

PIZZA HUT (UK) LIMITED

Directors' Report and Financial Statements

30 November 2003

Company Registration Number 1072921



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COMPANIES HOUSE

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PIZZA HUT (UK) LIMITED
DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 52 weeks ended 30 November 2003.

REVIEW OF BUSINESS

The principal activity during the period was trading as a restaurant and delivery operator. During the period 33 new units were opened and 4 were closed, resulting in a total estate of 494 at 30 November 2003 (2002: 465).

FUTURE DEVELOPMENTS

The group will continue its expansion plan in 2004 throughout the United Kingdom.

RESULTS AND DIVIDENDS

The group trading profit on ordinary activities for the period, after taxation, amounted to £21,682,000 (2002: £19,029,000). During the year the company paid an interim dividend of £19,000,150 (2002: nil). The directors do not recommend a payment of a final dividend. The retained profit of £2,682,000 (2002: £19,029,000) has been taken to reserves.

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 (2002: 35).

FIXED ASSETS

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

DIRECTORS

The directors of the company during the period ended 30 November 2003 and since the period end are listed below.

W M F C Shannon	(Chairman)
P A Bassi	
R T Carucci	(resigned 6 May 2003)
I S Cho	
M R Phillips	
P Vennells	
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 £13,455 (2002: £16,993). The group made no political contributions during the period (2002: 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:

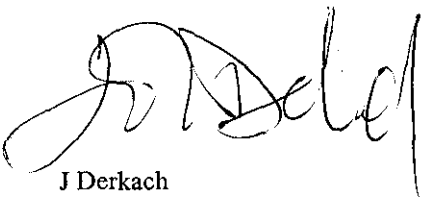
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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

13 April 2004

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 23.

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 30 November 2003 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

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

13 April 2004

PIZZA HUT (UK) LIMITED

**GROUP PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 30 NOVEMBER 2003**

		2003	2002
	Notes	£'000	£'000
Turnover	2	362,006	329,079
Other operating income:			
Rental income		1,568	2,043
Franchise income		1,168	679
		364,742	331,801
Raw materials and consumables		79,759	73,284
Other external charges		119,135	109,586
		(198,894)	(182,870)
		165,848	148,931
Staff costs	5	114,263	102,927
Depreciation and other amounts written off tangible and intangible fixed assets		18,975	17,072
		(133,238)	(119,999)
OPERATING PROFIT	3	32,610	28,932
Exceptional Items	6	1,176	975
Interest receivable		123	57
Interest payable and similar charges	7	(259)	(669)
		(136)	(612)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,650	29,295
Tax charge on profit on ordinary activities	8	(11,968)	(10,266)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		21,682	19,029
DIVIDENDS PAID		(19,000)	-
RETAINED PROFIT FOR THE FINANCIAL PERIOD	17	2,682	19,029

All turnover and operating profit arises from continuing operations.

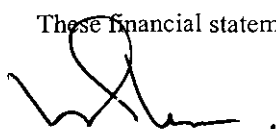
The notes on pages 8 to 23 form part of these financial statements.

PIZZA HUT (UK) LIMITED

GROUP BALANCE SHEET AS AT 30 NOVEMBER 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	9	2,187	1,904
Tangible assets	10	<u>130,983</u>	<u>119,438</u>
		133,170	121,342
CURRENT ASSETS			
Stocks	12	1,914	1,747
Debtors	13	8,707	8,313
Cash at bank and in hand		<u>7,152</u>	<u>3,958</u>
		17,773	14,018
CREDITORS			
Amounts falling due within one year	14	<u>(69,455)</u>	<u>(57,648)</u>
NET CURRENT LIABILITIES		<u>(51,682)</u>	<u>(43,630)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		81,488	77,712
PROVISION FOR LIABILITIES & CHARGES	15	(7,742)	(6,648)
NET ASSETS		<u>73,746</u>	<u>71,064</u>
CAPITAL AND RESERVES			
Called up share capital	16	805	805
Profit and loss account	17	<u>72,941</u>	<u>70,259</u>
SHAREHOLDERS' FUNDS			
Equity	18	73,741	71,059
Non Equity		<u>5</u>	<u>5</u>
		<u>73,746</u>	<u>71,064</u>

These financial statements were approved by the board of directors on 13 April 2004 and were signed on its behalf by:



