

Sodexho Holdings Limited
Annual report
for the year ended 31 August 2002

Registered Number 2987170



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for the year ended 31 August 2002

Contents

Directors and Advisors for the year ended 31 August 2002	1
Directors' report for the year ended 31 August 2002	2
Independent Auditors' report to the members of Sodexho Holdings Limited	3
Profit and loss account for the year ended 31 August 2002	4
Balance sheet as at 31 August 2002	5
Accounting policies	6
Notes to the financial statements for the year ended 31 August 2002	7

Sodexho Holdings Limited

Directors and Advisors for the year ended 31 August 2002

Directors

M R Adams
A L L George
R S Herbert-Jones
M Shipman

Secretary

N A Mead

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

Bankers

Société Générale
SG House
41 Tower Hill
London
EC3N 4SG

Citibank International Plc
Citicenter
19 Le Parvis
92073 Paris La Défense
France

Registered Office

Kenley House
Kenley Lane
Kenley
Surrey
CR8 5ED

Registered Number

2987170

Sodexho Holdings Limited

Directors' report for the year ended 31 August 2002

The directors present their report and the audited financial statements for the year ended 31 August 2002.

Principal activities and review of business

The principal activity of the company is that of a holding company.

Results and dividends

The directors do not recommend the payment of any ordinary dividends in respect of the year ended 31 August 2002, but a preference dividend of £1,842,000 (2001: £1,840,000) has been accrued. The loss for the year, amounting to £13,796,000 (2001: profit £20,352,000) has been transferred to reserves.

Directors and their interests

The directors of the company who held office during the year are given below:

M R Adams	(appointed 22 April 2002)
A L L George	(appointed 22 April 2002)
M Shipman	(appointed 22 April 2002)
R S Herbert-Jones	(appointed 22 April 2002)
D Robin	(resigned 20 December 2001)
B Carton	(resigned 28 February 2002)
P Bellon	(resigned 22 April 2002)

None of the directors had any interests in the share capital of the company during the year. No disclosure is required of any interests in the share capital of the ultimate holding company, Sodexho Alliance SA, because that company is not incorporated in Great Britain and in accordance with the exceptions to the Companies Act 1985 contained in Statutory Instrument 802 of 1985.

During the year none of the directors had a material interest in a beneficial capacity in any contract which was significant in relation to the company's business.

Insurance of directors

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2002 and that applicable accounting standards have been followed.

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



M R Adams

Director

3rd November 2003

Sodexho Holdings Limited

Independent auditors' report to the members of Sodexho Holdings Limited

We have audited the financial statements which comprise profit and loss account, the balance sheet, the accounting policies statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

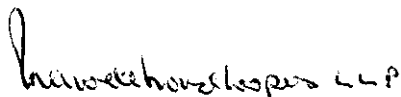
Basis of audit opinion

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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 August 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Manchester

3rd November 2003

Sodexo Holdings Limited

Profit and loss account for the year ended 31 August 2002

	Notes	2002 £'000	2001 £'000
Operating loss		(763)	-
Income from interests in subsidiary undertakings		2,451	32,841
Profit on ordinary activities before interest and taxation		1,688	32,841
Interest receivable	5	2,821	1,793
Interest payable and similar charges	6	(16,881)	(16,963)
(Loss) / Profit on ordinary activities before taxation	3	(12,372)	17,671
Tax on (loss) / profit on ordinary activities	4	418	4,521
(Loss) / Profit on ordinary activities after taxation	16	(11,954)	22,192
Preference dividend proposed	16	(1,842)	(1,840)
(Loss) / Profit for the financial year	15	(13,796)	20,352

All the activities during the year and in the comparative period were continuing.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of recognised gains and losses has been presented.

