LIMITED

COMPANY INFORMATION

Directors	Mr J Hofma Ms K Austin Mr M Spencer Mr A Platt Ms S Marshall
Company number	01072921
Registered office	Building One Imperial Place Elstree Way Borehamwood Hertfordshire WD6 1JN
Independent auditor	PricewaterhouseCoopers LLP 40 Clarendon Road Watford Hertfordshire WD17 1JJ

PIZZA HUT (U.K.) LIMITED

CONTENTS

	Page
Strategic report	1 - 6
Directors' report	7 - 11
Independent auditor's report	12 - 15
Statement of comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Notes to the financial statements	19 - 37

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 5 DECEMBER 2021

The directors present the strategic report, the directors report and the audited financial statements of the company for the financial year from 30 November 2020 to 5 December 2021. -

Principal Activities

The principal activity of the company during the financial year was trading as a restaurant operator. At the balance sheet date, Pizza Hut (U.K.) Limited operated 169 restaurants (2020: 214).

Business Model

Our Pizza Hut restaurant model offers a warm, accessible and great value experience to a broad demographic of guests across all UK mainland geographies. Value is delivered through great-tasting, proprietary-recipe pizzas, affordable prices and a generous spirit of hospitality, exemplified by our unlimited free salad bar. Unit level economics are delivered by strong operational disciplines that minimise wastage of resources and a mobile-device ordering platform that helps to deliver an efficient labour model. The economics are further supported by scale purchasing. The model benefits from two strong dayparts, lunch and dinner across all seven days of the week. In addition to a strong core dine-in offer, the model benefits from fast-growing takeaway and delivery channels, the latter operated in partnership with Deliveroo, Uber Eats and Just Eat. The brand also benefits from a high level of unprompted awareness. This combination of features enables the model to operate profitably across a wide range of real estate locations.

Market Review

The market experienced another very challenging year in 2021, but also greater prospects for a strong return to top-line growth. The first half of the year continued to be severely impacted by the COVID-19 pandemic. The sector was limited to operating delivery and collection sales from late January to mid-April, with even outdoor dining only becoming permissible in England from the 12th April. Indoor dining returned in England in mid-May, and social-distancing restrictions were lifted in England in mid-July. Scotland and Wales followed a similar, albeit later, lifting of restrictions.

The direct impact of these trading restrictions in the first 7 months of the year impacted financial results across the sector in 2021 and during the period from the beginning of January to the end of March the company made use of its working capital facility to draw down a further £6,500k of borrowing from its existing lenders.

Despite shortages of labour and supplies, the sector delivered a strong recovery in the summer and autumn of 2021, although this recovery slowed a little as the Omicron variant emerged at the end of the year. At the time of writing, the impact of the Omicron variant is beginning to dissipate and restrictions have once again been fully lifted but a new challenge has emerged as energy and food prices escalate following the outbreak of war in Ukraine. Once again the tremendous energy and ingenuity of this vibrant sector will be called on to sharpen business models, reduce any remaining inefficiencies and to continue to find new ways to bring great hospitality to our guests. As always, the market will remain one that consistently rewards innovation and the creation of new sources of value for guests. Management believe the long-term fundamentals of the market, grounded in long-term economic growth, long-term growth in real earnings and the highly-valued experience of eating out, continue to be strong.

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Strategy

In last year's strategic report we laid out our strategy to recover and grow our business once the direct impacts of the pandemic began to diminish. The key components are as follows:

Regain financial strength and investment capability

- The Company successfully re-opened its dine-in operations in May 2021, in time for the peak summer trading. Trading performance during the summer school holiday exceeded expectations and led to a significantly improved cash position. The company has continued to build on this base through strong operations and careful cash management. The company's cash balance grew to £15,657k by the end of the financial year, an increase of £6,884k year on year. This robust position provides the ability to withstand any future economic turbulence and to increase our investment in growth.
- We have completed the step change of our model to a Fast Casual experience using our mobile device ordering and payment solution developed during the Covid crisis. Whilst avoiding the need for counter-ordering, this transition to Fast Casual (already planned pre-Covid) provides guests with greater choice and control over their experience and improves the productivity of our highly skilled teams. Our strong cash balance has allowed the company to invest further to provide high-speed, stable Wi-Fi in all our restaurants and to continually improve the mobile ordering and payment guest journey. Additionally, during 2022, we will trial the use of kiosk ordering to provide yet more choice and control for our guests.
- Our strong cash position has also unlocked increased levels of maintenance since reopening restaurants in May 2021, adopting a core operating principle that our restaurants should all look 'as good as Day 1'. All restaurants are strongly encouraged to report any maintenance jobs immediately.

Engage with our landlord community to arrive at fair and balanced rent arrangements by the end of the CVA period

- Our landlords have been severely affected by the Covid crisis alongside us and we are very grateful for their support.
- Our CVA was set out for two years, a comparatively short period reflecting our desire to not ask for more than what is needed and to return to normality sooner rather than later. At the end of the CVA period we have committed to return to a minimum of 75% of pre-Covid contract rent or more depending on market conditions and market rents in 2022.
- The company has also engaged successfully with many landlords to agree mutually agreeable lease terms on many sites well in advance of the end of the CVA period.
- As the Company continues to recover financial strength, we remain engaged with landlords regarding our future growth strategy and the opportunities this strategy presents.

Reignite growth and new store development

- As we emerge from the pandemic, we have built on our more contemporary Fast Casual guest experience and menu to unlock capacity and drive footfall back into our existing Pizza Hut estate. We have re-introduced our very successful 'Weekend Buffet' to complement the existing weekday buffet offer. Alongside our great value deals, this offers guests even more choice and value throughout the week. We will continue to innovate and develop our buffet offer with focus and energy in 2022.
- The pandemic facilitated a step-change in our take-away and aggregator delivery sales layers. We continue to build on what is now a major platform of our business by continuing to pursue competitive pricing, relevant consumer communication and a frictionless guest experience.
- We have completed the reframing of our business as one of the largest and most professional restaurant franchisees in the UK. We have developed a strong and very exciting partnership with itsu and at time of writing, have opened 3 itsu shops under franchise in Reading, Edinburgh and Chelmsford and will shortly open a 4th shop in Aberdeen. 2 of these sites were conversions of former Pizza Hut restaurants. All sites are performing in line or above expectations. We anticipate a further 2 openings before the end of 2022 and an acceleration of this development programme in 2023. We are actively seeking additional brand partners with whom we can marry our operational expertise and comprehensive infrastructure to develop further sites and build brands across the UK.

