

Registered no: 2721707

Gardner Merchant Services Group Limited  
Annual report  
for the year ended 31 August 1999



# **Gardner Merchant Services Group Limited**

## **Annual report for the year ended 31 August 1999**

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## **Directors and advisers**

### **Directors**

**J G Hawkes**

**P Bellon**

**B Carton**

**P Douce**

**R S Herbert-Jones**

**D Ford**

### **Secretary and registered office**

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

### **Registered Auditors**

**PricewaterhouseCoopers**  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

### **Solicitors**

**Dibb Lupton Alsop**  
125 London Wall  
London  
EC2Y 5AE

**Paisner & Company**  
Bouverie House  
154 Fleet Street  
London  
EC4A 2DQ

### **Bankers**

**HSBC Bank plc**  
P O Box 125  
27/32 Poultry  
London  
EC2P 2BX

## **Directors' report for the year ended 31 August 1999**

The directors present their report and the audited financial statements for the year ended 31 August 1999.

### **Principal activities**

The company is a holding company of subsidiaries providing food and management services and it is a subsidiary of Sodexho Alliance SA, a company incorporated in France.

### **Results, dividends and transfers to reserves**

During the year, the company achieved a profit on ordinary activities before interest and tax of £30,922,000 (1998: £33,820,000). The retained deficit after dividends for the year amounting to £16,748,000 (1998: deficit £7,461,000) has been transferred from reserves.

Interim dividends for the year amounting to £20,263,000 (1998: £17,967,000) have been paid. A final dividend of £24,316,000 (1998: £18,321,000) has been paid.

### **Directors**

The directors of the company at the date of signing these financial statements are listed on page 1. All of the directors listed on page 1 were directors of the company for the whole of the year ended 31 August 1999.

### **Directors' interests**

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

During the year, none of the directors had a material interest in a beneficial capacity in any contract which was significant in relation to the company's business.

### **Insurance of directors**

The company maintains insurance for directors in respect of their duties as directors of the company.

## **Directors report (continued)**

### **Year 2000 and Euro**

A Year 2000 and Euro strategy has been established for the Sodexho Group. Details are contained in the directors' report within the 1999 financial statements of Gardner Merchant Limited, the principal UK trading company of the Group.

### **Creditor payment policy**

The company's current policy concerning the payment of the majority of its trade creditors is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 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.

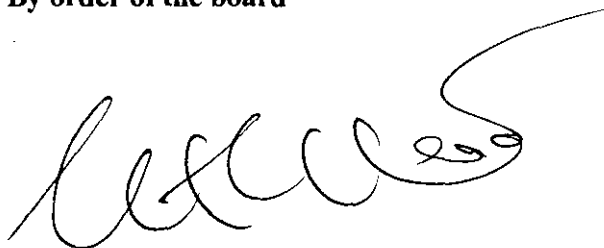
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors report (continued)**

**Auditors**

A resolution proposing that PricewaterhouseCoopers be reappointed as auditors will be put to the members at the next Annual General Meeting.

**By order of the board**

A handwritten signature in black ink, appearing to read 'N A Mead', with a long, sweeping flourish extending from the end.

**N A Mead**  
**Company secretary**  
30 November 1999

## **Report of the auditors to the members of Gardner Merchant Services Group Limited**

We have audited the financial statements on pages 6 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

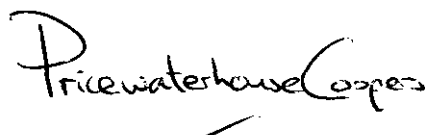
### **Basis of audit opinion**

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 at 31 August 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors  
Manchester  
15 November 1999

**Profit and loss account  
for the year ended 31 August 1999**

	Notes	1999 £'000	1998 £'000
<b>Operating profit/(loss)</b>	5	125	(376)
Income from interests in subsidiary undertakings		<u>33,042</u>	<u>34,196</u>
<b>Profit on ordinary activities before interest and taxation</b>		33,167	33,820
Interest receivable		1	8
Interest payable and similar charges	6	<u>(4,399)</u>	<u>(5,001)</u>
<b>Profit on ordinary activities before taxation</b>		28,769	28,827
Tax on profit on ordinary activities	7	<u>(938)</u>	<u>-</u>
<b>Profit on ordinary activities after taxation</b>		27,831	28,827
Dividends	8	<u>(44,579)</u>	<u>(36,288)</u>
<b>Retained loss for the year</b>	15	<u>(16,748)</u>	<u>(7,461)</u>

All the operations in the year and the comparative period were continuing.

