

PHILIP THORNTON (CATERING SERVICES) LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE ELEVEN MONTHS ENDED 27TH SEPTEMBER, 1974

The Directors present their report on the affairs of the Company and its subsidiaries, together with the accounts and auditors' report, for the eleven months ended 27th September, 1974.

ACCOUNTS:

During the period, the Company became a wholly-owned subsidiary of Eurovend N.V., whose ultimate parent company is ARA Services Inc. (incorporated in the State of Delaware, United States of America). The new parent company's fiscal year-end has been adopted by the Company and its subsidiaries.

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 eleven months ended 27th September, 1974, was £14,835. The Directors recommend that this be added to the retained earnings at the beginning of the period of £41,630 and that -

1. A transfer of £23,118 be made from capital reserves to retained earnings, being the surplus (£7,500) on the revaluation of freehold land and buildings now sold and the net capital reserve (£15,618) arising on consolidation.

2. The balance of £79,583 be carried forward.

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

DIRECTORS:

The Directors of the Company during the period were -

P.L. Thornton (Chairman)
E.E. Thornton (resigned - 13th December, 1973)
A.D. Hopkins (Managing Director)
D.H. Ball (resigned - 13th December, 1973)
A.T. Kraft (appointed - 13th December, 1973)
R.P. Starke (appointed - 13th December, 1973)
T.H.R. Walton (appointed - 13th December, 1973)

DIRECTORS' INTERESTS:

The beneficial interests in shares of the Company held by persons who were Directors at the end of the period were -

Number of ordinary shares	
31st October, 1973	27th September, 1974
P.L. Thornton	1,508
A.D. Hopkins	6

EMPLOYEES:

The average number of employees of the Group during the period was 1,116 and their aggregate gross remuneration was £1,032,856.

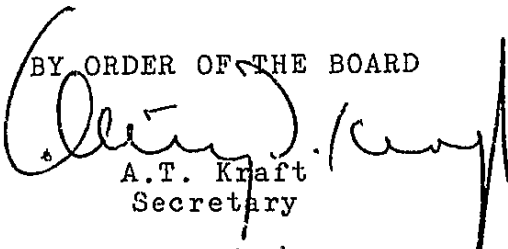
SIGNIFICANT CHANGES IN PROPERTY, PLANT AND EQUIPMENT:

As described in Note 4 to the accompanying accounts, the Group sold its freehold land and buildings during 1973. These were recorded in the Group balance sheet at 31st October, 1973, at a revaluation amount of £25,000.

AUDITORS:

Messrs. Joseph W. Shepherd & Co., Chartered Accountants, resigned during 1974. Under the provisions of Section 159 of the Companies Act, 1948, Messrs. Arthur Andersen & Co., Chartered Accountants, were appointed in their place and have indicated their willingness to continue in office.

BY ORDER OF THE BOARD


A.T. Kraft
Secretary

ARTHUR ANDERSEN & Co.

JAMES D. HANSON F.C.A.
C. RICHARD TERRAS F.C.A.
JOHN P. PRIESTLEY F.C.A.
ANTHONY K. TIMBERLAKE A.C.A.
IAN HAY DAVIDSON F.C.A.
EDWARD E. MALTBY F.C.A.
DANIEL J. LOWEY C.A.
DAVID F. A. DAVIDSON F.C.A.
JOHN G. LAURENCE F.C.A.
ROBERT S. PEREIRA F.C.A.
MARTIN H. VANDERSTEEN F.C.A.
LEON FULLER F.C.A.
PAT DELMOND F.C.A.
JOHN E. RULE F.C.A.
ROY J. CHAPMAN F.C.A.
JOHN A. KIBBY F.C.A.
P. RAYMOND HINTON F.C.A.
BRIAN M. CURRIE F.C.A.

RICHARD S. ELPHICK F.C.A.
GILFIS E. HEMMINGS A.C.A.
ROY L. JENNINGS F.C.A.
JOHN A. W. MOSE C.A.
JOHN C. NORTON F.C.A.
JEREMY C. ROBERTS F.C.A.
RONALD V. GORLIN A.C.A.
GRAHAM J. REDDISH F.C.A.
RICHARD DELBRIDGE A.C.A.
BRIAN D. SMITH A.C.A.
IAN P. A. SITT A.C.A.
PHILIP AARONBERG F.C.A.
A. JEREMY ARNOLD F.C.A.

DAVID R. KAYE

BANK HOUSE
9 CHARLOTTE STREET
MANCHESTER M1 4EU
061-228 2121

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 27th September, 1974, and the related consolidated statements of profit and loss and retained earnings and source and application of funds for the eleven months ended 27th September, 1974.

In our opinion, the accompanying accounts give a true and fair view of the state of affairs of the Company and the Group at 27th September, 1974, and of the profit and source and application of funds of the Group for the period ended on that date, and comply with the Companies Acts 1948 and 1967.

Arthur Andersen & Co.

