

**Sodexho Defence Services Limited**

**Directors' report and financial  
statements**

**Registered number 1692933**

**31 August 2007**

TUESDAY



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2007

### Principal activities

The principal activities of the company are the provision of catering and a wide range of support services to clients in defence establishments. Activities also include the supply of facilities management, grounds maintenance, cleaning and other support services.

### Business review

As shown in the company's profit and loss account on page 7, turnover has increased in the year by £32.5m to £165.9m, largely as a result of the full year trading of new contracts secured last year.

The company experienced improved performance during the financial year, delivering operating profit of £11.9m, a 42% increase on the prior year, mainly due to strong performance on the core business offsetting the challenging trading issues in the retail business.

The robust core business performance was experienced across the board with all but one contract exceeding performance expectations. This was driven by effective management of resources during significant troop deployments, combined with the ongoing productivity focus. These factors were key in driving core revenue and producing good margins at gross profit level. Performance in the retail business was below expectation with the majority of the loss arising from on site bars and cafes. The businesses have faced significant headwinds during their first year of operation including troop deployments reducing the customer base, mobilisation and a steep business learning curve in this new sector.

Overheads, including corporate charges, of £9.4m, stand at 5.7% of sales. The increase on the prior year is largely due to the increased level of sales and the resulting increase in resources required to set up and manage the larger scale business.

The balance sheet on page 8 of the financial statement shows that the company's financial position stood at £30.8m at the end of the year. The improvement on prior year is a result of the strong operating performance in the year, the underlying stock trend was influenced by increases in food stock linked to the start-up of the retail business and vigorous debt management produced strong cash flows resulting in the improved cash position despite the increased levels of capital investment in client sites for new catering, retail and leisure offers during the year.

The directors and management believe they are in a good position to capitalise on the opportunities in the emerging market by delivering a high level of expertise in the support services to their clients.

The key KPIs used by the business to review its operational performance are:

- Client contract retention percentage rates,
- Development sales percentage rates,
- Comparable unit sales growth,
- Employee retention rates.

These KPIs are reported on monthly and form part of the overall strategy of the business to aid decision making and improve performance.

### Principal risks and uncertainties

The cost risks revolve around personnel costs which are affected by both labour supply and government legislation. It is however, part of the company's strategic aim to recruit and retain the best people it can.

Due to the nature of the company's client base and the theatre of operations, there is always some uncertainty around troop deployment and the delivery of services to the MoD services personnel on the Garrisons. This requires a reactive workforce to deal with the rise and fall of the customer base in contract sites. However this is recognised as a feature of the landscape in this market, where the company has been operating for over ten years.

The company has a continuous research and development programme with the object of increasing the profitability of its operations and improving and extending its services to clients. There is a culture of innovation, which promotes a process of best practice across the business. In addition, improvements to service are achieved through regular customer satisfaction surveys and quality control.

## **Directors' report** *(continued)*

### **Employees**

The company is committed to providing staff and management training designed to encourage the necessary attitudes and skills to foster good communication and consultation at all levels with a view to informing and involving staff in the progress of the company and its future. Communication with all employees continues through the in-house magazine and newsletters, briefing groups and the distribution of the annual report. As a result of these efforts, the majority of trading divisions have achieved and maintained Investors in People accreditation.

The company is firmly committed to all aspects of staff training. This is achieved through on the job training and through other local and national training and development initiatives.

Some senior management participate in the Sodexho Group stock option plan and many staff have participated in a Group share purchase plan. The company believes that this type of initiative demonstrates the company's commitment to involving employees in the group's performance.

The Company believes it has an obligation to participate in the communities in which its employees live and work. Sodexho's employees have a tradition of being actively involved in collective and individual fundraising activities. The company has therefore helped to co-ordinate some of those efforts in community involvement and charitable work.

### **Employment of disabled persons**

It is the policy of the company to employ people who are handicapped by disablement provided it is practicable to offer them suitable employment and to make every effort to provide appropriate employment for employees who become disabled. It is the intention to give disabled people opportunities for training, career development and promotion consistent with their capabilities. The individual needs of the disabled are taken into consideration and, where practicable, special arrangements are made to enable them to carry out their work.