WMFC Shannon
Director

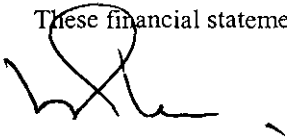
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PIZZA HUT (UK) LIMITED

COMPANY BALANCE SHEET AS AT 30 NOVEMBER 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	9	2,105	1,794
Tangible assets	10	130,983	119,438
Shares in subsidiary undertakings	11	<u>4,457</u>	<u>4,457</u>
		137,545	125,689
CURRENT ASSETS			
Stocks	12	1,914	1,747
Debtors	13	8,707	8,313
Cash at bank and in hand		<u>7,152</u>	<u>3,958</u>
		17,773	14,018
CREDITORS			
Amounts falling due within one year	14	<u>(83,992)</u>	<u>(72,185)</u>
NET CURRENT LIABILITIES		<u>(66,219)</u>	<u>(58,167)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,326	67,522
PROVISION FOR LIABILITIES AND CHARGES			
	15	(7,742)	(6,648)
NET ASSETS		<u>63,584</u>	<u>60,874</u>
CAPITAL AND RESERVES			
Called up share capital	16	805	805
Profit and loss account	17	62,779	60,069
SHAREHOLDERS' FUNDS (includes non-equity interests)	18	<u>63,584</u>	<u>60,874</u>

These financial statements were approved by the board of directors on 13 April 2004 and were signed on its behalf by:


WMFC Shannon
Director

The notes on pages 8 to 23 form part of these financial statements.

PIZZA HUT (UK) LIMITED
GROUP STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 30 NOVEMBER 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	19	55,935	47,626
Returns on investments and servicing of finance:			
Interest received		123	57
Interest paid		(259)	(669)
Dividends paid		<u>(19,000)</u>	<u>-</u>
Net cash outflow from returns on investments and servicing of finance		(19,136)	(612)
Taxation:			
Corporation tax paid		(10,269)	(6,808)
Capital expenditure:			
Payments to acquire intangible fixed assets		(495)	(369)
Payments to acquire tangible fixed assets		(29,370)	(31,778)
Receipts from sales of tangible fixed assets		<u>2,248</u>	<u>946</u>
Net cash outflow from capital expenditure		<u>(27,617)</u>	<u>(31,201)</u>
Net cash (outflow) /inflow before financing		(1,087)	9,005
Financing:			
Short term loan		12,500	(8,000)
Decrease in loans from parent companies		<u>(8,219)</u>	<u>-</u>
Net cash inflow/(outflow) from financing		<u>4,281</u>	<u>(8,000)</u>
Increase in cash		<u>3,194</u>	<u>1,005</u>
Reconciliation of net cash flow to movements in net debt			
Increase in cash in the period		3,194	1,005
Cash (outflow)/inflow from debt financing		<u>(4,281)</u>	<u>8,000</u>
Change in net debt resulting from cashflows		(1,087)	9,005
Net debt at 1 December 2002		(4,261)	(13,266)
Net debt at 30 November 2003	20	<u>(5,348)</u>	<u>(4,261)</u>

Some of the notes on page 18 form part of this cashflow statement.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE 52 WEEKS ENDED 30 NOVEMBER 2003

	2003 £'000	2002 £'000
Profit for the financial year	2,682	19,029
Prior year adjustment (as explained in note 1)	-	(5,796)
Total recognised gains and losses since last report	<u>2,682</u>	<u>13,233</u>

PIZZA HUT (UK) LIMITED

NOTES (forming part of the financial statements)

1. ACCOUNTING POLICIES

(a) Basis of Accounting

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

(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.

In the previous year the Group changed its accounting policy on deferred tax to comply with the requirements of FRS 19 'Deferred Tax'. The change in accounting policy was reflected by way of a prior year adjustment and the prior year comparisons were adjusted accordingly. The effect of the prior year adjustment was to increase the tax charge for the period ended 1 December 2002 by £852k and the deferred tax provision at 1 December 2002 by £6,648k.

(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 23 below.

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

	2003 £'000	2002 £'000
This is stated after charging/(crediting):		
Auditors' remuneration for audit work	43	41
Auditors' remuneration for non audit work	10	10
Rental on operating leases – land and buildings	30,148	27,994
Exchange differences	(13)	(67)
Depreciation of fixed assets	18,773	16,883
Amortisation of fixed assets	202	189

The profit dealt with in the accounts of the holding company amounted to £2,710,000 (2002 : £19,057,000).

