ARTHUR
ANDERSEN

ARAMARK Plc

Group Accounts 27 September 1996
together with directors' and auditors' reports

Registered number: 983951

Directors' report

For the year ended 27 September 1996

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 27 September 1996.

Principal activities and business review

The principal activities of the group continue to be the management and provision of a range of food, vending and refreshment services for industry and commerce.

Turnover for the year was £130,436,000 (1995 - £118,402,000) reflecting an increase of £12,034,000 on the previous year. Operating profit increased by £166,000 to £5,570,000 (1995 - £5,404,000).

Results and dividends

Group results and dividends are as follows:

	£'000
Retained profit, beginning of year	6,349
Profit on ordinary activities after taxation	3,893
Dividends paid	(3,500)
Retained profit, end of year	6,742

Directors and their interests

The directors who served during the year were:

W.S.D. McCall
C.A. Bathgate
G.F. Campbell
J.V. Devlin

There are no directors' interests which require disclosure under Section 234 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' report (continued)

Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and the company magazine.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

ARAMARK House
Honey End Lane
Tilehurst
Reading
Berkshire
RG30 4QL

By order of the Board,

Gordon Campbell

G.F. Campbell
Secretary

15 January 1997

Auditors' report

Leeds

To the Shareholders of ARAMARK Plc:

We have audited the accounts on pages 4 to 20 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 27 September 1996 and of its consolidated profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

St. Paul's House
Park Square
Leeds
LS1 2PJ

15 January 1997

Group profit and loss account

For the year ended 27 September 1996

	Note	1996 £'000	1995 £'000
Turnover	2	130,436	118,402
Cost of sales		(50,941)	(44,416)
Gross profit		79,495	73,986
Other operating expenses	3	(73,925)	(68,582)
Operating profit		5,570	5,404
Investment income	4	124	91
Interest payable and similar charges	5	(79)	(306)
Profit on disposal of investment		48	-
Provision against investment	11	-	(829)
Profit on ordinary activities before taxation	6	5,663	4,360
Tax on profit on ordinary activities	8	(1,770)	(1,986)
Profit on ordinary activities after taxation		3,893	2,374
Interim dividend paid - £25.52 per ordinary share (1995 - £17.31)		(3,500)	(2,374)
Retained profit, for the financial year		393	-
Retained profit, beginning of year		6,349	6,349
Retained profit, end of year		6,742	6,349

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

All results in the year arose from continuing activities.

The group has made no recognised gains or losses other than the results reported above.

There is no material difference between the results reported above and these calculated on a historical cost basis.

Group balance sheet

27 September 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Intangible assets	9	2,754	2,847
Tangible assets	10	2,308	1,955
Investments	11	-	585
		5,062	5,387
Current assets			
Stocks	12	2,725	2,426
Debtors	13	16,684	14,330
Cash at bank and in hand		144	146
		19,553	16,902
Creditors: Amounts falling due within one year	14	(17,513)	(15,580)
Net current assets		2,040	1,322
Total assets less current liabilities		7,102	6,709
Net assets		7,102	6,709
Capital and reserves			
Called-up share capital	15	137	137
Capital reserve on consolidation		223	223
Profit and loss account		6,742	6,349
Equity shareholders' funds	16	7,102	6,709

Signed on behalf of the Board

G.F. Campbell Director

Gordon Campbell

15 January 1997

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

Company balance sheet

27 September 1996

	Note	1996 £'000	1995 £'000
Fixed assets			
Intangible assets	9	2,754	2,847
Tangible assets	10	2,308	1,955
Investments	11	2,059	2,644
		7,121	7,446
Current assets			
Stocks	12	2,725	2,426
Debtors	13	16,684	14,330
Cash at bank and in hand		144	146
		19,553	16,902
Creditors: Amounts falling due within one year	14	(19,727)	(17,794)
Net current liabilities		(174)	(892)
Total assets less current liabilities		6,947	6,554
Net assets		6,947	6,554
Capital and reserves			
Called-up share capital	15	137	137
Revaluation reserve		164	164
Profit and loss account		6,646	6,253
Equity shareholders' funds	16	6,947	6,554

