

COMPANY REGISTRATION NUMBER 01072921

PIZZA HUT (U.K.) LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
4 DECEMBER 2016**

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PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

FINANCIAL STATEMENTS

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PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE STRATEGIC REPORT

The directors present their strategic report, the directors' report and the audited financial statements of the company for the financial year from 30 November 2015 to 4 December 2016.

Principal Activities

The principal activity of the company during the financial year was trading as a restaurant operator.

At the balance sheet date, Pizza Hut (U.K.) Ltd operated 266 restaurants (2015: 272).

Performance

The results of the company for the financial year are set out on page 10 and show an operating profit, excluding exceptional items, of £7.36 million (2015: £8.34 million), which was 12% lower than last year and was due to the increase in royalty rates under the franchise agreement and increases in staff costs.

Operating profit includes Trading EBITDA of £28.32 million (2015: £24.70 million), which was 15% ahead of last year and continues the healthy growth in business performance and financial economics that have been delivered by the business over the last few years.

The performance of the company continues to be strong with the continuation of the restaurant refurbishment programme across the financial year. At year end there were 192 refurbished restaurants representing 72% of total restaurant locations. Some of these refurbishments took place part way through 2016, and the sales and profit impact will continue to build across 2017 and 2018.

The company reported net Exceptional Costs totalling £1.70 million (2015: £0.24 million). These are detailed on page 21 of the financial statements.

The overall profit for the financial year was £2.77 million (2015: £6.91 million), which was £4.14 million lower than last year, with £1.47 million attributable to higher tax on profit.

The strong financial position of the company is reflected by a cash balance of £17.44 million at balance sheet date.

KPI's

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

The sales for the financial year were £233 million (2015: £225 million), which was c. 3% higher than last year. On a like-for-like basis ("LFL"), sales were c. 3% higher than last year reflecting the benefits from the restaurant refurbishments and related initiatives with 6 restaurant closures during the year. Pizza Hut (U.K.) Ltd measures LFL growth against the industry using CGA Peach data, and during the financial year Pizza Hut (U.K.) Ltd was ahead of the industry measure for 39 out of 53 weeks. Sales growth will continue to build in 2017 and 2018 as the company benefits from both the full financial year trading impact of the 2016 refurbishments and the additional refurbishments that will take place over the next 12 months.

Trading EBITDA, including central costs and excluding exceptional items, was £28.32 million (2015: £24.70 million), which was 15% ahead of prior year. Factors driving the favourable performance included sales growth, direct cost synergies and savings across a range of variable and fixed costs.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE STRATEGIC REPORT *(Continued)*

Strategy

Since the change in ownership in November 2012 management has continued the strategic objective of developing and revitalising the Pizza Hut Restaurant brand within the UK.

The business commenced a major refurbishment programme during 2013, which is expected to continue into 2018. Restaurants re-imaged during the financial year included locations at Star City, Bolton, Ashford, Finchley Lido, Aberdeen, Cheshire Oaks, Gateshead, Staines, Norwich and Milton Keynes. At the end of the financial year 192 restaurants had been re-imaged (2015: 130).

The refurbishment programme has brought a more contemporary design to the restaurants whilst also capturing the essence of our American heritage. Our well proven approach to the refurbishment programme has ensured that we continue to develop and evolve our restaurant design, enabling us to optimise and tailor the design to individual restaurants. The return on investment is well ahead of target and guest experience surveys are showing significant increase in overall satisfaction, value for money and intent to revisit within the next 3 months.

The reimage programme is the first step in our sales and profit growth strategy. During 2015 we developed and tested a series of programmes that assist in driving a growth mind-set within our restaurants, and which assist in the delivery of sustainable growth on growth opportunities. By the end of 2016 there were 49 restaurants that had completed the programme, with a further 55 restaurants in training. The success within this programme is to unlock opportunities at an individual restaurant level based on business generators, how the restaurant functions and optimising workflows and processes.

