

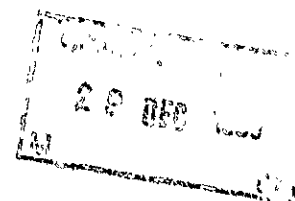
BURGERKING (U.K.) LIMITED

1169713

REPORT AND FINANCIAL STATEMENTS

30 April 1988

Touche Ross & Co.  
Hill House  
1 Little New Street  
London  
EC4A 3TR



BURGERKING (U.K.) LIMITED

REPORT AND FINANCIAL STATEMENTS 30 April 1988

CONTENTS

	<u>Page</u>
Officers and professional advisers	1
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Statement of source and application of funds	7
Notes to the financial statements	8 - 15

## BURGERKING (U.K.) LIMITED

REPORT AND FINANCIAL STATEMENTS 30 April 1988  
OFFICERS AND PROFESSIONAL ADVISERS

Directors                      B.A. Noble      (resigned 13 November 1987)  
                                 C.R. Petty  
                                 D.E. Webber  
                                 J.G. Scott  
                                 J.T. Webb      (appointed 13 November 1987)  
                                 J. Robinson    (appointed 13 November 1987)

Secretary                      J.T. Webb

Registered Office              20 Kew Road,  
                                 Richmond,  
                                 Surrey.

Auditors                        Touche Ross & Co.,  
                                 Hill House,  
                                 1 Little New Street,  
                                 London, EC4A 3TR.

Bankers                         Barclays Bank PLC,  
                                 8, George Street,  
                                 Richmond,  
                                 Surrey  
                                 TW9 1JU.

Solicitors                       D.J. Freeman & Company,  
                                 43, Fetter Lane,  
                                 London, EC4A 1NA.

## BURGERKING (U.K.) LIMITED

### DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 1988.

#### 1. PRINCIPAL ACTIVITIES

The company trades as restaurateurs under franchise from the parent company and has eleven restaurants.

#### 2. REVIEW OF DEVELOPMENTS

The company has continued its principal activities throughout the year, the results of which are set out on page 5.

The directors do not recommend the payment of a dividend (1987 - £Nil).

#### 3. FUTURE PROSPECTS

The directors do not foresee any change in the principal activities of the company.

#### 4. DIRECTORS

The directors who served during the year are stated on page 1.

In accordance with the company's Articles of Association, D.E. Webber retires by rotation and, being eligible, offers himself for re-election.

#### 5. DIRECTORS' INTERESTS

No director of the company had any interest, as defined by the Companies Act 1985, in shares of the company at 30 April 1987 or 30 April 1988.

#### 6. FIXED ASSETS

Movements on fixed assets are shown in notes 9 and 10 to the financial statements. Main expenditure relates to the purchase and development of new sites.

#### 7. EMPLOYMENT OF DISABLED PERSONS

The company gives full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Where possible the company continues the employment of and arranges appropriate training for employees who have become disabled during the period they were employed. Disabled persons are treated in the same way as other employees when training, career development and promotion are being considered.

BURGERKING (U.K.) LIMITED

DIRECTORS' REPORT

8. EMPLOYEE INVOLVEMENT

Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the company. In addition the board takes account of employees' interests when making decisions and the employees are informed of the company's performance on a regular basis. Suggestions from employees aimed at improving the company's performance are welcomed.

9. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board



Secretary

26 September 1988

Touche Ross & Co  
Hall House  
1 Little New Street  
London EC4A 3TR  
Telephone: National 01 894 8011  
International +44 1 894 8011  
Telex: 854731 (RLNDN G)  
Telefax: (Gp 3) 01 893 8817

 **Touche Ross**

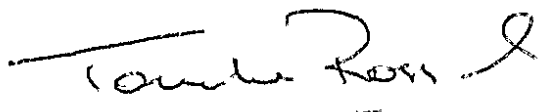
Chartered Accountants

## BURGERKING (U.K.) LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 April 1988 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.