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Pizza Hut Performance

Due to the unprecedented, exceptional impact of the COVID-19 pandemic, like-for-like sales results are not meaningful to report. However, total Turnover rose by 0.2% to £129,617k. In the 12 weeks prior to the pandemic, the business had delivered like-for-like sales growth of 5.9%. Operating Profits rose by £28,639k year-on-year, from a (£23,328k) loss in 2020 to a £5,311k profit in 2021. These results include the direct impact of the pandemic on trading.

Net Exceptional items contributed £1,604k to operating profits this year. These are detailed in note 8 of the financial statements and include non-cash items such as provisions for dilapidations and onerous leases, and impairments and reversal of impairments of tangible fixed assets. The improvement in the performance of the estate permitted reversal of impairments of a number of sites this year.

The overall profit for the financial period was £4,007k (2020: £18,455k loss). The strong cash position of the company is reflected by a cash balance of £15,657k at balance sheet date (2020: £8,773k).

Key performance indicators

The primary KPIs followed by the company are Sales and Trading EBITDA, versus prior year, which excludes exceptional items, depreciation and amortisation.

The sales for the financial period were £129,617k (2020: £129,402k).

Trading EBITDA, including central costs and excluding exceptional items, was £9,526k in the year (2020: £3,837k). Factors impacting performance are outlined in the Market Review and Pizza Hut Performance sections earlier in this report.

Principal Risks and Uncertainties

At the time of writing, the direct impact of the COVID-19 pandemic, both in terms of restrictions on trading and social mobility, is subsiding. Cases of the Omicron variant are reducing steadily and the combination of high rates of vaccination and a less severe variant are enabling a return to more normal conditions and behaviours. Nevertheless, there is a risk that future variants may emerge that are more severe and that immunity from infection and vaccination may wane over time, requiring some form of renewed measures to contain the virus. Regular ongoing vaccination for vulnerable groups helps to mitigate this risk, as does the Government practice of supporting the sector when significant restrictions are required. These mitigations and the company's healthy cash balance and strong takeaway and delivery platforms place it well to withstand disruption. Additionally, the company maintains 'covid clauses' in many of its property leases which permit rents to be flexed during such periods of disruption.

As a customer facing business, the health of the UK economy as a whole, and in particular consumer sentiment and spending can impact on the performance of the company. As a brand that offers strong and easily-accessible value, Pizza Hut has historically been less impacted by squeezes on consumer disposable incomes. Nevertheless the company is very alert to the impact of rising consumer inflation on guest spending patterns and the need to continue to find compelling ways to offer strong value to our guests. Risks to earnings performance can be mitigated, in part, by savings in labour, which reduce at lower volumes, a higher proportion of leases containing turnover-related rents and by controlling discretionary costs and capital expenditure.

Energy, food and wage inflation, which have escalated since the invasion of Ukraine in February 2022, are also very significant risk factors, although the business expects to be able to mitigate this inflationary pressure through ongoing energy efficiency monitoring, productivity, menu architecture and moderate menu price increases.

As always, the business undertakes vigorous forward planning by evaluating a broad range of trading scenarios and is consequently well placed to respond to these risks.

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Section 172 of the UK's Companies Act

Directors' duties

The directors of the Company work in conjunction with the Board of directors of the parent company of the Group, HWS 4 Limited and other subsidiary companies to ensure that all colleagues work together in good faith to promote the success of the Company and the Group for the benefit of the shareholders as a whole. In discharging of Section 172 duty we have done so through our agreed strategy for the benefit of the member of the Parent company, having regard to the stakeholders and matters set out in Section 172 of the Act in the decisions taken during the period.

In summary, as required by section 172 of the Companies Act 2006, a Director of a company must act in the way he/she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct;
- need to act fairly between members of the company.

The following is an overview of how the board have performed its duties during the period.

Shareholders

The Chairman, Chief Executive Officer, Chief Financial Officer and Senior leadership Team have regular contact with major shareholders. The board receives regular updates on the views of shareholders which are taken into account when the board makes decisions. In particular, the board is focused on the long term strategy and growth of the business and ensuring that the business creates strong and enduring value for its stakeholders, including the shareholders. As an example, the business has continued to pursue its goal of meeting emerging consumer needs for speed, control and access to products through multiple channels, by investing in a mobile ordering device solution which enables guests to place orders and pay for meals, in-restaurant, via their mobile phone.

The business has also identified and secured new opportunities for growth, entering into a franchise partnership with the Asian-inspired brand itsu to develop new itsu shops and to convert a number of former Pizza Hut restaurants to an itsu dine-in focused concept. The business opened its first itsu under franchise, in August 2021, by converting its former Pizza Hut site in Reading Gate. At the time of writing, the business has opened three itsu shops, with a further two openings planned during Spring and Summer of 2022.

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Employee engagement

To deliver great food and service to our guests, our teams need to be skilled, confident and happy. People make the Pizza Hut Restaurants brand what it is and that's why the company vision is to be 'The Most Loved Place to Eat and Work'.

