

**Heathrow Cargo Handling Limited**

**Directors' report and financial  
statements**

**Registered number 3076274**

**31 December 2006**

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## **Directors' report**

The directors present their directors' report and the financial statements for the year ended 31 December 2006.

### **Principal activities**

The Company's principal activity during the year continued to be that of providing cargo handling services at Heathrow airport.

### **Statement of compliance**

To comply with the Companies Act 1985, the Company provides below a review of the development and performance of the business during the year, including key financial performance indicators, and a description of the principal risks and uncertainties facing the Company.

The Business Review contains forward looking statements and opinions that involve risks and uncertainties. These risks and uncertainties could cause our results to differ materially from our expectations. The principal risk factors are discussed more below.

### **Business review**

The Company is in the business of providing cargo handling services at Heathrow airport.

The Company's solutions enable organisations to make more profitable decisions through better utilisation of all of its resources – both manpower and equipment .

In the year ended 31<sup>st</sup> December 2006, the Company has reported a slight drop in revenues from £11,452,000 for the year ended 31<sup>st</sup> December 2005 to £11,406,000.

Although the level of revenues has fallen from the prior year, the Directors believe that profit levels would be maintained at budget expectation due to new sales opportunities during the forthcoming year. It is also the opinion of the Directors that the market opportunities for the Company's products continue to grow and mature.

The Company continues to look for new facilities and improvements to current facilities with a view of long-term growth capabilities.

The Company remains committed to be an integral part of the Penauille Servisair Cargo UK network.

The results for the year are shown in the profit and loss account on page 6.

The directors do not propose the payment of a dividend (2005: £nil).

### **Principal Risks and Uncertainties**

The Company operates in an extremely competitive market environment where there is an excess of capacity. The key risks and uncertainties facing the business are:

1. Economic political and market conditions such as wars and natural disasters, in particular natural disasters materially affecting the US and Far-East markets, can adversely affect our revenue growth and profitability.
2. As a result of further changes in the competitive landscape we may have to change our pricing models to compete successfully, which could involve price reductions which would adversely affect our revenue or profitability.

## **Directors' report** *(continued)*

### **Directors and directors' interests**

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

J Willis  
G Morgan  
A Evans  
M Behar  
P Morvan  
F Orieux  
J Colombel  
O Moreau

The directors who held office at the end of the financial period had no interests in the ordinary shares of group companies according to the register of directors' interests.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### **Political and charitable contributions**

The group made no political or charitable donations during the current or prior year.

### **Disclosure of information to auditors**

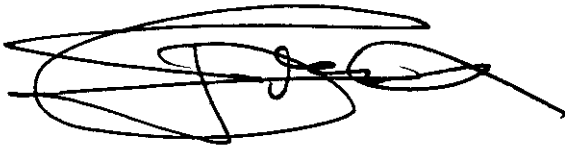
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

In accordance with s384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**F Orieux**  
*Director*

A handwritten signature in black ink, appearing to be 'F Orieux', written over a horizontal line.

Building 558  
Shoreham Road West  
Heathrow Airport  
Middlesex  
TW6 3RN

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 LLP

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors' report to the members of Heathrow Cargo Handling Limited**

We have audited the financial statements of Heathrow Cargo Handling Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## **Independent auditors' report to the members of Heathrow Cargo Handling Limited** *(continued)*

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

*16/07/07*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

## Profit and loss account

for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Turnover from continuing operations</b>	3	<b>11,406</b>	<b>11,452</b>
Cost of sales		(2,808)	(2,899)
<b>Gross profit</b>		<b>8,598</b>	<b>8,553</b>
Administrative expenses		(7,288)	(7,227)
Other operating income	4	77	76
<b>Operating profit from continuing operations</b>		<b>1,387</b>	<b>1,402</b>
Other interest receivable and similar income	7	89	64
Interest payable	8	(11)	(16)
Other finance costs	9	(70)	(51)
<b>Profit on ordinary activities before taxation</b>	3-9	<b>1,395</b>	<b>1,399</b>
Tax on profit on ordinary activities	10	(486)	(422)
<b>Profit on ordinary activities after taxation and retained for the financial year</b>		<b>909</b>	<b>977</b>



