

Registered no: 2987170

Sodexho Gardner Merchant Alliance Limited  
Annual report  
for the year ended 31 August 1999



# **Sodexho Gardner Merchant Alliance Limited**

## **Annual report for the year ended 31 August 1999**

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**Directors and advisers**

**Directors**

**P Bellon**

**B Carton**

**R S Herbert-Jones**

**D Robin**

**Bankers**

**Société Générale**

Exchange House

Primrose Street

London

EC2

**Secretary and registered office**

**N A Mead**

Kenley House

Kenley Lane

Kenley

Surrey

CR8 5ED

**Registered Auditors**

**PricewaterhouseCoopers**

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

**Directors' report  
for the year ended 31 August 1999**

The directors present their report and the audited financial statements for the year ended 31 August 1999.

**Principal activities and review of the business**

The principal activity of the company is that of a holding company and it is a subsidiary of Sodexho Alliance SA, a company incorporated in France.

**Results and dividends**

The directors do not recommend the payment of any ordinary dividends in respect of the year ended 31 August 1999, but a preference dividend of £1,842,000 has been accrued. The retained profit for the year, amounting to £32,014,000 (1998: profit £13,436,000) has been transferred to reserves.

**Directors**

The directors of the company at the date of signing these financial statements, all of whom have been in office throughout the year, are listed on page 1.

There were no contracts of significance subsisting during or at the end of the financial year in which a director of the company was materially interested.

**Directors' interests in shares of the company**

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

**Year 2000 and Euro**

A Year 2000 and Euro strategy has been established for the Sodexho Group. Details are contained in the directors' report within the 1999 financial statements of Gardner Merchant Limited, the principal UK trading company of the Group.

**Directors' report  
for the year ended 31 August 1999 (continued)****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. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

**Auditors**

A resolution proposing that PricewaterhouseCoopers be reappointed as auditors will be put to the members at the next Annual General Meeting.

**By order of the board**

A handwritten signature in black ink, appearing to read 'N A Mead', with a large, stylized flourish at the end.

**N A Mead**  
**Company secretary**  
30 November 1999

## **Report of the auditors to the members of Sodexho Gardner Merchant Alliance Limited**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

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

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

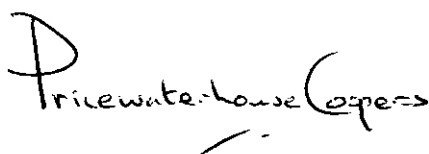
### **Basis of audit opinion**

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

**Chartered Accountants and Registered Auditors  
Manchester  
15 November 1999**

**Profit and loss account  
for the year ended 31 August 1999**

	Notes	1999 £'000	1998 £'000
Administrative expenses		(6)	(6)
Income from interests in subsidiary undertaking	5	<u>47,301</u>	<u>36,288</u>
<b>Operating profit</b>		<b>47,295</b>	<b>36,282</b>
Interest receivable	6	576	693
Interest payable and similar charges	7	<u>(19,842)</u>	<u>(22,313)</u>
<b>Profit on ordinary activities before taxation</b>	3	<b>28,029</b>	<b>14,662</b>
Tax on profit on ordinary activities	4	<u>5,827</u>	<u>-</u>
<b>Profit on ordinary activities after taxation</b>		<b>33,856</b>	<b>14,662</b>
Preference dividend		<u>(1,842)</u>	<u>(1,226)</u>
<b>Profit for the financial year</b>	15	<b><u>32,014</u></b>	<b><u>13,436</u></b>

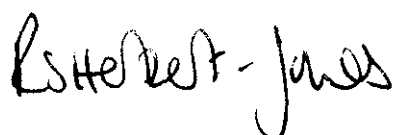
All the activities in the year and comparative period were continuing.

There were no gains or losses other than those shown in the profit and loss account.

**Balance sheet  
at 31 August 1999**

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Tangible assets	8	155	-
Investments	9	610,163	607,814
		<u>610,318</u>	<u>607,814</u>
<b>Current assets</b>			
Debtors	10	3,380	3,098
Tied cash deposit	11	4,734	5,760
Cash at bank and in hand		406	65
		<u>8,520</u>	<u>8,923</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(61,287)</u>	<u>(58,200)</u>
<b>Net current liabilities</b>		<u>(52,767)</u>	<u>(49,277)</u>
<b>Total assets less net current liabilities</b>		557,751	558,537
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(173,000)</u>	<u>(206,000)</u>
		<u>384,551</u>	<u>352,537</u>
<b>Capital and reserves</b>			
Called up share capital	14	343,500	343,500
Profit and loss account	15	41,051	9,037
Equity shareholders' funds		350,783	320,611
Non-equity shareholders' funds		33,768	31,926
<b>Total shareholders' funds</b>	16	<u>384,551</u>	<u>352,537</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 30 November 1999 and were signed on its behalf by:



**R S Herbert-Jones**  
Director

**Notes to the financial statements  
for the year ended 31 August 1999****1 Principal 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 Gardner Merchant Alliance 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.

