

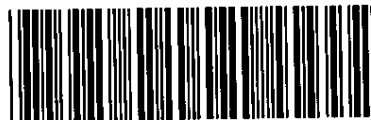
Sodexho Holdings Limited

**Directors' report and financial
statements**

Registered number 2987170

31 August 2007

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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 and business review

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

Political and charitable contributions

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

The company made no donations to UK charities (2006 *nil*)

Proposed dividend

The loss for the financial year amounted to £18,287,303 (2006 £4,991,326)

The directors have approved an interim ordinary dividend in respect of the current financial year of £2,815,000 (2006 *£nil*) The dividend was paid on 19 October 2007

This has not been included within creditors as at year end as it was not approved before the year end

For the financial year ending 31 August 2008, the directors plan to consolidate a number of the UK subsidiaries' distributable reserves into the company, with the intention to distribute a dividend of £100,000,000 to Sodexo Alliance SA

Directors

The directors who held office during the year were as follows

R S Herbert Jones

P E R Jansen

M M Landel

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

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 Holdings Limited

We have audited the financial statements of Sodexho Holdings Limited for the year ended 31 August 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements 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 2.

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 Holdings 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 loss 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

	Note	2007 £000	2006 £000
Operating expenses (including impairment charge of £10,601,000 (2006 £nil))	2	(18,235)	(5,801)
Operating loss		(18,235)	(5,801)
Income from shares in group undertakings		173	781
Other interest receivable and similar income	5	1,768	1,874
Interest payable and similar charges	6	(5,199)	(4,661)
Loss on ordinary activities before taxation	3	(21,493)	(7,807)
Tax on loss on ordinary activities	7	3,206	2,816
Retained loss for the year		(18,287)	(4,991)

All results arise from continuing operations

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

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and the historic equivalents

The notes on pages 8 to 15 form part of these financial statements

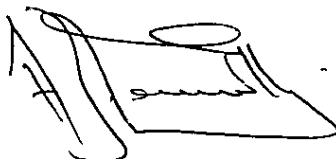
Balance sheet

at 31 August 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Investments	8		610,091		620,692
			<u>610,091</u>		<u>620,692</u>
Current assets					
Debtors (including £3,154,500 (2006 £3 154 500) due after more than one year)	9	25,447		32,651	
Cash at bank and in hand		-		175	
		<u>25,447</u>		<u>32,826</u>	
Creditors amounts falling due within one year	10	(83,080)		(83,120)	
Net current liabilities			<u>(57,633)</u>		<u>(50,294)</u>
Total assets less current liabilities			<u>552,458</u>		<u>570,398</u>
Creditors , amounts falling due after more than one year	11		<u>(8,441)</u>		<u>(8,094)</u>
Net assets			<u>544,017</u>		<u>562,304</u>
Capital and reserves					
Called up share capital	12		513,646		513,646
Profit and loss account	13		21,777		40,064
Capital contribution reserve	13		8,594		8,594
Shareholders' funds - Equity			<u>544,017</u>		<u>562,304</u>

The notes on pages 8 to 15 form part of these 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

	2007 £000	2006 £000
Loss for the financial year	(18,287)	(4,991)
Net reduction in shareholders' funds	(18,287)	(4,991)
Opening shareholders' funds	562,304	567,295
Closing shareholders' funds	544,017	562,304

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

Basis of preparation

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

The financial statements have been prepared on the going concern basis appropriate for the following reasons. The company is dependent for its working capital on funds guaranteed by other group companies. Sodexo Alliance SA, the parent company, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 Sodexo 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 Sodexo Alliance SA, within which this company is included, can be obtained from the address given in note 16.