**Balance sheet**  
*at 31 December 2006*

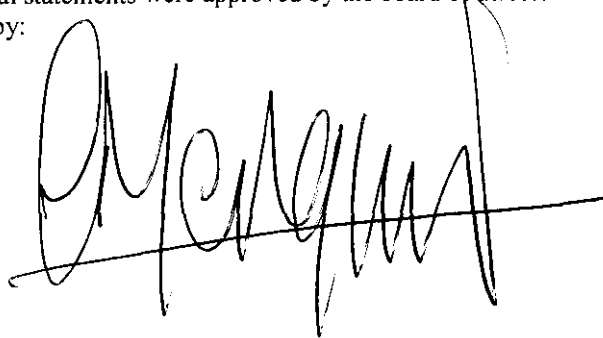
	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	11	1,106	1,385
<b>Current assets</b>			
Debtors	12	2,428	2,518
Cash at bank and in hand		1,525	1,236
		<u>3,953</u>	<u>3,754</u>
<b>Creditors: amounts falling due within</b>			
One year	13	(1,828)	(2,305)
		<u>2,125</u>	<u>1,449</u>
<b>Net current assets</b>			
		<u>3,231</u>	<u>2,834</u>
<b>Total assets less current liabilities</b>			
<b>Provisions for liabilities</b>	14	(114)	(156)
		<u>3,117</u>	<u>2,678</u>
<b>Net assets excluding pension liabilities</b>			
Pension liabilities	18	(2,196)	(2,733)
		<u>921</u>	<u>(55)</u>
<b>Net liabilities including pension liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	15	800	800
Profit and loss account	16	121	(855)
		<u>921</u>	<u>(55)</u>
<b>Equity shareholders' funds</b>			

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

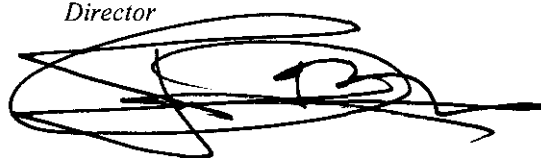
16/03/07

and were signed

**G Morgan**  
Director



**F Orieux**  
Director



## Cash flow statement

for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Cash inflow from operating activities	19	697	1,531
Returns on investments and servicing of finance	20	78	48
Taxation		(381)	(381)
Capital expenditure	20	(105)	(571)
Cash inflow before financing		289	627
Financing	20	-	(418)
Increase in cash in the year		289	209

## Reconciliation of net cash flow to movement in net debt

for the year ended 31 December 2006

	2006 £'000	2005 £'000
Increase in cash in the year	289	209
Cash repaying subordinated loan	-	413
Cash outflow from decrease in lease financing	-	5
Movement in net funds in the year	289	627
Net funds at beginning of year	1,236	609
Net funds at end of year	1,525	1,236

## Reconciliation of movement in shareholders' funds

*for the year ended 31 December 2006*

	2006 £'000	2005 £'000
Profit for the financial year	909	977
Other net recognised gains and losses relating to the year	67	(907)
	<hr/>	<hr/>
Net addition to shareholders' funds	976	70
Opening shareholders' funds	(55)	(125)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	921	(55)
	<hr/>	<hr/>

## Statement of total recognised gains and losses

*for the year ended 31 December 2006*

	2006 £'000	2005 £'000
Profit for the financial year	909	977
Actuarial gain/ (loss) relating to net pension liabilities	95	(1,296)
Deferred tax associated with actuarial (gain)/loss relating to net pension liability	(28)	389
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	976	70
	<hr/>	<hr/>

## 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 financial statements, except as noted below.

#### *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:

Equipment, fixtures, fittings and tools      -      4-10 years

#### *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 and losses on translation are included in the profit and loss account. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Taxation*

The charge for taxation is based on the result 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 treatment of certain items for taxation purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Cash*

Cash for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

#### *Post retirement benefits*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

## Notes (continued)

### 1 Accounting policies (continued)

The company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax to the extent that the income relates to the current period

### 2 Prior year adjustment

The company was required to adopt the recognition and measurement requirements of FRS 17 'Retirement Benefits' in the prior year. Previously only the transitional disclosures of that standard had been followed.

The adoption of FRS 17 superseded the previous accounting under SSAP 24 'Accounting for pension costs'. The change in accounting policy required a prior year adjustment to adjust for the differences in the balance sheet position at 31 December 2004.

The effect of this increased the pension liability by £1,950,000 as at 31 December 2004.

### 3 Turnover

The turnover and profit before tax are attributable to the principal activity of the company, and arises solely in the UK.

