

COMPANY REGISTRATION NUMBER 08278614

PHH1 LTD

FINANCIAL STATEMENTS

1 DECEMBER 2013

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COMPANIES HOUSE

PHH1 LTD

FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

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PHH1 LTD

STRATEGIC REPORT

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

The directors present their report and the financial statements of the Group for the period from 2 November 2012 to 1 December 2013.

PRINCIPAL ACTIVITIES

The Group principally trades as a restaurant operator. The principal activity of the Group is that of a holding company.

Overview

PHH1 Limited is a company controlled by Rutland Partners LLP. On 9 November 2012 PHH2 Limited, the sole subsidiary of PHH1 Limited, completed the acquisition of the entire share capital of Pizza Hut (UK) Limited from YUM! Brands Inc. The trading restaurants are operated by Pizza Hut (UK) Limited. The senior management team remained with the business and invested alongside Rutland. The acquisition of Pizza Hut (UK) Limited was mainly funded by the issuance of £21.45 million loan notes by PHH2 Limited to Rutland Partners LLP and the management team. During the period secured loan notes were listed on the Jersey stock exchange

The profit and loss account on page 7 shows the results for the period of trading since acquisition. This shows a profit of £3.9 million. The balance sheet reflects the profitable trading for the period with net assets of £4.6m. The strong financial condition is also reflected by a cash balance of £29.1 million at balance sheet date.

There were encouraging results from the restaurants operated by the Group, these being achieved in the face of challenging trading conditions in 2012 /13. Despite the economic backdrop, the Group has continued increasing profitability by focussing on improving customer experience rather than competing for customers using high levels of discounting.

Outlook

During 2014 the Group will continue with the significant but targeted investment programme to both re-image restaurants and to improve service as well as enhancing the menu offering to customers. The Group plans to undertake a re-image programme of between 60 and 70 restaurants in the year as well as investing in both restaurant IT infrastructure and rolling out a number of customer enhancing experiences. Significant progress has been made in reshaping the restaurant estate for future success. The programme of closing underperforming stores will continue and this will further improve profitability and cash generation.



Mr H Birts
Director

Approved by the directors on 3 JUNE 2014

PHH1 LTD

DIRECTORS REPORT

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

The directors present these consolidated financial statements of the Group for the period from 2 November 2012 to 1 December 2013. These accounts have been prepared to show the consolidated position of the Group at the same date as the underlying trading company, being Pizza Hut (UK) Limited.

RESULTS AND DIVIDENDS

The profit for the period amounted to £3,929,000. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the period were as follows:

Mr N Morrill	(Appointed 2 November 2012)
Mr D Wingfield	(Appointed 2 November 2012)
Mr T Craddock	(Appointed 2 November 2012)
Mr J Hofma	(Appointed 9 November 2012)
Mr H Birts	(Appointed 9 November 2012)
Ms K Austin	(Appointed 9 November 2012)
Mr M Spencer	(Appointed 9 November 2012)
Mr D Fitzjohn	(Appointed 9 November 2012)
Mr R Bursby	(Appointed and Resigned 2 November 2012)
Huntsmoor Ltd	(Appointed and Resigned 2 November 2012)
Huntsmoor Nominees Ltd	(Appointed and Resigned 2 November 2012)

GOING CONCERN

The directors believe that the Group is a going concern as it is in a net asset position and able to satisfy all liabilities as they fall due.

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

Throughout this period, Team Member engagement has remained a key focus for the Group. Communication takes place through team, function, area, district and company meetings as well as regular newsletters and blogs from senior management.

Pizza Hut's internal two way communication and social media website is used to share video news and announcements and every piece of communication allows Team Members to publicly give their opinion and feedback on anything they wish. 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 both through this website and regular company engagement surveys.

PHH1 LTD

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITOR

Pursuant to Section 485 of the Companies Act 2006, KPMG LLP has been appointed as auditor.

