

ARAMARK Plc

Group Accounts 2 October 1998
together with directors' and auditors' reports

Registered number: 983951



Directors' report

For the year ended 2 October 1998

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 2 October 1998.

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 £160,068,000 (1997 - £144,855,000) reflecting an increase of 10.5% on the previous year. Operating profit increased by 32% to £9,909,000 (1997 - £7,494,000).

Results and dividends

Group results and dividends are as follows:

	£'000
Retained profit, beginning of year	6,962
Profit on ordinary activities after taxation	6,715
Dividends paid	(6,000)
Retained profit, end of year	<u>7,677</u>

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.

Creditor payment policy

It is the company's policy to agree terms and conditions for its business transactions with suppliers. Payment is made on these terms subject to the terms and conditions being met by the supplier. The company's number of days outstanding in respect of trade creditors at 2 October 1998 was 53 (1997: 47).

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.

Year 2000

The company has made an assessment of the impact of the year 2000 on its business. Internal accounting software has been upgraded to ensure year 2000 compliance. The company has not made extensive enquiries of its customers and suppliers concerns the extent of their compliance. The directors are of the opinion that the company's year 2000 risk is low.

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.

Directors' report (continued)

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,



G.F. Campbell

Secretary

11 March 1999

Auditors' report

Leeds

To the Shareholders of ARAMARK Plc:

We have audited the accounts on pages 5 to 17 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 to 10.

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 2 October 1998 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

11 March 1999

Group profit and loss account

For the year ended 2 October 1998

	Note	1998 £'000	1997 £'000
Turnover	2	160,068	144,855
Cost of sales		(59,939)	(55,479)
Gross profit		100,129	89,376
Other operating expenses	3	(90,220)	(81,882)
Operating profit		9,909	7,494
Investment income	4	116	147
Interest payable and similar charges	5	(60)	(41)
Profit on ordinary activities before taxation	6	9,965	7,600
Tax on profit on ordinary activities	8	(3,250)	(2,780)
Profit on ordinary activities after taxation		6,715	4,820
Interim dividend paid - £43.75 per ordinary share (1997 - £33.54)		(6,000)	(4,600)
Retained profit, for the financial year		715	220
Retained profit, beginning of year		6,962	6,742
Retained profit, end of year		7,677	6,962

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

All results in the year arose from continuing activities.

There are no other recognised gains or losses other than the results reported above.

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

Group balance sheet

2 October 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Intangible assets	9	2,499	2,677
Tangible assets	10	4,025	2,681
		<u>6,524</u>	<u>5,358</u>
Current assets			
Stocks	12	3,576	3,427
Debtors	13	25,139	17,146
Cash at bank and in hand		165	1,000
		<u>28,880</u>	<u>21,573</u>
Creditors: Amounts falling due within one year	14	<u>(27,367)</u>	<u>(19,609)</u>
Net current assets		<u>1,513</u>	<u>1,964</u>
Total assets less current liabilities		<u>8,037</u>	<u>7,322</u>
Capital and reserves			
Called-up share capital	15	137	137
Capital reserve on consolidation		223	223
Profit and loss account		<u>7,677</u>	<u>6,962</u>
Equity shareholders' funds	17	<u>8,037</u>	<u>7,322</u>

Signed on behalf of the Board

G.F. Campbell

Director

Gordon Campbell

11 March 1999

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

Company balance sheet

2 October 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Intangible assets	9	2,499	2,677
Tangible assets	10	4,025	2,681
Investments	11	2,059	2,059
		<u>8,583</u>	<u>7,417</u>
Current assets			
Stocks	12	3,576	3,427
Debtors	13	25,139	17,146
Cash at bank and in hand		165	1,000
		<u>28,880</u>	<u>21,573</u>
Creditors: Amounts falling due within one year	14	<u>(29,581)</u>	<u>(21,823)</u>
Net current liabilities		<u>(701)</u>	<u>(250)</u>
Total assets less current liabilities		<u>7,882</u>	<u>7,167</u>
Capital and reserves			
Called-up share capital	15	137	137
Revaluation reserve		164	164
Profit and loss account	16	7,581	6,866
Equity shareholders' funds	17	<u>7,882</u>	<u>7,167</u>

Signed on behalf of the Board

G.F. Campbell

Director

Gordon Campbell

11 March 1999

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

Notes to group accounts

2 October 1998

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 2 October 1998 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 £6,715,000 (1997 - £4,280,000). Dividends of £6,000,000 (1997 - £4,600,000) were paid to the parent company. No cash flow statement is presented as allowed under the provisions of Financial Reporting Standard Number 1 (Revised) since the company is a wholly owned subsidiary undertaking of ARAMARK Corporation.