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

4. DIRECTORS' EMOLUMENTS

There were no directors' emoluments in either 2003 or 2002.

5. STAFF COSTS

	2003 £'000	2002 £'000
Wages and salaries	106,575	96,408
Social security costs	6,002	5,326
Other pension costs	1,686	1,193
	<u>114,263</u>	<u>102,927</u>

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

	Number of employees	
	2003	2002
Office and management	1,243	1,158
Restaurants	14,489	14,012
	<u>15,732</u>	<u>15,170</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

6. EXCEPTIONAL ITEMS

	2003 £'000	2002 £'000
Exceptional profit on disposal of fixed assets	<u>1,176</u>	<u>975</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank overdraft	140	154
Debenture loans	99	410
Other	20	105
	<u>259</u>	<u>669</u>

Debenture loans are due to the Joint Venture parents of the company. The loans were repaid during the year.

8. TAXATION

	2003 £'000	2002 £'000
Tax charge/(credit)		
UK Corporation tax	10,863	9,693
Adjustments in respect of prior years	<u>11</u>	<u>(279)</u>
Total current tax	10,874	9,414
Deferred taxation – origination of timing differences	1,094	852
Tax on profit on ordinary activities	<u>11,968</u>	<u>10,266</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 (2002: higher) than the standard rate of corporation tax in the UK (30% - 2002:30%). The differences are explained below.

	2003 £'000	2002 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	33,650	29,295
Current tax at 30% (2002: 30%)	10,095	8,788
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily depreciation of ineligible assets)	1,856	1,717
Capital allowances for period in excess of depreciation of eligible assets	(1,088)	(812)
Adjustments to tax charge in respect of previous periods	11	(279)
Total current tax charge (see above)	10,874	9,414

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. (2002: £519,000).

PIZZA HUT (UK) LIMITED

NOTES (continued)

9. INTANGIBLE FIXED ASSETS

GROUP & COMPANY

	Goodwill £'000	Operating Rights £'000	Total £'000
Cost			
At 1 December 2002	555	3,619	4,174
Additions	-	495	495
Disposals	-	(33)	(33)
At 30 November 2003	<u>555</u>	<u>4,081</u>	<u>4,636</u>
Amortisation			
At 1 December 2002	445	1,825	2,270
Charge for the period	28	174	202
Disposals	-	(23)	(23)
At 30 November 2003	<u>473</u>	<u>1,976</u>	<u>2,449</u>
Net book value			
At 30 November 2003	82	2,105	2,187
At 1 December 2002	<u>110</u>	<u>1,794</u>	<u>1,904</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 1 December 2002	141,406	75,242	110	5,505	222,263
Additions	10,968	10,832	-	10,759	32,559
Disposals	(4,079)	(5,425)	-	-	(9,504)
Transfer of assets	6,014	2,288	-	(8,302)	-
At 30 November 2003	<u>154,309</u>	<u>82,937</u>	<u>110</u>	<u>7,962</u>	<u>245,318</u>

Depreciation

At 1 December 2002	49,600	53,115	110	-	102,825
Provided during the period	9,410	9,363	-	-	18,773
Disposals	(2,397)	(4,866)	-	-	(7,263)
At 30 November 2003	<u>56,613</u>	<u>57,612</u>	<u>110</u>	<u>-</u>	<u>114,335</u>

Net book value

At 30 November 2003	97,696	25,325	-	7,962	130,983
At 1 December 2002	<u>91,806</u>	<u>22,127</u>	<u>-</u>	<u>5,505</u>	<u>119,438</u>

	2003 Group & Company £'000	2002 Group & Company £'000
Land and buildings		
The net book value of land and buildings can be analysed as follows:		
Freehold	1,982	2,544
Long leasehold	482	1,218
Short leasehold	95,232	88,044
	<u>97,696</u>	<u>91,806</u>

The gross amount of non-depreciable assets that are included in Land and Buildings is: £1.1m (2002:£1.4m).

PIZZA HUT (UK) LIMITED

NOTES (continued)

11. SHARES IN SUBSIDIARY UNDERTAKINGS

	2003 Company £'000	2002 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

	2003 £'000	2002 £'000
Ingredients	1,520	1,533
Merchandising	284	158
Bike stock	110	56
	<u>1,914</u>	<u>1,747</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**

	2003	2002
	£'000	£'000
Trade debtors	4,811	4,631
Other debtors	12	8
Prepayments and accrued income	3,884	3,674
	<u>8,707</u>	<u>8,313</u>

All debtors fall due within one year.