**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.

**Finance costs**

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

**Deferred taxation**

Provision is made, using the liability method, for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the financial statements, except to the extent that the liability is not expected to crystallise in the foreseeable future.

**Tangible fixed assets**

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

Computer equipment	25%
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**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**
**2 Directors' emoluments**

No director received any remuneration in respect of his service to the company during the year.

**3 Profit on ordinary activities before taxation**

	1999 £	1998 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

**4 Tax on profit on ordinary activities**

The tax credit of £5,827,000 arises from group companies paying for losses surrendered to them.

**5 Income from interests in subsidiary undertaking**

	1999 £'000	1998 £'000
Dividend from Gardner Merchant Services Group Limited	44,579	36,288
Dividend from Sodexho Support Services Limited	1,707	-
Dividend from Tillery Valley Foods Limited	1,015	-
	<u>47,301</u>	<u>36,288</u>

**6 Interest receivable**

	1999 £'000	1998 £'000
Inter-group interest on loans repayable within five years, not by instalments	226	184
Interest receivable on bank deposits	350	509
	<u>576</u>	<u>693</u>

**7 Interest payable and similar charges**

	1999 £'000	1998 £'000
Interest payable on loan notes	351	706
Inter-group interest and similar charges on loans repayable within five years	19,491	21,607
	<u>19,842</u>	<u>22,313</u>

## Notes to the financial statements for the year ended 31 August 1999 (continued)

### 8 Tangible fixed assets

	Assets under construction £'000	Total £'000
<b>Cost</b>		
As at 1 September 1998	-	-
Additions	155	155
<b>As at 31 August 1999</b>	<b>155</b>	<b>155</b>
<b>Depreciation</b>		
As at 1 September 1998 and 31 August 1999	-	-
<b>Net book value</b>		
At 31 August 1999	155	155
Net book value		
At 31 August 1998	-	-

Assets under construction represent IT developments to be depreciated over 4 years from the date of commissioning.

### 9 Fixed asset investments

	1999 £'000	1998 £'000
<b>Cost of investments in subsidiary undertakings</b>		
Opening balance	607,814	576,981
Additions	5,052	30,833
Disposals	(2,530)	-
Amounts written off	(173)	-
<b>Closing balance</b>	<b>610,163</b>	<b>607,814</b>

In the opinion of the directors, the value of the investments is not less than the book amount shown above.

The additions during the year were as follows:

Company acquired	Date acquired	Consideration cash £'000	Company acquired from	% of share capital acquired
Kelvin International Services Limited	26 February 1999	2,522	Gardner Merchant Services Group Limited (a fellow group company)	100%
<b>Capital increase</b>				
Sodexho Support Services Limited	26 February 1999	2,530	N/A increase in share capital	100%
<b>Total additions</b>		<b>5,052</b>		

## Notes to the financial statements for the year ended 31 August 1999 (continued)

### 9 Fixed asset investments (continued)

The disposals during the year were as follows:

Company sold	Date sold	Sales proceeds £'000	Company sold to	% of share capital sold
Kelvin International Services Limited	26 February 1999	2,522	Sodexho Support Services Limited (a fellow group company)	100%
Kelvin Norge AS	26 February 1999	8	Sodexho Support Services Limited (a fellow group company)	100%
<b>Total disposals</b>		<b>2,530</b>		

For all additions and disposals of group companies the consideration was the book value which equated to estimated market value of the investments.

The investment in Tillery Valley Foods Limited has been revised by £173,000 following a revision to the deferred consideration.

### 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.

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	
<b>Subsidiary undertakings</b>					
Gardner Merchant Services Group Limited	England and Wales	Ordinary £1 shares	Holding company	100%	<b>Direct</b>
Tillery Valley Foods Limited	England and Wales	Ordinary £1 shares Redeemable ordinary £1 shares Preference £1 shares	Food and management services	100%	<b>Indirect</b>
Gardner Merchant Management Services (UK) Limited	England and Wales	Ordinary £1 shares	Food and management services	100%	
Sodexho Support Services Limited	Scotland	Ordinary £1 shares	Food and management services	100%	