All of our team members, whether or not they join us with a long term career plan, have the opportunity to develop a range of transferable skills from the moment they start. In addition to technical skills, Restaurant Management receive behavioural training and, as skilled coaches, they are passionate about unlocking the inner potential of their team. Our long term people mission is to professionalise careers in hospitality. In January 2020 the company became a registered Employer Provider authorised to deliver Apprenticeship programmes in-house and as a result the company have a network of highly skilled Managers who have been internally licensed to manage entry level Apprenticeship placements supported by a central team of professional teachers. The company offer qualifications including Level 2/3 & 4 (equivalent of 5 GCSEs, 2 A levels and foundation degree respectively), and partner with a number of Universities to offer L6 (bachelor's degree equivalent) up to the highest L7 MBA qualification.

In terms of communicating and listening to our teams the board host a fortnightly / monthly 'All Company' live interactive webcast. The company's CEO plus guests, presents general news, hot topics and an open Q&A where anyone can ask anything (no matter how sensitive) and receive a straight and honest answer.

Hundreds of people are able to participate in the webcast which is also shared as a recording on our internal social media platform. From it ideas are shared, issues discussed and everyone is kept up to date with what is happening across the company. In addition to this the company uses internal social media (Yammer) to enable further daily two-way communication and a weekly 'Mycomms' information based news-letter to ensure that everyone has access to key information. The culture is open and based on a democratic sharing of information and enabling everyone to have the ability to make their opinion heard.

The company goes beyond the basics to enable the teams to work in a safe and fair environment and one in which everyone can flourish. Our gender-pay report is published annually and initiatives are launched each year to support the diversity agenda including things like cross-company mentoring programmes.

In terms of governance, the company maintains an internal remuneration committee, a board level REMCO and specifically for the treatment of tips, a Troncs committee which is made up of team member representatives. The teams are provided with access to a confidential help-line to retrieve a variety of personal support services and there is a whistle-blowing process in place to ensure that risk information can be escalated in confidence. The board recognise that during these challenging times it is fundamental to provide a safe and meaningful workplace to support the teams to enable them to develop 'skills for life' and to provide a solid foundation for the future.

Customers

The main source of customer feedback is generated through a short survey completed on a web portal. The survey is sent to customers via email or is accessed via a receipt code. All data is reviewed weekly and monthly by both field and central teams to affect change as needed, such as where service has not been as expected or to recognise team members for a job well done. Longer-term trends or test cell feedback from the survey data are read at set points throughout the year for key strategic activity, such as product changes and quality improvements.

Through the data collected, the company are improving food quality and the overall food offering to customers which will be specifically measured through insights provided by the survey. Additionally, the company will be linking customer and employee experience programmes to provide more rounded insights.

PIZZA HUT (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Suppliers

Suppliers are an important part of the companies' ecosystem and are treated as such. The suppliers are treated fairly and with respect, and relationships with the suppliers are governed by multiple policies on code of conduct, modern slavery and ethical trading. Many of the company's key supplier relationships are long term strategic partnerships that have existed for up to 30 years and are based upon regular and honest two way feedback.

The company builds strong relationships with suppliers through regular one to one reviews, factory visits, webcasts and conferences.

Pizza, People, Planet 2021.

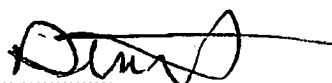
The company has been an advocate for sustainability within the hospitality sector for a long time, and during 2021 the business has continued with active participation in expert forums including WRAP, the Sustainable Restaurant Association and the Zero Carbon Forum. The company is committed to setting a Science-Based Target to help achieve the sustainability goal of becoming a net zero business by 2030 or sooner.

Investment in education underpins our learning culture and drive to enable greater social mobility. In 2021 the company increased the range of qualifications from Level 2 to MBA delivered with both internal resources and external partners. In 2020 the company officially became a 'school', (or registered as an education provider as it's technically known), and throughout 2021, (including during lock-downs), the business continued to deliver training and proudly graduated over 50 students.

During 2020 and 2021 the company also continued with community projects including long term support of Mental Health UK and in partnership with the UK Delivery business donated 113,595 meals right across the country to the National Health Service, people in our local communities and food banks. You can find out more about our corporate social responsibility agenda from the company's annual report.

As a business and brand the board are committed to making a positive difference.

On behalf of the board



Mr A Platt

Director

Date:

29/6/22

PIZZA HUT (U.K.) LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 5 DECEMBER 2021

The directors present their annual report and financial statements for the period ended 5 December 2021.

Results and dividends

The profit for the financial year amounted to £4,007,000 (2020: loss of £18,455,000)

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr J Hofma
Ms K Austin
Mr M Spencer
Mr A Platt
Ms S Marshall

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

Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of a severe but plausible downside scenario for COVID-19 and a severe but plausible worsening of cost inflation.

Liquidity

The directors have considered a number of possible COVID-19 impacts on sales, profits & cash flows. These impacts vary depending on the extent and duration of any restrictions imposed on trading by authorities in England, Wales & Scotland. In the most severe of these scenarios (a total restriction on indoor and outdoor dining), sales would be negatively impacted by 70%. In this scenario, the business would see a fall in operating cash flow of approximately £1.1m per week in the absence of any government or local authority support.

Absent any restrictions, the company is expected to enjoy an average cash at bank balance of £11m across the next 12 months. Additionally, the company currently has access to a £15m working capital accordion facility of which £8.5m is undrawn. Consequently, the company is considered to have sufficient liquidity to accommodate a future lockdown lasting 18 weeks, without government or local authority support.

In such an event, the company would be likely, but not certain, to enjoy support mechanisms such as local government support grants, furlough schemes and tax benefits such as VAT reductions, rescheduling of HMRC liabilities or reductions in Business Rates. A typical support package would be likely to at least double the period of lockdown resilience to approximately 8 months.

The directors have additionally considered the risk of cost inflation increasing above the current unprecedented levels. The company has capacity to accommodate further increases in energy and food costs in 2023 comparable to the increases seen in 2022, which would represent a further 80%-90% increase in energy costs compared to 2022 and a further 20% increase in food costs compared to 2022.

