

PIZZA HUT (U.K.) LIMITED

1. 59

DIRECTORS' REPORT

The directors submit their report and financial statements for the period to November 28, 1982.

Results

The profit after taxation was £31,954 leaving £470,480 retained profits for carry forward. The directors do not recommend the payment of a dividend.

Principal activity

The company has continued to trade as a restaurant operator.

Share capital

During the period the authorised share capital was increased to 805,000 ordinary shares of £1 each and the existing 5,000 ordinary shares in issue were converted to 3% non-cumulative preference shares of £1 each. Amounts due to fellow affiliates amounting to £600,000 were forgiven during the period and, together with £200,000 of retained profits, capitalised on the issue of 800,000 ordinary shares of £1 each, credited as fully paid. These shares were issued in order to increase the capital base of the company.

Directors and their interests

The following served as directors during the period:

G. T. Aaron	(U.S.A)	(Resigned March 19, 1982)
P. A. Bassi	(U.S.A)	
G. G. Butler	(U.S.A)	
R. Stetson	(U.S.A)	(Resigned March 19, 1982)
N. W. Sprunt		(Appointed March 24, 1982)
D. G. Williams		(Appointed March 24, 1982)

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

Market value of land and buildings

In the opinion of the directors the market value of land and buildings is similar to their net book values.

Fixed assets

During the period the company acquired fixed assets costing £1,592,500.

Employees

The average weekly number of persons employed by the company during the period was 247 and their aggregate remuneration was £1,036,781.



PIZZA HUT (U.K.) LIMITED

2.

DIRECTORS' REPORT
(continued)

Auditors

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

BY ORDER OF THE BOARD

J. W. WRIGHT
Secretary

April 21, 1983



Arthur Young McClelland Moores & Co.

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

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

We have audited the financial statements on pages 4 to 10 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at November 28, 1982 and of its profit and source and application of funds for the period then ended and comply with the Companies Acts 1948 to 1981.

ARTHUR YOUNG McCLELLAND MOORES & CO.

April 21, 1983

PIZZA HUT (U.K.) LIMITED

4.

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED NOVEMBER 28, 1982

	<u>Notes</u>	November 30, 1981 to November 28, 1982 £	December 29, 1980 to November 29, 1981 £
Turnover	2	£4,772,696 =====	£3,143,663 =====
Profit before taxation		33,170	303,130 -----
after charging:			
Directors' remuneration		-	-
Depreciation		237,860	162,565
Auditors' remuneration		13,500	7,400
Interest payable		39,048 =====	- =====
and crediting:			
Interest receivable		9,044 =====	9,861 =====
Taxation	3	1,216 -----	(255,338) -----
Profit after taxation		31,954	558,468
Retained profits brought forward		638,526	80,058
Capitalised as share capital	6	(200,000) -----	- -----
Retained profits carried forward		£470,480 =====	£638,526 =====

The notes on pages 7 to 10 form part of these financial statements

PIZZA HUT (U.K.) LIMITED

5.

BALANCE SHEET AT NOVEMBER 28, 1982

	<u>Notes</u>	<u>£</u>	<u>1982</u> <u>£</u>	<u>1981</u> <u>£</u>
Fixed assets	4		2,847,852	1,504,272
Restaurants in course of construction			192,737	31,362
Operating rights	5		44,295	-
Current assets:				
Stocks		135,519		79,768
Debtors and prepayments		216,062		127,049
Bank and cash		412,414		74,300
Taxation recoverable		-		17,700
		<u>763,995</u>		<u>298,817</u>
Current liabilities:				
Bank overdraft		-		22,861
Creditors		2,566,099		1,168,064
Taxation		7,300		-
		<u>2,573,399</u>		<u>1,190,925</u>
Net current liabilities			(1,809,404)	(892,108)
			<u>£1,275,480</u>	<u>£ 643,526</u>
Representing				
Share capital	6		805,000	5,000
Retained profits			470,480	638,526
			<u>1,275,480</u>	<u>643,526</u>
Deferred taxation	7		-	-
G. G. BUTLER)				
N. W. SPRUNT)				
Directors				
			<u>£1,275,480</u>	<u>£ 643,526</u>

The notes on pages 7 to 10 form part of these financial statements

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD ENDED NOVEMBER 28, 1982

	November 30, 1981 to November 28, 1982	December 29, 1980 to November 29, 1981
	£	£
Source of funds:		
Profit after taxation	31,954	558,468
Adjustment for items not involving the movement of working capital:		
(Profit)/loss on sale of fixed assets	(102)	1,621
Depreciation of fixed assets	237,256	162,565
Depreciation of operating rights	604	-
Deferred taxation	-	(262,638)
Total generated from operations	269,712	460,016
Debts forgiven by fellow affiliates and capitalised	600,000	-
Proceeds from sale of fixed assets	11,766	23,800
	881,478	483,816
Application of funds:		
Purchase of fixed assets	1,592,500	573,424
Operating rights	44,899	-
Restaurants under construction	161,375	31,362
	(1,798,774)	(604,786)
(Decrease) in working capital	£ (917,296)	£(120,970)
Components of (decrease) in working capital:		
Stocks	55,751	3,686
Debtors and prepayments	89,013	96,716
Creditors	(1,398,035)	(274,368)
Taxation	(25,000)	(7,300)
	(1,278,271)	(181,266)
Movement in net liquid funds:		
Bank and cash	338,114	(51,804)
Bank overdraft	22,861	112,100
	360,975	60,296
	£ (917,296)	£(120,970)

The notes on pages 7 to 10 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 28, 1982

These financial statements have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act 1948.

