

Servisair (UK) Limited

Directors' report and financial statements

Year ended 31 December 2002

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 2002.

Principal activities and review of the business

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

Proposed dividend and transfer to reserves

The directors proposed a dividend of £5,000,000 (2001: £11,068,298). The retained loss for the year of £8,965,071 (2001: £ 8,268,000 loss) has been set off against reserves.

Directors and directors' interests

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

T Atlan	
IC Macmillan	-resigned 30 June 2002
MT Naylor	-resigned 24 May 2002
K Purdom	-resigned 30 June 2002
RW Memmott	-appointed 7 October 2002
JS Willis	-resigned 8 May 2003
B Mercier	-appointed 8 May 2003
R Van Bruygom	-appointed 2 June 2003

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. T Atlan and RW Memmott have interests in share options of the ultimate parent company, Penauille Polyservices SA, which have been disclosed in the accounts of Servisair plc.

The share options of IC Macmillan, MT Naylor, K Purdom and JS Willis lapsed on resignation.

The share price at 31 December 2002 was 5.22 Euros, with a high in the year of 45.59 Euros and a low of 3.23 Euros.

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. The number of days' purchases outstanding for payment by the company at the year end was 49 (2001: 61 days).

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

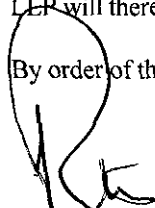
The company made no political contributions during the year. Donations to UK charities amounted to £724.

Auditors

KPMG were appointed auditors on 28 June 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 14 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

Pursuant to a shareholders resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



RW Memmott
Director

Atlantic House
Atlas Business Park
Simonsway
Manchester
M22 5PR

18 October 2003

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.



St James' Square
Manchester M2 6DS
United Kingdom

Independent auditors' report to the members of Servisair UK Limited

We have audited the financial statements on pages 5 to 17.

The report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 1985. 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 with the company is not disclosed.

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 as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

19 December 2003

Servisair (UK) Limited

Profit and loss account

for the year ended 31 December 2002

	Note	2002 £000	2001 £000
Turnover	1	152,819	150,336
Cost of goods bought for resale		(18)	(43)
Staff costs	3,4	(84,621)	(84,593)
Depreciation and other amounts written off tangible and intangible fixed assets		(4,733)	(5,505)
Other operating charges before write-off of intercompany non-trading balances		(61,689)	(59,061)
		(151,061)	(149,202)
Operating profit before write-off of intercompany non-trading balances		1,758	1,134
Write-off of intercompany non-trading balances		(4,497)	-
Total other operating charges		(66,186)	(59,061)
Operating (loss)/profit including write off of intercompany non-trading balances		(2,739)	1,134
Income from shares in group undertakings		250	3,325
Interest receivable and similar income	5	-	8
Interest payable and similar charges	6	(1,405)	(1,667)
Profit on ordinary activities before taxation	2	(3,894)	2,800
Tax on profit on ordinary activities	7	(71)	-
Profit on ordinary activities after taxation		(3,965)	2,800
Dividends	18	(5,000)	(11,068)
Retained loss for the financial year	17	(8,965)	(8,268)
Profit and loss account brought forward		17,782	26,050
Profit and loss account carried forward		8,817	17,782

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

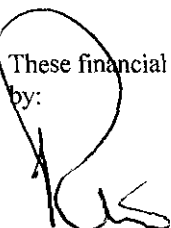
There are no recognised gains and losses other than the profit for the year, and the previous year.

Servisair (UK) Limited

Balance sheet at 31 December 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	8	13,396	15,579
Intangible assets	9	4,996	5,413
Investments	10	-	-
		<u>18,392</u>	<u>20,992</u>
Current assets			
Stocks	11	348	649
Debtors	12	31,819	34,604
Cash at bank and in hand		179	54
		<u>32,346</u>	<u>35,307</u>
Creditors: amounts falling due within one year	13	<u>(37,059)</u>	<u>(32,462)</u>
Net current (liabilities)/assets		<u>(4,713)</u>	<u>2,845</u>
Total assets less current liabilities		<u>13,679</u>	<u>23,837</u>
Creditors: amounts falling due after more than one year	14	<u>(4,352)</u>	<u>(5,545)</u>
Net assets		<u>9,327</u>	<u>18,292</u>
Capital and reserves			
Called up share capital	15	10	10
Share premium account	16	500	500
Profit and loss account		8,817	17,782
Equity shareholders' funds	17	<u>9,327</u>	<u>18,292</u>

These financial statements were approved by the board of directors on 18.12.2003 and were signed on its behalf by:



RW Memmott
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.

The company has implemented the transitional requirements of Financial Reporting Standard 17 'Retirement Benefits'. This involved disclosure only and hence did not affect the reported results or financial position for the current or prior year.

The company has adopted FRS 19 'Deferred Tax' in these financial statements. No prior year adjustment was required.