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

Signed by order of the directors



MR H BIRTS
Director

Approved by the directors 3 JUNE 2014

PHH1 LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

The directors are responsible for preparing the Strategic Report and 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PHH1 LTD

We have audited the accounts of PHH1 Limited for the period ended 1 December 2013 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 December 2013 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

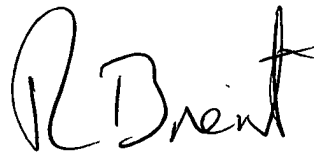
PHH1 LTD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF PHH1 LTD

Matters on which we are required to report by exception

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

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



ROBERT BRENT (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered Accountants
& Statutory Auditor

15 Canada Square
London
E14 5GL

9 JUNE 2014

PHH1 LTD

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

		2013
	Note	£000
TURNOVER	2	247,418
Other operating income		522
		<hr/>
		247,940
 Raw materials and consumables		 (56,014)
Other external charges		(94,030)
Staff costs	3	(85,969)
 Depreciation and other amounts written off tangible and intangible assets	 4	 (10,557)
Goodwill Amortisation	4	7,810
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		<hr/> 9,180
 Exceptional Items	 6	 (2,196)
OPERATING PROFIT		<hr/> 6,984
 Interest receivable	 8	 103
Interest payable and similar charges	8	(2,933)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 4,154
 Tax on ordinary activities	 9	 (225)
PROFIT FOR THE FINANCIAL PERIOD		<hr/> 3,929 <hr/>

The notes on pages 11 to 25 form part of these financial statements

PHH1 LTD

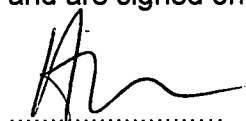
CONSOLIDATED BALANCE SHEET

1 DECEMBER 2013

	Note	2013 £000	2013 £000
FIXED ASSETS			
Goodwill	10		(28,452)
Intangible assets	11		1,150
Tangible assets	12		45,811
			<hr/>
			18,509
CURRENT ASSETS			
Stocks	14	1,125	
Debtors	15	8,426	
Cash at bank		29,117	
		<hr/>	
		38,668	
CREDITORS: Amounts falling due within one year	16	(29,884)	
		<hr/>	
NET CURRENT ASSETS			8,784
			<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			27,293
CREDITORS: Amounts falling due after more than one year	17		(23,602)
PROVISIONS FOR LIABILITIES			
Deferred taxation	20		983
			<hr/>
NET ASSETS			4,674
			<hr/>
CAPITAL AND RESERVES			
Called-up equity share capital	25		7
Share Premium	25		738
Profit and loss account	26		3,929
			<hr/>
SHAREHOLDER'S FUNDS	27		4,674
			<hr/>

The notes on pages 11 to 25 form part of these financial statements

These financial statements were approved by the directors and authorised for issue on 3 JUNE 2014 and are signed on their behalf by:



MR H BIRTS

Company Registration Number: 08278614

PHH1 LTD

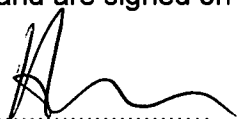
COMPANY BALANCE SHEET

1 DECEMBER 2013

	Note	2013 £000
FIXED ASSETS		
Investments	13	745
		<hr/>
NET ASSETS		745
		<hr/>
CAPITAL AND RESERVES		
Called-up equity share capital	25	7
Share Premium	25	738
		<hr/>
SHAREHOLDER'S FUNDS	27	745
		<hr/>

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MR H BIRTS

Company Registration Number: 08278614

PHH1 LTD

CONSOLIDATED CASH FLOW STATEMENT

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

	Notes	2013 £000
Cash inflow from operating activities	21	17,207
Returns on investments and servicing of finance	22	92
Taxation	22	(653)
Capital expenditure and financial investment	22	(8,953)
Cash inflow before management of liquid resources		7,693
Financing	22	21,424
Increase in cash		29,117

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 1 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover represents the amount of sales in the United Kingdom, stated net of value added tax.

Fixed assets

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

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 as follows:

Leasehold land and buildings, acquisition premium – effective life of the lease.

Fixtures, fittings, tools and equipment – 3 years to 10 years.

Motor vehicles – 3 years.

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Stocks

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

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

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.

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Going concern

The accounts have been prepared on a going concern basis.

Operating rights

Operating rights, representing initial franchise fees payable for new restaurants, are amortised over a fixed period of 20 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. Revenue costs are expensed as incurred.

Goodwill

The negative goodwill created on the acquisition of Pizza Hut (UK) Ltd is being amortised over a fixed period of 5 years.

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the Group.

An analysis of turnover is given below:

	2013
	£000
United Kingdom	247,418
	<hr/>

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group during the financial period amounted to:

	2013
	No
Office and Management	754
Restaurants	8,383
	<hr/>
	9,137
	<hr/>

The aggregate payroll costs of the above were:

	2013
	£000
Wages and salaries	80,377
Social security costs	4,821
Other pension costs	771
	<hr/>
	85,969
	<hr/>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

4. OPERATING PROFIT

Operating Profit is stated after charging/(crediting):

	2013
	£000
Depreciation of owned fixed assets	10,412
Amortisation of intangible fixed assets	145
Amortisation of goodwill	(7,810)
Operating lease costs:	
- Land and Buildings	32,161
Auditor's remuneration – audit of the financial statements	46
Auditor's remuneration – other fees:	
- Taxation services	19

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration and other payments in respect of qualifying services were:

	2013
	£000
Aggregate remuneration	1,915
Value of company pension contributions to money purchase schemes	175
	2,090

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

5. DIRECTORS' REMUNERATION *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2013
	No
Money purchase schemes	4

The emoluments, excluding pension contributions, of the highest paid director were £980,000 and the company paid pension contributions of £32,000.

