

ACCOR

Services

Making life/work better

Childcare Vouchers in the UK



Childcare Vouchers in UK

2008 Key data

- **Market size: £ 700 million issue volume**
- **Accor Services market share: 31%**
- **Revenue: 6.5 % of Issue Volume**
- **Ebitda: 50 % of Revenue**

Background to CCV's in the UK

- **First scheme launched in the UK in 1989** to help retain employees following maternity leave (Accor, salary plus)

- **Milestones**
 - Accor lobbies for Government to provide Tax benefits on CCV's
 - CCV schemes approved by Government through Salary Sacrifice
 - Accor introduces electronic vouchers in 2005
 - April 2005 Becomes Tax & Ni exempt up to £217 per month £50 per week
 - April 2006 Tax and Ni exempt amounts increased to £243 per month & £55 per week

- Today Childcare Vouchers are the most requested benefit offered to working parents

Child Care business model



2 sources of revenue:

- Commissions paid by the client
- Financial revenue on the float
- No revenue from nurseries

CCV in the UK – Who can participate?

○ Employees qualify by

- paying UK Income Tax and National Insurance Contributions, which are deducted by the Employer
- having a child aged 0 – 15 or 16 if disabled
- using a childcare provider who holds qualification certificate issued by a UK Government agency

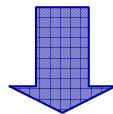
○ Employees participate by

- modifying their contract of employment, effecting each payroll period with a salary reduction and related non-cash benefit
- using their vouchers ONLY to pay for childcare for their own child and a qualified childcare provider

CCV – A Win-Win solution

Employers:

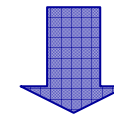
- **Company saves 7.8% of the total Childcare Voucher** (including Service charge for 5% of the total Childcare Voucher)
- **Improved employee retention, attraction and motivation**
- **Improved perception of the “employer brand”** - Better employee engagement



**On average £370
per year, per employee**
(who sacrifices the full amount
of £243 per month)

Parents:

- **Average annual savings amount £1,100** (lower rate tax payer £962, Higher rate £1,195)
- **Both parents can claim**



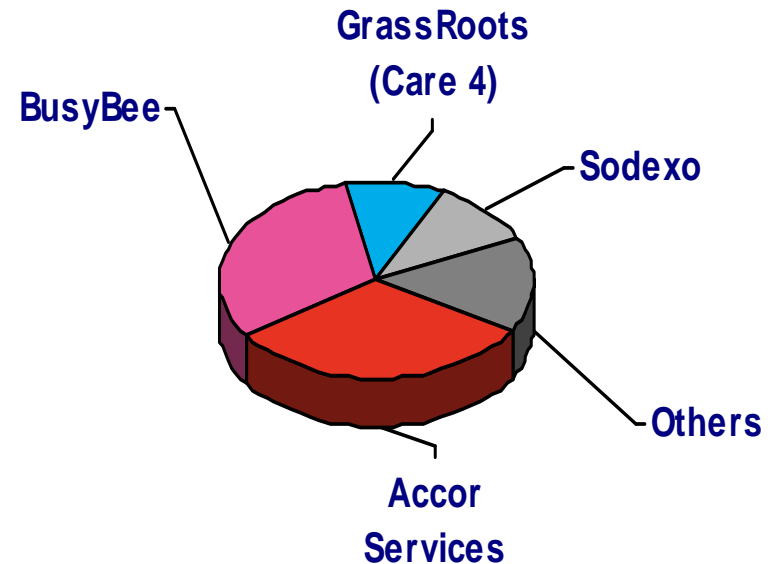
**On average £1,100
per year, per parent**

