

983951

32

PHILIP THORNTON (CATERING SERVICES) LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 1ST OCTOBER, 1976

The Directors present their annual report on the affairs of the Company and its subsidiaries, together with the accounts and auditors' report, for the year ended 1st October, 1976.

PRINCIPAL ACTIVITY:

The principal activity of the Group is the provision of industrial catering services.

RESULTS OF OPERATIONS:

The net profit of the Group for the year amounted to £20,163. The Directors recommend that this be added to the retained earnings at the beginning of the year of £86,226 and that the balance of £106,389 be carried forward. No dividend is proposed.

No goods or services were exported from the United Kingdom during the year.

INVESTMENT:

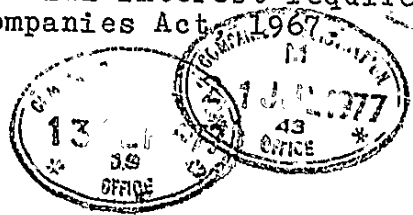
On 10th May, 1976, the Company's wholly-owned subsidiary, West Riding Caterers (Midlands) Limited signed an agreement to acquire the entire share capital of Food Management Limited. The total cost of the acquisition, including related purchase expenses, amounted to £147,684. Food Management Limited is engaged in the provision of industrial catering services.

DIRECTORS:

The Directors of the Company during the year were -

A.D. Hopkins (Managing Director)
A.T. Kraft
R.P. Sterke (resigned - 17th February, 1976)
P.L. Thornton
T.H.R. Walton

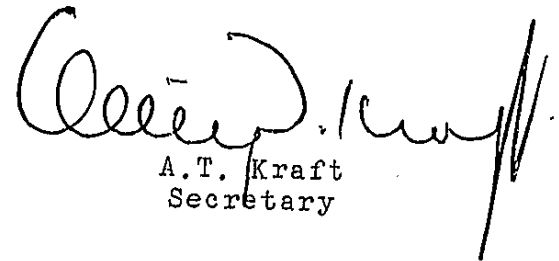
None of the Directors has a financial interest required to be disclosed under Section 16 of the Companies Act 1967.



EMPLOYEES:

The average number of employees of the Group in each week was 1,505 and their aggregate gross remuneration was £1,934,835.

BY ORDER OF THE BOARD


A.T. Kraft
Secretary



ARTHUR ANDERSEN & Co.

BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M1 4EU

To the Members of Philip Thornton (Catering Services) Limited:

We have examined the balance sheet of PHILIP THORNTON (CATERING SERVICES) LIMITED (a wholly-owned subsidiary company) and the consolidated balance sheet of PHILIP THORNTON (CATERING SERVICES) LIMITED AND SUBSIDIARY COMPANIES at 1st October, 1976, and the related consolidated statements of profit and loss and retained earnings and source and application of funds for the year ended on that date, prepared on the historical cost basis as described in Note 1.

In our opinion, the accompanying accounts give a true and fair view, on the historical cost basis, of the state of affairs of the Company and the Group at 1st October, 1976, and of the profit and source and application of funds of the Group for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

Arthur Andersen & Co.

13th November, 1976 (except with respect to the matter discussed in Note 8, as to which the date is 1st May, 1977).

THIS IS THE COPY REFERRED TO IN THE ANNEXED CERTIFICATE B

PHILIP THORNTON (CATERING SERVICES) LIMITED

BALANCE SHEET -- 1ST OCTOBER, 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
CURRENT ASSETS:			
Due from a subsidiary company		£ -	£ 839
Debtors and prepaid expenses		481	-
Cash		-	7,701
		-----	-----
		£ 481	£ 8,540
		-----	-----
CURRENT LIABILITIES:			
Due to a subsidiary company		£ 10	£ 7,935
Creditors and accrued expenses		843	6,776
Bank overdraft		5,799	-
		-----	-----
		£ 6,652	£ 14,711
		-----	-----
Net current liabilities		£(6,171)	£(6,171)
INVESTMENTS IN SUBSIDIARY COMPANIES			
	2	114,560	94,397
		-----	-----
		£ 108,389	£ 88,226
		=====	=====
SHAREHOLDERS' INVESTMENT:			
Share capital - Authorised, issued and fully-paid. 2,000 ordinary shares of £1 each		£ 2,000	£ 2,000
Retained earnings		106,389	86,226
		-----	-----
		£ 108,389	£ 88,226
		=====	=====