PIZZA HUT (U.K.) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Covenants

The company (as a cross-guarantor of HWS3) must operate within the parameters of its quarterly lending covenants. These include leverage (Debt/EBITDA) covenants and a Debt Service Cover covenant (Cash flow available to service debt costs). The company monitors its projected covenant position weekly, looking forward at least 24 months and regularly discusses the headroom position on these covenants with its lenders. After the outbreak of the pandemic, the directors anticipated a potential breach of these covenants and, through consultation with its lenders, agreed a temporary revised covenant structure well in advance of the anticipated breach date. The company now once again operates within its original covenant framework and is forecasting a breach to these covenants by the end of 2022 due to the unprecedented level of energy and food inflation. The company has begun discussions with its lenders with the objective of returning to a temporary revised covenant structure, to avoid any breach of its lending agreements. The company enjoys excellent relationships with its lenders, some of whom are equity shareholders in the Group and the directors anticipate that the agreement of a temporary covenant framework will be straightforward. However, there remains a risk that if this is not achieved, the company may, in these circumstances, be unable to avoid a breach of one or more of the covenants. This in turn would create a technical breach of the lending agreements which would provide the lenders with the option to enforce their security, if they wished to do so.

Given the liquidity position of the company and the ongoing discussions with the lenders, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Consequently, the directors continue to adopt the going concern basis of accounting in preparing these accounts, although referring to a material uncertainty (arising from the covenant risk), as detailed in note 1 to these accounts.

Disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

Throughout this financial year, Team Member engagement has remained a key focus for the business. Communication takes place through team, function, area, region and company meetings as well as regular newsletters and blogs from senior management and is held fortnightly / monthly via an 'All Company' live interactive webcast hosted by our CEO. Hundreds of people participate in the webcast and from it, ideas are shared, issues discussed and everyone is kept up to date with what is happening across the company

Pizza Hut continues to engage team members via Yammer, which is a social networking tool that enables internal communications across the country. Team members can post photos, ask questions, share success stories and engage with one another. Team members are actively encouraged to share their views on anything in the business, and they are regularly canvassed for ideas and suggestions on business activity via roadshows, team meetings and social networking.

Independent Auditor

In accordance with the company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as independent auditor of the company will be put at a General Meeting.

Corporate governance

Pizza Hut (U.K) Limited form part of the HWS 4 Limited group. The principal corporate governance rules applying to HWS 4 Limited group are contained in the Financial Reporting Council's (FRC) UK Corporate Governance code. Further information on the Group's corporate Governance arrangements are disclosed in the published consolidated account of HWS 4 Limited.

PIZZA HUT (U.K.) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Energy and carbon report

Pizza Hut (U.K.) Limited report our GHG emissions using the World Resources Institute (WRI) / World Business Council for Sustainable Development (WBCSD) GHG Protocol Corporate Accounting and Reporting Standard. We use the most recently available conversion factors as advised in guidance published by the UK's Department for Business, Energy and Industrial Strategy (BEIS). All emissions volumes have been reported in tonnes of CO2 equivalent (tCO2e).

		2021 (000's)	2020 (000's)	2021 (tCO2e)	2020 (tCO2e)
Scope 1					
- Natural Gas	kWh	18,094	17,556	3,314	3,228
- Refrigerants	kg	0.4	0.4	1,064	1,060
Scope 1 Total				4,378	4,288
Scope 2					
- Purchased electricity (location-based method)	kWh	31,460	31,807	6,680	7,415
- Purchased electricity (market-based method)	kWh	31,460	31,807	-	-
Scope 2 Total				-	-
Scope 3					
- Fuel consumed for business travel (rental / employee-owned vehicles)	km	636	714	106	116
- All other scope 3		-	-	-	-
Scope 3 Total				106	116
Emissions Intensity ratio (Scopes 1 and 2)					
tCO2e / £m revenues				34	33

Scope 1 emissions have been calculated for natural gas and leaked refrigerants (the net of drawn down and topped up amounts) only. The business does not own or operate any equipment or vehicles that require their own fuels i.e. furnaces and boilers, company owned vehicles.

Scope 2 emissions have been calculated using market-based methodologies in accordance with the GHG Protocol Scope 2 Guidance on procured renewable energy and that the chosen utilities provider has confirmed that the supply of purchased electricity meets the quality criteria as required.

Scope 3 emissions include emissions associated with fuel for business travel only. Omissions have been made for other scope 3 emissions as these were not calculated for the financial years 2021 or 2020.

Methodology

- Energy volumes have been calculated using kilowatt hours (kWh) as provided by regular invoicing from the chosen utilities supplier.
- Refrigerants have been reported in kilograms (kg) as per regular purchasing behaviours and represent the amount of 'leaked' refrigerant within the reporting period only.
- Business mileage has been measured in kilometres (km) and was calculated using expensed mileage claims.
- For this submission, emissions intensity has been measured in tonnes CO2e per £1 million of sales revenues however, this is subject to review for future submissions.
- Scope 1, 2 and 3 emissions for both FY 2021 and FY 2020 have been reported where possible to do so.

PIZZA HUT (U.K.) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Statement of disclosure to independent auditor

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Financial risk management policy

As a customer facing business, any risks to the UK economy as a whole, and in particular to consumer spending could impact on the overall performance of the company. However the brand is relatively well positioned as a result of the overall affordability of the Pizza Hut (U.K.) Limited Restaurants offering. Significant food and wage inflation are also risk factors, although the business can to a certain extent offset inflationary pressure through moderate menu price increases. The risk to earnings performance can be mitigated by savings in labour, which reduce at lower volumes, and by controlling discretionary costs and capital expenditure.

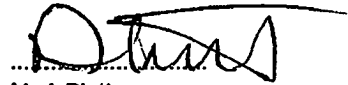
As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 to 6. These matters relate to principal activities, business review, future developments and risks and uncertainties.

