

**Heathrow Cargo Handling Limited**  
(formerly Intercede 1134 Limited)

**Directors' report and financial statements**

**78 week period ended 31 December 1996**

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 78 week period ended 31 December 1996.

### Fixed assets

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

### Principal activities and review of the business

The company was incorporated on 5 July 1995 as Intercede 1134 Limited. On 21 September 1995 it changed its name to Heathrow Cargo Handling Limited and on 25 September 1995 issued share capital was increased to £800,000 equally split between Servisair plc and Compagnie Nationale Air France.

The company commenced trading on 25 October 1995. The directors consider the company's performance to be satisfactory.

The principal activity of the company during the period 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 loss for the period of £905,000 has been transferred directly to reserves.

### Directors and directors' interests

The directors who held office during and after the period were as follows:

M Henrick	Appointed 12 July 1995	Resigned 12 July 1995
B Reeves	Appointed 5 July 1995	Resigned 12 July 1995
D Whelan	Appointed 12 July 1995	Resigned 12 July 1995
R Windmill	Appointed 5 July 1995	Resigned 12 July 1995
JS Willis	Appointed 12 July 1995	
CD Cranmer	Appointed 12 July 1995	Resigned 3 December 1997
K Purdom	Appointed 25 September 1995	
A Bardi	Appointed 25 September 1995	
B Frattini	Appointed 25 September 1995	Resigned 12 September 1996
F Bachelet	Appointed 25 September 1995	Resigned 27 February 1997
A Veyssie	Appointed 12 September 1996	
P Dyke	Appointed 3 December 1997	
J- LH Servant	Appointed 14 March 1997	

None of the directors who held office at the end of the period 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 period.

### **Auditors**

During the period KPMG Audit Plc were appointed as the first auditors of the company. 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*

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 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 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 1996 and of its loss for the period from 5 July 1995 (the date of Incorporation) to 31 December 1996 and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*25 February 1998*

# Heathrow Cargo Handling Limited

## Profit and loss account

for the 78 week period ended 31 December 1996

	Note	1996 £000
<b>Turnover</b>		
Continuing operations	1	3,690
Staff costs	4,5	(2,484)
Depreciation	6	(124)
Other operating charges		(1,948)
<b>Operating loss</b>		
Continuing operations		(866)
Interest receivable		9
Interest payable	3	(48)
<b>Loss on ordinary activities before taxation</b>	2	(905)
<b>Loss on ordinary activities retained for the period</b>	11	(905)

There are no recognised gains or losses other than the loss for the period.

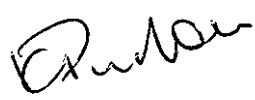
# Heathrow Cargo Handling Limited

## Balance sheet at 31 December 1996

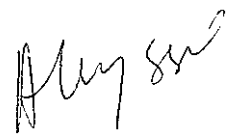
	Note	1996 £000
<b>Fixed assets</b>		
Tangible assets	6	1,114
<b>Current assets</b>		
Debtors	7	977
Creditors: amounts falling due within one year	8	(1,447)
<b>Net current liabilities</b>		<u>(470)</u>
<b>Total assets less current liabilities</b>		<u>644</u>
Creditors: amounts falling due after more than one year	9	(749)
<b>Net liabilities</b>		<u>(105)</u>
<b>Capital and reserves</b>		<u></u>
Called up share capital	10	800
Profit and loss account	11	(905)
<b>Equity shareholders' funds</b>		<u>(105)</u>

These financial statements were approved by the board of directors on 4 December 1997 and were signed on its behalf by:

K Purdom  
Director



A Veyssie  
Director





# Heathrow Cargo Handling Limited

## Cash Flow Statement

for the 78 week period ended 31 December 1996

	Note	1996 £000
Net cash outflow from operating activities	15	(776)
<b>Returns on investments and servicing of finance</b>		
Interest received		9
Interest paid		(9)
Interest element of finance lease payments		(20)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(20)
<b>Investing activities</b>		
Payments to acquire tangible fixed assets		(253)
<b>Net cash outflow from investing activities</b>		(253)
<b>Net cash outflow before financing</b>		(1,049)
<b>Financing</b>		
Issue of ordinary share capital		400
New long-term loans		312
Capital element of finance lease payments		(47)
<b>Net cash inflow from financing</b>		665
<b>Decrease in cash and cash equivalents</b>	17	(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.