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 Penauille Polyservices SA, 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 by virtue of s228 of the Companies Act, as it is a wholly-owned subsidiary of Penauille Polyservices SA (see note 21). These financial statements present information about the company as an individual undertaking and not about its group.

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 its estimated life of 20 years.

Investments

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

Servisair (UK) Limited

Notes (continued)

1 Accounting policies (continued)

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.

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, recognising any actuarial surplus or deficiency where appropriate in accordance with SSAP 24 (see note 20). The cost of the group's defined contribution scheme is charged on the basis of contributions payable.

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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatments of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

In 2002, group companies received payment for group relief surrendered. In 2001 they did not.

Turnover

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

Servisair (UK) Limited

Notes (continued)

2 Profit on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Net losses on foreign currency transactions	416	(109)
Fees paid to the Auditor and its associates:		
- audit	54	51
- other services	50	114
Depreciation charge for the year:		
- intangible fixed assets	417	417
- tangible owned assets	3,391	2,000
- tangible fixed assets held under finance leases	925	3,088
Hire of plant and machinery – rentals		
Payable under operating leases	796	510
Hire of other assets - rentals payable under operating leases	14,414	12,545
	<hr/>	<hr/>

3 Remuneration of directors

	2002 £000	2001 £000
Directors emoluments	132	161
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £132,000, including pension contributions of £67,000 (2001 £161,000).

	Number of directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1
	<hr/>	<hr/>

Servisair (UK) Limited

Notes (continued)

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	
	2002	2001
Operations	4,855	5,012
Administration	141	152
	<u>4,996</u>	<u>5,164</u>

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	76,217	76,033
Social security costs	5,808	5,832
Other pension costs	2,596	2,728
	<u>84,621</u>	<u>84,593</u>

5 Interest receivable and similar income

	2002 £000	2001 £000
On bank accounts	-	8
	<u>-</u>	<u>8</u>

6 Interest payable and similar charges

	2002 £000	2001 £000
On bank loans and overdrafts	875	1,048
Charges payable in respect of finance leases	530	619
	<u>1,405</u>	<u>1,667</u>

Servisair (UK) Limited

Notes (continued)

7 Taxation

<i>Tax reconciliation</i>	2002	2001
	£000	£000
(Loss)/profit on ordinary activities before tax	(3,894)	2,800
UK corporation tax at 30% (2001:30%)	(1,168)	840
Effects of:		
Expenses non deductible	1,710	180
Capital allowances in excess of depreciation	(40)	(589)
(Utilisation of tax losses)/increase in tax losses carried forward	(142)	124
Short term timing differences	(34)	(87)
Group relief surrendered	-	529
Non taxable income	(255)	(997)
	71	-

There are unrecognised deferred tax assets relating to accelerated capital allowances (£545,848), short term timing differences (£118,231) and trading losses carried forward of (£771,300).

8 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
<i>Cost</i>	
At 31 December 2001	52,962
Additions	2,428
Disposals	(1,140)
Intercompany transfers	(473)
At 31 December 2002	53,777
<i>Depreciation</i>	
At 31 December 2001	37,383
Charge for year	4,316
Disposals	(955)
Intercompany transfers	(363)
At 31 December 2002	40,381
<i>Net book value</i>	
At 31 December 2002	13,396
At 31 December 2001	15,579

The net book value of equipment includes an amount of £3,645,000 (2001: £4,571,000) and a depreciation charge for the year of £925,000 (2001: £3,088,000) in respect of assets held under finance leases.

Servisair (UK) Limited

Notes (continued)

9 Intangible fixed assets

	Purchased goodwill £000
<i>Cost</i>	
At 31 December 2001 and 31 December 2002	8,332
<i>Amortisation</i>	
At 31 December 2001	2,919
Charge for year	417
At 31 December 2002	3,336
<i>Net book value</i>	
At 31 December 2002	4,996
At 31 December 2001	5,413

10 Fixed asset investments

	Shares in subsidiary undertakings £
<i>Cost and net book value</i>	
As at 31 December 2001 and 31 December 2002	1

The company's investments comprise the entire issued ordinary share capital of the following companies

Subsidiary undertaking	Country of Incorporation	Proportion of shares %
Servisair (Contract Handling) Limited	England and Wales	100
Airway Handling Limited	England and Wales	100
Servisair (Ground Handling) Limited	England and Wales	100*
Servisair (Gatwick) Limited	England and Wales	100*
Servisair Group Limited	England and Wales	100

* indirectly held

Servisair (UK) Limited

Notes (continued)

11 Stocks

	2002 £000	2001 £000
Raw materials and consumables	36	172
Merchanting stock	-	7
Uniforms	312	470
	<u>348</u>	<u>649</u>

12 Debtors

	2002 £000	2001 £000
Trade debtors	18,999	16,913
Amounts owed by parent and fellow subsidiary undertakings	7,995	11,959
Other debtors	1,085	1,246
Prepayments and accrued income	3,740	4,486
	<u>31,819</u>	<u>34,604</u>