### **Political and charitable contributions**

The company made no political contributions during the year (2006 £nil)

Donations to UK charities amounted to £846 (2006 £1,290)

### **Proposed dividend**

The profit for the financial year amounted to £9,337,000 (2006 £6,534,000)

The directors do not recommend the payment of a dividend (2006 £nil)

### **Directors**

The directors who held office during the year were as follows

P E R Jansen

A D Leach

D J White            Resigned 5 March 2007

A J Connolly        Appointed 5 March 2007

### **Insurance of directors**

The Company maintains insurance for directors and officers in respect of their duties as directors and officers of the Company.

## Directors' report *(continued)*

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with s485 of the Companies Act 2006, a resolution to re-appoint KPMG LLP will be proposed at the forthcoming annual general meeting

By order of the board



*Rachel Sarah Booth*  
*Authorised Signatory*  
Sodexo Corporate Services (No 2) Limited  
*Secretary*

Solar House  
Stevenage Leisure Park  
Kings Way  
Stevenage  
Hertfordshire  
SG1 2UA

21 November 2007

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Sodexho Defence Services Limited**

We have audited the financial statements of Sodexho Defence Services Limited for the year ended 31 August 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 financial statements 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 financial statements.

**Independent auditors' report to the members of Sodexho Defence Services Limited** *(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG LLP*

**KPMG LLP**

*Chartered Accountants*

*Registered Auditor*

*23 November 2007*



**Profit and loss account**  
*for the year ended 31 August 2007*

	<i>Note</i>	<b>2007 £000</b>	<b>2006 £000</b>
<b>Turnover</b>	<b>2</b>	<b>165,919</b>	<b>133,389</b>
Cost of Sales		<b>(144,591)</b>	<b>(118,301)</b>
<b>Gross profit</b>		<b>21,328</b>	<b>15,088</b>
Administrative expenses	<b>3</b>	<b>(9,383)</b>	<b>(6,655)</b>
<b>Operating profit</b>		<b>11,945</b>	<b>8,433</b>
Other interest receivable and similar income	<b>6</b>	<b>1,382</b>	<b>1,104</b>
Interest payable and similar charges	<b>7</b>	<b>(176)</b>	<b>(166)</b>
<b>Profit on ordinary activities before taxation</b>	<b>8</b>	<b>13,151</b>	<b>9,371</b>
Tax on profit on ordinary activities	<b>9</b>	<b>(3,814)</b>	<b>(2,837)</b>
<b>Retained profit for the year</b>		<b>9,337</b>	<b>6,534</b>

All results arise from continuing operations

The Company has no recognised gains or losses, other than the profit stated above, for both the current and previous year and therefore no separate statement of total recognised gains or losses has been prepared

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical equivalents

The notes on pages 10 to 20 form part of the financial statements

**Balance sheet**  
*at 31 August 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	10		6,425		3,535
Investments	11		-		-
			<u>6,425</u>		<u>3,535</u>
<b>Current assets</b>					
Stocks	12	2,235		1,383	
Debtors	13	16,180		16,988	
Cash at bank and in hand		26,450		22,380	
		<u>44,865</u>		<u>40,751</u>	
<b>Creditors</b> amounts falling due within one year	14	(20,055)		(22,354)	
<b>Net current assets</b>			<u>24,810</u>		<u>18,397</u>
<b>Total assets less current liabilities</b>			<u>31,235</u>		<u>21,932</u>
<b>Provisions for liabilities</b>	15		(474)		(508)
<b>Net assets</b>			<u>30,761</u>		<u>21,424</u>
<b>Capital and reserves</b>					
Called up share capital	17		200		200
Profit and loss account	18		30,561		21,224
<b>Shareholders' funds - Equity</b>			<u>30,761</u>		<u>21,424</u>

The notes on pages 10 to 20 form part of the financial statements

These financial statements were approved by the board of directors on 21 November 2007 and were signed on its behalf by



**A J Connolly**

*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 August 2007*

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Profit for the financial year</b>	<b>9,337</b>	<b>6,534</b>
<b>Net addition to shareholders' funds</b>	<b>9,337</b>	<b>6,534</b>
<b>Opening shareholders' funds</b>	<b>21,424</b>	<b>14,890</b>
<b>Closing shareholders' funds</b>	<b>30,761</b>	<b>21,424</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under historic cost accounting rules

The financial statements have been prepared on the going concern basis

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Sodexho Alliance SA, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Sodexho Alliance SA, within which this Company is included, can be obtained from the address given in note 20.