#### *Turnover*

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

### 2 Loss on ordinary activities before taxation

	1996 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>	
Auditors' remuneration: - Audit	9
- Other	1
Depreciation	124
Hire of other assets - operating leases	10
	<hr/> <hr/>

#### *Note of historical cost losses*

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

### 3 Interest payable

	1996 £000
On bank overdrafts repayable within 5 years not by instalments	9
On finance leases	10
On loans from shareholder companies repayable within 5 year	29
	<hr/> 48 <hr/> <hr/>

### 4 Remuneration of directors

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

# Heathrow Cargo Handling Limited

## Notes (continued)

### 5 Staff numbers and costs

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

	Number of employees 1996
Operations	86
Administration	7
	<hr/> 93 <hr/>

The aggregate payroll costs of these persons were as follows:

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

### 6 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
<i>Cost</i>	
At 5 July 1995	-
Additions	1,238
	<hr/> 1,238 <hr/>
At 31 December 1996	1,238
<i>Depreciation</i>	
At 5 July 1995	-
Charge for the period	124
	<hr/> 124 <hr/>
At 31 December 1996	124
<i>Net book value</i>	
At 31 December 1996	1,114
	<hr/> <hr/>
At 5 July 1995	- <hr/> <hr/>

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

# Heathrow Cargo Handling Limited

## Notes (continued)

### 7 Debtors

	1996 £000
Trade debtors	323
Amount due from Shareholder company	521
Prepayments and accrued income	133
	<hr/> 977 <hr/>

### 8 Creditors: amounts falling due within one year

	1996 £000
Bank overdraft	384
Obligations under finance leases	101
Amounts owed to shareholder companies	447
Trade creditors	135
Other creditors including taxation and social security:	
Other taxes and social security costs	210
Accruals	170
	<hr/> 1,447 <hr/>

The overdraft is secured by a debenture dated 12 September 1996.

# Heathrow Cargo Handling Limited

## Notes (continued)

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

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

# Heathrow Cargo Handling Limited

## Notes *(continued)*

### 10 Called up share capital

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

On incorporation on 5 July 1995 100 'A' Shares of £1 each were issued for cash at par. On 25 September 1995, 399,900 'A' ordinary shares of £1 each were issued for cash at par and 400,000 'B' ordinary shares of £1 each were issued at par in exchange for plant and machinery.

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

### 11 Reserves

	Profit and loss account £000
At 5 July 1995	-
Retained loss for the period	(905)
	<hr/> (905)
At 31 December 1996	<hr/>

# Heathrow Cargo Handling Limited

## Notes (continued)

### 12 Reconciliation of movements in shareholders' funds

	1996 £000
Opening shareholders' funds at 5 July 1995	-
Share capital issued during the period	800
Loss for the period	(905)
Closing shareholders' funds	<u>(105)</u>

### 13 Capital commitments

There were no capital commitments at the period end.

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

	1996 £000	1996 £000
	Land and buildings	Other
Operating leases which expire:		
Within one year	-	4
After five years	74	-
	<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.

For all new employees there is currently no pension plan but a scheme is planned for implementation for 1 April 1997.

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 period was £148,000.

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.

### 15 Reconciliation of operating profit to net cash outflow from operating activities:

	1996 £000
Operating loss	(866)
Depreciation charge	124
Increase in debtors	(977)
Increase in creditors	943
Net cash outflow from operating activities	<hr/> (776) <hr/>

# Heathrow Cargo Handling Limited

## Notes (continued)

### 16 Changes in financing throughout the period

	Share capital £000	Loans and finance lease obligations £000
Balance at 5 July 1995	-	-
Cash inflows from financing	400	538
Share capital for non cash consideration	400	-
Loans from shareholder companies	-	462
Balance at 31 December 1996	<u>800</u>	<u>1,000</u>

### 17 Analysis of changes in cash and cash equivalents

	Overdraft £000
Balance at 5 July 1995	-
Net cash outflow	(384)
Balance at 31 December 1996	<u>(384)</u>

### 18 Major non cash transactions

- i) During the period the company entered into finance lease arrangements in respect of assets for a total value at the inception of the lease of £585,690.
- ii) Part of the share capital issued during the period was for consideration in the form of plant and machinery to the value of £400,000.

### 19 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 £156,000 were advanced from the two shareholder companies during the period. The loans are repayable in full within five years. In addition Servisair plc provided a cash advance of £150,000.

# Heathrow Cargo Handling Limited

## Notes *(continued)*

### 19 **Related party transactions** *(continued)*

Transactions *(continued)*: At the year end there was a £521,000 trading intercompany balance receivable from Compagnie Nationale Air France and a trading intercompany account payable of £271,000. In addition there was a trading intercompany balance payable of £26,000 to Servisair plc.