

**Sodexho Holdings Limited**

**Directors' report and financial  
statements**

**Registered number 2987170**

**31 August 2005**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2005.

### Principal activities

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

### Business review

During the year a detailed UK wide strategic review of the company and its operating subsidiaries operating processes and practices was conducted

### Proposed dividend

The loss for the financial year amounted to £4,496,188 (2004: £1,950,000). 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:

R S Herbert Jones  
P E R Jansen (Appointed 1 May 2005)  
M M Landel  
D J White

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



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

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

21 December 2005

## **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 Sodexho 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 2005 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

16 January 2006

**Profit and loss account**  
*for the year ended 31 August 2005*

	<i>Note</i>	<b>2005 £000</b>	<b>2004 £000</b>
Operating charges	2	(4,630)	(97)
<b>Operating loss</b>		<b>(4,630)</b>	<b>(97)</b>
Income from shares in group undertakings		610	367
Other interest receivable and similar income	4	2,806	2,469
Other income		-	1,719
Interest payable and similar charges	5	(5,386)	(10,988)
<b>Loss on ordinary activities before taxation</b>	6	<b>(6,600)</b>	<b>(6,530)</b>
Tax on loss on ordinary activities	7	2,104	4,580
<b>Loss for the financial year</b>		<b>(4,496)</b>	<b>(1,950)</b>
Dividends on equity and non-equity shares	8	-	-
<b>Retained loss for the year</b>		<b>(4,496)</b>	<b>(1,950)</b>

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

**Balance sheet**  
*at 31 August 2005*

	<i>Note</i>	<b>2005 £000</b>	<b>2005 £000</b>	<b>2004 £000</b>	<b>2004 £000</b>
<b>Fixed assets</b>					
Tangible assets	9	-	-	-	62
Investments	10	620,692	620,692	620,692	620,692
			<u>620,692</u>		<u>620,754</u>
<b>Current assets</b>					
Debtors (including £3,155,000 (2004: £66,260,000) due after more than one year)	11	40,397	48,270		
Tied cash deposit	12	-	1,285		
Cash at bank and in hand		30	1,782		
		<u>40,427</u>	<u>51,337</u>		
<b>Creditors: amounts falling due within one year</b>	13	<u>(86,077)</u>	<u>(100,281)</u>		
<b>Net current (liabilities)</b>			<u>(45,650)</u>		<u>(48,944)</u>
<b>Total assets less current liabilities</b>			<u>575,042</u>		<u>571,810</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(7,747)	-		
<b>Provisions for liabilities and charges</b>	15	-	-		(19)
<b>Net assets</b>			<u>567,295</u>		<u>571,791</u>
<b>Capital and reserves</b>					
Called up share capital	16	513,646	513,646		
Profit and loss account	17	45,055	49,551		
Capital contribution reserve	17	8,594	8,594		
<b>Shareholders' funds</b>			<u>567,295</u>		<u>571,791</u>
Equity		366,450	370,945		
Non-equity		<u>200,845</u>	<u>200,846</u>		
			<u>567,295</u>		<u>571,791</u>

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

These financial statements were approved by the board of directors on 21 December 2005 and were signed on its behalf by:



**Debra Jayne White**  
*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 August 2005*

	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
<b>Loss for the financial year</b>	<b>(4,496)</b>	<b>(1,950)</b>
	<hr/>	<hr/>
	<b>(4,496)</b>	<b>(1,950)</b>
New share capital subscribed (net of issue costs)	-	84,000
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	<b>(4,496)</b>	<b>82,050</b>
Opening shareholders' funds	<b>571,791</b>	<b>489,741</b>
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>567,295</b>	<b>571,791</b>
	<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 19.

#### ***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

	2005 £000	2004 £000
Other external charges	(86)	(58)
Depreciation of fixed assets	(13)	(39)
Restructuring costs - exceptional item	(4,531)	-
	<u>(4,630)</u>	<u>(97)</u>

During the year the company undertook a detailed UK wide strategic review. These costs represent the external facilitation and restructuring costs.

### 3 Directors emoluments

	2005 £000	2004 £000
Aggregate emoluments and benefits	<u>30</u>	<u>20</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>30</u>	<u>20</u>

### 4 Interest receivable

	2005 £000	2004 £000
Interest receivable on bank deposits	35	79
Interest from group undertakings	2,771	2,390
	<u>2,806</u>	<u>2,469</u>

### 5 Interest payable and similar charges

	2005 £000	2004 £000
Group interest payable	(5,396)	(8,972)
Net exchange gains/ (losses)	42	(1,186)
On other loans	(32)	(830)
	<u>(5,386)</u>	<u>(10,988)</u>

## Notes (continued)

### 6 Loss on ordinary activities before taxation

	2005 £000	2004 £000
<i>Operating loss is stated after charging:</i>		
Audit fees	25	14
Depreciation charge for the year:		
Tangible owned fixed assets	13	39
	<u>          </u>	<u>          </u>

### 7 Taxation

#### Analysis of credit in period

	2005 £000	2004 £000
<i>Current tax:</i>		
UK corporation tax	2,163	4,580
Adjustments in respect of previous period	(59)	-
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	2,104	4,580
	<u>          </u>	<u>          </u>