#### ***Turnover***

Turnover is recognised based on the amount receivable in respect of goods and services provided, net of discounts and allowances payable to customers under contractual arrangements, and excluding VAT.

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	3-12 years
Furniture and equipment	-	3-10 years

The Company has adopted a policy of not revaluing fixed assets. The carrying value of fixed assets reflects previous revaluations which have been retained.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company participates in a UK group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

#### ***Taxation***

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Dividends on shares presented within shareholders' funds***

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### ***Financial guarantees***

The company has not adopted amendments to FRS26 'Financial instruments measurement' in relation to the financial guarantee contracts.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee. The company does not expect the amendments to have any impact on the financial statements.

#### ***Pre contract costs***

Pre contract costs are expensed as incurred, except when costs are directly attributable to a contract where the award is virtually certain to occur within a reasonable timescale and positive net cash flows are anticipated. In such circumstances costs are recognised within other debtors and written off over the life of the contract, being the directors' best estimate of useful life.

## Notes (continued)

### 2 Analysis of turnover

The company's activities consist solely of the provision of food and management services in the United Kingdom

### 3 Administrative expenses

	2007 £000	2006 £000
Other operating charges	6,661	4,625
Staff costs	2,722	2,030
	<u>9,383</u>	<u>6,655</u>

### 4 Directors' emoluments

	2007 £000	2006 £000
Aggregate emoluments and benefits	<u>348</u>	<u>255</u>
Number of directors to whom retirement benefits are accruing under defined benefit schemes	<u>1</u>	<u>1</u>
<b>Highest paid director</b>		
Aggregate emoluments and benefits	<u>348</u>	<u>255</u>
Accrued pension at end of year in defined benefit scheme	<u>33</u>	<u>27</u>

Emoluments of 2 directors are borne by another group company

## Notes (continued)

### 5 Employee information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Food and management services	7,836	7,349

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	92,713	84,600
Social security costs	7,186	5,998
Other pension costs	1,897	2,131
	<u>101,796</u>	<u>92,729</u>

### 6 Interest receivable and similar income

	2007 £000	2006 £000
Interest on bank deposits	1,382	1,104

### 7 Interest payable and similar charges

	2007 £000	2006 £000
On bank loans and overdrafts	176	166

## Notes (continued)

### 8 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	1,371	338
Hire of plant and machinery - rentals payable under operating leases	60	71
Hire of other assets - operating leases	1,455	1,644
Sodexho group charges	784	594
	<hr/>	<hr/>
<i>Auditors' remuneration</i>	2007 £000	2006 £000
Audit of these financial statements	40	39
	<hr/>	<hr/>

### 9 Taxation

<i>Analysis of charge in period</i>	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on income for the period	3,972	2,826
Adjustments in respect of previous period	(252)	39
	<hr/>	<hr/>
Total current tax	3,720	2,865
	<hr/>	<hr/>
<i>Deferred tax (note 13)</i>		
Adjustments in respect of previous periods	94	(28)
	<hr/>	<hr/>
Total deferred tax	94	(28)
	<hr/>	<hr/>
Tax on profit on ordinary activities	3,814	2,837
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is lower (2006 higher) than the standard rate of corporation tax in the UK 30% (2006 30%). The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	13,151	9,371
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	3,945	2,811
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	27	15
Adjustments to tax in respect of previous periods	(252)	39
	<hr/>	<hr/>
Total current tax charge	3,720	2,865
	<hr/>	<hr/>

#### *Factors that may affect future current and total tax charges*

The UK corporation tax rate will decrease from 30% to 28% effective from 1 April 2008



**Notes (continued)**

**10 Tangible fixed assets**

	<b>Assets under construction</b>	<b>Plant and machinery</b>	<b>Motor Vehicles</b>	<b>Furniture And Equipment</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<b><i>Cost or valuation</i></b>					
At beginning of year	1,913	618	273	1,717	4,521
Additions	-	1,058	34	4,537	5,629
Disposals	(1,364)	(24)	(6)	(13)	(1,407)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	549	1,652	301	6,241	8,743
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><i>Depreciation</i></b>					
At beginning of year	-	309	248	429	986
Charge for the period	-	286	15	1,070	1,371
Disposals	-	(21)	(6)	(12)	(39)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	574	257	1,487	2,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><i>Net book value</i></b>					
At 31 August 2007	549	1,078	44	4,754	6,425
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	1,913	309	25	1,288	3,535
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £000
<i>Cost</i>	
At beginning and end of year	6
	<hr/>
<i>Provisions</i>	
At beginning and end of year	(6)
	<hr/>
<i>Net book value</i>	
At 31 August 2007	-
	<hr/>
At 31 August 2006	-
	<hr/>