14. CREDITORS – amounts falling due within one year

	GROUP	COMPANY	GROUP	COMPANY
	2003	2003	2002	2002
	£'000	£'000	£'000	£'000
Short term loan	12,500	12,500	-	-
Trade creditors	16,577	16,577	17,091	17,091
Debenture loans	-	-	8,219	8,219
Amounts owed to parent undertakings	1,567	1,567	1,036	1,036
Amounts owed to Subsidiary undertakings	-	14,537	-	14,537
Taxation and Social Security	9,052	9,052	7,580	7,580
Other creditors	5,333	5,333	2,144	2,144
Accruals	18,729	18,729	16,487	16,487
Corporation tax	5,697	5,697	5,091	5,091
	<u>69,455</u>	<u>83,992</u>	<u>57,648</u>	<u>72,185</u>

Debenture loans are due to the Joint Venture parents of the company. The loans were repaid during the year.

PIZZA HUT (UK) LIMITED

NOTES (continued)

15. DEFERRED TAXATION

Provisions for liabilities and charges	£'000
At 1 December 2002	6,648
Profit and loss charge	1,094
At 30 November 2003	<u>7,742</u>

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

	2003	2002
	£'000	£'000
Fixed Asset timing differences	7,859	6,771
Other timing differences	(117)	(123)
	<u>7,742</u>	<u>6,648</u>

16. CALLED UP SHARE CAPITAL

	2003	2002
	£'000	£'000
Authorised, allotted, called up and fully paid:		
Equity: Ordinary shares of £1 each	800	800
Non Equity: 3% non-cumulative preference shares of £1 each	5	5
	<u>805</u>	<u>805</u>

17. CAPITAL AND RESERVES

	Group		Company	
	Share capital	Profit and loss	Share capital	Profit and loss
	£'000	£'000	£'000	£'000
At 1 December 2002	805	70,259	805	60,069
Retained profit for the period	-	2,682	-	2,710
At 30 November 2003	<u>805</u>	<u>72,941</u>	<u>805</u>	<u>62,779</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Opening shareholders' funds as previously stated	71,064	57,831	60,874	47,613
Prior year adjustment	-	(5,796)	-	(5,796)
Opening shareholders' funds as restated	<u>71,064</u>	<u>52,035</u>	<u>60,874</u>	<u>41,817</u>
Profit for the period	<u>2,682</u>	<u>19,029</u>	<u>2,710</u>	<u>19,057</u>
Closing shareholders' funds	<u>73,746</u>	<u>71,064</u>	<u>63,584</u>	<u>60,874</u>

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

	2003	2002
	£'000	£'000
Operating profit	32,610	28,932
Depreciation and other amounts written off tangible and intangible fixed assets	18,975	17,072
Operating loss on sale of fixed assets	1,179	1,065
(Increase)/decrease in stocks	(167)	115
Increase in debtors	(394)	(1,764)
Increase in creditors	3,732	2,206
Net cash inflow from operating activities	<u>55,935</u>	<u>47,626</u>

20. ANALYSIS OF NET DEBT

	2003	Cashflow	2002
	£'000	£'000	£'000
Cash at bank and in hand	7,152	3,194	3,958
Short term loan	(12,500)	(4,281)	(8,219)
Total	<u>(5,348)</u>	<u>(1,087)</u>	<u>(4,261)</u>

PIZZA HUT (UK) LIMITED**NOTES (continued)****21. COMMITMENTS****GROUP & COMPANY**

At 30 November 2003 the annual commitments under non-cancellable operating leases were as follows:

	2003	2002
	Land and	Land and
	Buildings	Buildings
	£'000	£'000
Operating leases which expire:		
Within one year	358	218
In second to fifth years inclusive	3,030	1,985
Over five years	26,829	24,696
	<u>30,217</u>	<u>26,899</u>

22. OTHER RELATED PARTY TRANSACTIONS

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

	2003	2002
	£'000	£'000
Food and Beverage Purchases		
YUM! Brands Inc	50,714	45,359
Whitbread Plc	22,827	22,437
Operating Rights and Franchise Fees		
YUM! Brands Inc	15,449	10,472
Recharges for Services		
YUM! Brands Inc	300	460
Whitbread Plc	413	633
Amounts owed to Related Parties		
YUM! Brands Inc	1,356	988
Whitbread Plc	211	48

PIZZA HUT (UK) LIMITED

NOTES (continued)

23. PENSION

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 £276,379 is included in creditors, representing the deficit of the amount funded over the pension costs.

