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THE AMERICAN PIZZA COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994



THE AMERICAN PIZZA COMPANY LIMITED

YEAR ENDED 31ST DECEMBER 1994

DIRECTORS

W F Widger
L Woodhouse
K Brooks
K Lindsay

(appointed 31 January 1995)

COMPANY SECRETARY

Oxford Corporate Services Limited

REGISTERED OFFICE

1 Des Roches Square
Witan Way
Witney
Oxon
OX8 6BE

AUDITORS

Hunt and Partners
Winchcombe House
123-126 Bartholomew Street
Newbury

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3	Report of the Auditors
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The following does not form part of the statutory accounts:

13 Trading and Profit and Loss Account

THE AMERICAN PIZZA COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1994

The directors have pleasure in presenting their annual report and financial statements for the year ended 31st December 1994.

Review of the business

The company is principally engaged as proprietors, owners and operators of take away pizza shops, restaurants and pizza home delivery services.

The development of the business during the year and the position at the end of the year are adequately disclosed by the profit and loss account and balance sheet

Results and dividends

The loss after tax for the year amounted to £374,510, as shown on page 4.

The directors are unable to recommend the payment of a dividend.

Post-balance sheet events

Since the end of the company's financial year, no significant events have occurred.

Fixed assets

Movements in fixed assets are shown in note 8 to the financial statements.

THE AMERICAN PIZZA COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1994

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 the affairs of the company and of the profit or loss of the company for that period. In preparing these 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;
- 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 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 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.

Directors

The directors during the year under review were:

W F Widger
L Woodhouse
K Brooks
K Lindsay
(appointed 31 January 1995)

W F Widger held 1,204 Ordinary and 940,833 Preference shares at 31 December 1993 and 1994.

Auditors

The auditors, Messrs. Hunt and Partners, are willing to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Signed on behalf of the board

Constance
For Oxford Commercial Services Ltd

Secretary

Date: 19th October 1995

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE AMERICAN PIZZA COMPANY LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in the notes to the financial statements.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 company'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 the reasonable assurance 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 the company's affairs as at 31st December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



19th October 1995
Newbury

HUNT AND PARTNERS
Chartered Accountants
Registered Auditor

THE AMERICAN PIZZA COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED
31ST DECEMBER 1994

	Notes	1994	1993
		£	£
TURNOVER	2	3,661,534	4,046,331
Cost of sales		(2,006,006)	(2,212,025)
GROSS PROFIT		1,655,528	1,834,306
Net operating expenses	3	(1,879,446)	(2,119,650)
OPERATING PROFIT (LOSS)	4	(223,918)	(285,344)
Profit on disposal of fixed assets		9,387	46,203
PROFIT (LOSS) ON ORDINARY ACTIVITIES		(214,531)	(239,141)
Other interest receivable and similar income		1,572	5,402
		(212,959)	(233,739)
Interest payable	6	(161,551)	(133,828)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(374,510)	(367,567)
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(374,510)	(367,567)

The company has neither acquired or commenced any new business activities in the year nor discontinued any operations and it has no recognised gains or losses other than the loss for the year.

The notes set out on pages 6 to 12 form part of these financial statements

THE AMERICAN PIZZA COMPANY LIMITED

BALANCE SHEET

31ST DECEMBER 1994	Notes	December 1994 £	December 1993 £
FIXED ASSETS			
Tangible assets	8	691,875	<u>555,960</u>
CURRENT ASSETS			
Stocks	9	14,006	15,422
Debtors due within one year	10	107,985	164,724
Cash at bank and in hand		<u>11,021</u>	<u>140,605</u>
		133,012	320,751
CREDITORS: Amounts falling due within one year	11	<u>(607,339)</u>	<u>(536,334)</u>
NET CURRENT LIABILITIES		<u>(474,327)</u>	<u>(215,583)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		217,548	340,377
CREDITORS: Amounts falling due after more than one year	12	<u>(2,711,387)</u>	<u>(2,459,706)</u>
		<u>(2,493,839)</u>	<u>(2,119,329)</u>
CAPITAL AND RESERVES			
Called-up share capital	13	1,284,869	1,284,869
Share premium account	14	337,212	337,212
Revaluation reserve	15	3,530	3,531
Profit and loss account		<u>(4,119,450)</u>	<u>(3,744,941)</u>
		<u>(2,493,839)</u>	<u>(2,119,329)</u>

Approved by the board on: 19th October 1995

K Brooks. *W Brooks*
(Director)

The notes set out on pages 6 to 12 form part of these financial statements

THE AMERICAN PIZZA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1994

1 ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention.

