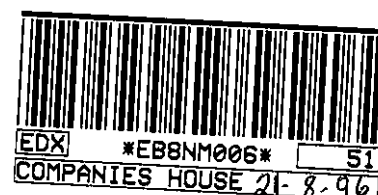


SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

**ANNUAL REPORT FOR THE
PERIOD ENDED 30 AUGUST 1995**

Registered number: 2987170



SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

ANNUAL REPORT FOR THE PERIOD ENDED 30 AUGUST 1995

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SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

DIRECTORS AND ADVISERS

Directors

P Bellon
B Carton
D Robin
R S Herbert-Jones

Registered Auditors

Price Waterhouse
York House
York Street
Manchester M2 4WS

Secretary and Registered office

N A Mead
Kenley House
Kenley Lane
Kenley
Surrey CR8 5ED

Bankers

Societe Generale
Exchange House
Primrose Street
London
EC2

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 AUGUST 1995

The directors present their report and the audited financial statements for the period ended 30 August 1995.

INCORPORATION AND CHANGE OF NAME

The company was incorporated as Trushelfco (No 2044) Limited on 4 November 1994.

On 16 January 1995 the company changed its name to Galaxy Sunshine Limited and on 28 February 1995 to Sodexho Gardner Merchant Alliance Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

On 1 February 1995 the company acquired the whole of the issued share capital of Gardner Merchant Services Group Limited, a company engaged, with its subsidiaries, in the provision of catering management services.

The trading performance of the company's subsidiaries in the period was satisfactory and enabled a dividend to be received in line with the expectations of the directors. The directors consider the outlook for the future to be satisfactory.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of any dividends in respect of the period ended 30 August 1995.

The profit for the period amounting to £4,180,000 will be transferred to reserves.

DIRECTORS

The directors of the company at the date of signing these financial statements are listed on page 1.

Mr P Bellon and Mr B Carton were appointed directors of the company on 17 January 1995. Mr D Robin was appointed a director on 20 January 1995 and Miss R S Herbert-Jones was appointed on 26 September 1995.

The initial directors at formation of the company were Mr D C J Rowe and Mr R A Reeve who resigned on 13 January 1995. During the period under review, Mrs E G L Wylde and Miss H K Griffiths also served as directors. They were both appointed on 13 January 1995 and both resigned on 17 January 1995.

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

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 AUGUST 1995 (CONTINUED)

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

None of the directors had any interests in the share capital of the company during the period and no disclosure is required of any interests in the share capital of the ultimate holding company, Sodexho 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.

AUDITORS

Price Waterhouse were appointed auditors on 16 January 1995. A resolution proposing their re-appointment will be put to the annual general meeting.

BY ORDER OF THE BOARD



N/A MEAD

Company Secretary

21 February 1996

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

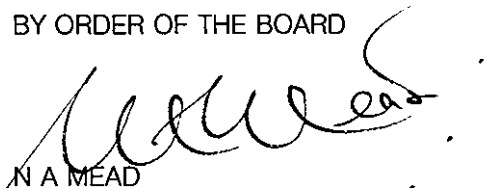
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of the company's affairs, and of its profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 30 August 1995. The directors also consider that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'N A Mead', is written over the printed name.

N A MEAD
Company Secretary
21 February 1996

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 30 August 1995 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

21 February 1996

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 4 NOVEMBER 1994 TO 30 AUGUST 1995

	Note	£000
Income from interests in subsidiary undertaking	2	17,430
Interest receivable	3	<u>869</u>
OPERATING PROFIT		18,299
Interest payable and similar charges	4	<u>(14,119)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,180
Taxation on profit on ordinary activities	6	<u>-</u>
PROFIT FOR THE FINANCIAL PERIOD		<u><u>4,180</u></u>

All of the transactions in the period were in respect of continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

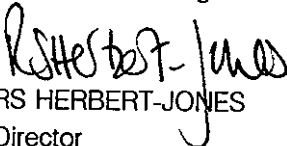
There were no gains or losses other than those shown in the profit and loss account.

