

Sodexho Holdings Limited

**Directors' report and financial
statements**

Registered number 2987170

31 August 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2004.

Principal activities

The principal activity of the company continues to be that of a holding company.

Proposed dividend

The loss for the financial year amounted to £1,950,000 (2003: £15,202,000). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

M R Adams	(Resigned 31 January 2004)
A L L George	(Resigned 24 October 2003)
R S Herbert-Jones	
M Shipman	(Resigned 1 March 2004)
M M Landel	(Appointed 24 October 2003)
D J White	(Appointed 31 January 2004)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. In accordance with Statutory Instrument 802, 1985, no disclosure of interests in the share capital of the ultimate holding company, Sodexo Alliance SA is required, because that company is not incorporated in Great Britain.

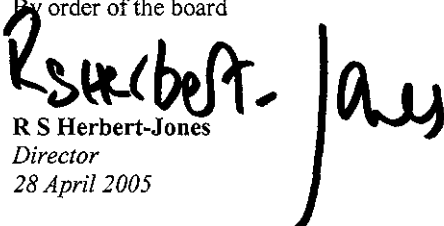
Political and charitable contributions

The company made no political contributions during the year.

Auditors

In accordance with s385 of the Companies Act 1985, a resolution to re-appoint KPMG LLP will be proposed at the forthcoming annual general meeting.

By order of the board


R S Herbert-Jones
Director
28 April 2005

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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

Report of the independent auditors to the members of Sodexo Holdings Limited

We have audited the financial statements on pages 4 to 14.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

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 as at 31 August 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 April 2005

Profit and loss account
for the year ended 31 August 2004

	<i>Note</i>	2004 £000	2003 £000
Operating charges	2	(97)	(106)
Operating loss		(97)	(106)
Income from shares in group undertakings		367	2,011
Other interest receivable and similar income	4	2,469	2,971
Other income		1,719	-
Interest payable and similar charges	5	(10,988)	(22,867)
Loss on ordinary activities before taxation	6	(6,530)	(17,991)
Tax on loss on ordinary activities	7	4,580	2,789
Loss for the financial year		(1,950)	(15,202)
Dividends on equity and non-equity shares	8	-	-
Retained loss for the year		(1,950)	(15,202)

The notes on pages 7 to 14 form part of these financial statements

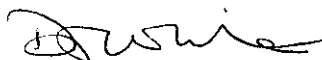
Balance sheet

at 31 August 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	9		62		101
Investments	10		620,692		620,692
			<hr/>		<hr/>
			620,754		620,793
Current assets					
Debtors (including £3,155,000 (2003: £66,260,000) due after more than one year)	11	48,270		73,294	
Tied cash deposit	12	1,285		2,031	
Cash at bank and in hand		1,782		1,218	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	13	51,337 (100,281)		76,543 (51)	
		<hr/>		<hr/>	
Net current (liabilities) / assets			(48,944)		76,492
			<hr/>		<hr/>
Total assets less current liabilities			571,810		697,285
Creditors: amounts falling due after more than one year	14		-		(207,525)
Provisions for liabilities and charges	15		(19)		(19)
			<hr/>		<hr/>
Net assets			571,791		489,741
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		513,646		429,646
Profit and loss account	17		49,551		51,501
Capital contribution reserve	17		8,594		8,594
			<hr/>		<hr/>
Shareholders' funds			571,791		489,741
Equity		370,945		372,895	
Non-equity		200,846		116,846	
		<hr/>		<hr/>	
			571,791		489,741
			<hr/>		<hr/>

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 28 April 2005 and were signed on its behalf by:



D J White
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 August 2004

	2004 £000	2003 £000
Loss for the financial year	(1,950)	(15,202)
Capital contribution (see note 17)	-	8,594
	<hr/>	<hr/>
	(1,950)	(6,608)
New share capital subscribed (net of issue costs)	84,000	86,146
	<hr/>	<hr/>
Net addition to shareholders' funds	82,050	79,538
Opening shareholders' funds	489,741	410,203
	<hr/>	<hr/>
Closing shareholders' funds	571,791	489,741
	<hr/>	<hr/>

The notes on pages 7 to 14 form part of these financial statements

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 company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. 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, a company registered in France, 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.