Chartered Accountants  
London

26 September 1988

Aberdeen, Birmingham, Bolton, Bradford, Cardiff, Chesham, Colchester, Dundee,  
Edinburgh, Glasgow, Harrogate, Leeds, Liverpool, London, Manchester, Milton Keynes,  
Newcastle upon Tyne, Newport, Swansea, Warrington, Wrexham

Principal places of business of the firm of partners' names is available  
at Hall House, 1 Little New Street, London EC4A 3TR

Authorized by the Institute of Chartered Accountants in England and Wales  
to carry out the present engagement

# BURGERKING (U.K.) LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 30 April 1988

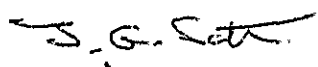

	Note	1988 £	1987 £
Turnover	2	12,989,557	9,289,867
Cost of sales		<u>4,124,983</u>	<u>3,099,815</u>
Gross profit		<u>8,864,574</u>	<u>6,190,052</u>
Distribution costs		7,188,752	5,121,427
Administrative expenses		2,338,944	2,098,500
Exceptional profit	4	<u>(355,165)</u>	<u>(334,742)</u>
		<u>9,172,531</u>	<u>6,885,185</u>
		(307,957)	(695,133)
Interest receivable and similar income	5	130,956	78,678
Interest payable and similar charges	6	<u>(23,389)</u>	<u>(166)</u>
Loss on ordinary activities before taxation	7	(200,390)	(616,621)
Tax on loss on ordinary activities	8	<u>68,137</u>	<u>200,571</u>
Loss for the financial year		(132,253)	(416,050)
Profit and loss account brought forward (deficit)		<u>(8,060,310)</u>	<u>(7,644,260)</u>
Profit and loss account carried forward (deficit)		£(8,192,563) =====	£(8,060,310) =====

BURGERKING (U.K.) LIMITED

BALANCE SHEET 30 April 1988

	Note	£	1988	£	1987	£
FIXED ASSETS						
Tangible assets	9		10,194,669		9,694,065	
CURRENT ASSETS						
Stocks	11	180,870		223,870		
Debtors	12	465,681		1,290,420		
Cash at bank and in hand		431,119		1,112,871		
Amounts owed by group companies	13	<u>3,028,991</u>		<u>982,853</u>		
		<u>4,106,661</u>		<u>3,610,014</u>		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR						
Trade creditors		553,172		925,130		
Obligations under finance leases		-		32,340		
Amounts owed to group companies	14	1,244,113		870,226		
Other creditors including taxation and social security	15	438,172		401,937		
Accruals		<u>90,436</u>		<u>179,756</u>		
		<u>2,325,893</u>		<u>2,409,389</u>		
NET CURRENT ASSETS			<u>1,780,768</u>		<u>1,200,625</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			11,975,437		10,894,690	
PROVISIONS FOR LIABILITIES AND CHARGES	16		<u>213,000</u>		<u>-</u>	
			£11,762,437		£10,894,690	
			=====		=====	
CAPITAL AND RESERVES						
Called up share capital	17	19,955,000		18,955,000		
Profit and loss account		<u>(8,192,563)</u>		<u>(8,060,310)</u>		
			£11,762,437		£10,894,690	
			=====		=====	

The financial statements were approved by the directors on 26 September 1988.

 } Directors  




# 13-04-89

## BURGERKING (U.K.) LIMITED

△ Touche Ross

### STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the year ended 30 April 1988

	1988 £	1987 £
<b>SOURCE OF FUNDS</b>		
Allotment of share capital	1,000,000	4,030,000
Increase in creditors	-	835,271
Increase in net amount owed to group companies	-	529,333
Sale of fixed assets	1,114,025	1,391,705
Decrease in inventory	43,000	-
Decrease in debtors	824,739	-
	<u>2,981,764</u>	<u>6,786,309</u>
<b>(GENERATED FROM)/ABSORBED BY OPERATIONS</b>		
Loss on ordinary activities before taxation	200,390	616,621
Adjustment for items not involving the movement of funds:		
Depreciation	(940,768)	(662,495)
Movement in provision	(213,000)	56,598
Profit on sale of fixed assets	<u>567,415</u>	<u>322,799</u>
Total applied to (from)/operations	(385,963)	333,523
<b>MOVEMENT IN WORKING CAPITAL</b>		
Decrease in finance lease obligations	32,340	47,258
Increase in debtors	-	968,519
Increase in inventory	-	103,398
Purchase of fixed assets	1,987,982	5,056,899
Decrease in creditors	425,044	-
Increase in net amount owed by group companies	<u>1,604,113</u>	<u>-</u>
	<u>3,663,516</u>	<u>6,509,597</u>
<b>(DECREASE)/INCREASE IN NET LIQUID FUNDS</b>	<u>£ (681,752)</u>	<u>£ 276,712</u>
	=====	=====

(Net liquid funds comprise cash at bank less bank overdrafts).

