Company Number: 4083914

# COMPASS GROUP PLC

# (FORMERLY COMPASS DEMERGER LIMITED)

# INITIAL ACCOUNTS

# 31 MARCH 2001

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF COMPASS GROUP PLC UNDER SECTION 273(4) OF THE COMPANIES ACT 1985**

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We have audited the initial accounts which comprise the profit and loss account, balance sheet and related notes and which have been prepared under the accounting policies set out in note 1.

**Respective responsibilities of directors and auditors**

The company's directors are responsible for the preparation of the initial accounts, which must be properly prepared in accordance with applicable United Kingdom law and accounting standards, subject only to matters which are not material for determining whether the proposed distribution contravenes the Companies Act 1985. In preparing those accounts, the directors are required to:

(a) select suitable accounting policies and apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed; and

(d) prepare the financial statements on the going concern basis unless it is not appropriate to presume that the company will continue in business.

The directors have 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.

It is our responsibility to form an independent opinion, based on our audit, as to whether those accounts have been properly prepared within the meaning of Section 273 Companies Act 1985 and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 initial accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the initial accounts 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 initial accounts 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 initial accounts.

**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF COMPASS GROUP PLC UNDER SECTION 273(4) OF THE COMPANIES ACT 1985**

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**Qualified opinion**

Except for the failure to comply with all of the disclosure matters relating to borrowings as at 31 March 2001 as required by the Companies Act 1985, Financial Reporting Standard 4 "Capital Instruments" and Financial Reporting Standard 13 "Derivatives and Other Financial Instruments: Disclosures", in our opinion the initial accounts for the period from 29 September 2000, the date of incorporation, to 31 March 2001 have been properly prepared within the meaning of Section 273(2) Companies Act 1985.

In our opinion, the matter in respect of which our report is qualified is not material for determining by reference to those financial statements whether the distribution of £42 million proposed by the company would contravene Sections 263 and 264 of the Companies Act 1985.

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

27 September 2001

COMPASS GROUP PLC
(formerly Compass Demerger Limited)

**Profit and Loss Account**
**For the 184 day period ended 31 March 2001**

| | Notes | £'000 |
|---|---|---|
| Operating costs | | (3) |
| Operating loss | | (3) |
| Investment income | 2 | 740,000 |
| Interest receivable and similar income | 3 | 19,399 |
| Interest payable and similar charges | 4 | (20,761) |
| Profit on ordinary activities before taxation | | 738,635 |
| Tax on profit on ordinary activities | 5 | 409 |
| Profit on ordinary activities after taxation | | 739,044 |
| Equity dividend | 6 | (42,000) |
| Profit for the period retained | 10 | 697,044 |

There were no recognised gains or losses in the period other than as shown above. Accordingly, no statement of total recognised gains and losses has been prepared.

**Reconciliation of movements in shareholders' funds**
**For the 184 day period ended 31 March 2001**

| | £'000 |
|---|---|
| Profit for the financial period | 739,044 |
| Dividend | (42,000) |
| | 697,044 |
| Issue of shares | 222,736 |
| Shares to be issued | 17,209 |
| Closing shareholders' funds | 936,989 |

**COMPASS GROUP PLC**
**(formerly Compass Demerger Limited)**

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## Balance Sheet
## 31 March 2001

| | Notes | £'000 |
|---|---|---|
| Fixed assets | | |
| Investments in subsidiary undertakings | 11 | 221,457 |
| | | |
| Current assets | | |
| Debtors | 7 | 3,989,521 |
| Cash at bank and in hand | | 13 |
| | | 3,989,534 |
| Creditors: amounts falling due within one year | 8 | (51,602) |
| Net current assets | | 3,937,932 |
| | | |
| Total assets less current liabilities | | 4,159,389 |
| Creditors: amounts falling due after more than one year | 8 | (3,222,400) |
| Net assets | | 936,989 |
| | | |
| Capital and reserves | | |
| Called up share capital | 9 | 221,512 |
| Shares to be issued (including premium) | 9 | 17,209 |
| Share premium | 10 | 1,224 |
| Profit and loss | 10 | 697,044 |
| Shareholders' funds | | 936,989 |
| | | |
| Attributable to equity shareholders | | 936,976 |
| Attributable to non-equity shareholders | | 13 |

These accounts were approved by the Board of Directors on 27 September 2001.