PIZZA HUT (U.K.) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

On behalf of the board



Mr A Platt
Director

Date: 29/6/22

PIZZA HUT (U.K.) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Pizza Hut (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 5 December 2021 and of its profit for the period from 30 November 2020 to 5 December 2021;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 5 December 2021; the statement of comprehensive income, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The Company is a cross guarantor for the borrowings of its intermediate parent undertaking HWS 3 Limited and its subsidiary undertakings (together 'the HWS 3 Group'). Based on the Directors' forecasts for the HWS 3 Group it is forecast to breach covenants within 12 months from the date of approval of the financial statements due to the impact of the continuing presence of COVID-19 on the casual dining market as well as significant energy and cost of food inflation, which would make the loans repayable on demand. The company has begun discussions with its lenders with the objective of returning to a temporary revised covenant structure, to avoid any breach of its lending agreements. As the revised covenant structure has not yet been agreed, the avoidance of such a breach may not be possible and, as such, these conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a 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.

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

PIZZA HUT (U.K.) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 5 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

PIZZA HUT (U.K.) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health & Safety and food hygiene laws, Minimum Wage regulations and other employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through manual journals or management bias in judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing of manual journal entries based on risk criteria such as unusual account combinations
- Review of key judgements and provisions
- Incorporating elements of unpredictability into our audit approach

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PIZZA HUT (U.K.) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
30 June 2022

PIZZA HUT (U.K.) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 5 DECEMBER 2021

		period ended 5 December 2021 £000's	period ended 29 November 2020 £000's
	Notes		
Turnover	4	129,617	129,402
Other operating income	5	18,947	17,823
Staff costs	6	(59,120)	(65,955)
Depreciation and other amounts written off tangible and intangible fixed assets	7	(5,819)	(12,715)
Exceptional items	8	1,604	(14,450)
Other operating expenses		(79,918)	(77,433)
Operating profit/(loss)	7	5,311	(23,328)
Interest receivable and similar income	11	7	46
Interest payable and similar expenses	12	(427)	(315)
Profit/(loss) before taxation		4,891	(23,597)
Tax on profit/(loss)	13	(884)	5,142
Profit/(loss) for the financial period		4,007	(18,455)

The operating profit pre exceptional costs were £3,707,000 (2020: loss £8,878,000)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

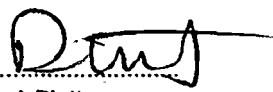
PIZZA HUT (U.K.) LIMITED

BALANCE SHEET

AS AT 5 DECEMBER 2021

		As at 5 December 2021		As at 29 November 2020	
	Notes	£000's	£000's	£000's	£000's
Fixed assets					
Intangible assets	14		145		236
Tangible assets	15		17,858		18,619
			<u>18,003</u>		<u>18,855</u>
Current assets					
Stocks	16	856		311	
Debtors	17	18,966		16,404	
Cash	18	15,657		8,773	
		<u>35,479</u>		<u>25,488</u>	
Creditors: amounts falling due within one year	19	(29,469)		(29,972)	
Net current assets/(liabilities)			<u>6,010</u>		<u>(4,484)</u>
Total assets less current liabilities			<u>24,013</u>		<u>14,371</u>
Creditors: amounts falling due after more than one year	20		(6,500)		-
Provisions for liabilities					
Other provisions	21	(3,150)	(3,150)	(4,015)	(4,015)
Net assets			<u>14,363</u>		<u>10,356</u>
Capital and reserves					
Called up share capital	24		715		715
Profit and loss reserves			13,648		9,641
Total equity			<u>14,363</u>		<u>10,356</u>

The notes on pages 19 - 37 form an integral part of these financial statements. The financial statements on pages 16 - 18 were approved by the board of directors on 29/6/22 and are signed on its behalf by:


 Mr A Platt
 Director

Company Registration No. 01072921

PIZZA HUT (U.K.) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 5 DECEMBER 2021

	Called-up share capital £000's	Profit and loss reserves £000's	Total £000's
Balance at 2 December 2019	715	28,096	28,811
Period ended 29 November 2020:			
Loss for the financial period	-	(18,455)	(18,455)
Balance at 29 November 2020	715	9,641	10,356
Period ended 5 December 2021:			
Profit for the financial period	-	4,007	4,007
Balance at 5 December 2021	715	13,648	14,363

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

Company information

Pizza Hut (U.K.) Limited trades as a restaurant operator in the UK. At the balance sheet date, Pizza Hut (U.K.) Limited operated 169 restaurants (2020: 214).

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Building 1, Imperial Place, Elstree Way, Borehamwood, WD6 1JN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared on a going concern basis, under the historical cost convention. The principle accounting policies have been applied consistently, other than where new policies have been adopted.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;

This information is included in the consolidated financial statements of HWS 4 Limited as at 5 December 2021 and these financial statements may be obtained from Building 1, Imperial Place, Elstree Way, Borehamwood, WD6 1JN.

1.2 Going concern

The Company is a cross guarantor for the borrowings of HWS 3 Limited and its subsidiary undertakings (together "the HWS 3 group"). As such, the Company operates within a framework of covenants related to these borrowings as described in the Directors' Report.

The company monitors its projected covenant position weekly, looking forward at least 24 months and regularly discusses the headroom position on these covenants with its lenders. After the outbreak of the pandemic, the directors anticipated a potential breach of these covenants and, through consultation with its lenders, agreed a temporary revised covenant structure well in advance of the anticipated breach date. The company now once again operates within its original covenant framework and is forecasting a breach to these covenants by the end of 2022 due to the impact of the continuing presence of COVID-19 on the casual dining market as well as significant energy and cost of food inflation, within the period of 12 months from the date of approval of the financial statements, which would make the loans repayable on demand.

The company has begun discussions with its lenders with the objective of returning to a temporary revised covenant structure, to avoid any breach of its lending agreements and are confident that these will be successfully concluded prior to incurring a breach. As the revised covenant structure has not yet been agreed, the avoidance of such a breach, may not be possible and as such these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Reporting period

Where the financial statements have been presented for a period longer than one year, Pizza Hut (U.K.) Limited operates a 13 period calendar cycle, in order to maintain a consistent year end date, the company adds an additional week every fifth year.

1.4 Turnover

Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and value added taxes.

