

Company Number: 3078635

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 1999



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COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Report and Financial Statements 1999

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Directors

F H Mackay
A P Lynch
R M Morley

Secretary and Registered Office

R M Morley, Cowley House, Guildford Street, Chertsey, Surrey, KT16 9BA

Auditors

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 30 September 1999.

1. Activities and Future Prospects

The company acts as a holding company principally for subsidiaries resident outside the United Kingdom and it is the intention of the directors that it will continue in this capacity.

2. Dividend

The directors do not propose the payment of a dividend (1998: £nil). The profit for the year of £64 thousand (1998: loss of £57 thousand) has been transferred to reserves.

3. Directors

The following served as directors during the period under review:

F H Mackay

R J Matthews (resigned 1 July 1999)

A P Lynch

R M Morley

4. Directors' Interests

Mr F H Mackay holds jointly with Compass Group PLC one ordinary share of £1 of the company. Mr F H Mackay and Mr A P Lynch are also directors of Compass Group PLC, the ultimate parent company. Their interests in the shares of Compass Group PLC are shown in that company's financial statements. Mr R M Morley had the following interests in the shares of Compass Group PLC:-

	Number of shares
Ordinary shares of 2.5p each	
Under option at 1 October 1998	320,000
Granted in the year	100,000
Exercised in the year	(70,000)

Under option at 30 September 1999	350,000

Owned at 1 October 1998	24,438

Owned at 30 September 1999	24,438

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Directors' Report (continued)

5. Auditors

Deloitte & Touche are willing to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

6. Year 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

Approved by the Board of Directors
and signed on behalf of the Board.



F H Mackay
Director
19 April 2000

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for the 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;
- prepare the financial statements on a 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 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.

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Auditors' Report to Members

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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.

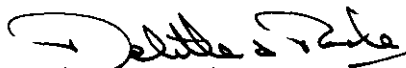
Basis of opinion

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 circumstances of the company, 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 affairs of the company as at 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche
Chartered Accountants
and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

20 April 2000

COMPASS OVERSEAS HOLDINGS No.2 LIMITED**Profit and loss account for the year ended 30 September 1999**

	Notes	1999 £ 000	1998 £ 000
Interest receivable on intra group loans		<u>85</u>	<u>91</u>
Profit on ordinary activities before tax		85	91
Tax on profit on ordinary activities	4	<u>(21)</u>	<u>(148)</u>
Profit/(loss) for the year transferred to/(from) reserves		<u>64</u>	<u>(57)</u>

Statement of total recognised gains and losses

	1999 £ 000	1998 £ 000
Profit/(loss) for the year	64	(57)
Foreign exchange translation differences	<u>(25,577)</u>	<u>(5,144)</u>
Total gains and losses recognised in the year	<u>(25,513)</u>	<u>(5,201)</u>

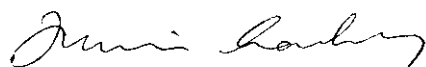
All operations are continuing operations.

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Balance Sheet as at 30 September 1999

	Notes	1999 £ 000	1998 £ 000
Fixed Assets			
Investments	5	<u>896,333</u>	<u>702,321</u>
Current Assets			
Debtors: amounts falling due within one year	6	-	2,604
Debtors: amounts falling due after one year	6	<u>227</u>	<u>326,713</u>
		227	329,317
Creditors: amounts falling due within one year	7	<u>(593,049)</u>	<u>(593,090)</u>
Net current liabilities		<u>(592,822)</u>	<u>(263,773)</u>
Total assets less current liabilities		303,511	438,548
Creditors: amounts falling due after more than one year	8	<u>(173,215)</u>	<u>(282,739)</u>
		<u>130,296</u>	<u>155,809</u>
Capital and reserves			
Called up share capital	9	-	-
Share premium	10	507,814	507,814
Profit and loss account	10	(219,130)	(219,194)
Foreign exchange reserve	10	<u>(158,388)</u>	<u>(132,811)</u>
Equity shareholders' funds	11	<u>130,296</u>	<u>155,809</u>

Agreed by the Board of
Directors and signed on their behalf



F H Mackay
Director
19 April 2000

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Notes to the financial statements for the year ended 30 September 1999

1. Accounting policies

(a) Accounting convention

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

(b) Investments

Investments are stated at historical currency cost and translated into sterling in accordance with the policy at (d) below, less any provision for impairment in value.

(c) Deferred tax

Deferred tax is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those on which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

(d) Foreign currencies

The historical currency cost of investments in foreign subsidiary companies are translated into sterling at the rates of exchange ruling at the period end. Gains and losses resulting from the realignment of opening foreign currency balances to the period end rates on inter-company long-term loans are treated as movements on reserves.

2. Auditors' remuneration

Audit fees for the current and preceding financial years are borne by the ultimate parent company.

3. Directors' emoluments and employees

The directors received no emoluments during the year (1998 - £nil).
There were no employees during the year (1998 - £nil).