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 1. ACCOUNTING POLICIES

#### (a) Accounting convention

The financial statements are prepared under the historical cost convention.

#### (b) Subsidiary company

Group accounts are not presented as the company is a wholly owned subsidiary of a company incorporated in the United Kingdom.

#### (c) Inventories

Inventories comprise the ingredients for preparation of the company's Burgerking range of food as well as small tools stock. Inventories are stated at the lower of cost, being purchase price, and net realisable value.

#### (d) Fixed assets

- (i) Leasehold improvements include rent, rates, insurance and loan interest incurred during the period of construction of the restaurants.
- (ii) Franchise represents the legal costs of executing the franchises to operate under the name Burgerking.
- (iii) Depreciation is provided in equal annual instalments to write off fixed assets over their estimated useful lives as follows:

Short leasehold	- normal lives are deemed to be between 2 years and the outstanding period of the lease where major leasehold improvements are carried out within 5 years of the expiry of the lease and renewal of the lease is anticipated the assets will be written off over their useful life even where this exceeds the remainder of the lease
Franchise	- over the period of the lease
Plant, machinery and fittings	- between 2 and 12 years
Motor vehicles	- over 3 years.

No depreciation is provided on construction in progress.

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 1. ACCOUNTING POLICIES (continued)

#### (e) Deferred taxation

Deferred taxation is provided at the anticipated future tax rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements except where the tax effect of these differences is expected to continue for the foreseeable future.

#### (f) Leases

Operating lease commitments are provided for in the balance sheet at the time the rental payments fall due. Such rental costs are charged to the profit and loss account as incurred.

Assets acquired under finance leases are capitalised in the balance sheet at their fair value, together with the corresponding obligation for lease rentals, and are depreciated at the same rate as for similar fixed assets. Interest costs are charged to the profit and loss account over the life of the lease using the straight line method of allocation.

### 2. TURNOVER

Turnover represents amounts received from the sale of food (excluding V.A.T.), in the United Kingdom.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1988 £	1987 £
Directors' emoluments:		
Fees	-	-
Other emoluments	<u>72,852</u>	<u>52,567</u>
	£72,852	£52,567
	=====	=====
Remuneration of the chairman and highest paid director	£60,375	£52,567
	=====	=====
Scale of other directors' remuneration:	No.	No.
£ 0 - £ 5,000	4	3
£10,001 - £25,000	<u>1</u>	<u>-</u>
	====	====

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1988 £	1987 £
Employee costs during the year:		
Wages and salaries	3,340,824	2,358,996
Social security costs	306,010	203,161
Other pension costs	<u>32,010</u>	<u>24,535</u>
	£3,678,844	£2,586,692
	=====	=====
	No.	No.
Average number of persons employed:		
Sales and distribution	730	530
Administration	<u>36</u>	<u>38</u>
	766	568
	===	===

### 4. EXCEPTIONAL PROFIT

	1988 £	1987 £
Profit on sale of restaurants	(568,165)	(334,742)
Provision for closure	<u>213,000</u>	<u>-</u>
	£(355,165)	£(334,742)
	=====	=====

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest	£130,956	£ 78,678
	=====	=====

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans, overdrafts and other loans repayable within five years	£ 23,389	£ 166
	=====	=====

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1988 £	1987 £
Loss on ordinary activities before taxation is after charging:		
Depreciation of owned assets	940,767	615,237
Directors' emoluments	72,852	52,567
Auditors' remuneration	12,500	12,000
Depreciation of assets held under finance leases	32,340	47,258
Finance charges payable - finance leases	-	1,262
Rentals under operating leases	1,376,197	981,363
	=====	=====

### 8. TAX ON LOSS ON ORDINARY ACTIVITIES

	1988 £	1987 £
(a) Amount receivable in respect of losses surrendered to fellow group companies:		
Current year	60,458	171,706
Adjustment to prior year	<u>7,679</u>	<u>28,865</u>
	£68,137	£200,571
	=====	=====
(b) Under the policy stated in note 1(e), no deferred taxation is provided as the company has tax losses of approximately £3,600,000 (1987 - £3,600,000) available to be carried forward against future profits of the same trade.		

