

PIZZA HUT (UK) LIMITED

Directors' Report and Financial Statements

1 December 2002

Company Registration Number 1072921



PIZZA HUT (UK) LIMITED DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 1 December 2002.

REVIEW OF BUSINESS

The principal activity during the period was trading as a restaurant and delivery operator. During the period 32 new units were opened and 8 were closed, resulting in a total estate of 465 at 1 December 2002 (2001: 441).

FUTURE DEVELOPMENTS

The group will continue its expansion plan in 2003 throughout the United Kingdom.

RESULTS AND DIVIDENDS

The group trading profit on ordinary activities for the period, after taxation, amounted to £19,029,000 (2001 Restated : £14,308,000), which has been taken to reserves.

The directors do not recommend the payment of a dividend.

SUPPLIER PAYMENT POLICY

The group adheres to the payment terms which have been agreed with a supplier. Where payment terms have not been specifically agreed, it is the group's policy to settle invoices within 30 days of receipt. Adherence to these terms is dependent upon suppliers sending accurate and adequately detailed invoices to the correct address on a timely basis. The number of days' purchases outstanding for payment by the company at the period end was 35 (2001: 37).

FIXED ASSETS

In the opinion of the directors, the market value of Land and Buildings held by the company is not materially different to the carrying value.

DIRECTORS

The directors of the company during the period ended 1 December 2002 and since the period end are listed below.

W M F C Shannon	(Chairman)
P A Bassi	
N D Wright	(resigned 4 February 2002)
R T Carucci	(resigned 6 May 2003)
I S Cho	
M Tye	(resigned 1 July 2002)
M R Phillips	(appointed 13 February 2002)
P Vennells	(appointed 1 July 2002)
S Bergren	(appointed 6 May 2003)

DIRECTORS' INTERESTS

No director had any interest in the share capital of the company or any loans with the company.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the group made various charitable contributions totalling £16,993 (2001: £27,214). The group made no political contributions during the period (2001: nil).

PIZZA HUT (UK) LIMITED DIRECTORS' REPORT

EMPLOYEES

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

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements the directors are required to:

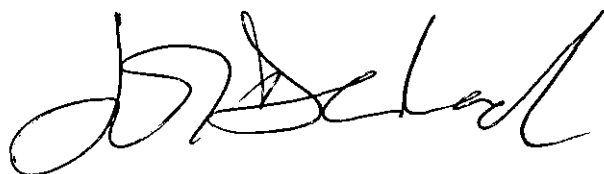
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

AUDITORS

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

By order of the board



J Derkach
Secretary

17 July 2003

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

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

We have audited the financial statements on pages 4 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 1 December 2002 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

21st July 2003

KPMG LLP
Chartered Accountants
Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

17 July 2003

PIZZA HUT (UK) LIMITED

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 1 DECEMBER 2002**

	Notes	2002 £'000	£'000	2001 (Restated) £'000	£'000
Turnover	2	329,079		300,995	
Other operating income:					
Rental income		2,043		1,623	
Franchise income		679		267	
			331,801		302,885
Raw materials and consumables		73,284		69,314	
Other external charges		109,586		99,327	
			(182,870)		(168,641)
			148,931		134,244
Staff costs	5	102,927		97,181	
Depreciation and other amounts written off tangible and intangible fixed assets		17,072		14,335	
			(119,999)		(111,516)
OPERATING PROFIT	3		28,932		22,728
Exceptional Items	6		975		72
Interest receivable		57		506	
Interest payable and similar charges	7	(669)		(1,519)	
			(612)		(1,013)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			29,295		21,787
Tax charge on profit on ordinary activities	8		(10,266)		(7,479)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18		19,029		14,308

All turnover and operating profit arises from continuing operations.

The notes on pages 8 to 21 form part of these financial statements.

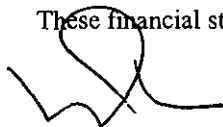
The prior year has been restated to take account of the change in policy on deferred taxation referred to in notes 1(f) and 16.