A.D. Hopkins)
A.T. Kraft) Directors

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

PHILIP THORNTON (CATERING SERVICES) LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET -- 1ST OCTOBER, 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
CURRENT ASSETS:			
Due from fellow-subsubsidiary companies		£ 2,069	£ -
Stocks		146,555	96,383
Debtors and prepaid expenses		813,557	443,323
Cash		39,484	91,471
		-----	-----
		£ 1,001,665	£ 631,177
		-----	-----
CURRENT LIABILITIES:			
Due to fellow-subsubsidiary companies		£ 70,780	£ 67,680
Taxation		-	8,928
Creditors and accrued expenses		804,995	496,380
		-----	-----
		£ 875,775	£ 572,988
		-----	-----
Net current assets		£ 125,890	£ 58,189
GOODWILL	2	147,684	-
PLANT AND EQUIPMENT, net	3	102,490	54,670
LONG-TERM LIABILITIES	4	(211,600)	-
DEFERRED TAXATION	5	(56,075)	(24,633)
		-----	-----
		£ 108,389	£ 88,226
		=====	=====
SHAREHOLDERS' INVESTMENT:			
Share capital - Authorised, issued and fully-paid, 2,000 ordinary shares of £1 each		£ 2,000	£ 2,000
Retained earnings		106,389	86,226
		-----	-----
		£ 108,389	£ 88,226
		=====	=====

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

PHILIP THORNTON (CATERING SERVICES) LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED 1ST OCTOBER, 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
REBILLED EXPENSES, FEES AND OTHER OPERATING INCOME		£5,074,576	£3,704,377
COST OF REBILLED AND OPERATING EXPENSES	6	5,032,413	3,688,125
		-----	-----
Profit before taxation		£ 42,163	£ 16,252
		-----	-----
TAXATION:			
Current		£ -	£ 106
Deferred	5	22,000	9,503
		-----	-----
		£ 22,000	£ 9,609
		-----	-----
Net profit (all dealt with in the accounts of the Company)		£ 20,163	£ 6,643
RETAINED EARNINGS, beginning of year		86,226	79,583
		-----	-----
RETAINED EARNINGS, end of year		£ 106,389	£ 86,226
		=====	=====

The accompanying notes are an integral part of this statement.

PHILIP THORNTON (CATERING SERVICES) LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 1ST OCTOBER, 1976

	<u>1976</u>	<u>1975</u>
SOURCE OF FUNDS:		
Net profit	£ 20,163	£ 6,643
Adjustments for items not involving the movement of funds -		
Depreciation	21,645	8,271
Provision for deferred taxation	22,000	9,503
Net book value of retirements of plant and equipment	8,036	419
	-----	-----
Total funds from operations	£ 71,844	£ 24,836
Increase in long-term liabilities	211,600	-
Increase in deferred taxation arising, principally, from stock relief	9,442	11,760
	-----	-----
	£ 292,886	£ 36,596
APPLICATION OF FUNDS:		
Purchase of plant and equipment	77,501	43,576
Purchase of Food Management Limited	147,684	-
	-----	-----
	£(67,701)	£(6,980)
	=====	=====
INCREASE (DECREASE) IN WORKING CAPITAL:		
Increase in stocks	£ 50,172	£ 7,858
Increase in debtors and prepaid expenses	370,234	135,076
Increase in net amount due to fellow-sub subsidiary companies	(1,031)	(39,494)
Decrease in taxation	8,928	31,358
Increase in creditors and accrued expenses	(308,615)	(223,835)
Movement in net liquid funds -		
Increase (decrease) in cash	(51,987)	82,057
	-----	-----
	£(67,701)	£(6,980)
	=====	=====

The accompanying notes are an integral part of this statement.

PHILIP THORNTON (CATERING SERVICES) LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 1ST OCTOBER, 1976

1. ACCOUNTING POLICIES:

The accounts have been prepared under the historical cost convention. Significant accounting policies are -

a) Principles of consolidation -

The consolidated accounts comprise the accounts of the Company and its subsidiaries, after eliminating all significant inter-company balances and transactions.

b) Stocks -

Stocks are stated at the lower of first-in, first-out cost or net realisable value. Cost represents the price paid to external suppliers for items purchased for resale.

c) Depreciation -

Depreciation is provided on a straight-line basis, to write-off plant and equipment over the estimated economic lives of the assets, at the following annual rates -

Plant, fixtures and fittings	-	20%
Vending machines	-	12 $\frac{1}{2}$ %
Motor vehicles	-	25%

d) Taxation -

Corporation tax is provided on the taxable profits for the year at the rate current during the year (52% for both 1975 and 1976).

e) Deferred taxation represents the amounts required to allow for the effect of income and expense (primarily depreciation) being attributed for tax purposes to periods different from those in which the credits or charges are recorded in the accounts and to account for stock relief. Deferred taxation is computed, using the deferral method, at the rates applicable to the years in which it arose, and is not adjusted to reflect subsequent changes in tax rates. In applying the deferral method, deferred taxation attributable to net originating timing differences is calculated at the current tax rate, while that attributable to net reversing differences is calculated at the average rate provided in prior years.

f) Investments in subsidiary companies -

The investments in subsidiary companies are stated on the equity basis, whereby cost is adjusted to reflect the Company's interest in post-acquisition profits of the subsidiary companies.

g) Rebilled expenses, fees and other operating income -

These represent the cost of goods and services purchased on behalf of, and rebilled to, customers, related contract fees and other miscellaneous operating income, net of value added tax.

