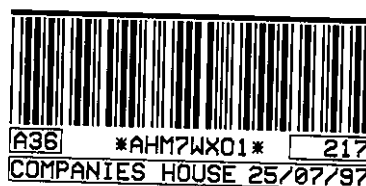


Servisair (UK) Limited

Directors' report and financial statements

Year ended 31 December 1996

Registered number 509585



Servisair (UK) Limited

Directors' report and financial statements

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Servisair (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

Principal activities and review of the business

The company continued to trade as airport passenger and cargo handling agents. The directors consider that the company has traded satisfactorily and anticipate that this will continue.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1995: *nil*). The retained profit for the year of £6,117,000 (1995: *loss of £611,000*) has been taken directly to reserves.

Directors and directors' interests

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

JS Willis
CD Cranmer
JC Morgan

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. JS Willis and CD Cranmer are directors of the company's ultimate parent company, Servisair plc, and their interests in the shares of that company are disclosed in its financial statements.

At 31 December 1996, JC Morgan held an interest in 4,000 Servisair plc ordinary shares (*at 31 December 1995: 5,000*) and an interest in 44,537 options to purchase Servisair plc ordinary shares (*at 31 December 1995: 37,037*).

Payment to suppliers

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier.

Servisair (UK) Limited

Directors' report *(continued)*

Employees

Disabled persons are employed and trained whenever their aptitudes and abilities allow, subject to any overriding consideration of access and safety at the workplace. Where any employee becomes disabled during the period of their employment with the company, retraining and continued employment is arranged wherever practicable.

Arrangements exist whereby the company's representatives may meet regularly with employees representatives who are able to enquire into matters of concern to them as employees, and may express their views on matters likely to affect their interests. Such meetings also enable the company to seek to make employees aware of the financial and economic factors affecting the performance of relevant areas of the company. The company does not operate an employee share scheme.

Political and charitable contributions

The company made no political or charitable contributions during the year.

By order of the board


JC Morgan
Secretary

1.7.97

19/21 Ack Lane East
Bramhall
Stockport
Cheshire
SK7 2BE

Servisair (UK) Limited

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 maintaining 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 Audit Plc

St James' Square
Manchester M2 6DS

Auditors' report to the members of Servisair (UK) Limited

We have audited the financial statements on pages 5 to 14.

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 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 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 July 1997

Servisair (UK) Limited

Profit and loss account

for the year ended 31 December 1996

	Note	1996		1995	
		£000	£000	£000	£000
Turnover	1		110,398		98,885
Cost of goods bought for resale		(2,698)		(2,616)	
Staff costs	3,4	(52,802)		(48,379)	
Depreciation and other amounts written off tangible and intangible fixed assets		(3,199)		(7,158)	
Other operating charges		(43,403)		(40,110)	
			(102,102)		(98,263)
Profit on ordinary activities before taxation	2		8,296		622
Tax on profit on ordinary activities	5		(2,179)		(1,233)
Retained profit/(loss) for the financial year	13		6,117		(611)
Profit and loss account brought forward			375		986
Profit and loss account carried forward			6,492		375

All turnover and profit on ordinary activities before taxation is derived from continuing activities.

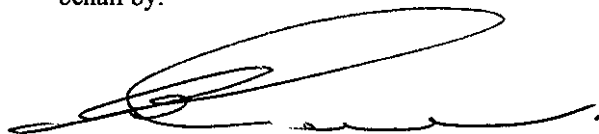
There are no recognised gains or losses other than the profit (1995:loss) for the year and the previous year.

Servisair (UK) Limited

Balance sheet at 31 December 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	6	10,864	8,939
Intangible assets	7	7,498	7,915
Investments	8	-	-
		<u>18,362</u>	<u>16,854</u>
Current assets			
Stocks	9	439	496
Debtors	10	26,703	27,062
		<u>27,142</u>	<u>27,558</u>
Creditors: amounts falling due within one year	11	<u>(38,502)</u>	<u>(43,527)</u>
Net current liabilities		<u>(11,360)</u>	<u>(15,969)</u>
Net assets		<u>7,002</u>	<u>885</u>
Capital and reserves			
Called up share capital	12	10	10
Share premium account		500	500
Profit and loss account		6,492	375
Equity shareholders' funds	13	<u>7,002</u>	<u>885</u>

These financial statements were approved by the board of directors on 1 July 1997 and were signed on its behalf by:



CD Cranmer
Director

Servisair (UK) Limited

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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Servisair plc, and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt from the requirement to prepare group accounts as it is a wholly-owned subsidiary of Servisair plc (see note 16).

The Accounting Standards Board published Financial Reporting Standard No. 8 - 'Related Party Disclosures' in October 1995. As a wholly owned subsidiary, the company is exempt from disclosing transactions with other Group undertakings or with investees of the Group qualifying as related parties.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Airport Equipment	4 to 10 years
Motor Vehicles	4 years
Furniture & Fittings	4 years

Intangible fixed assets and amortisation

Purchased goodwill is capitalised and amortised by equal instalments over 20 years.

Investments

Investments in subsidiary undertakings are stated at cost less a provision for amounts considered irrecoverable.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Servisair (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions and other post-retirement benefits

The company participates in a pension scheme providing benefits based on final pensionable pay. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. (see note 15).

Stocks

Stocks are stated at the lower of cost and net realisable value.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year.