PIZZA HUT (UK) LIMITED

GROUP BALANCE SHEET AS AT 1 DECEMBER 2002

	Notes	2002 £'000	£'000	2001 (Restated) £'000	£'000
FIXED ASSETS					
Intangible assets	9	1,904		1,733	
Tangible assets	10	<u>119,438</u>		<u>106,662</u>	
			121,342		108,395
CURRENT ASSETS					
Stocks	12	1,747		1,862	
Debtors	13	8,313		6,549	
Cash at bank and in hand		<u>3,958</u>		<u>2,953</u>	
		14,018		11,364	
CREDITORS					
Amounts falling due within one year	14	<u>(57,648)</u>		<u>(53,709)</u>	
NET CURRENT LIABILITIES			<u>(43,630)</u>		<u>(42,345)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			77,712		66,050
CREDITORS					
Amounts falling due after more than one year:					
Debenture loans	15		-		(8,219)
PROVISION FOR LIABILITIES & CHARGES	16		(6,648)		(5,796)
NET ASSETS			<u>71,064</u>		<u>52,035</u>
CAPITAL AND RESERVES					
Called up share capital	17		805		805
Profit and loss account	18		<u>70,259</u>		<u>51,230</u>
SHAREHOLDERS' FUNDS	19				
Equity		71,059		52,030	
Non Equity		<u>5</u>		<u>5</u>	
			<u>71,064</u>		<u>52,035</u>

These financial statements were approved by the board of directors on 17 July 2003 and were signed on its behalf by:



WMFC Shannon
Director

The notes on pages 8 to 21 form part of these financial statements.

PIZZA HUT (UK) LIMITED

COMPANY BALANCE SHEET AS AT 1 DECEMBER 2002

	Notes	2002 £'000	£'000	2001 (Restated) £'000	£'000
FIXED ASSETS					
Intangible assets	9	1,794		1,595	
Tangible assets	10	119,438		106,662	
Shares in subsidiary undertakings	11	<u>4,457</u>		<u>4,457</u>	
			125,689		112,714
CURRENT ASSETS					
Stocks	12	1,747		1,862	
Debtors	13	8,313		6,549	
Cash at bank and in hand		<u>3,958</u>		<u>2,953</u>	
		14,018		11,364	
CREDITORS					
Amounts falling due within one year	14	<u>(72,185)</u>		<u>(68,246)</u>	
NET CURRENT LIABILITIES			<u>(58,167)</u>		<u>(56,882)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			67,522		55,832
CREDITORS					
Amounts falling due after more than one year:					
Debenture loans	15		-		(8,219)
PROVISION FOR LIABILITIES AND CHARGES	16		(6,648)		(5,796)
NET ASSETS			<u>60,874</u>		<u>41,817</u>
CAPITAL AND RESERVES					
Called up share capital	17		805		805
Profit and loss account	18		60,069		41,012
SHAREHOLDERS' FUNDS (includes non-equity interests)	19		<u>60,874</u>		<u>41,817</u>

These financial statements were approved by the board of directors on 17 July 2003 and were signed on its behalf by:



WMFC Shannon
Director

The notes on pages 8 to 21 form part of these financial statements.

PIZZA HUT (UK) LIMITED

**GROUP STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 1 DECEMBER 2002**

	Notes	2002 £'000	2001 £'000
Net cash inflow from operating activities	20	47,626	41,078
Returns on investments and servicing of finance:			
Interest received		57	506
Interest paid		(669)	(1,519)
Net cash outflow from returns on investments and servicing of finance		(612)	(1,013)
Taxation:			
Corporation tax paid		(6,808)	(7,483)
Capital expenditure:			
Payments to acquire intangible fixed assets		(369)	(322)
Payments to acquire tangible fixed assets		(31,778)	(27,292)
Receipts from sales of tangible fixed assets		946	515
Net cash outflow from capital expenditure		(31,201)	(27,099)
Net cash inflow before financing		9,005	5,483
Financing:			
Short term loan		(8,000)	8,000
Decrease in loans from parent companies		-	(16,000)
Net cash outflow from financing		(8,000)	(8,000)
Increase/(decrease) in cash		1,005	(2,517)
Reconciliation of net cash flow to movements in net debt			
Increase/(decrease) in cash in the period		1,005	(2,517)
Cash outflow from debt financing		8,000	8,000
Change in net debt resulting from cashflows		9,005	5,483
Net debt at 2 December 2001		(13,266)	(18,749)
Net debt at 1 December 2002	21	(4,261)	(13,266)

Some of the notes on page 20 form part of this cashflow statement.