At the heart of the Pizza Hut strategy is the Guest and work continued across the financial year to ensure that both the guest proposition and experience continued to evolve. Developments in the menu included the addition of starter and dessert dishes, the introduction of a new flatbread pizza and continued focus on the bar and alcohol range. The improved and varied menu has seen positive growth in spend, particularly where new menu items are shared or complement the main course.

Work continued to define and grow our culture and create training programmes which are designed to deliver our vision to be "The Most Loved Place to Eat and Work". Pizza Hut (U.K.) Ltd used a variety of ways to interact with the team ranging from roadshows, training programmes, online learning and social networking. During the year an American vintage school bus was acquired and restored, enabling a fun and mobile venue that can travel to restaurants across the country.

Programmes supporting the company's cultural development included Heartstyles and The School of Life. Heartstyles is a tool and strategy to measure and manage culture to transform people who drive performance. The School of Life is devoted to developing emotional intelligence by addressing issues such as the art of relationships and how to better understand the world around us.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE STRATEGIC REPORT (*Continued*)

We launched our Apprenticeship programme during the year with the target of offering 1,500 apprenticeships over the next five years. This programme enables participants to develop skills ranging from guest service and hospitality leadership to more technical skills on food production and financial analysis. In addition a Degree programme in partnership with Manchester Metropolitan University was launched during the year, and the first participants joined the University's well-established business training programmes during September.

Pizza Hut (U.K.) Ltd continues to optimise its marketing by taking a targeted and segmented approach to our messaging, designed to get the right news and information about the brand to the right people at the right time. The key focus areas during the year included showcasing the continued transformation of the brand through menu and asset reimage, demonstrating the brand rejuvenation through people investment and demonstrating our relevance to the Millennial market by connecting the brand to culturally relevant events to drive further brand reappraisal. This approach has been reflected in our media, digital and PR activity, with particular success in driving greater reach and impact. During the year a Loyalty App was released, which provides guests with the opportunity to earn and redeem points and to receive discount and promotional offers. App downloads were ahead of target for the year and provides a strong tool to drive loyalty, increase guest visits and guest spend. We also continued to build and grow our CRM system, which enables Pizza Hut (U.K.) Ltd to target specific areas of the country and specific demographics to drive awareness and interest in the brand.

The "Taste Freedom" communication platform continued across the year and was recognised by the DADI National Marketing Awards for being the best digital / social media led brand reappraisal campaign in the UK. Core to the brand proposition is food passion, perception change and all-round value for money.

The re-imaging of our restaurants, the development of our food and beverage offer, the optimisation of our people and processes and our strength in communicating those changes has delivered significant improvement to the guest experience and the financial economics of the business. Our strategy to date has delivered a strong platform for the business and will assist in driving sustainable growth on growth opportunities in the years ahead.

Estate Consolidation

Management has continued with the strategic objective of consolidating the estate and exiting restaurants that are under-performing or at date of lease expiry are not regarded as core to the business. Each closure decision considers the historic performance of the restaurant, the rent payable under the existing lease and whether there are any mitigating factors that would support a continuing operation. During the financial year the business exited 6 locations (2015: 13).

Future Outlook

During 2017 the business will continue with the re-image programme with approximately 40 restaurants included in the re-image plan. This will result in over 90% of the total estate having been reimaged by the end of 2017. We will also continue to grow our cocktail bar & alcohol offer and continue our testing and rollout of the Evening Vibe opportunities. A new restaurant will open at the White Rose shopping centre in Leeds, which will be our first new restaurant since 2012. The programme of closing underperforming stores will continue with a further 5 restaurant closures planned for 2017, which will further improve profitability and cash generation.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE STRATEGIC REPORT *(Continued)*

We will continue to raise the bar on operational discipline and profit optimisation through tools, processes and people. Further initiatives at a segmentation level (ie: retail / leisure) will also be explored, unlocking opportunities across the various segments of the estate.

We will also continue to invest in restaurant IT infrastructure and staff training to support the various initiatives referenced above.

