

ARA CATERING + VENDING SERVICES LIMITED  
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ACCOUNTS -- 28 SEPTEMBER 1990

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

ARA CATERING + VENDING SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 SEPTEMBER 1990

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 28 September 1990.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

On 1 October 1989 the company's assets and liabilities were acquired by the immediate holding company, ARA Services Plc. The company has not traded during the year.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were -

W.S.D. McCall

G.F. Campbell

There are no directors' interests which require disclosure under Schedule 7 of the Companies Act 1985.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 8 to the accounts.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen & Co. as auditors for the ensuing year.

BY ORDER OF THE BOARD:

R.F. Richmond  
Secretary

6 February 1991

ARTHUR ANDERSEN & Co

ST PAUL'S HOUSE  
PARK SQUARE  
LEEDS LS1 2PJ

Auditors' report to the Members of ARA CATERING + VENDING SERVICES  
LIMITED:

We have audited the financial statements on pages 3 to 11 in accordance  
with Auditing Standards.

In our opinion the financial statements give a true and fair view of the  
state of the company's affairs at 28 September 1990 and have been  
properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen & Co.*

6 February 1991

ARA CATERING + VENDING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 SEPTEMBER 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
TURNOVER	2 £	-	£ 43,055,055
Cost of sales		-	17,928,595
GROSS PROFIT		-	25,126,460
Other operating expenses	3	-	24,113,693
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	-	1,012,767
Tax on profit on ordinary activities	6	-	409,589
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	603,178
Dividends paid		-	(640,000)
RETAINED PROFIT, beginning of year		275	37,097
RETAINED PROFIT, end of year	£	275	£ 275

The accompanying notes are an integral part of this profit and loss account.

ARA CATERING + VENDING SERVICES LIMITED

BALANCE SHEET -- 28 SEPTEMBER 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
<b>FIXED ASSETS</b>			
Intangible assets	7	£ -	£ 179,991
Tangible assets	8	-	1,523,542
		-	1,703,533
<b>CURRENT ASSETS</b>			
Stocks	9	-	854,150
Debtors	10	2,015,576	5,316,352
Cash at bank and in hand		-	74,809
		2,015,576	6,245,311
CREDITORS: Amounts falling due within one year	11	-	5,933,268
NET CURRENT ASSETS		2,015,576	312,043
TOTAL ASSETS LESS CURRENT LIABILITIES		2,015,576	2,015,576
PROVISION FOR LIABILITIES AND CHARGES	12	-	-
NET ASSETS		£ 2,015,576	£ 2,015,576
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	£ 2,015,301	£ 2,015,301
Profit and loss account		275	275
TOTAL CAPITAL EMPLOYED		£ 2,015,576	£ 2,015,576

SIGNED ON BEHALF OF THE BOARD:

W.S.D. McCall ) *W.S.D. McCall*  
 ) Directors  
 G.F. Campbell ) *Gordon Campbell*

6 February 1991

The accompanying notes are an integral part of this balance sheet.

ARA CATERING + VENDING SERVICES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 28 SEPTEMBER 1990

	<u>1990</u>	<u>1989</u>
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities after taxation	£ -	£ 603,178
Add (deduct) items not involving the movement of funds during the year		
- depreciation of tangible fixed assets	-	538,919
- profit on sale of tangible fixed assets	-	(27,519)
- amortisation of goodwill	-	43,265
Total funds from operations	-	1,157,843
Proceeds from sale of intangible fixed assets	179,991	-
Proceeds from sale of tangible fixed assets	1,523,542	41,407
Decrease in net current assets, as shown below	-	35,105
	<u>£ 1,703,533</u>	<u>£ 1,234,355</u>
<b>APPLICATION OF FUNDS</b>		
Dividends paid on 'A' and 'B' ordinary shares	£ -	£ 640,000
Purchase of tangible fixed assets	-	593,923
Intragroup fixed asset transfers at net book value	-	432
Increase in net current assets, as shown below	1,703,533	-
	<u>£ 1,703,533</u>	<u>£ 1,234,355</u>
<b>INCREASE (DECREASE) IN NET CURRENT ASSETS</b>		
Stocks	£ (854,150)	£ (10,053)
Debtors	(3,300,776)	(375,268)
Creditors falling due within one year	5,933,268	343,753
	1,778,342	(41,568)
Movement in net liquid funds		
- cash at bank and in hand	(74,809)	6,463
	<u>£ 1,703,533</u>	<u>£ (35,105)</u>

The accompanying notes are an integral part of this statement.

ARA CATERING + VENDING SERVICES LIMITED

NOTES TO ACCOUNTS -- 28 SEPTEMBER 1990

1. ACCOUNTING POLICIES:

The principal accounting policies, which have been applied consistently throughout the year and with the preceding year, are -

a. Basis of accounting

The accounts are prepared under the historical cost convention.

b. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

c. Pension costs

It is the general policy of the company to provide for pension liabilities, on the advice of external actuaries, by payments to a managed fund. Payments made to the fund and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every three years. Any resulting deficits are charged to the profit and loss account in the year in which they are identified.

d. Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided to the extent that the directors believe it is likely to become payable in the foreseeable future.

e. Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

f. Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life, as follows -

Plant, machinery and equipment - 2 - 15 years  
Motor vehicles - 4 years

g. Intangible fixed assets - goodwill

Goodwill is amortised in equal instalments over the period in which the benefits are expected to accrue, up to a maximum of forty years.

h. Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

2. SEGMENT INFORMATION:

All turnover arose within the United Kingdom.