2 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Fees paid to the Auditor and its associates:		
- Audit	26	26
- Other services	65	58
Hire of plant and machinery - rentals payable under operating leases	386	368
Hire of other assets - rentals payable under operating leases	7,021	6,827
	<hr/>	<hr/>

Servisair (UK) Limited

Notes (continued)

3 Remuneration of directors

None of the directors received any remuneration from the company.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category, was as follows:

	Number of employees	
	1996	1995
Operations	3,654	3,634
Administration	96	90
	<u>3,750</u>	<u>3,724</u>

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	48,522	44,498
Social security costs	4,125	3,804
Other pension costs	155	77
	<u>52,802</u>	<u>48,379</u>

5 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995:33%)	1,703	1,233
Group relief surrendered from parent	476	-
	<u>2,179</u>	<u>1,233</u>

There are no unprovided liabilities for deferred taxation.

Servisair (UK) Limited

Notes (continued)

6 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
<i>Cost</i>	
At 31 December 1995	26,913
Additions	5,085
Intragroup transfers	(446)
Disposals	(1,736)
At 31 December 1996	29,816
<i>Depreciation</i>	
At 31 December 1995	17,974
Charge for year	2,782
Intragroup transfers	(172)
Disposals	(1,632)
At 31 December 1996	18,952
<i>Net book value</i>	
At 31 December 1996	10,864
At 31 December 1995	8,939

7 Intangible fixed assets

	Purchased goodwill £000
<i>Cost</i>	
At 31 December 1995 and 31 December 1996	8,332
<i>Amortisation</i>	
At 31 December 1995	417
Charge for year	417
At 31 December 1996	834
<i>Net book value</i>	
At 31 December 1996	7,498
At 31 December 1995	7,915

Servisair (UK) Limited

Notes (continued)

8 Fixed Asset Investments

	Shares in subsidiary undertakings £
<i>Cost and net book value</i>	
At 31 December 1995	-
Additions	1
At 31 December 1996	<u>1</u>
	<u><u>1</u></u>

On 30 August 1996 the company acquired the whole of the issued share capital of Servisair (Cargo) Limited for a consideration of £1.

The company's investments comprise the following companies, each wholly owned and registered in England and Wales.

Servisair Group Limited - dormant
Airway Handling Limited - aircraft handling services
Servisair (Cargo) Limited - dormant

9 Stocks

	1996 £000	1995 £000
Raw materials and consumables	183	256
Merchanting stock	220	194
Uniforms	36	46
	<u>439</u>	<u>496</u>
	<u><u>439</u></u>	<u><u>496</u></u>

Servisair (UK) Limited

Notes (continued)

10 Debtors

	1996 £000	1995 £000
Trade debtors	15,919	14,968
Amounts owed by parent and fellow subsidiary undertakings	7,704	9,564
Other debtors	1,041	977
Prepayments and accrued income	2,039	1,553
	<u>26,703</u>	<u>27,062</u>

11 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Payments received on account	118	101
Trade creditors	6,136	7,225
Amounts owed to parent and fellow subsidiary undertakings	19,701	24,604
Other creditors including taxation and social security:		
Corporation tax	1,469	682
Other taxes and social security costs	1,024	1,354
Other creditors	798	448
Accruals and deferred income	9,256	9,113
	<u>38,502</u>	<u>43,527</u>

12 Called up share capital

	1996 £000	1995 £000
<i>Authorised</i>		
10,100 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>
<i>Allotted, called up and fully paid</i>		
10,100 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

Servisair (UK) Limited

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit/(loss) for the financial year	6,117	(611)
Opening shareholders' funds	885	1,496
Closing shareholders' funds	<u>7,002</u>	<u>885</u>

14 Commitments

Capital commitments at the end of the financial year for which no provision has been made were as follows:

	1996 £000	1995 £000
Contracted	378	2,060
Authorised but not contracted	299	71

Annual commitments under non-cancellable operating leases are as follows:

	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	97	-	46
Between two and five years	-	264	-	351
After five years	7,021	-	6,827	-
	<u>7,021</u>	<u>361</u>	<u>6,827</u>	<u>397</u>

Servisair (UK) Limited

Notes *(continued)*

15 Pension Schemes

On 1 May 1994 Servisair plc took over the Servisair Pension Plan. Prior to that date the Servisair Pension Plan was known as The Bricom Executive Group Pension Scheme and had a different benefit structure. On that date the company's employees were transferred out of The Bricom Group Limited United Kingdom pension schemes. The new plan is of a defined benefit type and funded by contributions from employees and the company at rates determined with the advice of independent actuaries. The plan itself is self administered and contributions are invested independently of the group's assets.

The pension charge for the year was £155,000 (1995: £77,000). On the recommendation of the actuary, no general employer contributions have been made. For the calculation of the pension charge in the accounts, the surplus has been written off over the employees working lives using the straight line method.

The provisions of Statement of Standard Accounting Practice No 24 ('SSAP24') 'Accounting for pension costs' have been adopted in the consolidated accounts of Servisair plc and particulars of the latest actuarial valuation as at 1 May 1994 of the Group pension schemes are included in the consolidated accounts of that company.

Prior to 1 May 1994 the majority of the company's employees were eligible for membership of one of The Bricom Group Limited United Kingdom pension schemes. These schemes were of a defined benefit type and were funded by contributions partly from employees and partly from group companies at rates determined with the advice of independent actuaries using the projected unit method. The schemes were self administered and contributions were invested independently of The Bricom Group's assets.

16 Ultimate parent company

The company's ultimate parent company is Servisair plc, a company registered in England and Wales.

The results of Servisair (UK) Limited are consolidated in the group accounts of Servisair plc, which are available from Servisair plc, 19/21 Ack Lane East, Bramhall, Stockport, Cheshire, SK7 2BE.

17 Post balance sheet event

On 31 January 1997 a sale and leaseback of several items of airport ground handling equipment with a value of £4.8 million was concluded.