(b) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

Freehold property	- straight line over 50 years
Leasehold property and improvements	- over the primary period of the lease
Plant, equipment and fittings	- straight line over 5 years
Motor vehicles	- straight line over a period of 1 to 3 years

(c) Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

(d) Debtors

Known bad debts are written off and provision is made for any considered to be doubtful.

(e) Deferred taxation

Provisions are made so that the deferred taxation account represents corporation tax, calculated on the liability method, in respect of the excess of tax allowances given for fixed assets over the depreciation provided.

THE AMERICAN PIZZA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

(f) Assets leased

Where the company enters into operating and/or finance leases, its policy is to regard leases as finance leases where their term give rights approximating to ownership.

Assets held under finance leases (including hire purchase contracts) are capitalised at the fair value of the asset at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within and after one year. Assets are depreciated over the shorter of the lease term and their useful economic life; in the case of assets held under hire purchase agreements they are depreciated over their useful economic life. Finance charges are allocated to accounting years over the life of each lease to produce a constant rate of charge on the outstanding balance.

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

(g) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions or at the contracted rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate. Resulting exchange gains and losses are taken to the profit and loss account.

2. TURNOVER

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided as a principal.

THE AMERICAN PIZZA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1994

3 ANALYSIS OF TURNOVER AND NET OPERATING EXPENSES

	1994 £	1993 £
Turnover	<u>3,661,534</u>	<u>4,046,331</u>
Cost of sales	<u>(2,006,006)</u>	<u>(2,212,025)</u>
Net operating expenses		
Administrative expenses	(1,906,229)	(2,138,129)
Other operating income	26,783	18,479
	<u>(1,879,446)</u>	<u>(2,119,650)</u>
Operating loss	<u>(223,918)</u>	<u>(285,344)</u>

There were no discontinued operations in either 1994 or 1993.

4 OPERATING LOSS

Operating loss is stated after charging:	1994 £	1993 £
Administrative expenses including:		
Operating lease rentals for plant and machinery	-	107
Other operating lease rentals	293,103	300,152
Directors emoluments	15,000	15,000
Depreciation	207,666	193,308
Profit on disposal of fixed assets	(9,387)	(46,203)
Auditors' remuneration (including expenses)	<u>1,039</u>	<u>11,759</u>
and after crediting:		
Other operating income:		
Rents receivable	<u>26,783</u>	<u>18,479</u>

5 STAFF COSTS

The cost of employing staff, including directors, was:	1994 £	1993 £
Wages and salaries	<u>1,113,633</u>	<u>1,172,125</u>
	<u>1,113,633</u>	<u>1,172,125</u>

The chairman received no emoluments (1993: nil) and the emoluments of the highest paid director were £15,000 (1993: £15,000). No other director received any emoluments (1993: nil).

The average weekly number of employees during the year was:	1994	1993
Stores	250	240
Administration and management	7	7
	<u>257</u>	<u>247</u>

THE AMERICAN PIZZA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

6	INTEREST PAYABLE	1994 £	1993 £
	On bank loans, overdrafts and other loans wholly repayable within five years:		
	Bank overdraft interest	1,104	214
	Finance lease and hire purchase contracts payable by instalments	10,265	10,829
	Loans repayable by instalments	<u>139,667</u>	<u>109,182</u>
		<u>151,036</u>	<u>120,225</u>
	On borrowings not wholly repayable within five years:		
	Bank and other loans	<u>10,515</u>	<u>13,603</u>
		<u>161,551</u>	<u>133,828</u>

7 TAXATION

No Corporation Tax charge arises on the results for the year.

8 TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property and improvements	Plant, equipment and fittings	Motor vehicles	Total
COST	£	£	£	£	£
At 1st January 1994	148,288	632,112	302,478	164,339	1,247,217
Additions at cost	-	136,948	82,081	142,866	361,895
Applicable to disposals	-	-	-	(18,313)	(18,313)
At 31st December 1994	<u>148,288</u>	<u>769,060</u>	<u>384,559</u>	<u>288,892</u>	<u>1,590,799</u>
DEPRECIATION					
At 1st January 1994	18,726	378,178	199,093	95,261	691,258
Charge for the year	4,673	63,451	49,808	89,734	207,666
At 31st December 1994	<u>23,399</u>	<u>441,629</u>	<u>248,901</u>	<u>184,995</u>	<u>898,924</u>
NET BOOK VALUE					
At 31st December 1994	<u>124,889</u>	<u>327,431</u>	<u>135,658</u>	<u>103,897</u>	<u>691,875</u>
At 31st December 1993	<u>129,562</u>	<u>253,934</u>	<u>103,386</u>	<u>69,078</u>	<u>555,960</u>