Signed on behalf of the Board

G.F. Campbell Director

15 January 1997

Gordon Campbell

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

Group cash flow statement

For the year ended 27 September 1996

	Note	1996 £'000	1995 £'000
Net cash inflow from operating activities	17	3,544	8,248
Returns on investments and servicing of finance			
Interest received		95	120
Interest paid		(117)	(284)
Dividends paid		(3,500)	(2,374)
Net cash outflow from returns on investments and servicing of finance		(3,522)	(2,538)
Taxation			
Corporation tax paid		(11)	(2,948)
Investing activities			
Payments to acquire tangible fixed assets		(1,495)	(1,107)
Sale of investment		633	-
Receipts from disposal of tangible fixed assets		63	10
Net cash outflow from investing activities		(799)	(1,097)
Net cash (outflow) inflow before financing		(788)	1,665
Financing			
Bank loan repaid		(1,500)	(1,500)
Net cash outflow from financing	18	(1,500)	(1,500)
(Decrease) increase in cash and cash equivalents	19	(2,288)	165

The accompanying notes are an integral part of this group cash flow statement.

Notes to group accounts

27 September 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a. Basis of accounting

The accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards.

b. Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertakings made up to 27 September 1996 after eliminating intercompany balances and transactions.

In the company's balance sheet, investments in subsidiary undertakings are stated at original cost net of any dividends received from pre-acquisition profits. Where the investment was gifted to the company from ARAMARK Corporation it is stated at net asset value at the date of acquisition.

No profit and loss account is presented for ARAMARK Plc, as permitted by Section 230 of the Companies Act 1985. The company's profit for the year after taxation was £3,893,000 (1995 - £2,374,000). Dividends of £3,500,000 (1995 - £2,374,000) were paid to the parent company.

c. Turnover

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

d. Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

e. Pension costs

The amount charged to the profit and loss account for defined benefit schemes is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

1 Accounting policies (continued)

f. Taxation

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

Advance corporation tax on dividends paid or provided in the year is written-off, except where recoverability against corporation tax payable is reasonably assured.

Deferred taxation is provided using the liability method on all timing differences to the extent that the directors believe that they are likely to reverse in the foreseeable future.

g. Leases

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

Finance leases granted to customers are reported as debtors and are stated at the value of the minimum rentals receivable less the finance charges allocated to future periods.

Finance income is allocated to accounting periods over the lives of the individual leases to produce a constant rate of return on the outstanding balance.

h. Intangible fixed assets - goodwill

Goodwill, representing any excess of the fair value of consideration given over the fair value of the separable assets and liabilities acquired is capitalised as an intangible asset.

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

i. 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	2-10 years
Motor vehicles	4 years

j. Fixed asset investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Income is included in the year in which it is receivable.

k. 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.

Notes to group accounts (continued)

2 Segment information

All turnover arose within the United Kingdom and relates to the group's principal activities.

3 Other operating expenses

	1996 £'000	1995 £'000
Distribution costs	5,262	4,093
Service costs	58,080	54,632
Administrative expenses	10,583	9,857
	73,925	68,582

4 Investment income

	1996 £'000	1995 £'000
Interest receivable and similar income	124	91

5 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans	79	306

6 Profit on ordinary activities before taxation

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

	1996 £'000	1995 £'000
Amortisation of goodwill	93	78
(Profit) loss on disposal of fixed assets	(14)	2
Depreciation of tangible fixed assets	1,093	898
Hire of motor vehicles under operating leases	783	758
Other operating lease rentals	1,397	1,189
Auditors' remuneration	58	60
Staff costs (Note 7)	64,776	62,186

In the year ended 27 September 1996, £30,000 (1995 - £15,000) was paid to the auditors in respect of taxation and other services.

Notes to group accounts (continued)

7 Staff costs

Particulars of employees (including executive directors) are shown below:

	1996 £'000	1995 £'000
Employee costs during the year amounted to:		
Wages and salaries	59,949	58,088
Social security costs	4,160	3,493
Other pension costs	667	605
	64,776	62,186

The average monthly number of persons employed by the group during the year was:

	1996 Number	1995 Number
Distribution	202	236
Service	7,904	7,823
Administration	231	237
	8,337	8,296

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	1996 £'000	1995 £'000
Services as directors	361	335
Other emoluments (including pension contributions)	85	69
	446	404

The directors' remuneration shown above (excluding pension contributions) included:

Highest paid director and Chairman	160	135

Notes to group accounts (continued)

7 Staff costs (continued)

The directors received emoluments (excluding pension contributions) in the following ranges:

	1996 Number	1995 Number
£ 0 - £ 5,000	-	1
£ 15,001 - £ 20,000	-	1
£ 60,001 - £ 65,000	-	1
£ 65,001 - £ 70,000	-	1
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	1	-
£ 80,001 - £ 85,000	1	-
£ 85,001 - £ 90,000	1	-
£ 130,001 - £ 135,000	-	1
£ 160,001 - £ 165,000	1	-

8 Tax on profit on ordinary activities

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

	1996 £'000	1995 £'000
Corporation tax	2,070	1,986
Adjustment in respect of prior year	(300)	-
	1,770	1,986

At 27 September 1996, there was a potential deferred tax asset of £462,000 (1995 - £350,000) which has not been recognised in the accounts.

9 Intangible fixed assets

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Goodwill on consolidation	2,754	2,847	-	-
Purchased goodwill	-	-	2,754	2,847
	2,754	2,847	2,754	2,847

9 Intangible fixed assets (continued)

The movement in the year was as follows:

	Group	Company
	Consolidation Goodwill £'000	Purchased Goodwill £'000
Cost		
Beginning and end of year	3,065	2,925
Amounts written off		
Beginning of year	218	78
Charge	93	93
End of year	311	171
Net book value, end of year	2,754	2,754

10 Tangible fixed assets

The movement in the year was as follows:

	Group and company		
	Plant, machinery & equipment £'000	Motor vehicles £'000	Total £'000
Cost			
Beginning of year	7,347	180	7,527
Additions	1,365	130	1,495
Disposals	(598)	(78)	(676)
End of year	8,114	232	8,346
Depreciation			
Beginning of year	5,486	86	5,572
Charge	1,039	54	1,093
Disposals	(563)	(64)	(627)
End of year	5,962	76	6,038
Net book value			
End of year	2,152	156	2,308
Beginning of year	1,861	94	1,955

Notes to group accounts (continued)

11 Fixed asset investments

a. Group

	1996 £'000	1995 £'000
Shares in Wembley plc	-	585

The movement during the year was as follows:

	1996 £'000	1995 £'000
Cost		
Beginning of year	3,244	3,244
Disposal	(3,244)	-
End of year	-	3,244
Provision		
Beginning of year	2,659	1,830
Provision against investment	-	829
Disposal	(2,659)	-
End of year	-	2,659
Net book value, end of year	-	585

b. Company

	1996 £'000	1995 £'000
Shares in subsidiary undertakings	1,895	1,895
Revaluation to reflect underlying net assets at the date of acquisition of interests in subsidiary undertakings gifted to the company by its parent company	164	164
Cost of shares in Wembley plc, less provision (Note 11a)	-	585
	2,059	2,644

A list of principal subsidiaries has been omitted, as they are all dormant companies.

11 Fixed asset investments (continued)

The movement in shares in subsidiary undertakings during the year was as follows:

	1996 £'000	1995 £'000
Cost		
Beginning and end of year	4,806	4,806
Provision		
Beginning and end of year	2,911	2,911
Net book value, end of year	1,895	1,895

12 Stocks

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Goods for resale	2,385	2,108	2,385	2,108
Spare parts	340	318	340	318
	2,725	2,426	2,725	2,426

In the directors' opinion, the estimated replacement cost of stocks does not materially exceed their balance sheet value.

Notes to group accounts (continued)

13 Debtors

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Amounts falling due within one year:				
Amounts receivable under finance leases	66	58	66	58
Trade debtors	15,537	12,965	15,537	12,965
Amounts owed by other group undertakings	207	-	207	-
Other debtors	25	81	25	81
ACT receivable	-	75	-	75
Prepayments and accrued income	427	595	427	595
Deferred costs	-	73	-	73
	16,262	13,847	16,262	13,847
Amounts falling due after more than one year:				
Amounts receivable under finance leases	422	483	422	483
	16,684	14,330	16,684	14,330

Deferred costs represent non-compete payments made to the vendors of the Stuart Cabeldu companies and were amortised over the period of the agreement.