Sodexho Holdings Limited

Balance sheet as at 31 August 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	140	155
Investments	8	619,192	610,511
		619,332	610,666
Current assets			
Debtors	9	55,631	15,846
Tied cash deposit	10	2,357	3,660
Cash at bank and in hand		404	22,355
		58,392	41,861
Creditors: amounts falling due within one year	11	(111,114)	(60,034)
Net current liabilities		(52,722)	(18,173)
Total assets less current liabilities		566,610	592,493
Creditors: amounts falling due after more than one year	12	(156,380)	(168,467)
Provisions for liabilities and charges	13	(27)	(27)
Net assets		410,203	423,999
Capital and reserves			
Called up share capital	14	343,500	343,500
Profit and loss account	15	66,703	80,499
Total shareholders funds	16	410,203	423,999
Analysis of shareholders funds			
Equity		370,909	386,547
Non-equity		39,294	37,452
Total shareholders' funds	16	410,203	423,999

The financial statements on pages 4 to 12 were approved by the board of directors on 3rd November 2003 and were signed on its behalf by:



M R Adams
Director

Sodexho Holdings Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Intermediate parent undertaking

The financial statements contain information about Sodexho Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements, as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Sodexho Alliance SA, a company registered in France.

Fixed Asset Investments

Shares in subsidiary investments are stated at cost less provisions for any diminution in value

Tangible fixed assets

Depreciation is calculated so as to write off cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rate used for this purpose is:

Computer equipment	25%
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Deferred taxation

In accordance with FRS 19, deferred taxation is fully provided in respect of timing differences to the extent that it is probable that a liability will arise or that an asset will be recoverable in the foreseeable future. Deferred tax balances are not discounted.

Finance costs

Interest costs are accrued for in accordance with amounts payable to the lenders on the reducing balances outstanding.

Cash flow statement

The company has taken advantage of the exemption under FRS 1 (revised) and not published a cash flow statement. The cash flows of the group are included in the consolidated cash flow statement of the ultimate parent undertaking.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, whilst assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Differences arising from foreign exchange are taken to the profit and loss account in the year in which they arise.

Sodexho Holdings Limited

Notes to the financial statements for the year ended 31 August 2002

1 Directors' emoluments

No director received any remuneration in respect of service to the company during the year (2001: £Nil).

2 Employee information

The company had no employees in 2002 or 2001.

3 (Loss)/Profit on ordinary activities before tax

	2002 £'000	2001 £'000
<hr/> (Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation	15	-
Auditors remuneration	-	-

The audit fee for the company is borne by a fellow subsidiary undertaking.

4 Taxation on profit on ordinary activities

(a) Analysis of charge in period

	2002 £'000	2001 £'000
<hr/> Current tax:		
UK corporation tax	(418)	(4,557)
Adjustments in respect of previous period	-	10
Total Current Tax	(418)	(4,547)
<hr/> Deferred tax:		
Origination and reversal of timing differences	-	6
Adjustments in respect of previous period	-	20
Total deferred tax charge/(credit)	-	26
Tax on profit of ordinary activities	(418)	(4,521)

Sodexo Holdings Limited

4 Taxation on profit on ordinary activities (continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

(b) Factors affecting tax charges for the period:

	2002 £'000	2001 £'000
(Loss) / Profit on ordinary activities before tax	(12,372)	17,671
Profit on ordinary activities multiplied by standard rate of corporation tax		
tax – 30%	(3,712)	5,301
Effects of:		
Expenses not deductible for tax purposes	4,029	-
Dividends received not taxable	(735)	(9,852)
Capital allowances in excess of depreciation	-	(6)
Adjustment to tax charge in respect of earlier periods	-	10
Current taxation charge for period	(418)	(4,547)

5. Interest receivable

	2002 £'000	2001 £'000
Inter-group interest on loans	2,549	616
Interest receivable on bank deposits	272	1,177
	2,821	1,793

6. Interest payable and similar charges

	2002 £'000	2001 £'000
Interest payable on loan notes	132	236
Inter-group interest and similar charges on loans repayable within five years	16,749	16,727
	16,881	16,963

Sodexo Holdings Limited

7. Tangible fixed assets

	Assets in the Course of Construction £'000	Software	Total £'000
Cost or valuation			
At 1 September 2001	155	-	155
Additions	-	-	-
Transfers	(155)	155	-
At 31 August 2002	-	155	155
Depreciation			
At 1 September 2001	-	-	-
Charge in the year	-	15	15
At 31 August 2002	-	15	15
Net book value			
At 31 August 2002	-	140	140
At 1 September 2001	155	-	155

Software assets represent IT developments to be depreciated over four years from the date of commissioning.

8. Fixed asset investments

	2002 £'000	2001 £'000
Costs of investments in subsidiary undertakings		
Opening balance	610,511	610,511
Additions	8,681	-
Closing balance	619,192	610,511

Additions in the year relate to subscription of shares in The Brand Group, part of Sodexo Management Services Ltd for £6,725,000 and the transfer of ownership of Sodexo Healthcare Services Ltd at the book value of £1,956,000.