## BURGERKING (U.K.) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

#### 9. FIXED ASSETS

	Construction in progress £	Freehold and leasehold improvements £	Franchise £	Plant, machinery and fittings £	Total £
<b>Cost</b>					
At 1 May 1987	1,255,154	7,861,961	13,605	2,784,141	11,914,861
Additions	1,987,982	-	-	-	1,987,982
Disposals	-	(706,378)	-	(231,133)	(937,511)
Transfers	(1,509,854)	939,895	-	569,959	-
At 30 April 1988	1,733,282	8,095,478	13,605	3,122,967	12,965,332
<b>Depreciation</b>					
At 1 May 1987	-	1,292,428	9,362	919,006	2,220,796
Charge for the year	-	527,886	912	411,970	940,768
Disposals	-	(187,102)	-	(203,799)	(390,901)
At 30 April 1988	-	1,633,212	10,274	1,127,177	2,770,663
<b>Net book value</b>					
At 30 April 1988	£1,733,282	£6,462,266	£ 3,331	£1,995,790	£10,194,669
	=====	=====	=====	=====	=====
At 30 April 1987	£1,255,154	£6,569,533	£ 4,243	£1,865,135	£ 9,694,065
	=====	=====	=====	=====	=====

The net book value of fixed assets includes an amount of £Nil (1987 - £32,340) in respect of assets held under finance leases and an amount of £2,162,144 cost (1987 - £2,140,273) in respect of freehold land.

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 10 INVESTMENT IN SUBSIDIARY

	1988 £	1987 £
Investment in subsidiary:		
Cost of investment	300,743	300,743
Loan to subsidiary	<u>338,056</u>	<u>338,066</u>
	638,809	638,809
Less:		
Write-off of premium on acquisition	(244,954)	(244,954)
Provision for subsidiary's losses	<u>(393,855)</u>	<u>(393,855)</u>
	£ -	£ -
	=====	=====

The loan is interest free with no fixed terms of repayment.

The company's wholly-owned subsidiary is King Food Company Limited, a company registered in England, which has ceased trading.

### 11. STOCKS

The directors do not consider there to be a significant difference between the value at which stocks are shown in the financial statements and the replacement cost of those stocks.

### 12. DEBTORS

	1988 £	1987 £
Trade debtors	65,798	30,496
Prepayments	188,380	153,024
Other debtors:		
Due within one year	211,503	1,095,000
Due after more than one year	<u>-</u>	<u>11,900</u>
	£ 465,681	£1,290,420
	=====	=====

### 13. AMOUNTS OWED BY GROUP COMPANIES

	1988 £	1987 £
Owed by subsidiary company	555,120	555,120
Owed by fellow group companies	<u>2,473,871</u>	<u>427,733</u>
	£3,028,991	£982,853
	=====	=====

# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 14. AMOUNTS OWED TO GROUP COMPANIES

	1988 £	1987 £
Owed to fellow group companies	688,993	315,106
Owed to subsidiary company	<u>555,120</u>	<u>555,120</u>
	£1,244,113	£870,226
	=====	=====

### 15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1988	1987
This heading includes:		
Taxation and social security	£391,950	£230,872
	=====	=====

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

	£
At 30 April 1987	-
Charged to profit and loss account	<u>213,000</u>
At 30 April 1988	£213,000
	=====

The provision is in respect of closure costs.

### 17. CALLED UP SHARE CAPITAL

	Authorised £	Allotted and fully paid £
Ordinary shares of £1:		
At 30 April 1987 and 1988	<u>3,750,000</u>	<u>2,600,000</u>
Redeemable Preference Shares of £1:		
At 30 April 1987	21,250,000	16,355,000
Issued in year	<u>-</u>	<u>1,000,000</u>
At 30 April 1988	21,250,000	17,355,000
	=====	=====
Total at 30 April 1988	£25,000,000	£19,955,000
	=====	=====
Total at 30 April 1987	£25,000,000	£18,955,000
	=====	=====



# BURGERKING (U.K.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 1988

### 17. CALLED UP SHARE CAPITAL (continued)

On 22 June 1987 an additional 1,000,000 redeemable preference shares were issued to the then holding company, Pillsbury UK Limited at par to provide additional capital.

The preference shares are redeemable at par at any time at the option of the holder.

### 18. HOLDING COMPANIES

The immediate parent company is Burgerking Holdings Limited, incorporated in the United Kingdom.

The ultimate holding company is The Pillsbury Company, incorporated in the State of Delaware, United States of America.

### 19. CAPITAL COMMITMENTS

	1988	1987
Contracted for but not provided in the financial statements	£ - =====	£407,000 =====

### 20. OPERATING LEASE COMMITMENTS

At 30 April 1988 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	Other
Leases which expire:		
Within one year	52	39
Within two to five years	274	60
After five years	1,074 =====	- =====