Competitive landscape

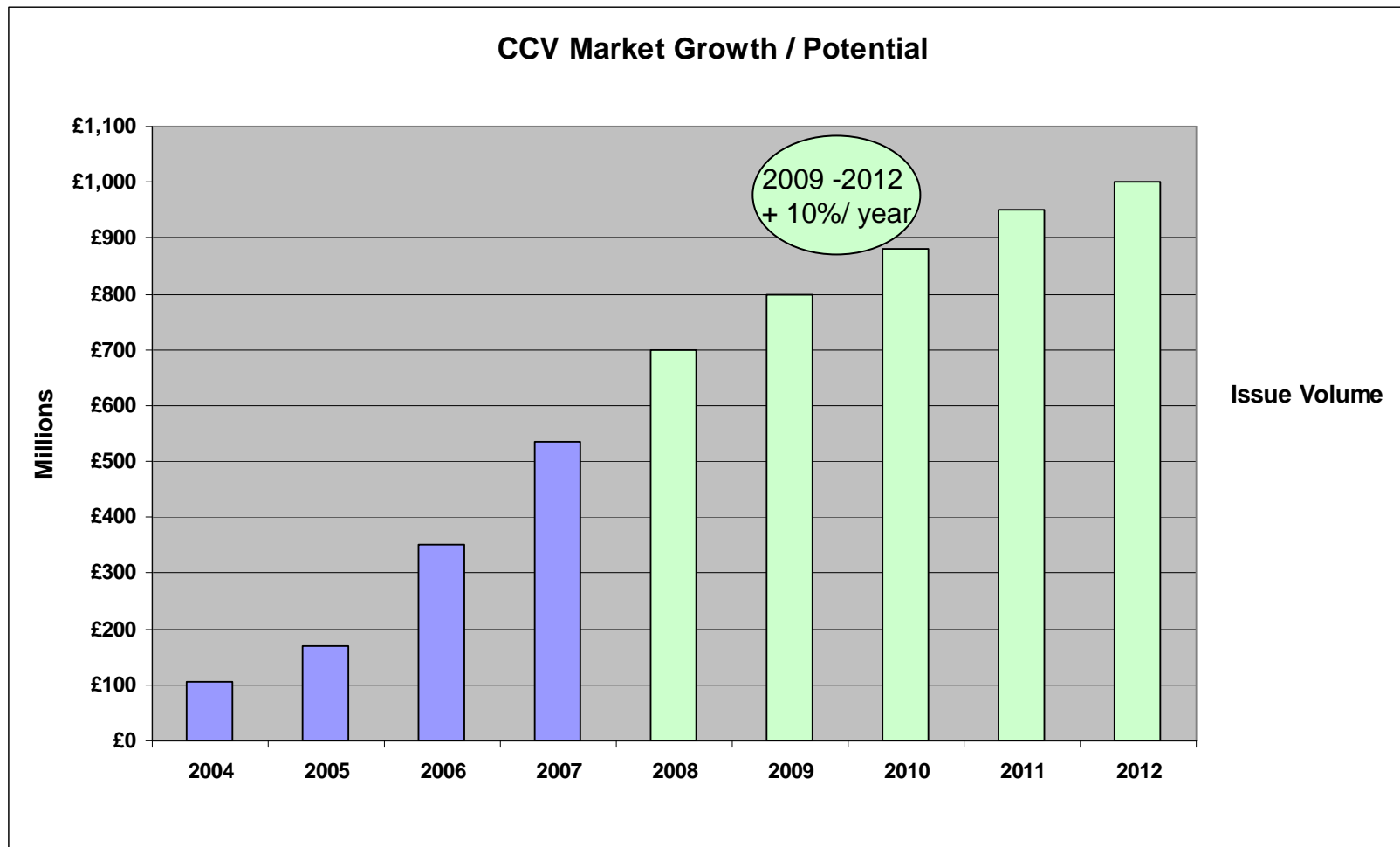
A competitive environment in which Accor Services is leader

40+ active competitors with traditional players but also nursery chains, accounting firms, private investors...