### 4 Other operating income

	2006 £'000	2005 £'000
Rents receivable	77	76

### 5 Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of owned fixed assets	384	377
Auditors' remuneration:		
As auditors	14	17
Other	-	-
Hire of other assets – operating leases	984	943
Hire of plant and machinery – rentals payable under operating leases	109	14

## Notes (continued)

### 6 Staff numbers and costs

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

	Number of employees	
	2006	2005
Administrative staff	13	15
Operations staff	139	143
	<hr/>	<hr/>
	152	158
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£'000	£'000
Wages and salaries	5,153	5,128
Social security costs	348	344
Other pension costs	244	247
	<hr/>	<hr/>
	5,745	5,719
	<hr/>	<hr/>

None of the directors received any emoluments from the company during the year (2005: £nil).

Other pension costs charged in arriving at operating profit comprise the following:

	2006	2005
	£'000	£'000
Current service costs of defined benefit scheme		
- treated as a defined benefit scheme	204	178
- treated as a defined contribution scheme	39	69
	<hr/>	<hr/>
	243	247
	<hr/>	<hr/>

Pension costs charged/credited other than to operating profit are shown in note 18.

**Notes** *(continued)*

**7 Interest receivable**

	2006 £'000	2005 £'000
Bank interest	89	64

**8 Interest payable**

	2006 £'000	2005 £'000
Interest payable	11	16

**9 Other finance costs**

	2006 £000	2005 £000
Expected return on pension scheme assets	(470)	(409)
Interest on pension scheme liabilities	540	460
	70	51

## Notes (continued)

### 10 Taxation

#### Analysis of charge in year

	2006 £'000	£'000	2005 £'000	£'000
<i>UK corporation tax</i>				
Current tax and income for year	268		382	
Adjustments in respect of prior years	58		-	
	<hr/>		<hr/>	
Total current tax		326		382
<i>Deferred tax</i>				
Reversal of timing differences	(42)		(13)	
	<hr/>		<hr/>	
Movement in deferred tax provision (note 14)	(42)		(13)	
Adjustment in respect of FRS17 pensions	202		53	
	<hr/>		<hr/>	
		160		40
		<hr/>		<hr/>
Tax on profit on ordinary activities		486		422
		<hr/>		<hr/>

#### Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2005: lower) than the standard rate of corporation tax in the UK (30%, 2005: 30%). The differences are explained below:

	2006 £'000	2005 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,395	1,399
	<hr/>	<hr/>
Current tax at 30% (2005: 30%)	418	419
Permanent timing differences	(187)	9
Origination and reversal of timing differences	(4)	(19)
Short term timing differences	56	(21)
Marginal relief	(15)	(6)
Adjustment in respect of tax in prior years	58	-
	<hr/>	<hr/>
Total current tax charge (see above)	326	382
	<hr/>	<hr/>



## Notes (continued)

### 11 Tangible fixed assets

	Equipment, fixtures, fittings and Tools £'000
<b>Cost</b>	
At beginning of year	4,106
Additions	113
Disposals	(682)
	<hr/>
At end of year	3,537
	<hr/>
<b>Depreciation</b>	
At beginning of year	2,721
Charge for year	384
On disposals	(674)
	<hr/>
At end of year	2,431
	<hr/>
<b>Net book value</b>	
At 31 December 2006	1,106
	<hr/>
At 31 December 2005	1,385
	<hr/>

### 12 Debtors

	2006 £'000	2005 £'000
Trade debtors	1,461	1,780
Amounts owed by group undertakings (see note 22)	299	258
Other debtors	139	94
Prepayments and accrued income	529	386
	<hr/>	<hr/>
	2,428	2,518
	<hr/>	<hr/>

All debtors fall due within one year.

**Notes** *(continued)*

**13 Creditors: amounts falling due within one year**

	2006 £'000	2005 £'000
Trade creditors	748	953
Amounts owed to group undertakings (see note 22)	124	174
Taxation and social security	118	111
Corporation tax	268	382
Accruals and deferred income	524	638
Other creditors	46	47
	<u>1,828</u>	<u>2,305</u>

**14 Provisions for liabilities**

The movements in the deferred taxation provision during the year was:

	Deferred tax	
	2006 £'000	2005 £'000
At beginning of year	156	169
Origination and reversal of timing differences	(42)	(13)
	<u>114</u>	<u>156</u>

The elements of deferred taxation are as follows:

	2006 £'000	2005 £'000
Difference between depreciation and capital allowances	128	174
Short term timing differences	(14)	(18)
	<u>114</u>	<u>156</u>

Undiscounted deferred tax liability

## Notes (continued)

### 15 Called up share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
400,000 ordinary Class A shares of £1 each	400	400
400,000 ordinary Class B shares of £1 each	400	400
	<hr/>	<hr/>
	800	800
	<hr/>	<hr/>
	2006 £'000	2005 £'000
<i>Allotted, called up and fully paid</i>		
400,000 ordinary Class A shares of £1 each	400	400
400,000 ordinary Class B shares of £1 each	400	400
	<hr/>	<hr/>
	800	800
	<hr/>	<hr/>

The 'A' and 'B' shares have equal rights and rank equally on any winding up.