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE 52 WEEKS ENDED 1 DECEMBER 2002**

	2002 £'000	2001 (restated) £'000
Profit for the financial year	19,029	14,308
Prior year adjustment (as explained in note 1)	(5,796)	
Total recognised gains and losses since last report	13,233	

PIZZA HUT (UK) LIMITED

NOTES (forming part of the financial statements)

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. During the year the group adopted the disclosures in accordance with the full provisions of FRS 19 'Deferred Tax' which applied for the first time.

(b) Basis of consolidation

The group financial statements comprise the accounts of Pizza Hut (UK) Limited and its subsidiaries.

No profit and loss account is presented for Pizza Hut (UK) Limited as provided by section 230 (4) of the Companies Act 1985.

(c) Goodwill

On the acquisition of a business or subsidiary the assets and liabilities acquired are included in the balance sheet at their estimated fair values. Goodwill arising on acquisition is being written off evenly over 20 years being the directors' estimate of its useful economic life.

(d) Depreciation

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

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

(e) Stocks

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

(f) Taxation

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

The Group has changed its accounting policy on deferred tax to comply with the requirements of FRS 19 'Deferred Tax'. The change in accounting policy is reflected by way of a prior year adjustment and the prior year comparisons have been adjusted accordingly. The effect of the prior year adjustment is to increase the tax charge for the period ended 1 December 2002 by £852k (2001: £380k) and the deferred tax provision at 1 December 2002 by £6,648k (2001: £5,796k). The effect on the accounts is disclosed in note 16.

(g) Foreign currencies

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

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

PIZZA HUT (UK) LIMITED

NOTES (continued)

1. ACCOUNTING POLICIES (continued)

(h) Operating rights

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

(i) 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.

(j) Marketing costs

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

(k) Leasing and hire purchase commitments

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

(l) Research and development expenditure

All research and development expenditure is written off as incurred.

(m) 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.

(n) Pension scheme

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. A new pension cost accounting standard, FRS 17, was issued in November 2000. Under transitional arrangements the company is required to disclose certain information about the scheme as set out in note (ii) below.

i) SSAP 24

The group operates a funded defined benefit pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension costs are assessed in accordance with advice of an independent qualified actuary.

The assumptions that have the most significant effect on the results of the valuation are those relating to investment yields net of salary and pension increases. It has been assumed that the net investment yields prior to retirement would be 2.5% per annum. For the period after retirement the net yield is assumed to be 6% per annum (3.25% per annum for post 6 April 1997 benefits).

The market value of the fund assets at the valuation date (31 March 2001) was £8,649,300, which represented a funding level of 103%.

An accrual of £289,354 is included in creditors, representing the deficit of the amount funded over the pension costs.

PIZZA HUT (UK) LIMITED

NOTES (continued)

ii) FRS 17

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2001 and updated to 30 November 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>At 30.11.2002</u>	<u>At 30.11.2001</u>
Rate of increase in salaries	3.25%	3.5%
Rate of increase in deferred pensions	2.25%	2.25%
Rate of increase in pensions in payment (post April 1997 only)	2.25%	2.25%
Discount rate (based on the yields of corporate bonds of suitable quality and duration)	5.75%	6.0%
Inflation assumption	2.25%	2.25%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return Expected at 30.11.2002	Valuation as at 30.11. 2002 £'000's	Long-term rate of return Expected at 30.11.2001	Valuation as at 30.11.2001 £'000's
Equities	7.7%	6,976	8.0%	7,015
Bonds	4.7%	1,475	5.0%	1,380
Other	3.5%	348	3.5%	507
Total market value of assets		8,799		8,902
Present value of scheme liabilities		(12,601)		(9,604)
Deficit in the scheme		(3,802)		(702)
Related deferred tax asset @ 30%		1,141		210
Net pension liability		(2,661)		(492)

If the above pension liability was recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows:

	<u>At 30.11.2002</u> £'000's	<u>At 30.11.2001</u> Restated £'000's
Net assets excluding pension liability	71,064	52,035
Release of SSAP24 accrual	290	294
Pension liability	(2,661)	(492)
Net assets including pension liability	68,693	51,837
Profit and loss reserve excluding pension liability	<u>70,259</u>	<u>51,230</u>
Release of SSAP24 accrual	290	294
Pension liability	(2,661)	(492)
Profit and loss reserve including pension liability	<u>67,888</u>	<u>51,032</u>

PIZZA HUT (UK) LIMITED**NOTES (continued)****Analysis of the amount charged to operating profit**

	2002 £'000
Service cost	1,190
Past service cost	<u>21</u>
Total operating charge	<u>1,211</u>