Significant progress has been made in reshaping the restaurant estate for the future, and these innovations and initiatives will deliver strong performance growth opportunities for the business.

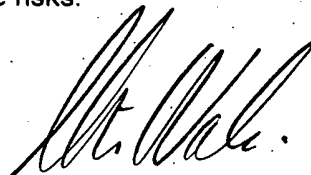
Principal Risks & Uncertainties

As a customer facing business, any risks to the UK economy as a whole, and in particular to consumer sentiment and spending could impact on overall performance of the company.

Whilst the principal risk to the business is lower guest volumes, the brand is relatively well positioned as a result of the overall affordability of the Pizza Hut (U.K.) Ltd offer. The risk to earnings performance can be mitigated by savings in labour, which reduce at lower volumes, and by controlling discretionary costs and capital expenditure.

Significant food and wage inflation are also risk factors, although the business can to a certain extent offset inflationary pressure through moderate menu price increases.

The business is well placed to respond to the above risks.



Mr A Walker
Director

This report was approved by the board and signed on its behalf on 6th April 2017.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £2,767,000 (2015: profit of £6,914,000). The directors have not recommended a dividend (2015: nil).

DIRECTORS

The directors of the company who were in office during the financial year and up to the date of signing the financial statements were:

Mr J Hofma
Mr H Birts
Ms K Austin
Mr M Spencer
Mr A Walker

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

GOING CONCERN

The company's business activities together with the factors likely to affect its future development, performance, and position are set out in the sections above and in the strategic report. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis.

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

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

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

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE DIRECTORS' REPORT *(Continued)*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

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

DIRECTORS' INDEMNITIES

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

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

THE DIRECTORS' REPORT (*Continued*)

FINANCIAL RISK MANAGEMENT POLICY

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

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1-4. These matters relate to principal activities, business review, future developments and risks and uncertainties.

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.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

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

The financial statements on pages 10 to 28 were approved by the Board of Directors on 6th April 2017 and signed on behalf of board by



Mr A Walker
Director

PIZZA HUT (U.K.) LTD

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 4 December 2016 and of its profit for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 4 December 2016;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PIZZA HUT (U.K.) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIZZA HUT (U.K.) LTD *(continued)*

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

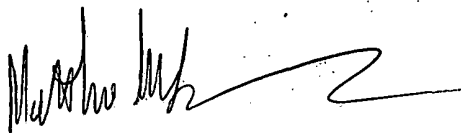
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
10 April 2017

PIZZA HUT (U.K.) LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 53 WEEK PERIOD ENDED 4 DECEMBER 2016

	Note	2016 £000	2015 £000
TURNOVER	5	232,719	225,286
Other operating income	6	133	149
		<u>232,852</u>	<u>225,435</u>
Operating costs	7	(227,202)	(217,338)
Operating profit	9	5,650	8,097
Analysed as:			
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		7,355	8,337
Exceptional Items	11	(1,705)	(240)
OPERATING PROFIT		5,650	8,097
Interest receivable and similar income	12	72	138
Interest payable and similar charges	12	(500)	(344)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,222	7,891
Tax on profit on ordinary activities	13	(2,455)	(977)
PROFIT FOR THE FINANCIAL YEAR		2,767	6,914
Other Comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,767	6,914

The notes on pages 13 to 28 form part of these financial statements. All amounts relate to continuing operations. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