### 16 Reserves

		Profit and loss account £000
At beginning of year		(855)
Retained profit for the year		909
Actuarial gain recognised in the pension scheme		95
Deferred tax arising on gains in the pension scheme		(28)
		<hr/>
At end of year		121
		<hr/>
	2006 £000	2005 £000
Profit and loss reserve excluding pension liability	2,317	1,878
Pension liability	(2,196)	(2,733)
	<hr/>	<hr/>
Profit and loss reserve including pension liability	121	(855)
	<hr/>	<hr/>

## Notes (continued)

### 17 Commitments

(a) Annual commitments under non-cancellable operating leases are as follows.

	2006		2005	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	2	25	-	5
In the second to fifth years inclusive	936	130	938	144
Over five years	-	-	-	-
	<u>938</u>	<u>155</u>	<u>938</u>	<u>149</u>

### 18 Pension schemes

The company participates in two pension schemes.

#### Servisair Group pension plan

The company is a member of the Servisair Group pension plan which provides benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme is accounted for by the company as if the scheme was a defined contribution scheme.

This scheme consists of both defined benefit and defined contribution sections and operates on a pre-funded basis with contributions by employees and the company. The defined benefit section of the Servisair Pension scheme is closed to new employees. The plan itself is self-administered and invested independently of the company's assets. The funding policy of the company is to contribute such variable amounts as, on the advice of the actuary, will achieve a 99 per cent funding level on a projected salary basis.

The latest full actuarial valuation was carried out at 5 April 2005 and was updated for FRS 17 purposes by a qualified independent actuary as at 30 September 2006. At 30 September 2006, the scheme had a total gross deficit of £19,536,000. The company will continue to contribute to the scheme at the agreed rate.

Contributions paid for the year in respect of its employees participating in the scheme was £44,000 (2005: £69,000). Contributions amounting to £6,000 (2005: £6,000) were payable to the scheme and are included in creditors. It has been agreed that employer contributions for members who opted for the salary sacrifice arrangement will be 18.9% of pensionable salaries for members under age 40, 19.9% for members aged between 40 and 50 and 20.9% for members over 50. For all other members employer contributions have been agreed at 13.9% of pensionable salaries. In addition the employer agreed to pay £1,581,000 per annum in respect of the past service deficit.

#### Air France pension scheme

The company is a member of the Air France group pension scheme. The following notes relate to the company's share of the scheme assets and liabilities. Contributions amounting to £40,000 (2005: £48,000) were payable to the scheme and are included in creditors.

The company participates in the Air France pension scheme which provides benefits based on final pensionable pay. The most recent valuation was at April 2003. 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 (4.7%) and pensions (5% since 1 April 2003, 2.7% prior). The most recent actuarial valuation showed that the market value of the scheme's assets was £4,673,000 at April 2003.

## Notes (continued)

### 18 Pension schemes (continued)

The valuation was updated by a qualified independent actuary on an FRS 17 basis as at 31 December 2006, 31 December 2005 and 31 December 2004.

The major assumptions used in this valuation were:

	2006	2005	2004
Rate of increase in salaries	5.1%	5.0%	4.8%
Rate of increase in pensions in payment and deferred pensions			
- pre April 2001	5.0%	5.0%	5.0%
- post April 2001	3.1%	3.0%	2.8%
Discount rate applied to scheme liabilities	5.1%	4.8%	5.3%
Inflation assumption	3.1%	3.0%	2.8%

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.