Analysis of net return on pension scheme

	2002 £'000
Expected return on pension scheme assets	706
Interest on pension liabilities	<u>(625)</u>
Net return	<u>81</u>

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

	2002 £'000
Actual return less expected return on assets	(2,406)
Experience gains and losses on liabilities	(83)
Changes in assumptions	<u>(679)</u>
Actuarial gain/(loss) recognised in STRGL	<u>(3,168)</u>
Adjustment due to surplus cap	-
Net gain/(loss) recognised	<u>(3,168)</u>

Movement in surplus/(deficit) during the year

	2002 £'000
Surplus/(deficit) in scheme at beginning of year	(702)
Movement in year:	
Current service cost	(1,190)
Contributions	1,198
Past service costs	(21)
Net return on assets/(interest cost)	81
Actuarial gain/(loss)	<u>(3,168)</u>
Surplus/(deficit) in scheme at end of year	<u>(3,802)</u>

History of experience gains and losses

	2002
Difference between expected and actual return on scheme assets:	
amount (£'000's)	(2,406)
percentage of scheme assets	-27%
Experience gains and losses on scheme liabilities:	
amount (£'000's)	(83)
percentage of scheme liabilities	-1%
Total amount recognised in statement of total recognised gains and losses:	
amount (£'000's)	(3,168)
percentage of scheme liabilities	-25%

PIZZA HUT (UK) LIMITED

NOTES (continued)

2. TURNOVER

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

3. OPERATING PROFIT

	2002 £'000	2001 £'000
This is stated after charging/(crediting):		
Auditors' remuneration for audit work	41	39
Auditors' remuneration for non audit work	10	22
Rental on operating leases – land and buildings	27,994	24,537
Exchange differences	(67)	14
Depreciation of fixed assets	16,883	14,168
Amortisation of fixed assets	189	167

The profit dealt with in the accounts of the holding company amounted to £19,057,000 (2001 restated : £14,336,000).

All audit fees are dealt with in the accounts of the holding company.

4. DIRECTORS' EMOLUMENTS

There were no directors' emoluments in either 2002 or 2001.

5. STAFF COSTS

	2002 £'000	2001 £'000
Wages and salaries	96,408	91,016
Social security costs	5,326	5,041
Other pension costs	1,193	1,124
	<u>102,927</u>	<u>97,181</u>

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

	Number of employees	
	2002	2001
Office and management	1,158	1,107
Restaurants	14,012	12,939
	<u>15,170</u>	<u>14,046</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

6. EXCEPTIONAL ITEMS

	2002 £'000	2001 £'000
Profit on disposal of fixed assets	<u>975</u>	<u>72</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 (Restated) £'000
Bank overdraft	154	14
Debenture loans	410	1,505
Other	105	-
	<u>669</u>	<u>1,519</u>

Debenture loans are due to the Joint Venture parents of the company. The loans are repayable one year and one day after a demand is made.

8. TAXATION

	2002 £'000	2001 (Restated) £'000
Tax charge/(credit)		
UK Corporation tax	9,693	7,144
Adjustments in respect of prior years	<u>(279)</u>	<u>(45)</u>
Total current tax	9,414	7,099
Deferred taxation – origination of timing differences	852	380
Tax on profit on ordinary activities	<u>10,266</u>	<u>7,479</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

8. TAXATION (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30% - 2001:30%). The differences are explained below.

	2002 £'000	2001 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	29,295	21,787
Current tax at 30% (2001: 30%)	8,788	6,536
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily depreciation of ineligible assets)	1,717	1,385
Capital allowances for period in excess of depreciation of eligible assets	(812)	(777)
Adjustments to tax charge in respect of previous periods	(279)	(45)
Total current tax charge (see above)	9,414	7,099

Factors that may affect future tax charges

Based on current capital investment plans, the company expects to be able to claim capital allowances in excess of depreciation in future years. No provision has been made for deferred tax on the sale of properties when gains have been rolled over into replacement assets. The total amount unprovided for is estimated at £519,000. (2001: £519,000).