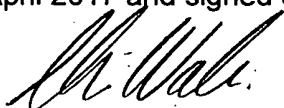
PIZZA HUT (U.K.) LTD

BALANCE SHEET

AS AT 4 DECEMBER 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
FIXED ASSETS					
Intangible assets	14		721		842
Tangible assets	15		69,930		64,057
			<u>70,651</u>		<u>64,899</u>
CURRENT ASSETS					
Stocks	16	1,294		1,207	
Debtors	17	11,732		6,469	
Cash at bank and in hand		<u>17,440</u>		<u>27,059</u>	
		30,466		34,735	
CREDITORS: Amounts falling due within one year	18	<u>(38,483)</u>		<u>(40,438)</u>	
NET CURRENT LIABILITIES			<u>(8,017)</u>		<u>(5,703)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			62,634		59,196
PROVISIONS FOR LIABILITIES					
Deferred taxation	22		(721)		(177)
Other provisions	23		<u>(1,062)</u>		<u>(935)</u>
NET ASSETS			<u>60,851</u>		<u>58,084</u>
CAPITAL AND RESERVES					
Called up share capital	25		71,505		71,505
Accumulated losses	26		<u>(10,654)</u>		<u>(13,421)</u>
TOTAL SHAREHOLDERS' FUNDS	27		<u>60,851</u>		<u>58,084</u>

The financial statements on pages 10 to 28 were approved by the Board of Directors on 6th April 2017 and signed on behalf of the board by:



Mr A Walker

Company Registration Number: 01072921

PIZZA HUT (U.K.) LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE 53 WEEK PERIOD ENDED 4 DECEMBER 2016

	Called-up share capital	Share Premium	Retained earnings	Total
	£000	£000	£000	£000
Balance as at 1 December 2014	71,505	-	(20,335)	51,170
Profit for the financial year			6,914	6,914
Other comprehensive income for the year			-	-
Balance as at 29 November 2015	71,505	-	(13,421)	58,084
Balance as at 30 November 2015	71,505	-	(13,421)	58,084
Profit for the financial year			2,767	2,767
Other comprehensive income for the year			-	-
Balance as at 4 December 2016	71,505	-	(10,654)	60,851

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pizza Hut (U.K.) Ltd trades as a restaurant operator in the UK. At the balance sheet date, Pizza Hut (U.K.) Ltd operated 266 restaurants (2015: 272).

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

2. STATEMENT OF COMPLIANCE

The individual financial statements of Pizza Hut (U.K.) Limited have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS102 in these financial statements. Details of the transition to FRS 102 are disclosed in Note 29.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards and the policies have been applied consistently between years.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

Going concern

The company's business activities together with the factors likely to affect its future development, performance, and position are set out in the sections above. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of 12 months from signing these financial statements. The company therefore continues to adopt the going concern basis.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, PHH1 Limited, includes the company's cash flows in its own consolidated financial statements.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency

The company's functional and presentation currency is pound sterling.

Revenue recognition

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

Rental Income

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

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Fixed assets

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

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Land and buildings - effective life of the lease.

Fixtures and fittings - 3 years to 10 years.

Restaurants in course of construction

Capital costs are included in tangible fixed assets, and depreciated from the time that they are recognised as an asset on the fixed asset register and used in the business. Revenue costs are expensed as incurred.

Stocks

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

Operating lease agreements

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

Dilapidations

Provisions for dilapidations are provided when the company becomes obligated and the liability can be reliably estimated.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Pension costs and other post-retirement benefits

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

Taxation including deferred taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reported date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

Rent free periods

Where a rent free period is granted to the company, the accounting policy adopted is to charge the profit and loss account with a constant periodic rental over the term of the lease.

Operating rights

Operating rights, representing initial franchise fees payable 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.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

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

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

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

Thereafter any excess is recognised in profit or loss.

Financial instruments

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

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(Continued)*

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

Exemptions on transition to FRS 102

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition in accordance with the company's accounting policies.

Critical accounting estimates and assumptions

The company makes estimations and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

4. CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY *(continued)*

Store closure provisions

When a restaurant becomes vacant or management take a decision to close early, the company provides for all unavoidable costs, net of anticipated cash inflows.

Onerous lease provision

Where a restaurants cash inflows do not meet its liabilities, and where a decision to close early has not been taken, the company provides for all unavoidable costs, net of anticipated cash inflows.

Impairment

The company impairs its tangible assets for non-profit making restaurants, based on each restaurant's ability to cover its overheads.

Dilapidation

The restaurant units are leased based on a defined number of years, the estimated dilapidation cost are calculated based on the historical dilapidation payments made for restaurants where the lease has come to an end.

5. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2016 £000	2015 £000
United Kingdom	<u>232,719</u>	<u>225,286</u>

6. OTHER OPERATING INCOME

	2016 £000	2015 £000
Rent receivable	<u>133</u>	<u>149</u>

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

7. OPERATING COSTS

53 week period ended 4 December 2016

	Excluding exceptional items £000	Exceptional items £000	Total £000
Raw materials and consumables	(45,976)	-	(45,976)
Other external charges	(85,208)	(1,213)	(86,421)
Staff costs	(79,406)	-	(79,406)
Depreciation and other amounts written off tangible and intangible assets	(14,907)	(492)	(15,399)
Total operating costs	<u>(225,497)</u>	<u>(1,705)</u>	<u>(227,202)</u>

52 week period ended 29 November 2015

	Excluding exceptional items £000	Exceptional items £000	Total £000
Raw materials and consumables	(46,150)	-	(46,150)
Other external charges	(83,264)	1,536	(81,728)
Staff costs	(75,881)	-	(75,881)
Depreciation and other amounts written off tangible and intangible assets	(11,803)	(1,776)	(13,579)
Total operating costs	<u>(217,098)</u>	<u>(240)</u>	<u>(217,338)</u>

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. PARTICULARS OF EMPLOYEES

The average monthly number of staff employed by the company during the financial year amounted to:

	2016 No	2015 No
Office and Management	762	745
Restaurants	7,752	7,751
	<u>8,514</u>	<u>8,496</u>

The aggregate payroll costs of the above were:

	2016 £000	2015 £000
Wages and salaries	74,093	70,914
Social security costs	4,428	4,123
Other Pension costs	886	844
	<u>79,407</u>	<u>75,881</u>

Included within other pension cost are accruals of £120k (2015: £175k) in relation to defined contribution pension schemes.

9. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of owned fixed assets	14,786	11,671
Amortisation of intangible fixed assets	115	116
Loss on disposal of fixed assets	846	910
Loss on disposal of intangible fixed assets	5	16
Operating lease costs:		
- Land and Buildings	25,595	25,033
Auditors' remuneration – audit of the financial statements	52	37
Auditors' remuneration – other fees:	7	7
- Taxation services		

10. DIRECTORS' REMUNERATION

The emoluments of those directors who are also directors of the parent company are disclosed in the financial statements of PHH2 Limited.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. EXCEPTIONAL ITEMS

	2016 £000	2015 £000
Net exceptional income on early lease termination	1,017	983
Impairment of tangible fixed assets	(1,636)	(867)
System transition	-	(356)
Advisor fees	(1,086)	-
	<u>(1,705)</u>	<u>(240)</u>

Lease termination income and costs - These costs relate to store closures which fall outside of the groups re-image programme which was identified and controlled by management as part of the turnaround strategy implemented at the time of Pizza Hut (U.K.) Ltd acquisition. These costs are offset by payments received in relation to early termination of leases giving an overall credit for the period.

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

System transition costs – One off incremental costs in the prior year as a result of the transition from the Micros to the WMX system (sales and labour forecasting tool).

Advisor fees - Legal and adviser fees relating to a one-off strategic project.

12. NET INTEREST EXPENSE

Interest receivable and similar income

	2016 £000	2015 £000
Deposit Interest	(72)	(138)
	<u>(72)</u>	<u>(138)</u>

Interest payable and similar charges

	2016 £000	2015 £000
Other Interest paid	161	-
Inter-company Interest	339	344
	<u>500</u>	<u>344</u>

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the financial year

	2016 £000	2015 £000
Current tax:		
In respect of the year;		
UK Corporation tax charge based on the results for the year at 20% (2015 - 20.33%)	2,014	1,879
Group relief	(318)	(311)
Under/(over) provision in prior years	215	(754)
Total current tax	1,911	814
Deferred tax:		
Origination of timing differences	352	0
Adjustment in respects of prior period	192	163
Total Deferred tax	544	163
Tax on profit on ordinary activities	2,455	977