Events relating to the period ended November 28, 1982, which occurred before April 21, 1983, the date of approval of the financial statements by the board of directors, have been included in the financial statements to the extent that it is required by Statement of Standard Accounting Practice No. 17.

1. Accounting policies

(a) Stocks

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

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

(b) Depreciation

Depreciation is provided on all fixed assets 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	-	over 20 years
Leasehold property	-	over 15 years
Equipment	-	over 8 years
Motor vehicles	-	over 3 years

(c) Foreign currencies

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

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

All differences are taken to the profit and loss account.

(d) Deferred taxation

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

(e) Operating rights

Operating rights, representing initial franchise fees, are amortised over the period of the agreement under which the payments are made.

(f) Restaurants in course of construction

All costs incurred during the period prior to the opening of restaurants are deferred. These costs are, depending on their nature, either capitalised or expensed on opening.

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 28, 1982
(continued)2. Turnover

Turnover represents sales to customers excluding value added tax.

3. Taxation

	Period to November 28, 1982	Period to November 29, 1981
	£	£
The taxation charge is as follows:		
Based on the profits for the period:		
Corporation tax at 52%	-	7,300
Adjustments in respect of prior years	1,216	(262,638)
	=====	=====
	£1,216	£(255,338)
	=====	=====

If full provision had been made for the potential amount of deferred taxation, the tax charge for the period would have been increased by £36,226 (1981 - £173,390).

4. Fixed assets

	Freehold land and buildings	Short term leasehold property	Equipment	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At November 30, 1981	-	761,307	1,060,323	56,175	1,877,805
Additions	284,284	399,676	883,338	25,202	1,592,500
Disposals	-	-	-	(15,609)	(15,609)
	=====	=====	=====	=====	=====
At November 28, 1982	284,284	1,160,983	1,943,661	65,768	3,454,696
	=====	=====	=====	=====	=====
Accumulated depreciation:					
At November 30, 1981	-	140,494	224,227	8,812	373,533
Charge for the period	6,711	57,543	153,639	19,363	237,256
Eliminated on disposals	-	-	-	(3,945)	(3,945)
	=====	=====	=====	=====	=====
At November 28, 1982	6,711	198,037	377,866	24,230	606,844
	=====	=====	=====	=====	=====
Net book values:					
At November 28, 1982	£277,573	£ 962,946	£1,565,795	£41,538	£2,847,852
	=====	=====	=====	=====	=====
At November 29, 1981	£ -	£620,813	£836,096	£ 47,363	£1,504,272
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 28, 1982
(continued)

5. Operating rights

	£
Cost:	
At November 30, 1981	-
Additions	44,899

At November 28, 1982	44,899

Accumulated depreciation:	
At November 30, 1981	-
Charge for period	604

At November 28, 1982	604

Net book value:	
At November 28, 1982	£ 44,295
	=====

6. Share capital

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	£	£	£	£
Ordinary shares of £1 each	800,000	5,000	800,000	5,000
3% non-cumulative preference shares of £1 each	5,000	-	5,000	-
	-----	-----	-----	-----
	£805,000	£5,000	£805,000	£ 5,000
	=====	=====	=====	=====

During the period the authorised share capital was increased to 805,000 ordinary shares of £1 each and the existing 5,000 ordinary shares in issue were converted to 3% non-cumulative preference shares of £1 each. Amounts due to fellow affiliates amounting to £600,000 were forgiven during the period and, together with £200,000 of retained profits, capitalised on the issue of 800,000 ordinary shares of £1 each, credited as fully paid.

7. Deferred taxation

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

	<u>Provision</u>		<u>Potential</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	£	£	£	£
Capital allowances in advance of depreciation	-	-	997,351	606,419
Other timing differences	-	-	6,316	-
Losses carried forward	-	-	(531,413)	(170,391)
	-----	-----	-----	-----
	£ -	£ -	£472,254	£436,028
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS AT NOVEMBER 28, 1982
(continued)8. Future capital expenditure

	<u>1982</u> £	<u>1981</u> £
Commitments under contracts	816,500	213,450
Authorised by the directors but not yet contracted for	-	149,000
	-----	-----
	£816,500	£362,450
	=====	=====