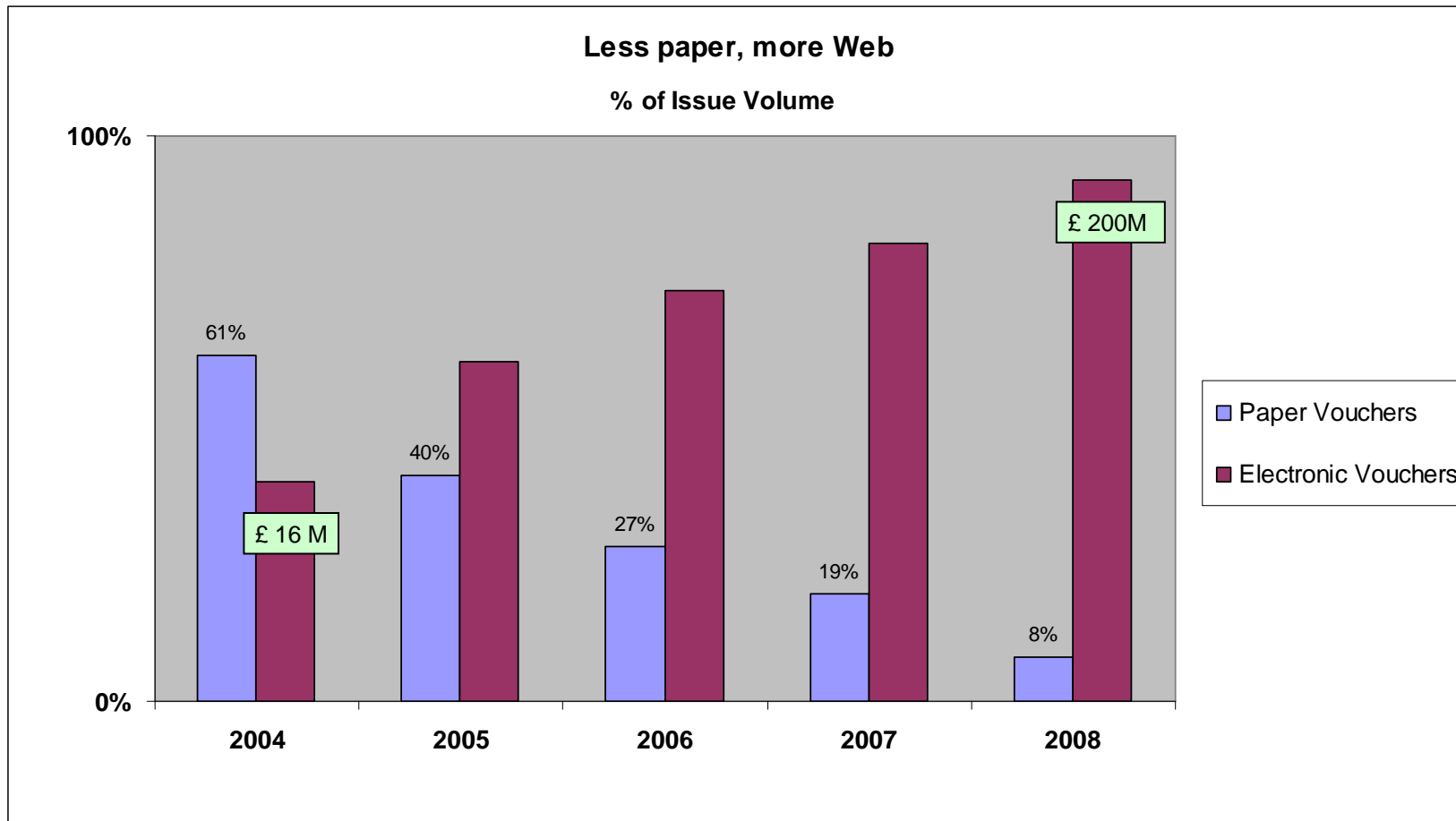
- ✓ Two leaders: Accor Services and Busy Bees (No1 Nursery chain in UK)
- ✓ Two other important players: GrassRoots (Care 4) and Sodexo
- ✓ Small competitors have recently increased market share accounting for almost 15% of the market



Market growth and potential



From Paper to Electronic Technology enables faster development



Potential roll-out in other countries

- **Dependant on local regulation (tax relief for childcare)**
 - Partnership between Accor Services and the ILO to study a framework for the provision of childcare services for employees
- **In France, domestic services legislation (CESU) introduced to encourage employment and reduction in the black economy**
 - CESU broadly equivalent to Childcare Vouchers
- **Ticket Guardería (Spain)**
 - Similar to UK but limited to children under three years of age