Harmondsworth Detention Services Limited

Directors' report and financial statements

Registered number 04054452

Year ended 31 August 2004

Contents

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 is the design, build and operation of the Immigration Removal Centre at Harmondsworth, for which purpose it entered into contracts on 10th October 2000. This facility opened for operation on 27th September 2001.

Business review

A significant refurbishment upgrade project commissioned by the Immigration Nationality Directorate to install a sprinkler system was completed in Summer 2004. Whilst the operations performed satisfactorily during the year, there was a disturbance in July, when detainees attempted to set fire to the building causing evacuation of all the detainees and damage which was limited by the sprinklers coming into operation as planned. The Centre was brought back into full operation by the end of 2004.

Proposed dividend

The profit for the financial year amounted to £2,734. *(2003: £431)*. The directors do not recommend the payment of a dividend *(2003: £nil)*.

Directors and directors' interests

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

H Nahapiet

M Priday

R Vince (Resigned 23 January 2004)

J Vyse

The interests of the directors in the share option scheme of Sodexho Alliance SA, The immediate and ultimate parent company as follows:

	Options to purchase ordinary shares of Sodexho Alliance SA	
	At the beginning of the year	**At 31 August 2004**
Director	***Number***	***Number***
H Nahapiet	5423	6423

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £nil *(2003: £nil)*.

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

T. Bradbury

T Bradbury
Secretary

Registered Office
Harmondsworth Detention Services Limited
Interserve House, Ruscombe Park
Twyford, Reading
Berkshire RG10 9JU
8th March 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

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Harmondsworth Detention Services Limited

We have audited the financial statements on pages 4 to 10.

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 profit 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

9 June 2005

Profit and loss account

for the year ended 31 August 2004

	Note	2004 £	2003 £
Turnover	2	**27,821,871**	28,623,458
Cost of sales	3	**(27,821,871)**	(28,623,458)
Gross profit/(loss)		**-**	-
Administrative expenses		**(7,906)**	(12,100)
Operating (loss)		**(7,906)**	(12,100)
Other interest receivable and similar income	6	**12,245**	13,191
Interest payable and similar charges	7	**(434)**	(475)
Profit on ordinary activities before taxation	8	**3,905**	616
Tax on profit on ordinary activities	9	**(1,171)**	(185)
Retained profit for the financial year		**2,734**	431

All results arise from continuing activities.

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical equivalents.

Balance sheet
at 31 August 2004

	Note	**2004**	2003
		£	£
Current assets			
Debtors	*10*	**1,570,498**	5,034,940
Cash at bank and in hand		**51,220**	45,458
		1,621,718	5,080,398
Creditors: amounts falling due within one year	*11*	**(1,581,544)**	(5,042,958)
Total assets less current liabilities and net assets		**40,174**	37,440
Capital and reserves			
Called up share capital	*12*	**100**	100
Profit and loss account		**40,074**	37,340
Equity Shareholders' funds	*13*	**40,174**	37,440

These financial statements were approved by the board of directors 8th March 2005 and were signed on its behalf by:

H Nahapiet
Director

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.

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.

Turnover

Turnover is recognised based on the amount receivable in respect of construction and operation of the immigration centre, net of discounts and allowances payable under contractual arrangements, and excluding VAT.

Taxation

The charge for taxation is based on the profit 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 Turnover

Turnover represents amounts invoiced for services in the United Kingdom for the construction and operation of the immigration removal centre as follows:

	2004	2003
	£	£
By activity		
Construction	**10,978,096**	13,243,854
Operations	**16,843,775**	15,379,604
	27,821,871	28,623,458

3 Cost of sales

	2004	2003
	£	£
Other operating charges	**27,821,871**	28,623,458

4 Directors' emoluments

No directors received emoluments for their services to the company *(2003: £nil)*.

5 Employee information

No staff were employed by the company during the current or previous financial year.

6 Interest receivable

	2004	2003
	£	£
Interest receivable on bank deposits	**12,245**	13,191

Notes *(continued)*

7 Interest payable and similar charges

	2004 £	2003 £
Bank charges	**434**	475

8 Profit on ordinary activities before taxation

	2004 £	2003 £
Operating loss is stated after charging:		
Auditors' remuneration:		
Incumbents		
-Audit services	**4,318**	4,250
-Non audit services	**-**	1,500
Previous auditors		
-Audit services	**-**	1,250
-Non audit services	**3,551**	1,000

9 Taxation

Analysis of charge in period

	2004 £	2003 £
Current tax:		
UK corporation tax at 30%	**1,171**	185
Adjustments in respect of previous period	**-**	-
	1,171	185
Deferred tax	**-**	-
Tax on profit on ordinary activities	**1,171**	185

There is no difference between the effective rate and the standard rate of taxation (30%). There are no matters that are likely to affect the future tax charges.

Notes (continued)

10 Debtors

	2004 £	2003 £
Trade debtors	**1,553,831**	4,674,888
Prepayments and accrued income	**16,667**	360,052
Total debtors due within one year	**1,570,498**	5,034,940

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	**16,667**	3,416,124
Corporation tax	**1,171**	185
Other taxation and social security	**(33)**	(166)
Amounts owed to parent and fellow subsidiary undertakings	**1,554,214**	1,618,815
Accruals and deferred income	**9,525**	8,000
	1,581,544	5,042,958

12 Called up share capital

	2004 £	2003 £
Authorised		
Equity: 1,000 Ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
Equity: 100 Ordinary shares of £1 each	**100**	100

Notes *(continued)*

13 Reconciliation of movement in shareholders' funds

	2004	2003
	£	£
At beginning of year	37,440	37,009
Retained profit for the year	2,734	431
At end of year	40,174	37,440

14 Ultimate parent company and ultimate controlling party

The company's ultimate parent company and controlling party is Sodexho Alliance S.A., 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, Sodexho Alliance S.A., BP 100, 78883, Saint-Quentin-en-Yvelines Cedex.

15 Related party disclosures

	Note	Cost of sales	Balance at 31 August 2004
		£	£
UK Detention Services Limited (whose parent company is a 51% shareholder in the company)	A	16,843,775	1,554,214
Interserve Project Services Limited (formerly Tilbury Douglas Construction Limited, whose parent company Interserve Plc has a 49% shareholding in the company through its subsidiary, Interserve Investments Plc)	B	10,978,096	-

A. The cost of sales represents amounts invoiced by UK Detention Services Limited for the operation of the immigration removal centre. At the year end a balance of £1,554,214 was owed by the company to UK Detention Services Limited.

B. The cost of sales represent the amounts invoiced by Interserve Projects Services Limited for the construction of the immigration removal centre. At the year end a balance of £nil was owed by the company to Interserve Project Services Limited.