In the opinion of the directors, the value of the investments is not less than the carrying values shown above.

Interests in group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the group.

Sodexo Holdings Limited

The company's principal subsidiary undertakings which are all wholly owned either directly or indirectly are as follows:

Name of undertaking	Country of incorporation or registration	Description of shares held	Major activity	% Holding	
				Direct	Indirect
Sodexo Services Group Limited	England and Wales	Ordinary £1 shares	Holding company	100%	
Tillery Valley Foods Limited	England and Wales	Ordinary £1 shares	Catering and support services	100%	
		Redeemable ordinary £1 shares		100%	
		Preference £1 shares		100%	
Sodexo Management Services Limited	England and Wales	Ordinary £1 shares	Catering and support services	100%	
Sodexo Support Services Limited	Scotland	Ordinary £1 shares	Catering and support services	100%	
Sodexo Healthcare Services UK Limited	Scotland	Ordinary £1 shares	Catering and support services	100%	
Sodexo Education Services Ltd	England and Wales	Ordinary £1 Shares	Catering and Support services	100%	

9. Debtors

	2002 £'000	2001 £'000
Other Debtors	53	-
Amount owed by subsidiary undertaking	55,578	15,846
	55,631	15,846

10. Tied cash deposit

	2002 £'000	2001 £'000
Amount deposited with bank pursuant to a deed of deposit and security in respect of the Sodexo Services Group Limited loan notes creditor	2,357	3,660

Sodexo Holdings Limited

11. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Sodexo Services Group Limited loan notes (see note 10)	2,357	3,660
Amount owed to fellow subsidiary undertakings	100,119	49,598
Other amounts owed to parent undertaking	8,594	6,752
Taxation	9	20
Accruals	35	4
	111,114	60,034

The Sodexo Services Group Limited loan notes were issued under an instrument dated 1 February 1995 in part consideration for the acquisition of Sodexo Services Group Limited. The rate of interest payable is LIBOR less one half of one percent. The notes are redeemable upon notice from the noteholders between 28 February 1996 and 28 February 2005.

'Other amounts owed to parent undertaking' represents the accrued preference dividends which have not been paid.

12. Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Loan	20,461	
Loan from fellow subsidiary undertaking	135,919	168,467
Repayable as follows:		
Between two and five years	156,380	168,467

The company has entered into a swap arrangement with its bankers to manage the currency exposure associated with both principal and interest on a loan from a group company, which is denominated in Euros, whereby the loan agreement Euro rate of 5.25% has been exchanged for a sterling swap rate of 8.297%.

13. Provision for liabilities and charges

	Deferred tax £'000
At 1 September 2001	27
Charged to the profit and loss account	-
At 31 August 2002	27

	2002 £'000	2001 £'000
Deferred taxation provided in the accounts comprises:		
Accelerated capital allowances	27	27
Deferred tax provision	27	27

Sodexho Holdings Limited

14. Called up share capital

	2002 £'000	2001 £'000
Authorised, allotted, called up and fully paid		
312,800,000 ordinary shares of £1 each	312,800	312,800
30,700,000 redeemable preference shares of £1 each	30,700	30,700
	343,500	343,500

The 6% preference shares, which do not carry any voting rights, were issued in 1998 at £1 per share and are redeemable at £1 at the option of the shareholders on 31 October 2003. Shareholders can vote to have an earlier redemption date.

15. Profit and loss account

	£'000
Retained profit at 1 September 2001	80,499
Loss for the year	(13,796)
Retained profit at 31 August 2002	66,703

16. Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit/(Loss) for the financial year	(11,954)	22,192
Preference dividends	(1,842)	(1,840)
Opening shareholders funds	423,999	403,647
Closing shareholders funds	410,203	423,999

17. Related party transactions

The group has taken exemption under Financial Reporting Standard Number 8 from disclosure of intra-group transactions and balances as these are eliminated on consolidation in the financial statements of the ultimate parent undertaking.

18. Ultimate and immediate parent companies

The company's ultimate and immediate parent company and controlling party is Sodexho 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, Sodexho Alliance SA, 3 Avenue Newton, 78180 Montigny-le-Bretonneux, France.