2. INVESTMENTS IN SUBSIDIARY COMPANIES:

The Company's wholly-owned subsidiary is West Riding Caterers (Midlands) Limited which in turn owns the whole of the issued share capital of West Riding Caterers Limited, Lancashire Catering Service Limited and Lancashire Catering Service (Southern) Limited. During the year West Riding Caterers (Midlands) Limited acquired Food Management Limited. All subsidiaries are incorporated in England except for Lancashire Catering Service (Southern) Limited, which is incorporated in Scotland.

The investments comprise -

	<u>1976</u>	<u>1975</u>
Cost, as initially recorded	£ 7,287	£ 7,287
Adjustment to reflect underlying net assets of subsidiaries at dates of acquisition	15,618	15,618
Post-acquisition profits of subsidiaries	91,655	71,492
	-----	-----
	£114,560	£94,397
	=====	=====

The amounts at which the investments are stated at 1st October, 1976, correspond to the Directors' estimates of the value of those investments.

Goodwill comprises -

	<u>1976</u>	<u>1975</u>
Goodwill arising on acquisition of Food Management Limited during the year, by a subsidiary company	£147,684	£ -
	=====	=====

The goodwill arising on the acquisition of Food Management Limited will be amortised over forty years, commencing 2nd October, 1976.

3. PLANT AND EQUIPMENT:

a) The movement in these accounts during the year was as follows -

	<u>Plant, fixtures and fittings, and vending machines</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost -			
Beginning of year	£ 19,205	£ 56,476	£ 75,681
Additions	11,575	65,926	77,501
Retirements	(5,052)	(11,871)	(16,923)
	-----	-----	-----
End of year	£ 25,728	£ 110,531	£ 136,259
	-----	-----	-----
Depreciation -			
Beginning of year	£ 12,355	£ 8,656	£ 21,011
Charge for the year	3,818	18,827	21,645
Retirements	(4,449)	(4,438)	(8,887)
	-----	-----	-----
End of year	£ 10,724	£ 23,045	£ 33,769
	-----	-----	-----
Net book value	£ 15,004 =====	£ 87,486 =====	£ 102,490 =====

b) The Group's capital commitments at 1st October, 1976, are £9,444 (1975 - £8,351).

4. LONG-TERM LIABILITIES:

Long-term liabilities comprise -

	<u>1976</u>	<u>1975</u>
Unsecured interest-free loan from affiliated company, repayable in 1978	£200,000	£ -
Long-term portion of hire purchase commitments	11,600	-
	-----	-----
	£211,600 =====	£ - =====

5. DEFERRED TAXATION:

The movement on deferred taxation during the year was -

Balance, beginning of year	£ 24,633
Charged to the statement of profit and loss	22,000
Taxation deferred by stock relief	10,052
Other	(610)

Balance, end of year	£ 56,075
	=====

Deferred taxation comprises -

	<u>1976</u>	<u>1975</u>
Taxation on the excess of tax allowances over book depreciation	£34,204	£15,880
Taxation deferred by stock relief	19,631	5,903
Other	2,240	2,850
	-----	-----
	£56,075	£24,633
	=====	=====

6. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

a) Cost of rebilled and operating expenses include -

	<u>1976</u>	<u>1975</u>
Depreciation	£21,645	£ 8,271
Auditors' remuneration	7,750	5,000
Directors' emoluments -		
Remuneration for management services	9,073	12,114
Pension to former Directors	3,450	3,450
Management charge from a fellow-subsidary company	39,000	44,572
	=====	=====

b) The emoluments shown above, excluding pension contributions, were paid as follows -

	<u>1976</u>	<u>1975</u>
Emoluments of the Chairman	£ -	£ 3,500
Emoluments of the highest-paid Director	8,725	8,371
	=====	=====

Emoluments of other Directors -

		<u>Number of Directors</u>	
£0	- £2,500	3 ===	3 ===

7. PARENT AND ULTIMATE HOLDING COMPANY:

The Company is a wholly-owned subsidiary of Eurovend N.V. whose ultimate holding company is ARA Services, Inc., incorporated in the State of Delaware, United States of America.

8. EVENT SUBSEQUENT TO DATE OF AUDITORS' REPORT:

On 1st April, 1977, the Company was included in a Group re-organisation of the ARA Services, Inc's U.K. operations. As a result of the re-organisation the Company has become the group holding company for the ARA Services, Inc., U.K. operations.