Signed on behalf of the Board of Directors:

.................................................... Director

**COMPASS GROUP PLC**
**(formerly Compass Demerger Limited)**

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**Notes to the initial accounts**

1. Accounting policies

(a) Basis of preparation

These accounts have been produced in accordance with section 273(2) of The Companies Act 1985 for the purpose of declaring a dividend. The company was incorporated on 29 September 2000.

(b) Accounting convention

The initial accounts have been prepared in accordance with applicable UK accounting standards using the historical cost convention.

(c) Investments

Investments held as fixed assets are stated at cost, less any provision for impairment in value.

(d) Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the period end. Exchange differences are dealt with through the profit and loss account.

| | £'000 |
|---|---|
| 2. Investment income | |
| Dividends received from subsidiary undertakings | 740,000 |
| | |
| 3. Interest receivable and similar income | |
| Interest on loans to subsidiary undertakings | 19,399 |
| | |
| 4. Interest payable and similar charges | |
| Interest on bank loans | 12,927 |
| Interest on other loans | 6,705 |
| Loan redemption penalty | 1,129 |
| | 20,761 |
| | |
| 5. Tax on profit on ordinary activities | |
| UK corporation tax credit at 30% | 409 |

| | | Per Share | £'000 |
|---|---|---|---|
| 6. | Equity dividend | | |
| | Dividend on ordinary shares of 10p each | | |
| | Interim dividend | 1.9p | 42,000 |

| | | £'000 |
|---|---|---|
| 7. | Debtors | |
| | Amounts owed by subsidiary undertakings | 3,989,112 |
| | Group loss relief | 409 |
| | | 3,989,521 |

| | | |
|---|---|---|
| 8. | Creditors | |
| | Amounts falling due within one year | |
| | Accruals and deferred income | 9,602 |
| | Dividend payable | 42,000 |
| | | 51,602 |
| | Amounts falling due after more than one year | |
| | Bank loans | 2,573,489 |
| | Other loans | 648,911 |
| | | 3,222,400 |

| | | Number | £'000 |
|---|---|---|---|
| 9. | Called up share capital | | |
| | Ordinary shares of 10p each | | |
| | Authorised | 3,000,010,000 | 300,001 |
| | Allotted and fully paid | 2,214,988,728 | 221,499 |
| | Redeemable preference shares of £1 each | | |
| | Authorised | 49,998 | 50 |
| | Allotted and partly paid | 49,998 | 13 |

**COMPASS GROUP PLC**
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9. Called up share capital (continued)

| | Ordinary Shares of 10 pence each Number | Redeemable preference shares of £1 each Number |
|---|---|---|
| Issued on incorporation | 10 | - |
| Allotted for cash | 10 | 49,998 |
| Issued to the shareholders for Granada Compass plc on the acquisition of the hospitality business of Granada Compass plc | 2,214,574,351 | - |
| Allotted during the period on exercise of share options | 414,357 | - |
| At 31 March 2001 | 2,214,988,728 | 49,998 |

Shares to be issued represents shares with a value of £17.2m which at 31 March 2001 remained to be issued in respect of the Company's share based commitment plan.

10. Reserves

| | Share premium account | Profit & loss account |
|---|---|---|
| | £'000 | £'000 |
| On incorporation | - | - |
| Retained profit for the period | - | 697,044 |
| Premium on ordinary shares issued | 1,224 | - |
| At 31 March 2001 | 1,224 | 697,044 |

11. Details of principal subsidiary companies

| Country of registration or incorporation | Principal activities |
|---|---|
| **England and Wales** | |
| *Hospitality Holdings Ltd | Holding company |
| Compass Group, UK Ltd | Holding company for the provision of foodservice in the UK |
| Compass Food Services Ltd | Holding company for restaurants and catering investments |
| Compass Hospitality Ltd | Motorway and trunk road service areas and lodges operator |
| Forte (UK) Ltd | Operator of Little Chef and Travelodge brands |
| Posthouse Hotels Ltd | Operator of Posthouse brand hotels across the UK |
| **Continental Europe** | |
| Compass Services France SAS, France | Holding company for the provision of foodservice in France |
| Compass Group Deutschland GmbH, Germany | Holding company for the provision of foodservice in Germany |
| Compass Group Holdings Spain S.L., Spain | Holding company for the provision of foodservice in Spain |
| Compass Group Nederland B.V., The Netherlands | Holding company for the provision of foodservice in The Netherlands |
| **USA** | |
| Compass Holdings, Inc. | Holding company for the provision of foodservice in the USA |

All companies operate principally in their country of incorporation and are all wholly owned.

* Direct subsidiary of Compass Group PLC.