3. OTHER OPERATING EXPENSES:

	<u>1990</u>	<u>1989</u>
Distribution costs	£ -	£ 1,829,814
Food and other service costs	-	19,613,630
Administrative expenses	-	2,670,249
	-----	-----
£	-	£ 24,113,693
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging (crediting) -

	<u>1990</u>	<u>1989</u>
Amortisation of goodwill	£ -	£ 43,265
Depreciation of tangible fixed assets	-	538,919
Profit on disposal of tangible fixed assets	-	(27,519)
Hire of motor vehicles under operating leases	-	430,958
Auditors' remuneration	-	9,000
Staff costs (Note 5)	-	20,920,662
	=====	=====

5. STAFF COSTS:

Particulars of employees are shown below -

Employee costs during the year amounted to -

	<u>1990</u>	<u>1989</u>
Wages and salaries	£ -	£ 19,196,927
Social security costs	-	1,440,599
Other pension costs	-	283,136
	-----	-----
£	-	£ 20,920,662
	=====	=====

The average weekly number of persons employed by the company during the year was -

	<u>Number</u>	<u>Number</u>
Distribution	-	143
Food services	-	3,446
Administration	-	77
	-----	-----
	-	3,666
	=====	=====

No directors' remuneration was paid during the year (1989 - £Nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the year and comprises -

	<u>1990</u>	<u>1989</u>
Corporation tax at 35% (1989 - 35%)	£ -	£ 464,589
ACT proposed to be surrendered	-	(55,000)
	-----	-----
£	-	£ 409,589
	=====	=====

7. INTANGIBLE FIXED ASSETS:

This represented purchased goodwill. The movement in the year was as follows -

	<u>1990</u>	<u>1989</u>
Net book value, beginning of year	£ 179,991	£ 223,256
Amortised during the year	-	(43,265)
Transfer to ARA Services Plc	(179,991)	-
	-----	-----
Net book value, end of year	£ -	£ 179,991
	=====	=====

8. TANGIBLE FIXED ASSETS:

The movement in the year was as follows -

	Plant, machinery and equipment	Motor vehicles	Total
<b>COST</b>			
Beginning of year	£ 3,257,973	£ 28,554	£ 3,286,527
Transfer to ARA Services Plc	(3,257,973)	(28,554)	(3,286,527)
End of year	-	-	-
<b>DEPRECIATION</b>			
Beginning of year	1,741,128	21,857	1,762,985
Transfer to ARA Services Plc	(1,741,128)	(21,857)	(1,762,985)
End of year	-	-	-
<b>NET BOOK VALUE, beginning of year</b>	£ 1,516,845	£ 6,697	£ 1,523,542
<b>NET BOOK VALUE, end of year</b>	£ -	£ -	£ -

9. STOCKS:

	1990	1989
Goods for resale	£ -	£ 762,981
Spares	-	91,169
	£ -	£ 854,150

10. DEBTORS:

Amounts falling due within one year -

	<u>1990</u>	<u>1989</u>
Trade debtors	£	£ 4,898,743
ACT recoverable	-	9,490
Other debtors	-	341,917
Prepayments and accrued income	-	66,202
Amount owed by group companies	2,015,576	-
	<u>£ 2,015,576</u>	<u>£ 5,316,352</u>

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>1990</u>	<u>1989</u>
Trade creditors	£	£ 2,658,995
Amounts owed to other group companies	-	197,641
Other creditors		
- UK corporation tax payable	-	413,982
- VAT	-	874,423
- social security and PAYE	-	510,213
Accruals and deferred income	-	1,278,014
	<u>£</u>	<u>£ 5,933,268</u>

12. PROVISION FOR LIABILITIES AND CHARGES:

There was no potential deferred tax liability at 28 September 1990 (1989 - £Nil).

13. CALLED UP SHARE CAPITAL:

	<u>1990</u>	<u>1989</u>
Authorised, issued and fully paid -		
'A' ordinary shares of £1 each	£ 867,151	£ 867,151
'B' ordinary shares of £1 each	867,150	867,150
5% redeemable non-cumulative preference shares of £1 each	281,000	281,000
	<u>£ 2,015,301</u>	<u>£ 2,015,301</u>

The 5% redeemable non-cumulative preference shares may be redeemed, at any time, at the company's option.

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

- a. At the end of the year, capital commitments were -

	<u>1990</u>	<u>1989</u>
Contracted for but not provided for	£ -	£ 111,713
Authorised but not contracted for	-	-
	£ -	£ -

- b. There is a cross guarantee between the company, a fellow subsidiary and ARA Services Plc for all the liabilities of these companies to the group's principal bankers.
- c. The company had entered into operating lease agreements in respect of motor vehicles, the payments for which extend over a period of up to four years. The agreements provided that the company will pay all insurance, maintenance and repairs.

The annual rentals under these leases were as follows -

	<u>1990</u>	<u>1989</u>
Operating leases which expire:		
- within 1 year	£ -	£ 8,573
- within 2-5 years	-	380,155
	£ -	£ 388,728

15. ULTIMATE HOLDING COMPANY:

The company is a wholly owned subsidiary of ARA Services Plc incorporated in England, and its ultimate holding company is ARA Holding Company Inc., incorporated in the State of Delaware, USA.