13 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	5,837	7,448
Obligations under finance leases	1,694	1,432
Trade creditors	5,518	6,153
Amounts owed to parent and fellow subsidiary undertakings	5,071	596
Other creditors including taxation and social security:		
Other taxes and social security costs	1,601	1,820
Other creditors	1,297	1,232
Accruals and deferred income	16,041	13,781
	<u>37,059</u>	<u>32,462</u>

Servisair (UK) Limited

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Obligations under finance leases		
Repayable: Within one year	1,694	1,432
Between one and two years	1,779	1,562
Between two and five years	2,573	3,983
	<hr/>	<hr/>
	6,046	6,977
Less: amounts falling due within one year	(1,694)	(1,432)
	<hr/>	<hr/>
	4,352	5,545
	<hr/>	<hr/>

15 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
10,100 ordinary shares of £1 each	10	10
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
10,100 ordinary shares of £1 each	10	10
	<hr/>	<hr/>

16 Share premium account

	2002 £000	2001 £000
Share premium	500	500
	<hr/>	<hr/>

17 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Retained loss for the financial year	(8,965)	(8,268)
Opening shareholders' funds	18,292	26,560
	<hr/>	<hr/>
Closing shareholders' funds	9,327	18,292
	<hr/>	<hr/>

Servisair (UK) Limited

Notes (continued)

18 Dividends

	2002 £000	2001 £000
Final dividend paid (£495.05 per share)	5,000	11,068
	<u>5,000</u>	<u>11,068</u>

19 Commitments

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

	2002 £000	2001 £000
Contracted	-	2,294
	<u>-</u>	<u>2,294</u>

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

	2002		2001	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	796	-	510
Between two and five years	-	1,302	-	1,391
After five years	13,112	-	11,154	-
	<u>13,112</u>	<u>2,098</u>	<u>11,154</u>	<u>1,901</u>

Servisair (UK) Limited

Notes (continued)

20 Pension schemes

The Servisair Pension scheme is open to the employees of the company, and is a UK defined benefit scheme which covers employees of Servisair plc, Servisair (UK) Limited and Airway Handling Limited. A full actuarial valuation was carried out at 6 April 2001 under SSAP 24 'Accounting for pension costs' by a qualified actuary. This disclosure is for the whole scheme.

The projected unit method was adopted for the last valuation of the plan. Assets were valued by discounting income from a notional portfolio. The main actuarial assumptions used in the valuation for accounting purposes were:

Investment return:	6.0% p.a.
Salary growth:	3.5% p.a.
Price inflation:	2.5% p.a.
Pension increase:	2.5% p.a.

The available assets represented 81% of the ongoing liabilities of the plan. The plan is assessed to be 90% funded on a current funding level basis, based on assets with a market value totalling £31.4m at the valuation date, measured on basis consistent with the statutory minimum funding requirement. In order to fund the deficit in the scheme the company has agreed to increase contributions in line with the recommendations of the actuary.

The charge for the defined benefit scheme amounted to £2,347,000 (2001: £2,899,000). Contributions paid (in respect of defined benefits) by the group during the accounting period totalled £2,740,000 (2001: £3,333,000). As a result a prepayment of £29,000 (2001: provision of £364,000) is included in creditors of the group.

The Group also operates a defined contribution scheme. The charge for the scheme represents contributions payable by the group companies to the scheme and amounted to £311,000 (2001: £176,000). At the balance sheet date £49,000 of contributions were outstanding for the year 2002 (2001: £23,000).

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary. The most recent valuation was at 31 December 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The major assumptions used in this valuation were:

	2002	2001
Rate of increase in salaries	3.2%	3.5%
Rate of increase in pensions in payment and deferred pensions	2.2%	2.5%
Discount rate applied to scheme liabilities	5.6%	5.8%
Inflation assumption	2.2%	2.5%

Servisair (UK) Limited

Notes *(continued)*

20 Pension schemes (cont'd)

The most recent actuarial valuation showed that the market value of the scheme's assets was £27,887,000 at 31 December 2002 and that the actuarial value of those assets represented 58.1% of the benefits that has accrued to members, after allowing for expected future increases in earnings.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The company is unable to identify its share of the underlying assets and liabilities of these schemes and therefore, on adoption of Financial Reporting Standard 17, it will account for the scheme as a defined contribution scheme. The transitional disclosures prepared by the actuaries for the principal employer in accordance with Financial Reporting Standard 17, show that the scheme is in deficit.

Particulars of the actuarial valuation of the Servisair pension scheme are disclosed in the financial statements of Servisair plc.

21 Parent company

Servisair UK Limited is a wholly owned subsidiary of Servisair Plc, which is registered in England and Wales. The company's ultimate parent company is Penauille Polyservices SA, a company registered in France. The results of Servisair (UK) Limited are consolidated in the group accounts of Penauille Polyservices SA, which may be obtained from 6, Allee des Coquelicots – 94478 Boissy Saint Leger Cedex.