

Heathrow Cargo Handling Limited

Directors' report and financial statements

Year ended 31 December 1997

Registered number 3076274



Heathrow Cargo Handling Limited

Directors' report and financial statements

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Heathrow Cargo Handling Limited

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 1997.

Fixed assets

Changes to fixed assets are shown in note 6 to the accounts.

Principal activities and review of the business

The principal activity of the company during the year was that of providing cargo handling services at Heathrow airport.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend. The retained profit for the year of £271,000 (1996 loss of: £905,000) has been transferred directly to reserves.

Directors and directors' interests

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

F. Bachelet	Resigned 27 February 1997
A Bardi	
CD Cranmer	Resigned 3 December 1997
P Dyke	Appointed 3 December 1997
K Purdom	
Jean-Luc H Servant	Appointed 14 March 1997
A Veyssie	
JS Willis	

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

Heathrow Cargo Handling Limited

Directors' report *(continued)*

Political and charitable contributions

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

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the appointment of auditors is to be proposed at the forthcoming annual general meeting.

By order of the board



JC Morgan
Secretary

5. MARCH 1998

Building 558
Shoreham Road West
Heathrow Airport
Middlesex
TW6 3RN

Heathrow Cargo Handling 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 year. 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.

Auditor's report to the members of Heathrow Cargo Handling Limited

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

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

17 March 1998
Marche

Heathrow Cargo Handling Limited

Profit and loss account for the year ended 31 December 1997

	<i>Note</i>	1997 £000	Fifteen month period 1996 £000
Turnover			
Continuing operations	<i>1</i>	5,348	3,690
Staff costs	<i>4,5</i>	(2,851)	(2,484)
Depreciation	<i>6</i>	(174)	(124)
Other operating charges		(1,946)	(1,948)
		<hr/>	<hr/>
Operating profit/(loss)			
Continuing operations		377	(866)
Interest receivable		4	9
Interest payable	<i>3</i>	(110)	(48)
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities before and after taxation	<i>2</i>	271	(905)
		<hr/>	<hr/>
Profit/(Loss) on ordinary activities retained for the year	<i>11</i>	271	(905)
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than the profit for the year.

Heathrow Cargo Handling Limited

Balance sheet at 31 December 1997

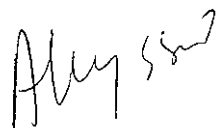
	Note	1997 £000	1996 £000
Fixed assets			
Tangible assets	6	1,182	1,114
Current assets			
Debtors	7	883	977
Cash at bank and in hand		691	-
Creditors: amounts falling due within one year	8	(1,648)	(1,447)
Net current liabilities		(74)	(470)
Total assets less current liabilities		1,108	644
Creditors: amounts falling due after more than one year	9	(942)	(749)
Net assets/(liabilities)		166	(105)
Capital and reserves			
Called up share capital	10	800	800
Profit and loss account	11	(634)	(905)
Equity shareholders' funds		166	(105)

These financial statements were approved by the board of directors on **5. MARCH 1998** and were signed on its behalf by:

K Purdom
Director



A Veyssie
Director



Heathrow Cargo Handling Limited

Cash Flow Statement

for the year ended 31 December 1997

	Note	1997 £000	Fifteen month period 1996 £000
Net cash inflow/(outflow) from operating activities	15	1,140	(776)
Returns on investments and servicing of finance			
Interest received		4	9
Interest paid		(6)	(9)
Interest element of finance lease payments		(37)	(20)
Net cash outflow from returns on investments and servicing of finance		(39)	(20)
Capital expenditure			
Payments to acquire tangible fixed assets		(251)	(253)
Net cash inflow/(outflow) before financing		850	(1,049)
Financing			
Issue of ordinary share capital		-	400
New long-term loans		300	312
Capital element of finance lease payments		(75)	(47)
Net cash inflow from financing		225	665
Increase/(decrease) in cash	17	1,075	(384)

Heathrow Cargo Handling 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.