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.

Notes to group accounts (continued)

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.

Previously, goodwill was amortised in equal instalments over 40 years. Following the introduction FRS 10 – Goodwill and intangible assets, the directors have changed the useful economic life of goodwill to 20 years. As a result, the amortisation of goodwill has increased by £101,000 during the current year.

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:

Freehold property	5 years
Plant, machinery and equipment	2-10 years
Motor vehicles	4 years

The freehold property has been purchased in relation to an oil-industry contract and is being depreciated over the life of that contract.

Notes to group accounts (continued)

1 Accounting policies (continued)

j. Fixed asset investments

Fixed asset investments are shown at cost or the company's share of net assets 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.

2 Segment information

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

3 Other operating expenses

	1998 £'000	1997 £'000
Selling and distribution costs	4,767	4,899
Service costs	72,607	65,411
Administrative expenses	12,846	11,572
	<u>90,220</u>	<u>81,882</u>

4 Investment income

	1998 £'000	1997 £'000
Interest receivable and similar income	<u>116</u>	<u>147</u>

5 Interest payable and similar charges

	1998 £'000	1997 £'000
On bank loans	<u>60</u>	<u>41</u>

Notes to group accounts (continued)

6 Profit on ordinary activities before taxation

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

	1998 £'000	1997 £'000
Amortisation of goodwill	178	77
Profit on disposal of fixed assets	(10)	(24)
Depreciation of tangible fixed assets	1,574	1,204
Other operating lease rentals	1,663	1,565
Auditors' remuneration	63	60
Staff costs (Note 7)	<u>77,315</u>	<u>67,665</u>

In the year ended 2 October 1998, £32,000 (1997 - £30,700) was paid to the auditors in respect of taxation and other services.

7 Staff costs

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

	1998 £'000	1997 £'000
Employee costs during the year amounted to:		
Wages and salaries	71,440	62,385
Social security costs	4,986	4,537
Other pension costs	889	743
	<u>77,315</u>	<u>67,665</u>

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

	1998 Number	1997 Number
Distribution	172	176
Service	8,056	7,967
Administration	192	189
	<u>8,420</u>	<u>8,332</u>

Notes to group accounts (continued)

7 Staff costs (continued)

Directors' remuneration:

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

	1998 £'000	1997 £'000
Emoluments	<u>536</u>	<u>501</u>

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

	1998 £'000	1997 £'000
Highest paid director	<u>197</u>	<u>182</u>

The amount at 2 October 1998 of the accrued pension of the highest paid director was £60,110 (1997 - £48,586). The number of directors who participate in the group's defined benefit pension scheme is 4 (1997 - 4).

8 Tax on profit on ordinary activities

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

	1998 £'000	1997 £'000
Corporation tax	<u>3,250</u>	<u>2,780</u>

At 2 October 1998, there was a potential deferred tax asset of £747,000 (1997 - £676,000) which has not been recognised in the accounts.

Notes to group accounts (continued)

9 Intangible fixed assets

The movement in the year was as follows:

	Group	Company
	Consolidation	Purchased
	goodwill	goodwill
	£'000	£'000
Cost		
Beginning and end of year	3,065	2,925
Amounts written off		
Beginning of year	388	248
Charge	178	178
End of year	566	426
Net book value, end of year	2,499	2,499
Net book value, beginning of year	2,677	2,677

10 Tangible fixed assets

The movement in the year was as follows:

	Group and company			
	Freehold	Plant,	Motor	Total
	Property	& equipment	Vehicles	
	£'000	£'000	£'000	£'000
Cost				
Beginning of year	-	8,799	246	9,045
Additions	799	1,976	176	2,951
Disposals	-	(823)	(71)	(894)
End of year	799	9,952	351	11,102
Depreciation				
Beginning of year	-	6,237	127	6,364
Charge	95	1,398	81	1,574
Disposals	-	(807)	(54)	(861)
End of year	95	6,828	154	7,077
Net book value				
End of year	704	3,124	197	4,025
Beginning of year	-	2,562	119	2,681