1.5 Intangible fixed assets other than goodwill

Intangible fixed assets (operating rights) represent initial franchise fees payable for new restaurants, are receivable on franchise restaurants and recognised in the period of opening.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Operating rights	20 years
------------------	----------

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

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 on a straight line basis as follows:

Freehold land and buildings	effective life of the lease.
Fixtures and fittings	3 to 10 years.

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 and are available for use. Revenue costs are expensed as incurred.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

Thereafter any excess is recognised in profit or loss.

1.8 Stocks

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

1.9 Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, 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 receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. During 2020 a new working capital facility has come into place where fees are expensed as occurred.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Taxation

Taxation expense for the period comprises of current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income. In this case tax is also recognised in other comprehensive income.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Provisions, such as dilapidations, are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

1 Accounting policies

(Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The Company operates a number of defined contribution pension schemes. A defined contribution plan is a pension plan under which the company pays a fixed contribution into a separate entity. Once the contributions have been paid the company has no further payment obligation. The contributions are recognised as an expense as they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

1.14 Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Rentals received under sublease agreements are credited to income on a straight-line basis over the lease term.

1.15 Government grants

Grants received relating to the Job Retention Scheme, Local Restrictions Support Grants and Closed Businesses Lockdown Payments are recognised on an accrual basis in accordance with FRS102.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.17 Exceptional items

The company classifies certain irregular charges or credits that have a significant impact on the company's financial results and items that do not reflect the underlying trading of the business as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

1.18 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 term of the lease.

2 Change in accounting policy

Presentational changes have been made to the accounts along with a number of changes to line descriptions. These have been made to be more in line with the company definition of each item. These changes are reflected in notes 6, 10, 13, 14, 15, 18, 22 and 23. Within the Balance Sheet the company previously classified profit and loss reserves as retained earnings. There have been no change to the underlying assumptions of this disclosure.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

3 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements and estimates

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Onerous Lease Provision

Where a restaurant's cash inflows do not meet its liabilities, and where a decision to close early has not been taken, the company provides for all unavoidable costs, net of anticipated cash inflows. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require estimation.

The provision for onerous leases will be utilised over the next 19 years.

Impairment

The company impairs its tangible fixed assets for restaurants where the future discounted cash flows, including their share of central overheads, do not cover the assets of the restaurant. In addition, the assumption of cash flows and the discount rates used to establish net present value of the obligations require estimation.

Dilapidation

The restaurant units are leased based on a defined number of years, the estimated dilapidation cost are calculated based on the historical dilapidation payments made for restaurants where the lease has come to an end. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require estimation.

4 Turnover

	2021 £000's	2020 £000's
Turnover analysed by class of business		
United Kingdom	129,617	129,402

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

5 Other Operating Income

	2021 £000's	2020 £000's
Rent receivable	12	73
Local restrictions / closed business support grants	8,014	500
Coronavirus job retention scheme grants	10,921	17,250
	<u>18,947</u>	<u>17,823</u>

In FY2021, as a consequence of COVID 19, a significant number of the team continued to be furloughed giving rise to the receipt of the Job Retention Scheme.

As a result of the substantial temporary store closures the company was also eligible for the Local Restrictions and Closed Business Support grants.

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2021 Number	2020 Number
Office and Management	481	574
Restaurants	3,932	4,821
Total	<u>4,413</u>	<u>5,395</u>

In FY2021, as a result of the Company Voluntary Arrangement, 45 restaurants were closed and teams restructured which have driven a reduction in the average number of staff employed as at the Balance Sheet date.

Their aggregate remuneration comprised:

	2021 £000's	2020 £000's
Wages and salaries	52,891	59,213
Social security costs	3,738	3,947
Pension costs	2,491	2,795
	<u>59,120</u>	<u>65,955</u>

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

6 Employees

(Continued)

In FY2021, as a result of the Company Voluntary Arrangement, 45 restaurants were closed and teams restructured which have driven a reduction in the aggregate payroll costs.

Included within other pension cost are accruals of £236k (2020: £253k) in relation to defined contribution pension schemes.

As referred to in note 2 of the change of accounting policy, the company previously classified pension costs as other pension costs. There has been no change to the underlying assumptions and disclosure of pensions between the comparative years.

7 Operating profit/(loss)

	2021 £000's	2020 £000's
Operating profit/(loss) for the period is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	(5,449)	(10,843)
Impairment of owned tangible fixed assets	(714)	(12,945)
Reversal of past impairment of tangible fixed assets	2,595	-
Loss on disposal of tangible fixed assets	(279)	(1,741)
Amortisation of intangible fixed assets	(59)	(76)
Loss on disposal of intangible fixed assets	(32)	(55)
Operating lease charges	(12,205)	(20,367)

8 Exceptional items

	2021 £000's	2020 £000's
Operating profit/(loss) before exceptional items	3,707	(8,878)
Exceptional items		
Net exceptional income / (cost) on early lease termination	66	2,848
Impairment of owned tangible fixed assets	(714)	(12,945)
Reversal of past impairment of tangible fixed assets	2,595	-
Advisor fees	(343)	(4,353)
	1,604	(14,450)
Operating profit/(loss)	5,311	(23,328)

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

(Continued)

8 Exceptional items

Lease termination income and costs - These costs relate to store closures during the year offset by payments received in relation to early termination of leases. A provision for onerous leases is also included.

Impairments - The impairment credit in the year takes into account positive restaurant performance plus secured leases on restaurants.

The impairment of the tangible fixed assets following a review is in accordance with FRS 102 on a value in use basis using a pre-tax discount rate of 12%.

Advisor fees - Legal and advisor fees relating to the Company Voluntary Arrangement on 28th September 2020 that were incurred in the current financial year.

9 Auditor's remuneration

	2021 £000's	2020 £000's
Fees payable to the company's independent auditor and associates:		
For audit services		
Audit of the financial statements of the company	62	53
For other services		
Taxation compliance services	-	32
All other non-audit services	-	44
	-	76

The company pays for the group audit and tax fees.