THE AMERICAN PIZZA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

Details of fixed assets held under finance leases and hire purchase contracts included in the above are as follows:

	Freehold property £	Leasehold property and improvements £	Plant, equipment and fittings £	Motor vehicles £	Total £
1994					
Net book value	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,182</u>	<u>56,182</u>
Charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,433</u>	<u>33,433</u>
9 STOCKS				1994 £	1993 £
Raw materials and consumables				<u>14,006</u>	<u>15,422</u>
10 DEBTORS				1994 £	1993 £
Other debtors				84,162	5,837
Prepayments and accrued income				<u>23,823</u>	<u>158,887</u>
				<u>107,985</u>	<u>164,724</u>
11 CREDITORS: Amounts falling due within one year				1994 £	1993 £
Bank overdrafts				101,390	21,434
Net obligations under finance leases and hire purchase contracts				18,337	59,094
Trade creditors				360,152	210,864
Tax and social security costs				82,525	92,538
Other creditors				14,036	50,169
Accruals and deferred income				<u>30,899</u>	<u>102,235</u>
				<u>607,339</u>	<u>536,334</u>
				1994 £	1993 £
Secured creditors included above are as follows:					
Bank overdrafts:					
Secured by fixed charge on freehold property				101,390	21,434
Hire purchase instalments:					
secured on the assets concerned				<u>18,337</u>	<u>59,094</u>
				<u>119,727</u>	<u>80,528</u>

THE AMERICAN PIZZA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

12 CREDITORS: Amounts falling due after more than one year

	1994	1993
	£	£
Bank loans	85,801	87,051
Loans	2,614,253	2,372,655
Net obligations under finance leases and hire purchase contracts	11,333	-
	<u>2,711,387</u>	<u>2,459,706</u>

	1994	1993
	£	£

Secured creditors included above are as follows:

Bank and other loans:

Secured by fixed charge on freehold property 85,801 87,051

Hire purchase instalments:

secured on the assets concerned 11,333 -
97,134 87,051

The loans comprise shareholder loans of £351,281 (1993: £250,137) which have no fixed repayment date and are unsecured and attract no interest charge. The remaining loan from the parent company of \$3,208,465 (1993: \$2,990,584) has no fixed repayment date, is unsecured, denominated in \$US and attracts interest at 2% above the prime rate of the National Bank of Detroit.

13 SHARE CAPITAL	Number 1994	Value 1994	Number 1993	Value 1993
		£		£
Authorised:				
Ordinary shares				
of £1 each	10,000	10,000	10,000	10,000
Redeemable preference shares				
of £1 each	1,283,333	1,283,333	1,283,333	1,283,333
	<u>1,293,333</u>	<u>1,293,333</u>	<u>1,293,333</u>	<u>1,293,333</u>
Issued and fully paid:				
Ordinary shares				
of £1 each	1,536	1,536	1,536	1,536
Redeemable preference shares				
of £1 each	1,283,333	1,283,333	1,283,333	1,283,333
	<u>1,284,869</u>	<u>1,284,869</u>	<u>1,284,869</u>	<u>1,284,869</u>

The redeemable preference participating preference shares are redeemable at par at the option of the company by giving one month's notice in writing.

14 SHARE PREMIUM ACCOUNT

	£	£
At 1st January 1994		
and 31st December 1994	<u>337,212</u>	<u>337,212</u>

15 REVALUATION RESERVE

	£
At 1st January 1994	
and 31st December 1994	<u>3,530</u>

THE AMERICAN PIZZA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1994

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994	1993
	£	£
Loss for the financial year	<u>(374,510)</u>	<u>(367,567)</u>
Net reduction in shareholders' funds	(374,510)	(367,567)
Opening shareholders' funds (deficit)	<u>(2,119,329)</u>	<u>(1,751,762)</u>
Closing shareholders' funds (deficit)	<u>(2,493,839)</u>	<u>(2,119,329)</u>

17 RELATED PARTY TRANSACTIONS:

The company was charged for management, legal and consultancy services the sum of £36,222 by businesses in which K Brooks was partner or shareholder. The company was also charged £84,600 for consultancy services by La Rue Holdings in which W Widger is connected as Trustee. These services were provided on a commercial basis.