The company in which the company's interest at the year end is more than 20% is as follows

	Country of incorporation	Principal Activity	Class and Percentage of shares Held
<i>Subsidiary undertakings</i>			
Primary Management (Aldershot) Limited	England & Wales	Facilities Management	Ordinary 60%

### 12 Stocks

	2007 £000	2006 £000
Raw materials and consumables	155	95
Finished goods and goods for resale	2,080	1,288
	<hr/>	<hr/>
	2,235	1,383
	<hr/>	<hr/>

## Notes (continued)

### 13 Debtors

	2007 £000	2006 £000
Trade debtors	9,249	7,819
Amounts owed by parent and fellow subsidiary undertakings	325	725
Other debtors	490	62
Deferred tax asset	2	96
Prepayments and accrued income	6,114	8,286
	<u>16,180</u>	<u>16,988</u>

The amounts provided for deferred taxation are set out below

	2007 £000	2006 £000
<b>Deferred tax</b>		
Accelerated capital allowances	2	96
	<u>2</u>	<u>96</u>
Asset at start of year	96	68
Deferred tax (charge)/credit in profit & loss account	(94)	28
	<u>2</u>	<u>96</u>
<b>Deferred tax asset</b>		

### 14 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	1,109	4,237
Other taxation and social security	8,040	7,315
Amounts owed to parent and fellow subsidiary undertakings	4,377	3,657
Other creditors	-	930
Accruals and deferred income	6,529	6,215
	<u>20,055</u>	<u>22,354</u>

## Notes (continued)

### 15 Provisions for liabilities

	Insurance	Employee Dispute	Total
	£000	£000	£000
Liability at beginning of year	388	120	508
Amounts released unused	-	(120)	(120)
Increase	86	-	86
<b>At end of year</b>	<b>474</b>	<b>-</b>	<b>474</b>

Provisions for liabilities relate to insurance claims outstanding in respect of employee and public liability policies

### 16 Pension and similar obligations

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amount to £45,501 (2006 £36,188)

Contributions amounting to £3,283 (2006 £3,821) were payable to the scheme and are included in creditors

The Company is a member of a UK group wide pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the scheme has been accounted for in these financial statements as if it was a defined contribution scheme. The company continues to contribute at the rate recommended by the actuary to cover the cost of the accruing benefits.

The latest full actuarial valuation was carried out at 6 April 2006 and was updated for IAS 19 purposes to 31 August 2007 by a qualified independent actuary. At 31 August 2007 under IFRS, the scheme deficit was £21,876,000 (2006 £93,100,000)

The contribution for the year amounted to £1,851,260 (2006 £2,094,482)

## Notes (continued)

### 17 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Equity 200,000 Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>
<i>Allotted, called up and fully paid</i>		
Equity 200,000 Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>

### 18 Reserves

	Profit and loss account £000
At beginning of year	21,224
Retained profit for the year	9,337
	<u>30,561</u>
At end of year	<u>30,561</u>

### 19 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made, are as follows

	2007 £000	2006 £000
Contracted	-	1,608
	<u>-</u>	<u>1,608</u>

- (b) Annual commitments under non-cancellable operating leases are as follows

	2007 Other £000	2006 Other £000
Operating leases which expire		
Within one year	2	3
In the second to fifth years inclusive	98	99
Over five years	1,500	1,500
	<u>1,600</u>	<u>1,602</u>
	<u>1,600</u>	<u>1,602</u>

**Notes (continued)**

**20 Ultimate parent company and ultimate controlling party**

The company's ultimate parent company and controlling party is Sodexo Alliance SA, a company incorporated in France. This is the smallest group of undertakings for which consolidated financial statements are prepared. Copies of the consolidated financial statements can be obtained from The Secretary, Sodexo Alliance SA, 3 Avenue Newton, 78180 Montigny-le-Bretonneux, France.

The company's immediate parent undertaking and controlling party is Sodexo Services Company Limited, a company incorporated in England and Wales.