10 Directors' remuneration

	2021 £000's	2020 £000's
Remuneration for qualifying services	423	330
Company pension contributions to defined contribution schemes	39	36
	462	366

As referred to in note 2 of the change of accounting policy, the company previously classified remuneration for qualifying services as aggregate remuneration excluding pension contributions. There has been no change to the underlying assumptions and disclosure of remuneration between the comparative years.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

10 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £000's	2020 £000's
Remuneration for qualifying services	234	184
Company pension contributions to defined contribution schemes	36	33
	<u>270</u>	<u>217</u>

As referred to in note 2 of the change of accounting policy, the company previously classified remuneration for qualifying services as total amount of emoluments. There has been no change to the underlying assumptions and disclosure of remuneration between the comparative years.

11 Interest receivable and similar income

	2021 £000's	2020 £000's
Interest income		
Interest on bank deposits	7	46
	<u>7</u>	<u>46</u>

12 Interest payable and similar expenses

	2021 £000's	2020 £000's
Other interest on financial liabilities	371	-
Finance charge on provisions	55	315
Other interest	1	-
	<u>427</u>	<u>315</u>

13 Tax on profit/(loss)

	2021 £000's	2020 £000's
Current tax		
UK corporation tax on profits for the current period	248	(3,944)
Adjustments in respect of prior periods	2,164	-
Tax relating to prior year adjustments recognised in profit or loss	-	32
Group tax relief	(69)	(68)
	<u>2,343</u>	<u>(3,980)</u>

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

13 Tax on profit/(loss)	(Continued)	
	2021 £000's	2020 £000's
Deferred tax		
Origination and reversal of timing differences	(1,459)	(1,057)
Adjustment in respect of prior periods	-	(105)
Total deferred tax	(1,459)	(1,162)
Total tax charge/(credit)	884	(5,142)

As referred to in note 2 of the change of accounting policy, the company previously classified tax relating to prior year adjustments recognised in profit for loss as under provisions in prior years. There has been no change to the underlying assumptions and disclosure of taxation between the comparative years.

The actual charge/(credit) for the period can be reconciled to the expected charge/(credit) for the period based on the profit or loss and the standard rate of tax as follows:

	2021 £000's	2020 £000's
Profit/(loss) before taxation	4,891	(23,597)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	929	(4,483)
Tax effect of expenses that are not deductible in determining taxable profit	270	2,245
Tax effect of income not taxable in determining taxable profit	(2,410)	(2,763)
Group relief	(69)	(68)
Adjustments in respect of prior periods	2,164	(73)
Taxation charge/(credit) for the period	884	(5,142)

Note on taxation:

The tax charge for the financial year has been reduced by £69k (2020: £68k) because of losses surrendered by the parent undertaking. No payment for this surrender is to be made by the company.

Tax rate changes

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% (rather than remaining reducing at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected on these financial statements.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

14 Intangible fixed assets

	Operating rights £000's
Cost	
At 30 November 2020	3,579
Disposals	(259)
At 5 December 2021	3,320
Amortisation and impairment	
At 30 November 2020	3,343
Amortisation charged for the period	59
Disposals	(227)
At 5 December 2021	3,175
Carrying amount	
At 5 December 2021	145
At 29 November 2020	236

Subsequent to the Balance Sheet date, and as a result of the Company Voluntary Arrangement, a further 4 restaurants have closed which would have driven an impairment charge of £3k.

As referred to in note 2 of the change of accounting policy, the company previously classified Intangible fixed assets as intangible assets. There has been no change to the underlying assumptions and disclosure of intangible fixed assets between the comparative years.

As referred to in note 2 of the change of accounting policy, the company previously classified amortisation charged for the period as charge for the financial year. There has been no change to the underlying assumptions and disclosure of amortisation between the comparative years.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

15 Tangible fixed assets

	Freehold land and buildings £000's	Assets under construction £000's	Fixtures and fittings £000's	Total £000's
Cost				
At 30 November 2020	78,459	270	29,467	108,196
Additions	451	2,479	156	3,086
Disposals	(18,268)	-	(13,163)	(31,431)
Transfers	472	(784)	312	-
At 5 December 2021	61,114	1,965	16,772	79,851
Depreciation and Impairment				
At 30 November 2020	63,286	-	26,291	89,577
Depreciation charged in the period	3,398	-	2,051	5,449
Impairment losses	519	-	195	714
Reversal of past impairment	(1,709)	-	(886)	(2,595)
Eliminated in respect of disposals	(17,992)	-	(13,160)	(31,152)
At 5 December 2021	47,502	-	14,491	61,993
Carrying amount				
At 5 December 2021	13,612	1,965	2,281	17,858
At 29 November 2020	15,173	270	3,176	18,619

Subsequent to the Balance Sheet date, and as a result of the Company Voluntary Arrangement, a further 4 restaurants have closed which would have driven an impairment charge of £0k.

As referred to in note 2 of the change of accounting policy, the company previously classified tangible fixed assets as tangible assets. There has been no change to the underlying assumptions and disclosure of tangible fixed assets between the comparative years.

As referred to in note 2 of the change of accounting policy, the company previously classified depreciation charged in the period as charge for the period. There has been no change to the underlying assumptions and disclosure of depreciation between the comparative years.

As referred to in note 2 of the change of accounting policy, the company previously classified eliminated in respect of disposals as disposals. There has been no change to the underlying assumptions and disclosure of disposals between the comparative years.

As referred to in note 2 of the change of accounting policy, the company previously classified impairment losses as impairment charge. There has been no change to the underlying assumptions and disclosure of impairments between the comparative years.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

16 Stocks

	2021 £000's	2020 £000's
Ingredients	852	291
Merchandising	4	20
	<u>856</u>	<u>311</u>

In FY2021 stock levels in the restaurants were getting back to more normal pre pandemic levels as trading improved following the reopening of the Dine In business.