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

The current tax credit for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005 £000	2004 £000
Loss on ordinary activities before tax	(6,600)	(6,530)
	<u>          </u>	<u>          </u>
Loss on ordinary activities multiplied by standard rate of corporate tax	1,980	1,959
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	(288)
UK dividends received	183	110
Capital allowances for period in excess of depreciation	-	-
Adjustments in respect of prior year	(59)	2,799
	<u>          </u>	<u>          </u>
Current tax credit for period	2,104	4,580
	<u>          </u>	<u>          </u>

### 8 Dividends

	2005 £000	2004 £000
Preference dividend proposed	-	-
	<u>          </u>	<u>          </u>

## Notes (continued)

### 9 Tangible fixed assets

	<b>Software</b>
	<b>£000</b>
<b>Cost or valuation</b>	
At beginning of year	155
Transfer to subsidiary	(155)
	<hr/>
At end of year	-
	<hr/>
<b>Depreciation</b>	
At beginning of year	93
Charge for the period	13
Transfer to subsidiary	(106)
	<hr/>
At end of year	-
	<hr/>
<b>Net book value</b>	
At 31 August 2005	-
	<hr/>
At 31 August 2004	62
	<hr/>

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

### 10 Fixed asset investments

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>Shares in subsidiary undertakings</b>		
<b>Cost</b>		
At beginning of year	620,692	620,692
	<hr/>	<hr/>
At end of year	620,692	620,692
	<hr/>	<hr/>

## 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
<b>Direct Subsidiary undertakings</b>			
Sodexo Services Group Limited	England and Wales	Holding company	100%
Tillery Valley Foods Limited	England and Wales	Catering and support services	100%
Sodexo Management Services Limited	England and Wales	Catering and support services	100%
Sodexo Support Services Limited	Scotland	Catering and support services	100%
Sodexo Healthcare Services UK Limited	Scotland	Catering and support services	100%
Sodexo Corporate Services (No 1) Limited	England and Wales	Non-trading	100%
Sodexo Corporate Services (No 2) Limited	England and Wales	Non-trading	100%
<b>Indirect Subsidiary undertakings</b>			
Sodexo International Holdings Limited	England and Wales	Non-trading	100%
Sodexo Limited	England and Wales	Catering and support services	100%
Sodexo Prestige Limited	England and Wales	Catering and support services	100%
Sodexo Nederland BV	Netherlands	Catering and support services	100%
Sodexo Education Services Limited	England and Wales	Catering and support services	100%
Sodexo Investment Services Limited	England and Wales	Investment holding company	100%

## 11 Debtors

	2005 £000	2004 £000
<b>Amounts falling due within one year</b>		
Corporation tax	1,588	679
Prepayments and accrued income	71	71
Amounts owed by subsidiary undertakings	35,583	44,365
<b>Total debtors due within one year</b>	<b>37,242</b>	<b>45,115</b>
<b>Amounts falling due after more than one year</b>		
Investment in Agecroft Prison Management sub-debt	3,155	3,155
<b>Total Debtors</b>	<b>40,397</b>	<b>48,270</b>

## 12 Tied cash deposit

	2005 £000	2004 £000
Amount deposited with bank pursuant to a deed of deposit and security in respect of the Sodexo Services Group Limited loan notes creditor	-	1,285

## Notes (continued)

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

	2005 £000	2004 £000
Other taxation and social security	-	(6)
Amounts owed to parent and fellow subsidiary undertakings	(86,014)	(91,515)
Amounts owed to subsidiary undertakings	-	(7,437)
Accruals and deferred income	(63)	(1,323)
	<u>(86,077)</u>	<u>(100,281)</u>

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

	2005 £000	2004 £000
Amounts owed to subsidiary undertakings	(7,747)	-
	<u>(7,747)</u>	<u>-</u>

### Analysis of debt:

	2005 £000	2004 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	(86,077)	(100,281)
Between one and two years	-	-
Between two and five years	(7,747)	-
	<u>(93,824)</u>	<u>(100,281)</u>

## Notes (continued)

### 15 Provisions for liabilities and charges

	Deferred tax £000
At beginning of year	(19)
Transfer to subsidiary	19
	<hr/>
At end of year	-
	<hr/>

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

	2005 £000	2004 £000
Accelerated capital allowances	-	(19)
Short term timing differences	-	-
	<hr/>	<hr/>
	-	(19)
	<hr/>	<hr/>
Provision at start of year	(19)	(19)
Transfer to subsidiary	19	-
	<hr/>	<hr/>
Deferred tax liability	-	(19)
	<hr/>	<hr/>

### 16 Called up share capital

	2005 £000	2005 £000	2004 £000	2004 £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	370,000	200,846
	<hr/>	<hr/>	<hr/>	<hr/>
	740,000	513,646	740,000	513,646
	<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.

## Notes (continued)

### 17 Reserves

	Profit and loss account	Capital contribution reserve	Total
	£000	£000	£000
At beginning of year	49,551	8,594	58,145
Retained loss for the year	(4,496)	-	(4,496)
	<hr/>	<hr/>	<hr/>
At end of year	<b>45,055</b>	<b>8,594</b>	<b>53,649</b>
	<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:

	2005 £000	2004 £000
Redeemable Preference Shares	200,846	200,846
	<hr/>	<hr/>
Non-equity interests	<b>200,846</b>	200,846
	<hr/>	<hr/>

### 18 Contingent Liabilities

The company has guaranteed lease payments of the employee car ownership scheme amounting to £1,465.397

### 19 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.