There is no material difference between the results stated above and the results on an unmodified historical cost basis.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.



**Balance sheet  
at 31 August 1999**

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Investments	9	<u>308,228</u>	<u>308,182</u>
<b>Current assets</b>			
Debtors	10	<u>1,152</u>	<u>33,879</u>
Cash at bank and in hand		<u>-</u>	<u>1,776</u>
		<u>1,152</u>	<u>35,655</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(89,137)</u>	<u>(72,578)</u>
<b>Net current liabilities</b>		<u>(87,985)</u>	<u>(36,923)</u>
<b>Total assets less net current liabilities</b>		<u>220,243</u>	<u>271,259</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>-</u>	<u>(34,268)</u>
<b>Net assets</b>		<u>220,243</u>	<u>236,991</u>
<b>Capital and reserves</b>			
Called up share capital	14	<u>2,368</u>	<u>2,368</u>
Share premium account	15	<u>217,687</u>	<u>217,687</u>
Profit and loss account	15	<u>188</u>	<u>16,936</u>
<b>Total equity shareholders' funds</b>	16	<u>220,243</u>	<u>236,991</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 30 November 1999 and were signed on its behalf by:



**D Ford**  
Director

## Notes to the financial statements for the year ended 31 August 1999

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Intermediate parent undertaking**

The financial statements contain information about Gardner Merchant Services Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements, as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Sodexho Alliance SA, a company registered in France.

#### **Cash flow statement**

The company has taken advantage of the exemption under FRS 1 (revised) and not published a cash flow statement. The cash flows of the group are included in the consolidated cash flow statement of the ultimate parent undertaking.

#### **Foreign currencies**

All foreign exchange differences are taken to the company's profit and loss account in the year in which they arise.

#### **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.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**2 Directors' emoluments**

	1999 £'000	1998 £'000
Aggregate emoluments	-	21

**3 Employee information**

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1999 Number	1998 Number
By activity		
Administration	-	1
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	-	21

**4 Auditors' remuneration**

The audit fee for the company is borne by a fellow subsidiary undertaking.

**5 Operating profit/(loss)**

	1999 £'000	1998 £'000
Operating profit/(loss) is stated after crediting/(charging):		
Exchange gain on retranslation of foreign currency loans	8	57
Other exchange gain/(losses)	117	(411)

**6 Interest payable and similar charges**

	1999 £'000	1998 £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	1,961	287
Repayable within five years, by instalments	2,438	4,714
	4,399	5,001

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**7 Tax on profit on ordinary activities**

	1999 £'000	1998 £'000
UK corporation tax at 30.5833% (1998 : 31%):		
Current	1,307	1,143
Overseas taxation	(2,245)	(1,143)
	<u>(938)</u>	<u>-</u>

**8 Dividends**

	1999 £'000	1998 £'000
Interim dividend (8.56p per ordinary share, 1998: 7.59p)	20,263	17,967
Final dividend (10.27p per ordinary share, 1998: 7.74p)	24,316	18,321
	<u>44,579</u>	<u>36,288</u>

**9 Fixed asset investments**

	Interests in group undertakings £'000
<b>Cost</b>	
At 1 September 1998	320,255
Additions	2,522
Disposals	(2,522)
Revaluations	46
<b>At 31 August 1999</b>	<u><b>320,301</b></u>
<b>Amounts written off</b>	
At 1 September 1998 and 31 August 1999	<u><b>(12,073)</b></u>
<b>Net book value</b>	
At 31 August 1999	<u><b>308,228</b></u>
<b>Net book value</b>	
At 31 August 1998	<u><b>308,182</b></u>

The additions during the year were as follows:

Company acquired	Date acquired	Consideration cash £'000	Company acquired from
Kelvin International Services Limited	26 February 1999	2,522	Gardner Merchant Limited (a fellow group company)

The company also invested £250 to acquire a 25% holding in South Manchester Healthcare Limited and invested £250 to acquire a 25% holding in Mercia Healthcare Limited.