17 Debtors

	2021 £000's	2020 £000's
Amounts falling due within one year:		
Trade debtors	2,554	1,122
Corporation tax recoverable	1,671	4,012
Amounts owed by group undertakings	9,601	7,798
Prepayments and accrued income	1,881	1,672
	<u>15,707</u>	<u>14,604</u>
Deferred tax asset (note 22)	3,259	1,800
	<u>18,966</u>	<u>16,404</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

18 Cash

	2021 £000's	2020 £000's
Cash at bank and in hand	12,657	6,132
Deposits on call	3,000	2,641
	<u>15,657</u>	<u>8,773</u>

The deposit on call is subject to restrictions and is therefore not available for general use by the entity and other entities within the group.

As referred to in note 2 of the change of accounting policy, the company previously classified cash as cash at bank and in hand. There has been no change to the underlying assumptions and disclosure of cash between the comparative years.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

19 Creditors: amounts falling due within one year

	2021 £000's	2020 £000's
Trade creditors	6,540	10,758
Taxation and social security	5,075	8,292
Other creditors	2,210	1,180
Accruals and deferred income	15,644	9,742
	<u>29,469</u>	<u>29,972</u>

20 Creditors: amounts falling due after more than one year

	2021 £000's	2020 £000's
Working capital accordion	<u>6,500</u>	<u>-</u>

On 28 September 2020, Pizza Hut (U.K.) Limited and HWS 3 Limited entered into a facility agreement with Pricoa, for an aggregate amount of up to £15,000,000 available to Pizza Hut (U.K.) Limited. This facility is provided for general corporate and working capital purposes of HWS 3 Limited and its subsidiaries and is supported by guarantees and security provided by Pizza Hut (U.K.) Limited and HWS 3 Limited. Interest is payable on drawn amounts at a rate of LIBOR or EURIBOR (as applicable) plus 6.0% per annum and a commitment fee is payable on undrawn amounts at a rate of 1.0% per annum. As at 5th December 2021 £6,500,000 had been drawn down.

21 Provisions for liabilities

	2021 £000's	2020 £000's
Dilapidations	1,577	1,427
Onerous Lease	1,573	2,588
	<u>3,150</u>	<u>4,015</u>

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

21 Provisions for liabilities

(Continued)

Movements on provisions:

	Dilapidations	Onerous Lease	Total
	£000's	£000's	£000's
At 30 November 2020	1,427	2,588	4,015
Additional provisions in the year	94	1,004	1,098
Reversal of provision	-	(1,730)	(1,730)
Utilisation of provision	-	(288)	(288)
Unwinding of discount	56	(1)	55
At 5 December 2021	<u>1,577</u>	<u>1,573</u>	<u>3,150</u>

Dilapidations provisions relate to the expected future exit costs of operating lease agreements.

Onerous lease provisions relate to leasehold properties where cash inflows are unable to meet its liabilities and the company provides for all unavoidable costs, net of anticipated income, to the earlier of break option or lease expiry.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2021 £000's	Assets 2020 £000's
Balances:		
Accelerated capital allowances	<u>3,259</u>	<u>1,800</u>
Movements in the period:		2021 £000's
Asset at 30 November 2020		1,800
Credit to profit or loss		<u>1,459</u>
Asset at 5 December 2021		<u>3,259</u>

As referred to in note 2 of the change of accounting policy, the company previously classified accelerated capital allowances as lower depreciation on fixed assets over taxation allowance. There has been no change to the underlying assumptions and disclosure of deferred tax between the comparative years.

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

23 Retirement benefit schemes

	2021 £000's	2020 £000's
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	2,491	2,795

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

As referred to in note 2 of the change of accounting policy, the company previously classified charge to profit or loss in respect of defined contribution schemes as current period contribution. There has been no change to the underlying assumptions and disclosure of retirement benefit schemes between the comparative years.

24 Called-up share capital

	2021 Number	2020 Number	2021 £000's	2020 £000's
Ordinary share capital				
Authorised				
Ordinary shares of £1 each	100,000,000	100,000,000	100,000	100,000
Issued and fully paid				
Ordinary shares of 1p each	71,505,000	71,505,000	715	715

25 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £000's	2020 £000's
Within one year	15,823	20,096
Between two and five years	42,743	57,710
In over five years	23,038	28,916
	81,604	106,722

Subsequent to the Balance sheet date, and as a result of the Company Voluntary Arrangement, a further 4 restaurants have closed which would have driven a reduction in the annual commitment by £813,267. Within the 4 closures no restaurants had a sub-lease agreement.

In relation to the amounts shown above, the company has sublease agreements with an income of £12,245 (2020: £73,887).

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

PIZZA HUT (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 5 DECEMBER 2021

26 Events after the reporting date

Subsequent to the Balance sheet date, and following the Company Voluntary Arrangement on September 28th 2020, a further 4 restaurants have closed.

27 Related party transactions

The company has taken advantage of the exemption provided by FRS102 from disclosing related party transactions with other companies within the HWS 4 Limited Group on the basis that it is a wholly owned subsidiary and its ultimate parent publishes consolidated financial statements.

28 Ultimate controlling party

The Company is wholly-owned subsidiary of PHH 2 Limited, a company incorporated in England and Wales.

The immediate parent undertaking the smallest group to consolidate these financial statements is HWS 2 Limited. The ultimate parent undertaking and the largest group to consolidate these financial statements is HWS 4 Limited.

The address of the immediate and ultimate parent companies where the financial statements can be obtained from is Building 1, Imperial Place, Elstree Way, Borehamwood, Hertfordshire, WD6 1JN.

The ultimate controlling party is deemed to be the management through their majority shareholding in HWS 4 Limited.

29 Guarantee

There was a charge over the assets of Pizza Hut (U.K.) Limited for Loan Notes of £20.27 million, issued by PHH2 Limited. The guarantee was satisfied on the 1st May 2018.

Pizza Hut (U.K.) Limited provides guarantees and security in relation to the credit facilities as described in note 20.