22nd November, 1974

OFFICES IN LONDON GLASGOW BIRMINGHAM

ARGENTINA AUSTRALIA BELGIUM BRAZIL CANADA COLUMBIA DENMARK EQUADOR FRANCE GERMANY GREECE HONG KONG IRELAND ITALY JAPAN KUWAIT LEBANON MEXICO THE NETHERLANDS
NORWAY PERU PUERTO RICO SAUDI ARABIA SINGAPORE SOUTH AFRICA SPAIN SWEDEN SWITZERLAND USA VENEZUELA

" THIS IS THE COPY REFERRED TO IN THE ANNEXED CERTIFICATE 'B'. "

PHILIP THORNTON (CATERING SERVICES) LIMITED

BALANCE SHEET -- 27TH SEPTEMBER, 1974

	Notes	27th September, 1974	31st October, 1973
			(Note 2)
CURRENT ASSETS:			
Due from subsidiary companies		£ 7,000	£ 2,650
Prepaid expenses		456	1
		-----	-----
		£ 7,456	£ 2,651
		-----	-----
CURRENT LIABILITIES:			
Taxation		£ 40	£ 9
Creditors and accrued expenses		6,448	1,114
Bank overdraft		6,361	7,344
		-----	-----
		£12,849	£ 8,467
		-----	-----
Net current liabilities		£(5,393)	£(5,816)
PROPERTY, PLANT AND EQUIPMENT, net	4	-	632
INVESTMENT IN SUBSIDIARY COMPANIES	6	86,976	71,932
		-----	-----
		£81,583	£66,748
		=====	=====
SHAREHOLDERS' INVESTMENT:			
Share capital - Authorised, issued and fully-paid, 2,000 ordinary shares of £1 each		£ 2,000	£ 2,000
Retained earnings		79,583	64,748
		-----	-----
		£81,583	£66,748
		=====	=====

DIRECTORS.

x *William J. King*
x *Richard P. Hock*

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

PHILIP THORNTON (CATERING SERVICES) LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET -- 27TH SEPTEMBER, 1974

	Notes	27th September, 1974	31st October, 1973
			(Note 2)
CURRENT ASSETS:			
Due from fellow-subsubsidiary companies		£ 301	£ -
Stocks		88,525	62,385
Debtors and prepaid expenses		308,247	181,702
Cash		9,414	22,718
		-----	-----
		£406,487	£266,805
		-----	-----
CURRENT LIABILITIES:			
Due to fellow-subsubsidiary companies		£ 28,487	£ -
Taxation		40,286	36,043
Creditors and accrued expenses		272,545	195,681
		-----	-----
		£341,318	£231,724
		-----	-----
Net current assets		£ 65,169	£ 35,081
PROPERTY, PLANT AND EQUIPMENT, net	4	19,784	38,667
DEFERRED TAXATION	5	(3,370)	(7,000)
		-----	-----
		£ 81,583	£ 66,748
		=====	=====
SHAREHOLDERS' INVESTMENT:			
Share capital - Authorised, issued and fully-paid, 2,000 ordinary shares of £1 each		£ 2,000	£ 2,000
Capital reserves	3	-	23,118
Retained earnings		79,583	41,630
		-----	-----
		£ 81,583	£ 66,748
		=====	=====

Records

X *Anthony J. King*
X

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 ELEVEN MONTHS ENDED

27TH SEPTEMBER, 1974,

	Notes	Eleven months ended 27th September, 1974	Year ended 31st October, 1973 (Note 2)
REBILLED EXPENSES, FEES AND OTHER OPERATING INCOME		£2,397,536	£1,846,023
COST OF REBILLED AND OPERATING EXPENSES	7	2,366,843	1,801,763
Profit before taxation		£ 30,693	£ 44,260
TAXATION	5	15,858	20,898
Net profit (all dealt with in the accounts of the Company)		£ 14,835	£ 23,362
RETAINED EARNINGS, beginning of period		41,630	19,268
TRANSFER FROM (TO) CAPITAL RESERVES	3	23,118	(1,000)
RETAINED EARNINGS, end of period		£ 79,583	£ 41,630

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 ELEVEN MONTHS ENDED 27TH SEPTEMBER, 1974

Eleven months ended 27th September, 1974	Year ended 31st October, 1973
---------------------------------------------------	-------------------------------------

(Note 2)

SOURCE OF FUNDS:

Net profit	£ 14,835	£ 23,362
Adjustment for items not involving the movement of funds -		
Depreciation	2,631	8,496
Increase in deferred taxation	1,520	-
Net book value of retirements of property, plant and equipment	30,358	3,351
	-----	-----
Total funds from operations	£ 49,344	£ 35,209
	-----	-----

APPLICATION OF FUNDS:

Purchase of property, plant and equipment	£ 14,106	£ 10,709
Decrease in deferred taxation arising from the transfer of a capital gains tax liability on the sale of land and buildings to current taxation	5,150	-
Increase in stocks	26,140	12,795
Increase in debtors and prepaid expenses	126,545	68,292
Increase in net amount due to fellow- subsidiary companies	(28,186)	-
Increase in taxation	(4,243)	(10,671)
Increase in creditors, and accrued expenses	(76,864)	(62,552)
	-----	-----
	£ 62,648	£ 18,573
	-----	-----

£(13,304)	£ 16,636
=====	=====

MOVEMENT IN NET LIQUID FUNDS:

Increase (decrease) in cash	£(13,304)	£ 16,636
	=====	=====

The accompanying notes are an integral part of this statement.