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Notes to the financial statements for the year ended 30 September 1999

4. Tax on profit on ordinary activities

	1999 £ 000	1998 £ 000
UK Corporation tax at 30.5% (1998: 31%)		
Current year	26	29
Prior year	(5)	119
	<u>21</u>	<u>148</u>

The 1998 tax charge is disproportionate because of a prior year adjustment.

5. Fixed asset investments

	Shares in group undertakings £ 000
At 1 October 1998	702,321
Additions	231,931
Foreign exchange differences	(37,919)
At 30 September 1999	<u>896,333</u>

Group accounts are not prepared as the company is a wholly owned subsidiary of Compass Group PLC, which is incorporated in Great Britain and registered in England and Wales.

The company's sole direct subsidiary is Eurest International B.V., a holding company incorporated in the Netherlands in which 100% of the ordinary share capital is held. The subsidiaries of Eurest International B.V. include:

Country of registration or incorporation	Principal activities	Percentage interest held at 30 September 1999
Compass Group Norge A/S, Norway	Holding company for the provision of foodservice in Norway	100
Compass Group Deutschland GmbH, Germany	Holding company for the provision of food service in Germany	100
Compass Group Nederland B.V., The Netherlands	Holding company for the provision of food service in the Netherlands	100
Compass Group Holdings Spain S.L., Spain	Holding company for the provision of foodservice in Spain	100

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Notes to the financial statements for the year ended 30 September 1999

	1999 £ 000	1998 £ 000		
6. Debtors: amounts falling due within one year				
Amounts owed by group undertakings	-	2,604		
Debtors: amounts falling due after more than one year				
Loan notes	227	-		
Amounts owed by group undertakings	-	326,713		
	227	326,713		
7. Creditors: amounts falling due within one year	1999 £ 000	1998 £ 000		
Corporation tax	49	90		
Amounts owed to group undertakings	593,000	593,000		
	593,049	593,090		
8. Creditors: amounts falling due after more than one year	1999 £ 000	1998 £ 000		
Amounts owed to group undertakings	173,215	282,739		
9. Called up share capital	1999 No.	1998 No.	£	£
<u>Authorised</u>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
<u>Allotted, called up and fully paid</u>				
Ordinary shares of £1 each	413	413	413	413

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Notes to the financial statements for the year ended 30 September 1999

10. Reserves	Share premium	Profit & loss account	Foreign exchange reserve
	£ 000	£ 000	£ 000
At 1 October 1998	507,814	(219,194)	(132,811)
Profit for the year	-	64	-
Foreign exchange translation differences	-	-	(25,577)
At 30 September 1999	<u>507,814</u>	<u>(219,130)</u>	<u>(158,388)</u>

11. Reconciliation of movement in equity shareholders' funds	1999 £ 000	1998 £ 000
Opening equity shareholders' funds	155,809	161,010
Profit/(loss) for the year	64	(57)
Foreign exchange translation difference	(25,577)	(5,144)
Closing equity shareholders' funds	<u>130,296</u>	<u>155,809</u>

12. Contingent liabilities

The company has entered into cross guarantees in respect of:

- i) On 10 November 1995, the Company guaranteed a revolving credit facility of £115,000,000 and DEM663,300,000 granted to Compass Group PLC, maturing 10 November 2000. As of 30 September 1999, the amount drawn down was £335.1 million (1998: £342.3 million).
- ii) On 30 March 1998, the Company guaranteed a revolving credit facility of £115,000,000 and FrF1,152,576,000 granted to Compass Group PLC, maturing 30 March 2003. As of 30 September 1999 the amount drawn down was £92.3 million (1998: £61.5 million).
- iii) US\$420 million borrowed under fixed term, fixed interest private placement by the ultimate parent Compass Group PLC (1998: US\$420 million). As of 30 September 1999 the amount was reduced to US\$337.1 million (1998: US\$398.6 million).
- iv) Eleven bilateral facilities totalling £175.7 million entered into by the parent company Compass Group PLC. The total amount drawn down under these facilities at 30 September 1999 was £66.7 million (1998: £87.9 million).
- v) The Group overdraft facility with National Westminster Bank PLC. The amount drawn down at 30 September 1999 was £nil (1998: £5.5 million).

COMPASS OVERSEAS HOLDINGS No.2 LIMITED

Notes to the financial statements for the year ended 30 September 1999

13. Commitments

There were no commitments for capital expenditure at the end of the year.

14. Cash flow statement

A group cash flow statement is included in the financial statements of the ultimate parent company.

15. Ultimate parent company and controlling party

The ultimate parent company and controlling party is Compass Group PLC, a company incorporated in Great Britain and registered in England and Wales.

Copies of the Compass Group PLC financial statements are available from Cowley House, Guildford Street, Chertsey, Surrey KT16 9BA

16. Transactions with related parties

In accordance with the exemption extended in FRS8 "Related Party Disclosures", the company has not disclosed transactions or balances between itself and Compass Group PLC and its subsidiary undertakings on the basis that 90 per cent or more of the voting rights of these companies are controlled 100 per cent within the group.