6. EXCEPTIONAL ITEMS

	2013
	£000
Exceptional costs on early lease termination	1,439
Impairments	757
	<u>2,196</u>

Exceptional costs on early lease termination – costs incurred following the decision to exit stores prior to the expiry of the lease.

Impairments – The impairment of the tangible fixed assets following a review in accordance with FRS 11.

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

7. ACQUISITION OF PIZZA HUT (UK) LTD

	Book and Fair value £000
Net Assets Acquired:	
Fixed assets (tangible & intangible)	53,061
Stocks	1,276
Debtors	10,642
Cash	17,584
Net Liabilities Acquired:	
Creditors	(27,442)
Net Assets	<u>55,121</u>
 Goodwill	 (36,262)
 Consideration	 18,859

On the 9 November 2012 PHH2 Ltd, a wholly owned subsidiary of PHH1 Ltd, purchased all of the share capital of Pizza Hut (UK) Limited.

8. INTEREST RECEIVABLE AND PAYABLE AND SIMILAR CHARGES

Interest Receivable	2013
	£000
 Deposit Interest	 103
	<u>103</u>
 Interest Payable	 2013
	£000
Loan Notes	2,756
Amortisation of the cost of raising loan note finance	166
Interest	11
	<u>2,933</u>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	2013 £000
Current tax:	
In respect of the period:	
UK Corporation tax charge based on the results for the period at 23.33%	1,481
Total current tax	<u>1,481</u>
Deferred tax:	
Origination/(reversal) of timing differences	(1,256)
Tax on ordinary activities	<u>225</u>

(b) Factors affecting current tax charge

The differences are explained below:

	2013 £000
Current Tax at 23.33%	969
Expenses not deductible for tax purposes	(282)
Differences between capital allowances and depreciation	<u>794</u>
Corporation tax based on results for the period	<u>1,481</u>

(c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) were substantively enacted on 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge and reduce the deferred tax liability accordingly

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

10. GOODWILL (GROUP)

	£000
COST	
At acquisition	(36,262)
At 1 December 2013	<u><u>(36,262)</u></u>
AMORTISATION	
Credit for the period	7,810
At 1 December 2013	<u><u>7,810</u></u>
NET BOOK VALUE	
At 1 December 2013	<u><u>(28,452)</u></u>

11. INTANGIBLE FIXED ASSETS (GROUP)

	Operating Rights £000
COST	
Acquisitions during the period	1,345
Disposals	(50)
At 1 December 2013	<u><u>1,295</u></u>
AMORTISATION	
Charge for the period	145
At 1 December 2013	<u><u>145</u></u>
NET BOOK VALUE	
At 1 December 2013	<u><u>1,150</u></u>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

12. TANGIBLE FIXED ASSETS (GROUP)

	Land and Buildings £000	Assets in Course of Construction £000	Fixtures & Fittings £000	Total £000
COST OR VALUATION				
Acquisitions during the period	42,083	476	9,157	51,716
Additions	2,344	1,938	3,396	7,678
Disposals	(1,785)	-	(650)	(2,435)
Transfers	688	(903)	215	-
At 1 December 2013	43,330	1,511	12,118	56,959
DEPRECIATION				
Charge for the period	6,386	-	4,026	10,412
On disposals	(10)	-	(11)	(21)
Impairment charge	591	-	166	757
At 1 December 2013	6,967	-	4,181	11,148
NET BOOK VALUE				
At 1 December 2013	36,363	1,511	7,937	45,811

13. INVESTMENTS (COMPANY)

£000

COST AND NET BOOK VALUE

Acquisitions during the period	745
At 1 December 2013	745

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

13. INVESTMENTS (CONTINUED)

The company owns 100% of the issued share capital of the companies listed below

Name of Company	Holding	Nature of Business
Pizza Hut (UK) Limited	Ordinary Shares	Restaurant
PHH2 Limited *	Ordinary Shares	Holding Company
West End Restaurants (Holdings) Limited	Ordinary Shares	Holding Company
West End Restaurants (Investments) Limited	Ordinary Shares	Holding Company
West End Restaurants Limited	Ordinary Shares	Dormant Company