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

BALANCE SHEET AT 30 AUGUST 1995

	Note	£000	£000
FIXED ASSETS			
Investment	7		557,778
CURRENT ASSETS			
Debtors	8	60	
Tied cash deposit	9	17,143	
Cash at bank		<u>7,893</u>	
		25,096	
CREDITORS - amounts falling due within one year	10	<u>(25,163)</u>	
NET CURRENT LIABILITIES			<u>(67)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			557,711
CREDITORS - amounts falling due after more than one year	11		<u>(240,731)</u>
			316,980
CAPITAL AND RESERVES			
Called up share capital	12		312,800
Profit and loss account			<u>4,180</u>
Equity shareholders' funds	13		316,980

The financial statements on pages 6 to 14 were approved by the board of directors on 21 February 1996 and were signed on its behalf by:


 RS HERBERT-JONES
 Director

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

**CASH FLOW STATEMENT FOR THE
PERIOD FROM 4 NOVEMBER 1994 TO 30 AUGUST 1995**

	£000	£000
CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Dividends received	17,430	
Interest received	<u>869</u>	
		18,299
CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest and similar charges paid		(13,641)
CASH OUTFLOW FROM INVESTING ACTIVITIES		
Purchase of subsidiary undertaking		<u>(557,778)</u>
NET CASH OUTFLOW BEFORE FINANCING		(553,120)
FINANCING (Note 14)		
Issue of shares	312,800	
Syndicated medium term bank loan	255,000	
Expenses paid in respect of bank loan	(2,287)	
Bank loan repayment	<u>(4,500)</u>	
		<u>561,013</u>
INCREASE IN CASH BALANCES		<u>7,893</u>

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the company are set out below:

Basis of accounting

The financial statements have been prepared under the historical cost convention and in conformity with applicable accounting standards in the United Kingdom.

Finance costs

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

Costs incurred in obtaining finance are amortised on a straight-line basis over the period of the loan.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Consolidation

As the company is a wholly owned subsidiary of Sodexho SA, a company established under the law of a member state of the European Community, it has taken advantage of the exemption conferred by FRS 2 not to prepare consolidated financial statements.

2 INCOME FROM INTERESTS IN SUBSIDIARY UNDERTAKING

	£000
Dividend from Gardner Merchant Services Group Limited	17,430
	<hr/>

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995 (CONTINUED)

3 INTEREST RECEIVABLE £000

Interest receivable on bank deposits	869
	<u> </u>

4 INTEREST PAYABLE AND SIMILAR CHARGES £000

Interest payable on bank loans and other loans:	
Repayable within five years	696
Repayable in part in more than five years	12,781
Amortisation of costs incurred in obtaining medium term loan	191
Inter-group interest	<u>451</u>
	14,119
	<u> </u>

5 OTHER PROFIT AND LOSS ACCOUNT DISCLOSURES

Directors' emoluments

The directors during the period received no emoluments in respect of their services to the company.

Auditors' remuneration

The financial statements have been prepared on the basis that the audit fee of £4,000 will be borne by another group undertaking.

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

There is no corporation tax credit as the company's taxable losses will be surrendered to other group companies for no consideration.

7 FIXED ASSETS - INVESTMENT £000

Cost of investment in subsidiary undertaking	557,778
	<u> </u>

The subsidiary undertaking is Gardner Merchant Services Group Limited, a company incorporated in England and Wales. Its entire issued share capital, consisting of ordinary shares, is wholly owned.

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

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995 (CONTINUED)

7 FIXED ASSETS - INVESTMENT (CONTINUED)

The principal subsidiary undertakings of Gardner Merchant Services Group Limited are as detailed below.

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held either directly or indirectly %
Gardner Merchant Limited	England and Wales	Ordinary £1 shares	100
Kelvin International Services Limited	Scotland	Ordinary £1 shares Deferred £1 shares	100 100
Gardner Merchant Keyline Travel Limited	England and Wales	Ordinary £1 shares Preference £1 shares	100 100
Gardner Merchant Specialist Services Limited	England and Wales	Ordinary £1 shares	100
Gilmour & Pether Limited	England and Wales	Ordinary £1 shares	100
Town & County Catering Limited	England and Wales	Ordinary £1 shares	100
Ring & Brymer Holdings Limited	England and Wales	Ordinary £1 shares	100
Societe Nouvelle de Specialites Alimentaires SA	France	Shares of FF220	100
Van Hecke BV	Netherlands	Shares of Hfl100	100
Gardner Merchant Services Limited	Ireland	Shares of IR£1	100
Gardner Merchant (Australia) Pty Limited	Australia	Ordinary A\$1 shares	100
Gardner Merchant Food Services Inc	USA	Shares of \$10	100
Interserve Restaurant Management Services SA	Belgium	Shares of BF2000	100
Compagnie Francaise des Restaurants SA	France	Shares of FF100	100
Gardner Merchant (Hong Kong) Limited	Hong Kong	Ordinary HK\$1 shares	51
Gardner Merchant Japan Kabushiki Kaisha	Japan	Shares of Y50,000	* 45
Gardner Merchant (Deutschland) GmbH	Germany	Shares of DM100	100