PHILIP THORNTON (CATERING SERVICES) LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 27TH SEPTEMBER, 1974

ACCOUNTING POLICIES:

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 at the following annual rates, to write off property, plant and equipment over the estimated economic lives of the assets as follows -

Plant, fixtures and fittings	- 20% on a reducing-balance basis
Vending machines	- 12½% on a straight-line basis
Motor vehicles	- 25% on a reducing-balance basis

d) Corporation tax -

Corporation tax is provided on the taxable profits for the period at the rates current during the period. Deferred taxation is provided at the same rates in respect of differences between tax allowances for property, plant and equipment and the depreciation provided in the accounts.

e) Investment in subsidiary companies -

The investment in the subsidiary companies is stated on the equity basis, whereby cost is adjusted to reflect the Company's interest in post-acquisition retained earnings and other reserves of the subsidiary companies, less dividends received.

f) Rebilled expenses, fees and other operating income -

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

2. PRIOR-YEAR ACCOUNTS:

The 1973 accounts (except the consolidated statement of source and application of funds), before the adjustment explained below, were examined and reported on by a firm of chartered accountants other than Arthur Andersen & Co.

The Company's balance sheet for the year ended 31st October, 1973, which is presented for comparative purposes, has been retroactively restated to reflect a change in the way the Company accounts for its investment in its subsidiaries from the cost to the equity method (Note 1 e)).

3. CAPITAL RESERVES:

During 1974, Group companies transferred to retained earnings certain amounts included in capital reserves in prior years. At 31st October, 1973, the balance of capital reserves comprised -

31st October, 1973

Capital reserve arising on consolidation	£ 18,138
Goodwill arising on consolidation	(2,520)
Surplus on revaluation of land and buildings, less related deferred taxation. This property was sold during 1973	7,500

	£ 23,118
	=====

4. PROPERTY, PLANT AND EQUIPMENT:

a) The movement on these accounts during the period was as follows -

	GROUP		
	<u>Plant, fixtures and fittings, and vending machines</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost -			
Beginning of period	£ 31,126	£ 10,978	£ 42,104
Additions	1,238	12,868	14,106
Retirements	(13,895)	(7,595)	(21,490)
End of period	£ 18,469	£ 16,251	£ 34,720
Depreciation -			
Beginning of period	£ 23,375	£ 5,062	£ 28,437
Charge for period	1,430	1,201	2,631
Retirements	(13,193)	(2,939)	(16,132)
End of period	£ 11,612	£ 3,324	£ 14,936
Net book value	£ 6,857	£ 12,927	£ 19,784

	COMPANY		
Cost -			
Beginning of period	£ 92	£ 960	£ 1,052
Retirements	(92)	(960)	(1,052)
End of period	£ -	£ -	£ -
Depreciation -			
Beginning of period	£ -	£ 420	£ 420
Charge for period	-	18	18
Retirements	-	(438)	(438)
End of period	£ -	£ -	£ -
Net book value	£ -	£ -	£ -

In addition, the Group balance sheet at 31st October, 1973, included freehold land and buildings at a revaluation amount of £25,000. This property was sold during 1973.

b) Capital commitments -

The Group had no capital commitments at 27th September, 1974. At 31st October, 1973, there was capital expenditure of £10,000 authorised by the Board of Directors but not contracted.

5. TAXATION:

Current and deferred taxation has been provided at the rate of 52% (1973 - 46%). The movement on deferred taxation during the period represents -

Balance at beginning of period	£ 7,000
Transfer of capital gains tax liability, arising on the sale of land and buildings to current taxation	(5,150)
Charge to statement of profit and loss	1,520

Balance at end of period	£ 3,370
	=====

6. INVESTMENT 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.

As explained in Note 2, the Company has adopted the equity method of accounting for its investments and has retroactively restated the comparative balance sheet to reflect that decision. The effect on the investment in the subsidiaries is as follows -

	27th September, 1974	31st October, 1973
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, net of dividends received	64,071	49,027
	-----	-----
	£86,976	£71,932
	=====	=====

The amounts at which the investments are stated at 27th September, 1974, correspond to the Directors' estimates of the value of the investments.

SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Cost of rebilled and operating expenses includes -

	Eleven months ended 27th September, 1974	Year ended 31st October, 1973
Depreciation	£ 2,631	£ 8,496
Auditors' remuneration	3,500	1,750
Directors' emoluments - Remuneration for management services		
Fees	18,158	13,649
Pension to former directors	186	2,000
Motor vehicle hire	3,450	2,050
	8,196	6,922
	=====	=====

The following additional information is given in respect of
Directors' emoluments -

	Eleven months ended 27th September, 1974	Year ended 31st October, 1973
Emoluments of the Chairman and highest-paid Director	£10,663	£ 7,938
	=====	=====

The emoluments of the other Directors for the respective periods
fell within the following brackets -

£0	-	£2,500	4	1
£2,501	-	£5,000	-	1
£5,001	-	£7,500	1	1
			==	==