

PIZZA HUT (U.K.) LIMITED

1.

DIRECTORS' REPORT

The directors submit their report and financial statements for the period to November 29, 1981.

Results

The profit after taxation was £558,468 which when added to retained profits brought forward of £80,058 leaves profits of £638,526 to be carried forward. The directors do not recommend the payment of a dividend.

Principal activity

The company has continued to trade as a restaurant operator. There were no exports.

Directors and their interests

The following served as directors during the period:

J. P. Flynn	(U.S.A)	(Ceased to be a director on July 21, 1981)
G. T. Aaron	(U.S.A)	(Resigned March 19, 1982)
R. S. Swan	(U.S.A)	(Resigned March 31, 1981)
S. J. Miller	(U.S.A)	(Resigned March 31, 1981)
P. A. Bassi	(U.S.A)	(Appointed March 31, 1981)
G. G. Butler	(U.S.A)	(Appointed March 13, 1981)
R. Stetson	(U.S.A)	(Appointed March 13, 1981; resigned March 19, 1982)

None of the directors had any beneficial interest in the share capital of the company or of any group company that is required to be disclosed.

Fixed assets

During the period the company acquired fixed assets costing £573,424.

Auditors

A resolution to reappoint as auditors Arthur Young McClelland Moores & Co. will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

P. BASSI
Secretary

April 15, 1982

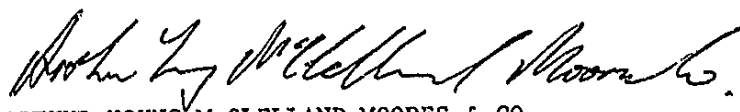


Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH

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

We have audited the financial statements on pages 3 to 8 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at November 29, 1981 and of its profit and source and application of funds for the period then ended and comply with the Companies Acts 1948 to 1981.



ARTHUR YOUNG McCLELLAND MOORES & CO.

April 16, 1982

PIZZA HUT (U.K.) LIMITED

3.

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED NOVEMBER 29, 1981

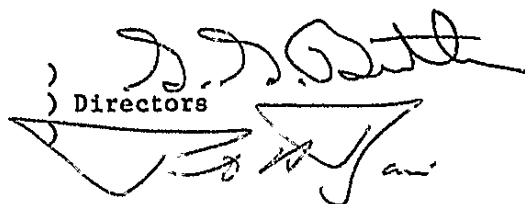
	Notes	December 29, 1980 to November 29, 1981 £	November 26, 1979 to December 28, 1980 £
Turnover	2	£3,143,663 =====	£1,635,819 =====
Profit before taxation		303,130	175,862 -----
after charging:			
Directors' remuneration		-	-
Loss on sale of fixed assets		1,621	-
Depreciation	4	162,565	74,841
Auditors' remuneration		7,400 =====	6,000 =====
and crediting:			
Interest receivable		9,861 =====	10,945 =====
Taxation	3	(255,338)	105,043 -----
Profit after taxation		558,468	70,819
Retained profits brought forward		80,058 -----	9,239 -----
Retained profits carried forward		£638,526 =====	£ 80,058 =====

The notes on pages 6 to 8 form part of these financial statements

PIZZA HUT (U.K.) LIMITED

4.

BALANCE SHEET AT NOVEMBER 29, 1981

	Notes	£	1981 £	December 28, 1980 £
Fixed assets	4		1,504,272	1,118,834
Current assets:				
Stocks		79,768		76,082
Amount due from group companies		8,311		1,722
Debtors and prepayments		150,100		28,611
Bank and cash		74,300		126,104
Taxation recoverable		17,700		25,000
		330,179		257,519
Current liabilities:				
Bank overdraft		22,861		134,961
Creditors		618,247		383,803
Amount due to group companies		549,817		509,893
		1,190,925		1,028,657
Net current liabilities			(860,746)	(771,138)
			£ 643,526	£ 347,696
Representing				
Share capital:				
Authorised, issued and fully paid 5,000 ordinary shares of £1 each			5,000	5,000
Retained profits			638,526	80,058
			643,526	85,058
Deferred taxation	5		-	262,638
G. G. BUTLER	) Directors			
P. A. BASSI				
			£ 643,526	£ 347,696