* Gardner Merchant Services Group Limited is considered as being able to exert dominant influence over this company by virtue of its involvement in operational management and financial policies.

All the above companies operate principally in their country of incorporation or registration and the principal activity of each company is the provision of catering management services.

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995 (CONTINUED)

8	DEBTORS	£000
	Amount owed by subsidiary undertaking	20
	VAT recoverable	<u>40</u>
		60
		<hr/>
9	TIED CASH DEPOSIT	£000
	Amount deposited with bank pursuant to a deed of deposit and security in respect of Loan Notes creditor (see note 10)	17,143
		<hr/>
10	CREDITORS - amounts falling due within one year	£000
	Loan Notes (see Note 9 and below)	17,143
	Syndicated medium term bank loan (see note 11 and below)	7,673
	Amounts owed to parent undertaking	191
	Taxation	143
	Accruals	<u>13</u>
		25,163
		<hr/>

The 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 per cent. The Notes are redeemable upon notice from the noteholders between 28 February 1996 and 28 February 2005.

The syndicated medium term bank loan balance shown above is stated net of unamortised issue costs amounting to £327,000 which will be amortised within one year.

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995 (CONTINUED)

11 CREDITORS - amounts falling due after more than one year	£000
Syndicated medium term bank loan	240,731
	<hr/>

The balance shown above is stated net of unamortised issue costs amounting to £1,769,000.

The aggregate bank loan is repayable as follows:	£000
Within one year (see note 10)	8,000
Between one and two years	22,500
Between three and five years	94,500
After more than five years	<u>125,500</u>
	250,500
	<hr/>

The rate of interest payable is LIBOR plus a margin based on certain gearing and interest coverage ratios of the Sodexho SA group.

From 1 September 1995 the company has entered into a fixed-rate swap agreement to manage the interest rate exposure of substantially all of its borrowings, whereby LIBOR has been exchanged for a fixed rate of 8.9%.

12 CALLED UP SHARE CAPITAL	£000
Authorised nominal capital - £312,800,971	
Allotted and fully paid -	
Ordinary shares of £1 each - 312,799,971	312,800
	<hr/>

2 subscriber shares were issued, nil paid, on the incorporation of the company on 4 November 1994; the subscription monies were paid on 16 January 1995.

On 1 February 1995, a further 312,799,969 shares were issued at par; the subscription monies received from this allotment were used to part finance the investment in Gardner Merchant Services Group Limited.

SODEXHO GARDNER MERCHANT ALLIANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 AUGUST 1995 (CONTINUED)

13 MOVEMENTS IN SHAREHOLDERS' FUNDS

	£000
Share capital issued	312,800
Profit for the financial period	<u>4,180</u>
Closing shareholders' funds	<u>316,980</u>

The shareholders' funds are wholly attributable to equity interests.

14 NOTE TO THE CASH FLOW STATEMENT

Analysis of changes in financing during the period

	<u>Share capital</u> £000	<u>Medium-term bank loan</u> £000
Cash inflow from financing	312,800	255,000
Loan repayment	-	(4,500)
Costs incurred in obtaining loan	-	(2,287)
Amortisation of costs	<u>-</u>	<u>191</u>
Balances at 30 August 1995	312,800	248,404

15 GROUP BANKING SECURITY AND GUARANTEES

The company's shares in Gardner Merchant Services Group Limited have been pledged as security in respect of the group's borrowing facility with its principal bankers.

In addition the company has guaranteed the obligations of its subsidiaries under the group's banking arrangements.

16 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Sodexho SA, a company incorporated in France. Copies of its consolidated financial statements may be obtained from:

The Company Secretary
Sodexho SA
3 Avenue Newton
78180
Montigny-Le-Bretonneux
France