## Notes to the financial statements for the year ended 31 August 1999 (continued)

### 9 Fixed asset investments (continued)

Name of undertaking	Country of incorporation or registration	Description of shares held	Major activity	% Holding	
				Direct	Indirect
Gardner Merchant International Holdings Limited	England and Wales	Ordinary £1 shares	Holding company		100%
Gardner Merchant Limited	England and Wales	Ordinary £1 shares	Food and management services		100%
Gardner Merchant Keyline Travel Limited	England and Wales	Ordinary £1 shares Preference £1 shares	Travel agent		100%
Sodexo Services UK Limited	Scotland	Ordinary £1 shares	Food and management services		100%
Gardner Merchant Specialist Services Limited	England and Wales	Ordinary £1 shares	Food and management services		100%
Gilmour & Pether Limited	England and Wales	Ordinary £1 shares	Food and management services		100%
Town & County Catering Limited	England and Wales	Ordinary £1 shares	Food and management services		100%
Ring & Brymer Holdings Limited	England and Wales	Ordinary £1 shares	Food and management services		100%
Wheatsheaf Catering Limited	Scotland	Ordinary £1 shares	Food and management services		100%
Van Hecke BV	Netherlands	Shares of Hfl 100	Food and management services		100%
Genesis Facilities Management Limited	England and Wales	Ordinary £1 shares	Facilities management		100%
KS Building Services Limited	England and Wales	Ordinary £1 shares	Facilities management		100%
Lawson Beaumont Limited	England and Wales	Ordinary £0.10 shares	Food and management services		100%
Cadogan Caterers Limited	England and Wales	Ordinary £1 shares	Food and management services		100%

### 10 Debtors

	1999 £'000	1998 £'000
Amount owed by subsidiary undertaking	3,380	3,085
VAT recoverable	-	13
	<u>3,380</u>	<u>3,098</u>

## Notes to the financial statements for the year ended 31 August 1999 (continued)

### 11 Tied cash deposit

	1999 £'000	1998 £'000
Amount deposited with bank pursuant to a deed of deposit and security in respect of the GMSG loan notes creditor	<u>4,734</u>	<u>5,760</u>

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

	1999 £'000	1998 £'000
GMSG loan notes (see note 11)	4,734	5,760
Tillery Valley loan notes and deferred consideration	-	2,750
Amount owed to subsidiary undertaking	12,099	14,024
Loan from parent undertaking	33,000	24,500
Other amounts owed to parent undertaking	11,380	10,978
Taxation	66	46
Accruals	8	142
	<u>61,287</u>	<u>58,200</u>

The GMSG loan notes were issued under an instrument dated 1 February 1995 in part consideration for the acquisition of Gardner Merchant 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.

The Tillery Valley loan notes were issued under an instrument dated 6 November 1996 in part consideration of the acquisition of Tillery Valley Foods Limited. As at 31 August 1999 these loan notes have been fully redeemed.

### 13 Creditors : amounts falling due after more than one year

	1999 £'000	1998 £'000
Loan from parent undertaking	<u>173,000</u>	<u>206,000</u>
Repayable as follows:		
Between one and two years	41,000	33,000
Between two and five years	132,000	173,000
	<u>173,000</u>	<u>206,000</u>

The company entered into a swap arrangement with its bankers to manage the currency exposure associated with both principal and interest on the above loan, which was denominated in French Francs, whereby the loan agreement French Franc rate of 6% was exchanged for a sterling swap rate of 8.88%.

# **Notes to the financial statements for the year ended 31 August 1999 (continued)**

## **14 Called up share capital**

	1999 £'000	1998 £'000
<b>Authorised</b>		
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
	<u>343,500</u>	<u>343,500</u>
<b>Allotted, called up and fully paid</b>		
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
	<u>343,500</u>	<u>343,500</u>

## **15 Profit and loss account**

	£'000
Retained profit at 1 September 1998	9,037
Retained profit for the year	<u>32,014</u>
<b>Retained profit at 31 August 1999</b>	<u><b>41,051</b></u>

## **16 Reconciliation of movements in shareholders' funds**

	1999 £'000	1998 £'000
Profit for the financial year	33,856	14,662
Preference dividends	(1,842)	(1,226)
Preference shares issued	-	30,700
Opening shareholders' funds	<u>352,537</u>	<u>308,401</u>
<b>Closing shareholders' funds</b>	<u><b>384,551</b></u>	<u><b>352,537</b></u>

## **17 Group banking security and guarantees**

As at 31 August 1999 the company's shares in Gardner Merchant Services Group Limited were pledged as security in respect of the group's borrowing facility with its bankers. In addition, the company had guaranteed the obligations of its subsidiaries under that facility.

Post year end all such facilities have been cancelled and therefore all related pledges and guarantees have been released and all charges have been discharged.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**18 Related party disclosures**

As a wholly owned subsidiary undertaking, the company has taken advantage of the exemption available under FRS8 not to disclose details of transactions with other members of the Sodexho Alliance SA Group.

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

In the opinion of the directors the company's ultimate controlling party is the ultimate parent company, Sodexho Alliance SA, a company incorporated in France. Copies of that company's consolidated financial statements may be obtained from The Secretary, Sodexho Alliance SA, 3 Avenue Newton, 78180 Montigny-le-Bretonneux, France.