(b) Reconciliation of tax charge

Tax expense for the financial year is lower (2015: lower) than the standard rate of corporation tax in the UK for the financial year ended 4 December 2016 of 20.00% (2015: 20.33%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	5,222	7,891
Current Tax at 20 % (2015 - 20.33%)	1,044	1,604
Expenses not deductible for tax purposes	106	109
Deferred tax not provided for capital allowances and depreciation	1,216	166
Corporation tax based on results for the year	2,366	1,879
Group relief	(318)	(311)
Under/(over) provision in prior years	407	(591)
Total tax charge	2,455	977

Note on taxation:

The tax charge for the financial year has been reduced by £318k (2015: £311k) because of losses surrendered by the parent undertaking. No payment for this surrender is to be made by the company.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the company's future current tax charge and reduce the deferred tax liability accordingly.

14. INTANGIBLE ASSETS

	Operating Rights £000
Cost	
At 30 November 2015	4,201
Disposals	(15)
At 04 December 2016	4,186
Accumulated Amortisation	
At 30 November 2015	3,359
Charge for the financial year	115
On Disposals	(9)
At 04 December 2016	3,465
Net Book Value	
At 04 December 2016	721
At 29 November 2015	842

15. TANGIBLE ASSET

	Land and buildings £000	Assets in the course of construction £000	Fixtures and Fittings £000	Total £000
COST OR VALUATION				
At 30 November 2015	120,828	3,924	76,812	201,564
Additions	7,471	4,814	10,856	23,141
Disposals	(8,774)	-	(8,783)	(17,557)
Transfers	4,800	(5,823)	1,023	-
At 04 December 2016	124,325	2,915	79,908	207,148
DEPRECIATION				
At 30 November 2015	78,734	-	58,773	137,507
Charge for the year	7,238	-	7,548	14,786
Disposals	(8,158)	-	(8,553)	(16,711)
Impairment charge	975	-	661	1,636
At 04 December 2016	78,789	-	58,429	137,218
NET BOOK VALUE				
At 04 December 2016	45,536	2,915	21,479	69,930
At 29 November 2015	42,094	3,924	18,039	64,057

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

16. STOCKS

	2016 £000	2015 £000
Ingredients	1,167	1,181
Merchandising	127	26
	<u>1,294</u>	<u>1,207</u>

17. DEBTORS

	2016 £000	2015 £000
Trade debtors	2,423	2,917
Amounts owed by group Undertakings	5,218	-
Other debtors	42	95
Prepayments and accrued income	4,049	3,457
	<u>11,732</u>	<u>6,469</u>

18. CREDITORS: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	9,337	10,334
Amounts owed to parent undertaking	-	4,332
Taxation and social security	9,893	8,146
Other creditors	3,397	4,193
	<u>22,627</u>	<u>27,005</u>
Accruals and deferred income	15,857	13,433
	<u>38,483</u>	<u>40,438</u>

On 9 February 2016, PHH 2 Limited and Pizza Hut (U.K.) Limited entered into a facility agreement with HSBC Bank plc pursuant to which HSBC Bank plc made a three year multicurrency revolving credit facility in an aggregate amount of up to £12,000,000 available to Pizza Hut (U.K.) Limited. This facility is provided for general corporate and working capital purposes of PHH 2 Limited and its subsidiaries and is supported by guarantees and security provided by Pizza Hut (U.K.) Limited and PHH 2 Limited. Interest is payable on drawn amounts at a rate of LIBOR or EURIBOR (as applicable) plus 2.50% per annum and a commitment fee is payable on undrawn amounts at a rate of 1% per annum.

In connection with the HSBC facility, the longstop redemption date for all loan notes issued by PHH 2 Limited was extended until 28 February 2019.