PIZZA HUT (UK) LIMITED
NOTES (continued)

23. PENSION (continued)

ii) FRS17

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31/3/2001 and updated to 30/11/2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	At year end 30/11/2003	At year end 30/11/2002	At year end 30/11/2001
Rate of increase in salaries	3.50%	3.25%	3.50%
Rate of increase of pensions in payment	2.50%	2.25%	2.25%
Discount rate	5.75%	5.75%	6.00%
Inflation assumption	2.50%	2.25%	2.25%

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

	At year-end 30/11/2003	At year end 30/11/2003 £ 000	At year-end 30/11/2002	At year end 30/11/2002 £ 000	At year-end 30/11/2001	At year end 30/11/2001 £000
Equities	7.70%	9,662	7.70%	6,976	8.00%	7,015
Bonds	5.00%	1,592	4.70%	1,475	5.00%	1,380
Property	3.50%	295	3.50%	348	3.50%	507
Total market value of assets		11,549		8,799		8,902
Actuarial value of liability		(17,223)		(12,601)		(9,604)
Recoverable deficit in the schemes		(5,674)		(3,802)		(702)
Related deferred tax asset		1,702		1,141		210
Net pension liability		(3,972)		(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:

	At 30/11/2003 £'000	At 30/11/2002 £'000
Net assets excluding pension liability	73,746	71,064
Release of SSAP24 accrual	276	290
Pension liability	(3,972)	(2,661)
Net assets including pension liability	70,050	68,693
	At 30/11/2003 £'000	At 30/11/2002 £'000
Profit and loss reserve excluding pension liability	72,941	70,259
Release of SSAP24 accrual	276	290
Pension liability	(3,972)	(2,661)
Profit and loss reserve including pension liability	69,245	67,888

PIZZA HUT (UK) LIMITED

NOTES (continued)

23. PENSION (continued)

Analysis of the amount charged to operating profit

	Year to 30/11/2003	Year to 30/11/2002
	£'000	£'000
Service cost	1,577	1,190
Past service cost	-	21
Total operating charge	<u>1,577</u>	<u>1,211</u>

Analysis of net return on pension scheme

	Year to 30/11/2003	Year to 30/11/2002
	£'000	£'000
Expected return on pension scheme assets	681	706
Interest on pension liabilities	<u>(775)</u>	<u>(625)</u>
Net (interest cost)/return on assets	<u>(94)</u>	<u>81</u>

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

	Year to 30/11/2003	Year to 30/11/2002
	£'000	£'000
Actual return less expected return on assets	299	(2,406)
Experience losses on liabilities	(452)	(83)
Changes in assumptions	<u>(1,625)</u>	<u>(679)</u>
Actuarial loss recognised in STRGL	(1,778)	(3,168)
Adjustment due to surplus cap	-	-
Net loss recognised	<u>(1,778)</u>	<u>(3,168)</u>

Movement in surplus during the year

	Year to 30/11/2003	Year to 30/11/2002
	£'000	£'000
Deficit in scheme at beginning of year	(3,802)	(702)
Movement in year:		
Current service cost	(1,577)	(1,190)
Contributions	1,577	1,198
Past service costs	-	(21)
Net (interest cost)/return on assets	(94)	81
Actuarial loss	<u>(1,778)</u>	<u>(3,168)</u>
Deficit in scheme at end of year	<u>(5,674)</u>	<u>(3,802)</u>

PIZZA HUT (UK) LIMITED

NOTES (continued)

23. PENSION (Continued)

History of experience gains and losses

	Financial year ending in	
	2003	2002
Difference between expected and actual return on scheme assets:		
amount (£000)	299	(2,406)
percentage of scheme assets	3%	-27%
Experience gains and losses on scheme liabilities:		
amount (£000)	(452)	(83)
percentage of scheme liabilities	-3%	-1%
Total amount recognised in statement of total recognised gains and losses:		
amount (£000)	(1,778)	(3,168)
percentage of scheme liabilities	-10%	-25%

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. (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