*Direct holding of PHH1 Ltd

14. STOCKS (GROUP)

	2013 £000
Ingredients	1,057
Merchandising	68
	<u>1,125</u>

15. DEBTORS (GROUP)

	2013 £000
Trade debtors	3,203
Other Debtors	748
Prepayments and accrued income	4,475
	<u>8,426</u>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

16. CREDITORS (GROUP): Amounts falling due within one year

	2013 £000
Trade creditors	6,939
Other taxation and social security	7,074
Other creditors	1,800
	<u>15,813</u>
Accruals and deferred income	14,071
	<u>29,884</u>

17. LONG TERM LIABILITIES

£21,450,000 of loan notes were issued on the 9 November 2012. They are repayable on the 10 November 2017. Interest of £2,756,000 has been accrued on this at balance sheet date. The cost of raising loan note finance was £770,529. During the period amortisation of £165,960 has been charged.

18. RELATED PARTY DISCLOSURES (GROUP)

PHH2 Ltd issued Loan Notes to Rutland Partners LLP and the CEO J Hofma on the 9 November 2012 for a total of £21,450,000. Interest of £2,756,000 has been accrued on this at balance sheet date. A management fee is paid to Rutland Partners LLP by the Group. During the period to 1 December 2013 it amounted to £161,000. £432,350 was paid to Rutland Partners LLP as an advisory fee relating to the investment by PHH2 Ltd in Pizza Hut (UK) Ltd.

19. GUARANTEE

There is a charge over the assets of Pizza Hut UK for Loan Notes of £21,050,000, issued by PHH2. The loan notes are repayable on 10 November 2017.

20. DEFERRED TAXATION (GROUP)

The movement in the deferred taxation provision during the period was:

	2013 £000
Deferred Tax Acquired	(273)
Profit and loss account movement arising during the period	1,256
Provision carried forward	<u>983</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2013 £000
Excess of depreciation on fixed assets over taxation allowances	582
Other timing differences	401
	<u>983</u>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

21. RECONCILIATION OF OPERATING PROFIT / (LOSS) TO OPERATING CASH FLOWS

	2013 £000
Operating profit	6,984
Depreciation and other amounts written off tangible and intangible fixed assets	3,504
Loss on sale of intangible assets	50
Loss on sale of fixed assets	2,414
Decrease in stocks	151
Decrease in debtors	2,215
Increase in creditors	1,889
Net cash inflow from operating activities	<u>17,207</u>

22. ANALYSIS OF CASH FLOWS

	2013	
	£000	£000
Net cash flow from operating activities		17,207
Returns on investment and servicing of finance		
Interest received	103	
Interest paid	(11)	
Net inflow		92
Taxation		(653)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(7,678)	
Sale of tangible fixed assets	-	
Cash acquired with subsidiaries	17,584	
Purchase of subsidiaries	(18,859)	
		<u>(8,953)</u>
Net cash movement before financing		7,693
2012 Issue of new share capital	745	
Proceeds from new loan	20,679	
		<u>21,424</u>
Movement in Cash		29,117

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

23. ANALYSIS OF NET DEBT

	2013 £000
Cash at bank and in hand	29,117
Total	<u>29,117</u>

24. COMMITMENTS (GROUP)

At 1 December 2013 the Group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2013 £000
Operating leases which expire:	
Within 1 year	1,474
Within 2 to 5 years	4,328
After more than 5 years	21,862
	<u>27,664</u>

In relation to the amounts shown above, the Group has sublease agreements with an annual income of £394,000.

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

25. SHARE CAPITAL

Allotted, called up and fully paid:

	2013 No	£000
Ordinary shares of 1p each	<u>744,750</u>	<u>7</u>
Share Premium Account		<u>£000 738</u>

PHH1 LTD

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 2 NOVEMBER 2012 TO 1 DECEMBER 2013

26. PROFIT AND LOSS ACCOUNT

	2013 £000 Group
Profit for the financial period	3,929
Balance carried forward	<u>3,929</u>

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013 £000 Group	2013 £000 Company
Profit for the financial period	3,929	-
New ordinary share capital subscribed	7	7
Share Premium	<u>738</u>	<u>738</u>
Net addition to shareholder's funds	4,674	745
Opening shareholder's funds	-	-
Closing shareholder's funds	<u>4,674</u>	<u>745</u>

28. ULTIMATE PARENT COMPANY

The controlling party is deemed to be Rutland Partners LLP