Amounts due to parent undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

19. POST-EMPLOYMENT BENEFITS

The company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016 £000	2015 £000
Current period contribution	886	844

20. RELATED PARTY DISCLOSURES

Pizza Hut (U.K.) Ltd pays a management fee to Rutland Partners LLP. During the financial year to 4 December 2016 it amounted to £154k (2015: £153k).

The company has taken advantage of the exemption provided by FRS102 from disclosing related party transactions with other companies within the PHH1 Limited Group on the basis that it is a wholly owned subsidiary and its ultimate parent publishes consolidated financial statements.

21. GUARANTEE

There is a charge over the assets of Pizza Hut (U.K.) Ltd for Loan Notes of £21.05 million, issued by PHH2 Ltd. The loan notes are repayable on 28 February 2019.

22. DEFERRED TAXATION

The movement in the deferred taxation provision during the financial year was:

	2016 £000	2015 £000
Provision brought forward	(177)	(14)
Profit and loss account movement arising during the year	(544)	(163)
Provision carried forward	<u>(721)</u>	<u>(177)</u>

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

	2016 £000	2015 £000
Lower depreciation on fixed assets over taxation allowance	(721)	(177)
	<u>(721)</u>	<u>(177)</u>

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

23. OTHER PROVISIONS

	£000
At 30 November 2015	935
Charged to the profit and loss account	518
Utilised this year	(440)
Amortisation of discount	49
At 4 December 2016	<u>1,062</u>

Dilapidations provisions relate to the expected future exit costs of operating lease agreements. In the prior year, a provision was made in respect of the costs of future store closures. These costs were classified as exceptional as management were undergoing a re-image and portfolio rationalisation. In the current year, management have revised the estimated cost of exit, utilised some of the provision and amortised the discount, this has resulted in the increase of the provision.

24. COMMITMENTS

At 30 November 2015 and 4 December 2016 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2016	2015
	£000	£000
Operating lease which expire:		
Within 1 year	12	745
Within 2 to 5 years	3,994	3,491
After more than 5 years	21,590	21,550
	<u>25,596</u>	<u>25,786</u>

In relation to the amounts shown above, the company has sublease agreements with an income of £103,100 (2015: £96,000)

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

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

25. CALLED UP SHARE CAPITAL

Authorised share capital:

	2016 £000	2015 £000
100,000,000 (2015: 100,000,000) Ordinary shares of £1 each	100,000	100,000

Allotted, called up and fully paid:

	2016 No	£000	2015 No	£000
Ordinary shares of 1p each	<u>71,505,000</u>	<u>71,505</u>	<u>71,505,000</u>	<u>71,505</u>

26. ACCUMULATED LOSSES

	2016 £000	2015 £000
Profit for the financial year	2,767	6,914
Balance bought forward	<u>(13,421)</u>	<u>(20,335)</u>
Balance carried forward	<u>(10,654)</u>	<u>(13,421)</u>

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2016 £000	2015 £000
Profit for the financial year	2,767	6,914
Net addition to shareholder's funds	<u>2,767</u>	<u>6,914</u>
Opening shareholder's funds	<u>58,084</u>	<u>51,170</u>
Closing shareholder's funds	<u>60,851</u>	<u>58,084</u>

28. ULTIMATE PARENT COMPANY

The immediate parent of Pizza Hut (U.K.) Ltd is PHH2 Limited, a company registered in England and Wales.

The ultimate parent company is PHH1 Limited, a company registered in England and Wales.

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

The controlling party is deemed to be Rutland Partners LLP through its ownership of PHH1 Limited.

PIZZA HUT (U.K.) LTD

PERIOD FROM 30 NOVEMBER 2015 TO 4 DECEMBER 2016

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

29. TRANSITION TO FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the previous UK GAAP were for the year ended 29 November 2015. The date of transition to FRS 102 was 30 November 2014. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 4th December 2016 and the comparative information presented in these financial statements for the financial year ended 29 November 2015. In preparing its FRS102 financial statements, the company has not adjusted amounts previously reported in the financial statements prepared in accordance with its old basis of accounting (UK GAAP) as the impact is deemed immaterial.