Tangible 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:

Computer equipment - 4 years

The company has adopted a policy of not revaluing fixed assets.

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.

Fixed asset investments

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

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.

Notes (continued)

2 Operating costs

	2004 £000	2003 £000
Other external charges	(58)	(67)
Depreciation of fixed assets	(39)	(39)
	<u>(97)</u>	<u>(106)</u>

3 Directors emoluments

	2004 £000	2003 £000
Aggregate emoluments and benefits	<u>20</u>	<u>-</u>
Number of directors to whom retirement benefits are accruing under defined benefit schemes	<u>-</u>	<u>-</u>
Highest paid director. Aggregate emoluments and benefits	<u>20</u>	<u>-</u>

4 Interest receivable

	2004 £000	2003 £000
Interest receivable on bank deposits	79	125
Interest from group undertakings	2,390	2,846
	<u>2,469</u>	<u>2,971</u>

5 Interest payable and similar charges

	2004 £000	2003 £000
Group interest payable	(8,972)	(13,760)
Net exchange losses	(1,186)	(5,734)
On other loans	(830)	(3,373)
	<u>(10,988)</u>	<u>(22,867)</u>

Notes (continued)

6 Loss on ordinary activities before taxation

	2004 £000	2003 £000
<i>Operating loss is stated after charging:</i>		
Depreciation charge for the year:		
Tangible owned fixed assets	39	39

7 Taxation

Analysis of charge in period

	2004 £000	2003 £000
<i>Current tax:</i>		
UK corporation tax	4,580	2,781
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	8
Tax on profit on ordinary activities	4,580	2,789

Factors affecting the tax charge for the current period

The current tax credit for the period is higher (2003: lower) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
Loss on ordinary activities before tax	(6,530)	(17,991)
Loss on ordinary activities multiplied by standard rate of corporate tax	1,959	5,397
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(288)	(3,211)
UK dividends received	110	603
Capital allowances for period in excess of depreciation	-	(8)
Adjustments in respect of prior year	2,799	-
Current tax credit for period	4,580	2,781

8 Dividends

	2004 £000	2003 £000
Preference dividend proposed	-	-

Notes (continued)

9 Tangible fixed assets

	Software
	£000
<i>Cost or valuation</i>	
At beginning of year	155
	<hr/>
At end of year	155
	<hr/>
<i>Depreciation</i>	
At beginning of year	54
Charge for the period	39
	<hr/>
At end of year	93
	<hr/>
<i>Net book value</i>	
At 31 August 2004	62
	<hr/>
At 31 August 2003	101
	<hr/>

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

10 Fixed asset investments

	2004	2003
	£000	£000
<i>Shares in subsidiary undertakings</i>		
<i>Cost</i>		
At beginning of year	620,692	619,192
Additions	-	1,500
	<hr/>	<hr/>
At end of year	620,692	620,692
	<hr/>	<hr/>

Additions last year relate to a subscription of shares in Tillery Valley Foods Limited for £1,500,000.

Notes (continued)

Fixed asset investments (continued)

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

	Country of incorporation	Principal activity	Class and Percentage of shares Held
Direct Subsidiary undertakings			
Sodexho Services Group Limited	England and Wales	Holding company	100%
Tillery Valley Foods Limited	England and Wales	Catering and support services	100%
Sodexho Management Services Limited	England and Wales	Catering and support services	100%
Sodexho Support Services Limited	Scotland	Catering and support services	100%
Sodexho Healthcare Services UK Limited	Scotland	Catering and support services	100%
Sodexho Corporate Services (No. 1) Limited	England and Wales	Non-trading	100%
Sodexho Corporate Services (No. 2) Limited	England and Wales	Non-trading	100%
Indirect Subsidiary undertakings			
Sodexho International Holdings Limited	England and Wales	Non-trading	100%
Sodexho Limited	England and Wales	Catering and support services	100%
Sodexho Prestige Limited	England and Wales	Catering and support services	100%
Sodexho Nederland BV	Netherlands	Catering and support services	100%
Sodexho Education Services Limited	England and Wales	Catering and support services	100%
Sodexho Investment Services Limited	England and Wales	Investment holding company	100%