The notes on pages 6 to 8 form part of these financial statements

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED NOVEMBER 29, 1981

	December 29, 1980 to November 29, 1981 £	November 26, 1979 to December 28, 1980 £
Source of funds:		
Profit after taxation	558,468	70,819
Adjustment for items not involving the movement of working capital:		
Loss on sale of fixed assets	1,621	-
Depreciation	162,565	74,841
Deferred taxation	(262,638)	130,243
Total generated from operations	460,016	275,903
Deferred taxation transferred from Pizza Hut Inc. - UK branch	-	26,594
Proceeds from sale of fixed assets	23,800	-
	483,816	302,497
Application of funds:		
Purchase of fixed assets	(573,424)	(875,519)
Decrease in working capital	£(89,608)	£(573,022)
Components of (decrease)/increase in working capital:		
Stocks	3,686	60,449
Debtors and prepayments	121,489	14,414
Inter-company indebtedness	(33,335)	(297,827)
Creditors	(234,444)	(285,122)
Taxation	(7,300)	50,200
	(149,904)	(457,886)
Movement in net liquid funds:		
Bank and cash	(51,804)	19,825
Bank overdraft	112,100	(134,961)
	60,296	(115,136)
	£(89,608)	£(573,022)

The notes on pages 6 to 8 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 29, 1981

These financial statements take into consideration events occurring between November 29, 1981 and April 15, 1982, the date of their approval by the board of directors.

1. Accounting policies

(a) Stocks

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

Net realisable value is based on estimated selling price less any further costs expected to be incurred prior to sale.

(b) Depreciation

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

Leasehold property	-	over the lease term
Equipment	-	over 8 years
Motor vehicles	-	over 3 years

(c) Foreign currencies

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

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

(d) Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

2. Turnover

Turnover represents sales to customers excluding value added tax.

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 29, 1981
(continued)3. Taxation

	Period to November 29, 1981	Period to December 28, 1980
	£	£

The taxation charge is as follows:

Based on the profits for the period:		
Corporation tax at 52%	7,300	(27,644)
Deferred taxation	-	136,239
Adjustment in respect of prior years:		
Current taxation	-	2,444
Deferred taxation	(262,638)	(5,996)
	£(255,338)	£ 105,043
	=====	=====

The deferred tax provision of £262,638 at December 28, 1980 has been released as the timing differences are no longer expected to reverse in the foreseeable future.

If full provision had been made for the potential amount of deferred taxation, the tax charge for the period would have been increased by £173,390 (1980 - Nil).

4. Fixed assets

	Short term leasehold property £	Equipment £	Motor vehicles £	Total £
Cost:				
At December 28, 1980	585,627	734,837	10,333	1,330,797
Additions	175,680	346,506	51,238	573,424
Disposals	-	(21,020)	(5,396)	(26,416)
At November 29, 1981	761,307	1,060,323	56,175	1,877,805
Accumulated depreciation:				
At December 28, 1980	85,624	126,339	-	211,963
Charge for the period	54,870	97,888	9,807	162,565
Eliminated on disposals	-	-	(995)	(995)
At November 29, 1981	140,494	224,227	8,812	373,533
Net book values:				
At November 29, 1981	£620,813	£836,096	£ 47,363	£1,504,272
	=====	=====	=====	=====
At December 28, 1980	£500,003	£608,498	£ 10,333	£1,118,834
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 29, 1981
(continued)

5. Deferred taxation

Deferred taxation provided in the financial statements and the potential amounts, including the amounts for which provision has been made, are as follows:

	<u>Provision</u>		<u>Potential</u>	
	<u>1981</u> £	<u>1980</u> £	<u>1981</u> £	<u>1980</u> £
Capital allowances in advance of depreciation	-	317,430	606,419	317,430
Losses carried forward	-	(54,792)	(170,391)	(54,792)
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	£ -	£262,638	£436,028	£262,633
	===	=====	=====	=====

6. Future capital expenditure

	<u>1981</u> £	<u>1980</u> £
Commitments under contracts	213,450	-
Authorised by the directors but not yet contracted for	149,000	-
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	£362,450	£ -
	=====	=====

7. Ultimate holding company

The company's ultimate holding company is PepsiCo Inc., which is incorporated in the United States of America.