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)**

**9 Fixed asset investments (continued)**

The disposals during the year were as follows:

Company sold	Date sold	Sale Proceeds £'000	Company sold to
Kelvin International Services Limited	26 February 1999	2,522	Sodexho Gardner Merchant Alliance (a fellow group company)

For all additions and disposals of group companies the consideration was the estimated market value of the investments.

The subsidiary undertakings held at 31 August 1999 are disclosed in the accounts of Sodexho Gardner Merchant Alliance Limited, the parent company.

The company also owns 60% of Primary Management Aldershot Limited, a company providing facilities management services, incorporated in England and Wales, and 45% of Gardner Merchant Japan Kabushiki Kaisha, a company providing catering services, incorporated in Japan.

For commercial reasons, Gardner Merchant Japan Kabushiki Kaisha has an accounting reference date of 31 March.

Based on the management accounts prepared as at 31 August 1999, the company's equity share of Gardner Merchant Japan Kabushiki Kaisha trading and assets was not sufficiently material to require disclosure.

**10 Debtors**

	1999 £'000	1998 £'000
Amounts falling due within one year		
Amounts owed by immediate parent company	814	-
Amounts owed by subsidiary undertakings	48	33,865
Prepayments and accrued income	-	2
Other debtors	290	12
	<u>1,152</u>	<u>33,879</u>

## Notes to the financial statements for the year ended 31 August 1999 (continued)

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

	1999 £'000	1998 £'000
Bank overdraft	75	-
Bank loans (variable rate)	-	71,801
Amounts owed to parent company and fellow subsidiary undertakings	62,106	357
Amounts owed to subsidiary undertakings	26,605	-
Accruals and deferred income	25	30
Other creditors	326	390
	<u>89,137</u>	<u>72,578</u>

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

	1999 £'000	1998 £'000
Bank loans (variable rate)	-	34,268
<b>Bank loans and overdrafts</b>		
	£'000	£'000
Bank loans and overdrafts are repayable as follows:		
In one year or less	-	71,801
Between one and two years	-	9,722
Between two and five years	-	24,546
In five years or more	-	-
	<u>-</u>	<u>106,069</u>

Whilst the loans were in existence interest was charged on the bank loans at LIBOR plus a margin dependent upon interest cover.

Whilst in existence the bank loans and overdrafts were secured on substantially all the assets of the company and its subsidiaries.

### 13 Provisions for liabilities and charges

#### Deferred taxation

No deferred taxation has been provided in the financial statements nor does any net liability exist.

### 14 Called up share capital

	1999 £'000	1998 £'000
<b>Authorised</b>		
236,771,024 ordinary shares of 1p each	<u>2,368</u>	<u>2,368</u>
<b>Allotted, called up and fully paid</b>		
236,771,024 ordinary shares of 1p each	<u>2,368</u>	<u>2,368</u>

**Notes to the financial statements  
for the year ended 31 August 1999 (continued)****15 Share premium account and reserves**

	Share Premium Account £'000	Profit and loss account £'000
At 1 September 1998	217,687	16,936
Loss for the year	-	(16,748)
At 31 August 1999	<u>217,687</u>	<u>188</u>

**16 Reconciliation of movements in shareholders' funds**

	1999 £'000	1998 £'000
Profit for the financial year	27,831	28,827
Dividends	(44,579)	(36,288)
Net reduction in additions to shareholders' funds during the year	(16,748)	(7,461)
Opening shareholders' funds	<u>236,991</u>	<u>244,452</u>
Closing shareholders' funds	<u>220,243</u>	<u>236,991</u>

**17 Contingent liabilities**

The company has given guarantees in respect of the bank overdrafts and short term borrowings of certain subsidiaries. At 31 August 1999 these amounted to £70,000 (1998: £3,087,672).

The company has given guarantees under performance bonds amounting to £1,708,620 (1998: £2,767,771) on behalf of its subsidiaries.

The company has given guarantees under Letters of Credit amounting to £5,066,250 (1998: £3,593,750).

**18 Ultimate parent company and ultimate controlling party**

In the opinion of the directors the company's ultimate controlling party is the ultimate parent company, Sodexho Alliance SA, a company incorporated in France. Copies of that company's consolidated financial statements may be obtained from The Secretary, Sodexho Alliance SA, 3 Avenue Newton, 78180 Montigny-le-Bretonneux, France.

**19 Related party transactions**

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.