Notes to group accounts (continued)

11 Fixed asset investments

	1998 £'000	1997 £'000
Cost of 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
	<u>2,059</u>	<u>2,059</u>

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

The historical cost of shares in subsidiary undertakings was as follows:

	1998 £'000	1997 £'000
Cost		
Beginning and end of year	<u>4,806</u>	<u>4,806</u>
Provision		
Beginning and end of year	<u>2,911</u>	<u>2,911</u>
Net book value, beginning and end of year	<u>1,895</u>	<u>1,895</u>

12 Stocks

	Group and Company	
	1998 £'000	1997 £'000
Goods for resale	3,251	3,070
Spare parts	325	357
	<u>3,576</u>	<u>3,427</u>

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 and Company	
	1998 £'000	1997 £'000
Amounts falling due within one year:		
Amounts receivable under finance leases	83	74
Trade debtors	24,232	16,371
Amounts owed by other group undertakings	179	-
Other debtors	51	18
Prepayments and accrued income	336	342
	<u>24,881</u>	<u>16,805</u>
Amounts falling due after more than one year:		
Amounts receivable under finance leases	258	341
	<u>25,139</u>	<u>17,146</u>

14 Creditors: Amounts falling due within one year

	Group		Company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans and overdrafts	2,790	-	2,790	-
Trade creditors	10,911	9,257	10,911	9,257
Amounts owed to other group undertakings	2,825	544	5,039	2,758
Other creditors				
- UK corporation tax payable	2,886	2,612	2,886	2,612
- VAT	1,836	1,872	1,836	1,872
- social security and PAYE	1,702	1,288	1,702	1,288
Accruals and deferred income	4,417	4,036	4,417	4,036
	<u>27,367</u>	<u>19,609</u>	<u>29,581</u>	<u>21,823</u>

15 Called-up share capital

	1998 £'000	1997 £'000
<i>Authorised, allotted, called-up and fully paid:</i>		
137,158 ordinary shares of £1 each	<u>137</u>	<u>137</u>

Notes to group accounts (continued)

16 Reserves

The movement on the company's profit and loss account is as follows:

	£'000
Beginning of year	6,866
Retained profit	715
End of year	<u>7,581</u>

17 Movement in equity shareholders' funds

	Group		Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Profit for the financial year	6,715	4,820	6,715	4,820
Dividends	(6,000)	(4,600)	(6,000)	(4,600)
Net addition to equity shareholders' funds	<u>715</u>	<u>220</u>	<u>715</u>	<u>220</u>
Opening equity shareholders' funds	7,322	7,102	7,167	6,947
Closing equity shareholders' funds	<u>8,037</u>	<u>7,322</u>	<u>7,882</u>	<u>7,167</u>

18 Guarantees and other financial commitments

a. Capital commitments

At the end of the year the group and company had capital commitments of £998,000 (1997 - £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 £569,000 (1997 - £671,000). 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.

Notes to group accounts (continued)

18 Guarantees and other financial commitments (continued)

The minimum annual rentals under these leases are as follows:

	Group and company			
	1998 Property £'000	1998 Motor vehicles £'000	1997 Property £'000	1997 Motor vehicles £'000
Operating leases which expire				
- within 1 year	136	57	29	88
- within 2-5 years	142	659	225	531
- after 5 years	287	-	303	-
	<u>565</u>	<u>716</u>	<u>557</u>	<u>619</u>

d. Pension arrangements

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

The pension costs relating to the defined benefit scheme 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 £865,000 (1997 - £590,000) 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 1997 and indicated that the scheme was fully funded.

The company made contributions of £24,000 towards the defined contribution scheme during the year.

19 Related party transactions

The company is exempt from disclosing transactions with related parties under Financial Reporting Standard No. 8 because it is a wholly owned subsidiary undertaking of ARAMARK Corporation, whose accounts are publicly available.

20 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 ARAMARK Corporation are available to the public at the head office, Aramark Tower, 1101 Market Street, Philadelphia, Pennsylvania, 19107.