14 Creditors: Amounts falling due within one year

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans and overdrafts	4,527	3,741	4,527	3,741
Trade creditors	5,382	5,456	5,382	5,456
Amounts owed to other group undertakings	576	788	2,790	3,002
Other creditors				
- UK corporation tax payable	1,445	386	1,445	386
- ACT payable	-	75	-	75
- VAT	1,462	1,631	1,462	1,631
- social security and PAYE	1,343	1,125	1,343	1,125
Accruals and deferred income	2,778	2,378	2,778	2,378
	17,513	15,580	19,727	17,794

Notes to group accounts (continued)

15 Called-up share capital

	1996 £'000	1995 £'000
Authorised, allotted, called-up and fully paid:		
137,158 ordinary shares of £1 each	137	137

16 Movement in equity shareholders' funds

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Profit for the financial year	3,893	2,374	3,893	2,374
Dividends	(3,500)	(2,374)	(3,500)	(2,374)
Net addition to equity shareholders' funds	393	-	393	-
Opening equity shareholders' funds	6,709	6,709	6,554	6,554
Closing equity shareholders' funds	7,102	6,709	6,947	6,554

17 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £'000	1995 £'000
Operating profit	5,570	5,404
Amortisation of intangible fixed assets	93	78
Depreciation of tangible fixed assets	1,093	898
(Profit) loss on disposal of tangible fixed assets	(14)	2
Increase in stocks	(299)	(294)
(Increase) decrease in debtors	(2,429)	763
(Decrease) increase in creditors	(470)	1,397
Net cash inflow from operating activities	3,544	8,248

Notes to group accounts (continued)

18 Analysis of changes in financing during the year

	1996 Bank loan £'000
Beginning of year	(1,500)
Cash outflow from financing	1,500
End of year	-

	1995 Bank loan £'000
Beginning of year	(3,000)
Cash outflow from financing	1,500
End of year	(1,500)

19 Analysis of changes in cash and cash equivalents

	1996		
	Cash at bank and in hand £'000	Bank overdraft £'000	Total £'000
Beginning of year	146	(2,241)	(2,095)
Net cash outflow	(2)	(2,286)	(2,288)
End of year	144	(4,527)	(4,383)

	1995		
	Cash at bank and in hand £'000	Bank overdraft £'000	Total £'000
Beginning of year	128	(2,388)	(2,260)
Net cash inflow	18	147	165
End of year	146	(2,241)	(2,095)

20 Guarantees and other financial commitments

a. Capital commitments

At the end of the year the group and company had no capital commitments (1995 - £nil).

b. Financial commitments

There is a cross guarantee to the group's principal bankers between the company and its subsidiary undertakings for all liabilities of these companies.

c. Lease commitments

The group has 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 provide that the group will pay all insurance, maintenance and repairs.

In addition the group leases certain land and buildings. The annual rental on these leases was £651,000 (1995 - £682,000) . The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The group pays all insurance, maintenance and repairs of these properties.

The minimum annual rentals under these leases are as follows:

	Group and company			
	1996 Property	1996 Motor vehicles	1995 Property	1995 Motor vehicles
	£'000	£'000	£'000	£'000
Operating leases which expire				
- within 1 year	35	89	39	77
- within 2-5 years	225	633	261	616
- after 5 years	243	-	268	-
	503	722	568	693

d. Pension arrangements

The group makes contributions to two defined benefit pension schemes covering executive, staff and offshore personnel. The assets of these funded schemes are held in separate trustee administered funds.

20 Guarantees and other financial commitments (continued)

The pension costs relating to the schemes are assessed in accordance with the advice of a qualified actuary. The amount charged in the profit and loss account for the pension cost of the company was £497,000 (1995 - £483,000) and this represents the regular pension cost. The latest actuarial valuations of the Pension Plan was carried out, using the projected unit method, as at 1 April 1995 and indicated that the scheme was fully funded.

The offshore scheme is separately administered and only began to operate during 1992 and therefore no actuarial valuation has been performed yet. The main actuarial assumptions were that salaries would increase by 7% per annum, pensions in payment would increase by 5% per annum on pensions in excess of the guaranteed minimum pension and the return on scheme investments would be 9%.

21 Ultimate parent company

The company is a wholly owned subsidiary undertaking of ARAMARK Holdings Limited, registered in England and Wales. The ultimate parent company is ARAMARK Corporation, incorporated in the State of Delaware, USA.

The largest and smallest groups in which the results of ARAMARK Plc are consolidated are those headed by ARAMARK Corporation and ARAMARK Investments Limited respectively. The accounts of both groups are available to the public.