Fixed asset investments

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the 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

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of the shareholders funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of the issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders funds (see dividends policy) are dealt with as appropriations in the reconciliation of movement in shareholders' funds

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 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

Notes (continued)

2 Operating expenses

	2007 £000	2006 £000
Other charges	7,634	1,687
Impairment of fixed asset investments (note 8)	10,601	-
Restructuring costs - exceptional item	-	4,114
	<u>18,235</u>	<u>5,801</u>

Other charges represent central costs associates with the Sodexo UK Group activities which are not recharged to subsidiary undertakings

3 Loss on ordinary activities before taxation

	2007 £000	2006 £000
<i>Operating loss is stated after charging</i>		
Impairment of fixed asset investments	10,601	-
	<u>10,601</u>	<u>-</u>

	2007 £000	2006 £000
<i>Auditors' remuneration</i>		
Audit of these financial statements	47	781
	<u>47</u>	<u>781</u>

4 Directors emoluments

	2007 £000	2006 £000
Aggregate emoluments and benefits	-	30
	<u>-</u>	<u>30</u>
Number of directors to whom retirement benefits are accruing under defined benefit schemes	-	-
	<u>-</u>	<u>-</u>

None of the directors who held office during the financial year were remunerated by the company All remuneration is borne by other group undertakings

5 Interest receivable

	2007 £000	2006 £000
Interest from group undertakings and related parties	1,768	1,874
	<u>1,768</u>	<u>1,874</u>

Notes (continued)

6 Interest payable and similar charges

	2007 £000	2006 £000
Group interest payable	5,199	4,661

7 Taxation

Analysis of credit in period

	2007 £000	2006 £000
<i>Current tax</i>		
UK corporation tax	(2,720)	(2,577)
Adjustments in respect of previous periods	1,095	(239)
Total current tax	(1,625)	(2,816)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(559)	-
Adjustments in respect of previous periods	(1,022)	-
Total deferred tax (note 9)	(1,581)	-
Tax on loss on ordinary activities	(3,206)	(2,816)

Factors affecting the tax credit for the current period

The current tax credit 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
Loss on ordinary activities before tax	21,493	7,807
Loss on ordinary activities multiplied by standard rate of corporate tax	(6,448)	(2,342)
<i>Effects of</i>		
Expenses not deductible for tax purposes	3,181	-
UK dividends received	(52)	(235)
Short term timing differences	599	-
Adjustments in respect of prior year	1,095	(239)
Current tax credit for period	(1,625)	(2,816)

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)

8 Fixed asset investments

	Shares in subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost			
At beginning of year	619,192	1,500	620,692
Transfer between items	(2,878)	2,878	-
	<hr/>	<hr/>	<hr/>
At end of year	616,314	4,378	620,692
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of year	-	-	-
Impairment	(10,601)	-	(10,601)
	<hr/>	<hr/>	<hr/>
At end of year	(10,601)	-	(10,601)
	<hr/>	<hr/>	<hr/>
Net book value			
31 August 2007	605,713	4,378	610,091
	<hr/>	<hr/>	<hr/>
31 August 2006	619,192	1,500	620,692
	<hr/>	<hr/>	<hr/>

The transfer of items represents financial instruments reclassified as debt within subsidiary undertakings in line with FRS 25, see note 1

A review of the carrying value of investments has been undertaken and impairment recognised of £10,601,000 in relation to the investment in Tillery Valley Foods Limited

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	Ordinary 100%
Tillery Valley Foods Limited	England and Wales	Catering and support services	Ordinary 100% Redeemable 6% Cumulative Preference 100%
Sodexho Healthcare Services UK Limited	Scotland	Catering and support services	Ordinary 100%
Sodexho Investment Services Limited	England and Wales	Investment holding company	Ordinary 100%
Sodexho Management Services Limited	England and Wales	Non-trading	Ordinary 100%
Sodexho Support Services Limited	Scotland	Catering and support services	Ordinary 100% Cumulative 6% Preference 100%
Sodexho Corporate Services (No 1) Limited	England and Wales	Dormant	Ordinary 100%
Sodexho Corporate Services (No 2) Limited	England and Wales	Dormant	Ordinary 100%
The Brand Group	England and Wales	Dormant	Ordinary 100% Preference 100%
Sodexho Foundation	England and Wales	Charitable company	-

Notes (continued)