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	10 years
Motor Vehicles	5 years
Furniture and fittings	5-10 years
Computer equipment	4 years

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 within 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

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 14).

Heathrow Cargo Handling Limited

Notes (continued)

1 Accounting policies (continued)

Deferred Taxation

Deferred taxation is provided for under the liability method. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Any deferred tax asset is not generally provided for unless it is expected to be recoverable.

Turnover

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

2 Profit/(loss) on ordinary activities before and after taxation

	1997 £000	1996 £000
<i>Profit/(loss) on ordinary activities before and after taxation is stated after charging:</i>		
Auditors' remuneration: - Audit	10	9
- Other	1	1
Depreciation	174	124
Hire of other assets - operating leases	4	10
	<hr/>	<hr/>

Note of historical cost profits

There were no material differences between reported profits and historical cost profits on ordinary activities before tax during the year.

3 Interest payable

	1997 £000	1996 £000
On bank overdrafts repayable within 5 years not by instalments	-	9
On finance leases	45	10
On loans from shareholder companies repayable within 5 years	50	29
Other	15	-
	<hr/> 110	<hr/> 48
	<hr/>	<hr/>

4 Remuneration of directors

None of the directors received any remuneration from the company during the year.

Heathrow Cargo Handling Limited

Notes (continued)

5 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	
	1997	1996
Operations	127	86
Administration	9	7
	<hr/> 136	<hr/> 93
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£000	£000
Wages and salaries	2,495	2,184
Social security costs	201	152
Other pension costs	155	148
	<hr/> 2,851	<hr/> 2,484
	<hr/> <hr/>	<hr/> <hr/>

6 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
Cost	
At 1 January 1997	1,238
Additions	251
Disposals	(9)
At 31 December 1997	<hr/> 1,480
Depreciation	
At 1 January 1997	124
Charge for the year	174
At 31 December 1997	<hr/> 298
Net book value	
At 31 December 1997	<hr/> 1,182
At 31 December 1996	<hr/> <hr/> 1,114

Heathrow Cargo Handling Limited

Notes (continued)

The net book value of tangible assets includes an amount of £511,000 (1996 £582,000) held under finance leases. The amount of depreciation charged in the year in respect of these assets amounted to £71,000 (1996 £3,000).

7 Debtors

	1997 £000	1996 £000
Trade debtors	681	323
Amount due from Shareholder company	-	521
Prepayments and accrued income	202	133
	<u>883</u>	<u>977</u>

8 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Bank overdraft	-	384
Obligations under finance leases	133	101
Amounts owed to shareholder companies	840	403
Trade creditors	379	135
Other creditors including taxation and social security:		
Other taxes and social security costs	69	210
Accruals	227	213
	<u>1,648</u>	<u>1,447</u>

Heathrow Cargo Handling Limited

Notes (continued)

9 Creditors: amounts falling due after more than one year.

	1997 £000	1996 £000
Loans from shareholder companies	612	312
Finance leases	330	437
	<u>942</u>	<u>749</u>
	<u> </u>	<u> </u>
Loans from shareholder companies fall due as follows:	1997 £000	1996 £000
In the second to fifth years	612	312
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Finance lease obligations:	1997 £000	1996 £000
Within one year	133	101
Between one and two years	107	107
In the second to fifth years	223	309
Over five years	-	21
	<u>463</u>	<u>538</u>
	<u> </u>	<u> </u>

Heathrow Cargo Handling Limited

Notes (continued)

10 Called up share capital

	1997 £000	1996 £000
Authorised		
400,000 ordinary 'A' shares of £1 each	400	400
400,000 ordinary 'B' shares of £1 each	400	400
	<hr/> 800	<hr/> 800
	<hr/>	<hr/>
Allotted, called up and fully paid		
400,000 ordinary 'A' shares of £1 each	400	400
400,000 ordinary 'B' shares of £1 each	400	400
	<hr/> 800	<hr/> 800
	<hr/>	<hr/>