#### Scheme assets and expected rates of return

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2006	Value at 2006 £000	Long term rate of return 2005	Value at 2005 £000	Long term rate of return 2004	Value at 2004 £'000
Equities	7.3%	4,429	6.9%	5,123	7.4%	4,091
Bonds	4.5%	3,189	4.4%	1,464	4.9%	1,169
Other	6.3%	1,240	5.9%	732	6.4%	584
		<u>8,858</u>		<u>7,319</u>		<u>5,844</u>
Present value of scheme liabilities		<u>(11,994)</u>		<u>(11,222)</u>		<u>(8,629)</u>
Deficit in the scheme		(3,136)		(3,903)		(2,785)
Related deferred tax asset		940		1,170		835
Net pension liability		<u>(2,196)</u>		<u>(2,733)</u>		<u>(1,950)</u>

## Notes (continued)

### 18 Pension schemes (continued)

#### Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(3,903)	(2,785)
Current service cost	(204)	(178)
Contributions paid	946	407
Net finance income	(70)	(51)
Actuarial gain/loss	95	(1,296)
	<hr/>	<hr/>
Deficit in the scheme at end of year	(3,136)	(3,903)
	<hr/>	<hr/>

#### Analysis of amounts included in other finance income/costs

	2006 £000	2005 £000
Expected return on pension scheme assets	470	409
Interest on pension scheme liabilities	(540)	(460)
	<hr/>	<hr/>
	(70)	(51)
	<hr/>	<hr/>

#### Analysis of amount recognised in statement of total recognised gains and losses

	2006 £000	2005 £000
Actual return less expected return on scheme assets	188	813
Experience gains and losses arising on scheme liabilities	(767)	27
Changes in assumptions underlying the present value of scheme liabilities	674	(2,136)
	<hr/>	<hr/>
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	95	(1,296)
	<hr/>	<hr/>

#### History of experience gains and losses

	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Difference between the expected and actual return on scheme assets:					
Amount	188	813	254	277	(1,119)
Percentage of year end scheme assets	2.13%	11.11%	4.35%	5.62%	(27.09%)
Experience gains and losses on scheme liabilities:					
Amount	(767)	27	87	639	129
Percentage of year end present value of scheme liabilities	(6.39%)	0.24%	1.01%	8.02%	1.80%
Total amount recognised in statement of total recognised gains and losses:					
Amount	95	(1,296)	114	(20)	(1,171)
Percentage of year end present value of scheme liabilities	0.79%	(11.55%)	1.32%	(0.25%)	(16.30%)

**Notes (continued)**

**19 Reconciliation of operating profit to operating cash flows**

	2006 £'000	2005 £'000
Operating profit	1,387	1,402
Depreciation	384	377
Pension charge	204	178
Contributions to defined benefit scheme	(946)	(407)
Decrease/(increase) in debtors	90	(85)
(Decrease)/increase in creditors	(422)	66
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>697</b>	<b>1,531</b>
	<hr/>	<hr/>

**20 Analysis of cash flows**

	2006 £'000	2005 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	89	64
Interest paid	(11)	(16)
	<hr/>	<hr/>
	<b>78</b>	<b>48</b>
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(113)	(571)
Sale of tangible fixed assets	8	-
	<hr/>	<hr/>
	<b>(105)</b>	<b>(571)</b>
	<hr/>	<hr/>
<b>Financing</b>		
Repayment of subordinated loan	-	(413)
Capital element of finance lease returns	-	(5)
	<hr/>	<hr/>
	<b>-</b>	<b>(418)</b>
	<hr/>	<hr/>

**Notes (continued)**

**21 Analysis of net funds**

	At beginning of year £'000	Cash flows £'000	At end of year £'000
Cash in hand and at bank	1,236	288	1,525
Finance leases	-	-	-
Other short term borrowings	-	-	-
<b>Total</b>	<b>1,236</b>	<b>288</b>	<b>1,525</b>

**22 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.

Balance due to/from related parties:

Related party	Nature of relationship	Description	Amounts due to group companies £'000	Amounts due from group companies £'000
Compagnie Nationale Air France	50% shareholder	Trading balance	114	172
Penauille Servisair plc	50% shareholder	Trading balance	9	127
			124	299

During the year the company provided services to related parties as follows:

	£'000
Compagnie Nationale Air France	1,710
Penauille Servisair plc	413



**Notes** *(continued)*

**23 Ultimate controlling entity**

The directors consider the ultimate controlling entities to be Compagnie Nationale Air France, a company incorporated in France, and Penauille Servisair plc (formerly Servisair plc), by virtue of them owning the share capital of the company. The ultimate parent company of Penauille Servisair plc is CFF Recycling SA, which is registered in France. The directors consider there are no ultimate controlling entities of Compagnie Nationale Air France and CFF Recycling SA.