8 Fixed asset investments (continued)

Indirect Subsidiary undertakings

Sodexho International Holdings Limited	England and Wales	Non-trading	Ordinary 100%
Sodexho Limited	England and Wales	Catering and support services	Ordinary 100%
Sodexho Prestige Limited	England and Wales	Catering and support services	Ordinary 100%
Sodexho Nederland BV	Netherlands	Catering and support services	Ordinary 100%
Sodexho Education Services Limited	England and Wales	Catering and support services	Ordinary 100%
Sodexho Food Services Limited	England and Wales	Non-trading	Ordinary 100%
Sodexho Services Company Limited	England and Wales	Non-trading	Ordinary 100%
Keyline Travel Management Limited	England and Wales	Non-trading	Ordinary 100% Preference 100%

9 Debtors

	2007 £000	2006 £000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	19,053	26,647
Corporation tax	1,625	2,816
Deferred tax assets	1,581	-
Prepayments and accrued income	33	33
Total debtors due within one year	22,292	29,496
Amounts falling due after more than one year		
Investment in Agecroft Prison Management sub-debt (see note 15)	3,155	3,155
Total Debtors	25,447	32,651

Included with amounts owed by subsidiary undertakings are loans repayable on demand of £18,881,000, at an interest rate of Base rate plus 50 base points
Interest on amounts due from Agecroft Prison Management is receivable twice annually in arrears at an interest rate of 6.33% (2006 6.33%) per annum or such other rate as may be agreed from time to time. Late payment penalty interest is charged to the related party at an interest rate of 15.367%. Amounts are recoverable on 6 July 2023.

The amounts provided for deferred taxation are as follows

	2007 £000	2006 £000
Accelerated capital allowances	-	-
Short term timing differences	(1,581)	-
	(1,581)	-
Asset at start of year	-	-
Credit to profit & loss account	(1,581)	-
Deferred tax asset at end of year	(1,581)	-

Notes (continued)

10 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to parent and fellow subsidiary undertakings	(83,000)	(83,055)
Accruals and deferred income	(80)	(65)
	<u>(83,080)</u>	<u>(83,120)</u>

Amounts owed to parent and fellow subsidiary undertakings are repayable on demand at an interest rate of 6 months Base rate plus 45 base points

11 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts owed to subsidiary undertakings	(8,441)	(8,094)

Amounts owed to subsidiary undertakings are repayable on 28 February 2010 at an interest rate of 5.16%

Analysis of debt	2007 £000	2006 £000
Debt can be analysed as falling due		
In one year or less, or on demand	(83,080)	(83,120)
Between one and two years	-	-
Between two and five years	(8,441)	(8,094)
	<u>(91,521)</u>	<u>(91,214)</u>

12 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
Ordinary shares of £1 each	370,000	370,000
Redeemable preference shares of £1 each	370,000	370,000
	<u>740,000</u>	<u>740,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	312,800	312,800
Redeemable preference shares of £1 each	200,846	200,846
	<u>513,646</u>	<u>513,646</u>

The preference dividend shall not be cumulative and in the event that the Company does not in any financial period declare a dividend there shall be no entitlement of the holders of the Redeemable Preference Shares to receive either any preference dividend or any obligation upon the Company to pay any preference dividend

The Company has the right to redeem the shares at par

Notes (continued)

13 Reserves

	Profit and loss account	Capital contribution reserve	Total
	£000	£000	£000
At beginning of year	40,064	8,594	48,658
Retained loss for the year	(18,287)	-	(18,287)
At end of year	21,777	8,594	30,371

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

14 Contingent Liabilities

The company has guaranteed lease payments of the employee car ownership scheme amounting to £7,277,771 (2006 £6,483,625)

15 Related party disclosures

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

During the year, the company carried out transactions with related parties in the normal course of business and on an arm's length basis. The names of the related party, nature of transaction and total value is shown below

	Debtor £000	Interest receivable £000
<i>Transaction with Agecroft Prison Management Limited in which Sodexo Alliance holds a 50% shareholding</i>		
2007	3,155	200
2006	3,155	200

16 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

17 Post balance sheet events

The directors have approved an interim ordinary dividend in respect of the current financial year of £2,815,000. The dividend was paid on 19 October 2007.

This has not been included within creditors as at year end as it was not approved before the year end.