PIZZA HUT (UK) LIMITED

NOTES (continued)

9. INTANGIBLE FIXED ASSETS

GROUP & COMPANY

	Goodwill £'000	Operating Rights £'000	Total £'000
Cost			
At 2 December 2001	555	3,284	3,839
Additions	-	369	369
Disposals	-	(34)	(34)
At 1 December 2002	<u>555</u>	<u>3,619</u>	<u>4,174</u>
Amortisation			
At 2 December 2001	417	1,689	2,106
Charge for the period	28	161	189
Disposals	-	(25)	(25)
At 1 December 2002	<u>445</u>	<u>1,825</u>	<u>2,270</u>
Net book value			
At 1 December 2002	110	1,794	1,904
At 2 December 2001	<u>138</u>	<u>1,595</u>	<u>1,733</u>

All operating rights are attributable to the company. The above goodwill is not attributable to the company.

PIZZA HUT (UK) LIMITED

NOTES (continued)

10. TANGIBLE FIXED ASSETS

GROUP & COMPANY

	Land and Buildings £'000	Fixtures, Fittings, Tools and Equipment £'000	Motor Vehicles £'000	Assets In course of Construction £'000	Total £'000
Cost					
At 2 December 2001	124,496	67,611	214	5,830	198,151
Additions	13,463	8,952	-	8,271	30,686
Disposals	(2,621)	(3,667)	(104)	(182)	(6,574)
Transfer of assets	6,068	2,346	-	(8,414)	-
At 1 December 2002	<u>141,406</u>	<u>75,242</u>	<u>110</u>	<u>5,505</u>	<u>222,263</u>
Depreciation					
At 2 December 2001	43,057	48,218	214	-	91,489
Provided during the period	8,795	8,088	-	-	16,883
Disposals	(2,252)	(3,191)	(104)	-	(5,547)
At 1 December 2002	<u>49,600</u>	<u>53,115</u>	<u>110</u>	<u>-</u>	<u>102,825</u>
Net book value					
At 1 December 2002	91,806	22,127	-	5,505	119,438
At 2 December 2001	<u>81,439</u>	<u>19,393</u>	<u>-</u>	<u>5,830</u>	<u>106,662</u>
		2002 Group & Company £'000	2001 Group & Company £'000		
Land and buildings The net book value of land and buildings can be analysed as follows:					
Freehold		2,544	2,584		
Long leasehold		1,218	706		
Short leasehold		88,044	78,149		
		<u>91,806</u>	<u>81,439</u>		

The gross amount of non-depreciable assets that are included in Land and Buildings is: £1.4m (2001:£1.4m).

PIZZA HUT (UK) LIMITED**NOTES (continued)****11. SHARES IN SUBSIDIARY UNDERTAKINGS**

	2002 Company £'000	2001 Company £'000
Cost	<u>4,457</u>	<u>4,457</u>

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

<u>Name of Company</u>	<u>Holding</u>	<u>Proportion Held</u>	<u>Nature of Business</u>
DH Gorman (Leicester) Limited	Ordinary shares	100%	Dormant Company
West End Restaurants (Holdings) Limited	Ordinary shares	100%	Holding Company
West End Restaurants (Investments) Limited	Ordinary shares	100%	Holding Company
West End Restaurants Limited	Ordinary shares	100%	Dormant Company
Pizza Hut (UK) Pension Trust Limited	Ordinary shares	100%	Dormant Company
Pizza Hut Services Limited	Ordinary shares	100%	Dormant Company

All the above subsidiary undertakings are incorporated in Great Britain and registered in England and Wales and are included in the consolidated accounts of Pizza Hut (UK) Limited.

12. STOCKS**GROUP & COMPANY**

	2002 £'000	2001 £'000
Ingredients	1,533	1,613
Merchandising	158	200
Bike stock	56	49
	<u>1,747</u>	<u>1,862</u>

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

PIZZA HUT (UK) LIMITED**NOTES (continued)****13. DEBTORS****GROUP & COMPANY**

	2002	2001
	£'000	£'000
Trade debtors	4,631	3,683
Other debtors	8	16
Prepayments and accrued income	3,674	2,850
	<u>8,313</u>	<u>6,549</u>

All debtors fall due within one year.

14. CREDITORS – amounts falling due within one year

	GROUP	COMPANY	GROUP	COMPANY
	2002	2002	2001	2001
			£'000	£'000
Short term loan	-	-	8,000	8,000
Trade creditors	17,091	17,091	13,511	13,511
Debenture loans	8,219	8,219	-	-
Amounts owed to parent undertakings	1,036	1,036	1,001	1,001
Amounts owed to Subsidiary undertakings	-	14,537	-	14,537
Taxation and Social Security	7,580	7,580	6,869	6,869
Other creditors	2,144	2,144	3,236	3,236
Accruals	16,487	16,487	18,607	18,607
Corporation tax	5,091	5,091	2,485	2,485
	<u>57,648</u>	<u>72,185</u>	<u>53,709</u>	<u>68,246</u>

As at the date the accounts were approved the debenture loans from the parent companies have been repaid.