11 Debtors

	2004 £000	2003 £000
Amounts falling due within one year		
Corporation tax	679	2,175
Prepayments and accrued income	71	4,648
Amounts owed by subsidiary undertakings	44,365	211
Total debtors due within one year	45,115	7,034
Amounts falling due after more than one year		
Investment in Agecroft Prison Management sub-debt	3,155	-
Amounts owed by subsidiary undertakings	-	66,260
Total debtors due after more than one year	3,155	66,260
Total Debtors	48,270	73,294

12 Tied cash deposit

	2004 £000	2003 £000
Amount deposited with bank pursuant to a deed of deposit and security in respect of the Sodexho Services Group Limited loan notes creditor	1,285	2,031

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Other taxation and social security	(6)	(6)
Amounts owed to parent and fellow subsidiary undertakings	(91,515)	-
Amounts owed to subsidiary undertakings	(7,437)	(9)
Accruals and deferred income	(1,323)	(36)
	<u>(100,281)</u>	<u>(51)</u>

14 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to parent and fellow subsidiary undertakings	-	(162,678)
Amounts owed to subsidiary undertakings	-	(42,817)
Other creditors	-	(2,030)
	<u>-</u>	<u>(207,525)</u>

Analysis of debt:

	2004 £000	2003 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	(100,281)	(205,546)
Between one and two years	-	(2,030)
Between two and five years	-	-
	<u>(100,281)</u>	<u>(207,576)</u>

Notes (continued)

15 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	(19)
Credit to the profit and loss account	-
	<hr/>
At end of year	(19)
	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2004 £000	2003 £000
Accelerated capital allowances	-	(35)
Short term timing differences	-	8
	<hr/>	<hr/>
Provision at start of year	(19)	(27)
Deferred tax credit in profit & loss account	-	8
	<hr/>	<hr/>
Deferred tax liability	(19)	(19)
	<hr/>	<hr/>

16 Called up share capital

	2004 £000	£000	2003 £000	£000
	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
Equity: Ordinary shares of £1 each	370,000	312,800	370,000	312,800
Non equity: Redeemable preference shares of £1 each	370,000	200,846	140,000	116,846
	<hr/>	<hr/>	<hr/>	<hr/>
	740,000	513,646	510,000	429,646
	<hr/>	<hr/>	<hr/>	<hr/>

The holders of the redeemable preference shares are entitled to a non-cumulative preference dividend of 150 per cent of any ordinary dividend declared. The shares are redeemable at par in the event that the ordinary shareholders and redeemable preference shareholders pass special resolutions at separate class meetings to approve the redemption of some or all of the redeemable preference shares.

During the year, authorised redeemable preference shares were increased to 370,000,000 and 84,000,000 preference shares were issued.

Notes (continued)

17 Reserves

	Profit and loss account	Capital contribution reserve	Total
	£000	£000	£000
At beginning of year	51,501	8,594	60,095
Retained loss for the year	(1,950)	-	(1,950)
	<hr/>	<hr/>	<hr/>
At end of year	49,551	8,594	58,145
	<hr/>	<hr/>	<hr/>

The capital contribution reserve arose during 2003 as a result of the preference shareholders irrevocably waiving their rights to £8,594,318 of previously proposed fixed cumulative preference dividends.

The capital contribution reserve is a distributable reserve.

Non-equity interests in shareholders' funds are analysed by class of share and/or series of warrant as follows:

	2004 £000	2003 £000
Redeemable Preference Shares	200,846	116,846
	<hr/>	<hr/>
Non-equity interests	200,846	116,846
	<hr/>	<hr/>

18 Related Parties

During the year the company paid fees of £20,000 to Francois Xavier Bellon who is a member of the Board of Directors of Sodexo Alliance SA

19 Contingent Liabilities

The company has guaranteed lease payments of the employee car ownership scheme amounting to £4,074,000

20 Ultimate parent company and ultimate controlling party

The company's ultimate and immediate 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.