11 Reserves

	Profit and loss account £000
At 1 January 1997	(905)
Retained profit for the year	271
	<hr/>
At 31 December 1997	(634)
	<hr/>

Heathrow Cargo Handling Limited

Notes (continued)

12 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Opening shareholders' funds at 1 January 1997	(105)	-
Share capital issued during the year	-	800
Profit/(loss) for the year	271	(905)
Closing shareholders' funds	<u>166</u>	<u>(105)</u>

13 Capital commitments

There were no capital commitments at the year end.

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

	1997	1997	1996	1996
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	4	-	4
After five years	76	-	74	-
	<u>76</u>	<u>4</u>	<u>74</u>	<u>4</u>

Heathrow Cargo Handling Limited

Notes (continued)

14 Pension Schemes

All employees previously employed by Air France were allowed to continue to participate in the Air France pension scheme subsequent to their transfer to Heathrow Cargo Handling Limited. These employees remain within the Air France pension scheme as a separate group and any benefits from the scheme will be apportioned amongst those members only. This is a managed fund funded by contributions from employees and from the company at rates determined by the advice of independent actuaries. The plan is self administered and contributions are invested independently of the company's assets.

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. The pension charge for the year was £155,000.

The most recent valuation was at 1 April 1994. It was assumed that the investment returns would be 9% per cent per annum, that salary increases would average 8% per cent per annum and that present and future pensions would increase at the rate of 6% per cent per annum. The most recent valuation showed that the market value of the scheme's assets was £22,307,079 and that the actuarial value of those assets £18,536,000 represented 112% per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Contributions for 19 employees were made into the Servisair Group pension plan, details of which are disclosed in the Servisair plc statutory accounts.

15 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities:

	1997 £000	1996 £000
Operating Profit/(Loss)	377	(866)
Depreciation charge	174	124
Decrease/(Increase) in debtors	94	(977)
Increase in creditors	495	943
Net cash inflow/(outflow) from operating activities	1,140	(776)

Heathrow Cargo Handling Limited

Notes (continued)

16 Reconciliation of net cash flow to movement in net debt

	1997 £000	1996 £000
Increase/(decrease) in cash	1075	(384)
Cash inflow from increase in debt	(300)	(312)
Loans from shareholder companies	-	162
	<hr/>	<hr/>
	775	(696)
Repayment/(new) finance leases	75	(538)
	<hr/>	<hr/>
Change in net debt	850	(1234)
Opening net debt	(1,234)	-
	<hr/>	<hr/>
Closing net debt	<u>(384)</u>	<u>(1234)</u>

17 Analysis of changes in net debt

	At 1.1.97 £000	Cash flow £000	Other £000	At 31.12.97 £000
Cash at bank in hand	-	691	-	691
Overdraft	(384)	384	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(384)	1075	-	691
Debt due within one year	(101)	-	(32)	(133)
Debt due after one year	(749)	(300)	107	(942)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(1,234)</u>	<u>775</u>	<u>75</u>	<u>(384)</u>

Heathrow Cargo Handling Limited

18 Related party transactions

The following information is provided in accordance with Financial Reporting Standard No 8 as being the only related party relationships that existed during the year.

Related parties:	Compagnie Nationale Air France and Servisair plc.
Nature of relationship:	The two companies both own 50% of the issued ordinary share capital of Heathrow Cargo Handling Limited.
Transactions:	Subordinated loans of £150,000 were advanced from each of the two shareholder companies during the year resulting in a year end subordinated balance of £306,000 from Air France and £306,000 from Servisair plc. The loans are repayable in full within five years. At the year end there was a £725,000 (1996 £250,000 net due from) trading intercompany balance payable to Compagnie Nationale Air France. In addition there was a trading intercompany balance payable of £71,000 (1996 £26,000) to Servisair plc.