15. DEBENTURE LOANS

The debenture loans, payable to the Joint Venture parents, are secured by a floating charge over the company's property. The loans are repayable one year and a day after a demand is made. Interest is charged on the loans at Base Rate + 1%. For 2002 these loans have been reclassified as short-term as they have been repaid since year end.

PIZZA HUT (UK) LIMITED

NOTES (continued)

16. DEFERRED TAXATION

Provisions for liabilities and charges	£'000
At 2 December 2001 as previously reported	-
Prior year adjustment	5,796
At 2 December 2001 as restated	5,796
Profit and Loss-charged	852
At 1 December 2002	6,648

The Group's overall deferred tax position is as follows:

	2002 £'000	2001 (restated) £'000
Fixed Asset timing differences	6,771	5,957
Other timing differences	(123)	(161)
	6,648	5,796

17. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Equity: Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	800	800
Non Equity: 3% non-cumulative preference shares of £1 each	5	5
	805	805

18. CAPITAL AND RESERVES

	Group		Company	
	Share capital £'000	Profit and loss £'000	Share capital £'000	Profit and loss £'000
At 2 December 2001 as previously stated	805	57,026	805	46,808
Prior year adjustment	-	(5,796)	-	(5,796)
At 2 December 2001 restated	805	51,230	805	41,012
Retained profit for the period	0	19,029	0	19,057
At 1 December 2002	805	70,259	805	60,069

PIZZA HUT (UK) LIMITED

NOTES (continued)

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Opening shareholders' funds as previously stated	57,831	43,143	47,613	32,897
Prior year adjustment	(5,796)	(5,416)	(5,796)	(5,416)
Opening shareholders' funds as restated	52,035	37,727	41,817	27,481
Profit for the period	19,029	14,308	19,057	14,336
Closing shareholders' funds	71,064	52,035	60,874	41,817

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £'000	2001 £'000
Operating profit	28,932	22,728
Depreciation and other amounts written off tangible and intangible fixed assets	17,072	14,335
Loss on sale of fixed assets	1,065	990
Decrease/(increase) in stocks	115	(520)
Increase in debtors	(1,764)	(843)
Increase in creditors	2,206	4,388
Net cash inflow from operating activities	47,626	41,078

21. ANALYSIS OF NET DEBT

	2002 £'000	Movement to Short Term Loan £'000	Cashflow £'000	2001 £'000
Cash at bank and in hand	3,958	0	1,005	2,953
Short term loan	(8,219)	(8,219)	8,000	(8,000)
Debt due after 1 year	0	8,219	0	(8,219)
Total	(4,261)	0	9,005	(13,266)

PIZZA HUT (UK) LIMITED

NOTES (continued)

22. COMMITMENTS

GROUP & COMPANY

At 1 December 2002 the annual commitments under non-cancellable operating leases were as follows:

	2002 Land and Buildings £'000	2001 Land and Buildings £'000
Operating leases which expire:		
Within one year	218	1,290
In second to fifth years inclusive	1,985	1,663
Over five years	24,696	23,146
	<u>26,899</u>	<u>26,099</u>

23. OTHER RELATED PARTY TRANSACTIONS

During the year the group entered into the following transactions, in the ordinary course of business, with other related parties:

	2002 £'000	2001 £'000
Food and Beverage Purchases		
YUM! Brands Inc	45,359	40,573
Whitbread Plc	22,437	20,911
Operating Rights and Franchise Fees		
YUM! Brands Inc	10,472	9,459
Recharges for Services		
YUM! Brands Inc	460	537
Whitbread Plc	633	804
Amounts owed to Related Parties		
YUM! Brands Inc	988	858
Whitbread Plc	48	143

24. JOINT VENTURE PARENT COMPANIES

Pizza Hut (UK) limited is ultimately owned equally by Whitbread Plc (registered in England and Wales) and YUM! Brands Inc., formerly Tricon Global Restaurants Inc., (incorporated in USA). The consolidated financial statements of these groups are available to the public and may be obtained from:-

Whitbread plc
CityPoint
One Ropemaker Street
London
EC2Y 9HX
England

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