

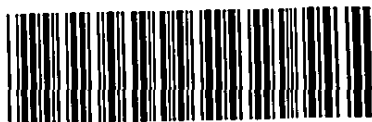
**Heathrow Cargo Handling Limited**

**Directors' report and financial  
statements**

**Registered number 3076274**

**30 September 2011**

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## Directors' report

The directors present their annual report and the audited financial statements for the 9 month period ended 30 September 2011

### 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 2006, 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 makes decisions for better utilisation of all of its resources – both manpower and equipment

The key performance indicators for the company are revenue and operating profit

In the 9 month period ended 30 September 2011, the Company has reported revenues of £11,194,000, compared to £15,227,000 for the year ended 31 December 2010. This has led to an operating profit of £1,954,000 in 2011 (2010 £3,207,000)

The Directors believe that profit levels would be close to expectations during the forthcoming year. US Airways have finished trading with the Company and there is always the threat of competitors offering very cheap rates to our present customers. However, we also expect increased volumes from some of the existing customers and hope to have Martinair from the summer of 2012. We are also talking to several potential customers and believe that at least some of these would award their handling contracts to us. 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 opportunities with a view of long-term growth capabilities

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

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

### 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, Far-East and UK 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
- 3 Competitors who are under severe pressure to get contribution towards even some of their fixed costs resulting in offering very low prices. This could result in customers either leaving us or not renewing contracts

### Proposed dividend

The directors approved dividends totalling £1,000,000 which were all paid during the period (2010 £2,000,000)

## **Directors' Report** *(continued)*

### **Going concern**

The Company has considerable financial resources together with ongoing contracts with a number of customers across different geographic areas. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors report and financial statements.

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

The directors who held office during the year were as follows

A Fletcher  
JC Seneque  
J Colombel  
O Moreau  
M Akhlaq  
F Desert  
A El Aoufir  
J Gaskell

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

### **Political and charitable contributions**

The Company made no political contributions during the year and £2,000 charitable donations.

### **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**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



J Gaskell  
Director

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 9 month period ended 30 September 2011 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its profit for the 9 month period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

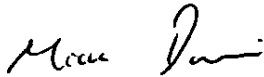
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Mick Davies (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
St James Square  
Manchester  
M2 6DS

17/1/2012

# **Profit and loss account**

*for the 9 month period ended 30 September 2011*

	<i>Note</i>	<b>For the 9 month period ended 30 September 2011 £'000</b>	<b>For the year ended 31 December 2010 £'000</b>
Turnover from continuing operations	2	11,194	15,227
Cost of sales		(2,186)	(2,936)
<b>Gross profit</b>		<b>9,008</b>	<b>12,291</b>
Administrative expenses		(7,054)	(9,238)
Other operating income	3	-	154
<b>Operating profit from continuing operations</b>		<b>1,954</b>	<b>3,207</b>
Other interest receivable and similar income	6	6	8
Interest payable and similar charges	7	(10)	(14)
Other finance income	8	47	44
<b>Profit on ordinary activities before taxation</b>	2-8	<b>1,997</b>	<b>3,245</b>
Tax on profit on ordinary activities	9	(439)	(1,136)
<b>Profit on ordinary activities after taxation</b>		<b>1,558</b>	<b>2,109</b>

**Balance sheet**  
*at 30 September 2011*

	<i>Note</i>	<b>2011 £'000</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>2010 £'000</b>
<b>Fixed assets</b>					
Tangible assets	11		2,467		1,418
<b>Current assets</b>					
Debtors	12	3,026		2,405	
Cash at bank and in hand		775		806	
		<u>3,801</u>		<u>3,211</u>	
<b>Creditors</b> amounts falling due within one year	13	(4,004)		(2,744)	
<b>Net current (liabilities)/assets</b>			(203)		467
<b>Total assets less current liabilities</b>			<u>2,264</u>		<u>1,885</u>
<b>Creditors</b> amounts falling due after one year	14		(98)		(146)
<b>Provisions for liabilities</b>	16		(449)		(536)
<b>Net assets excluding pension assets</b>			<u>1,717</u>		<u>1,203</u>
Pension assets	20		478		372
<b>Net assets including pension assets</b>			<u>2,195</u>		<u>1,575</u>
<b>Capital and reserves</b>					
Called up share capital	17		800		800
Profit and loss account	18		1,395		775
<b>Equity shareholders' funds</b>			<u>2,195</u>		<u>1,575</u>

These financial statements were approved by the board of directors on 13 January 2012 and were signed on its behalf by



**J Gaskell**  
*Director*

**Company Registration number: 3076274**

## Cash flow statement

for the 9 month period ended 30 September 2011

	Note	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Cash inflow from operating activities	21	2,854	2,820
Returns on investments and servicing of finance	22	(4)	(6)
Taxation		(589)	(211)
Capital expenditure	22	(1,245)	(403)
Equity dividends paid		(1,000)	(2,000)
Cash outflow before management of liquid resources and financing		16	200
Financing	22	(47)	(65)
(Decrease)/Increase in cash in the year	23	(31)	135

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

for the 9 month period ended 30 September 2011

	Note	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
(Decrease)/Increase in cash in the year		(31)	135
Change in net debt resulting from cash flows		(47)	65
Movement in net funds in the year		(78)	200
Net funds at beginning of year		596	396
Net funds at end of year	23	518	596

## Reconciliation of movement in shareholders' funds

*for the 9 month period ended 30 September 2011*

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Profit for the period	1,558	2,109
Dividends on shares classified in shareholders' funds	(1,000)	(2,000)
<b>Retained Profit</b>	<b>558</b>	<b>109</b>
Other net recognised gains and losses relating to the period	62	277
<b>Net addition to shareholders' funds</b>	<b>620</b>	<b>386</b>
Opening shareholders' funds	1,575	1,189
<b>Closing shareholders' funds</b>	<b>2,195</b>	<b>1,575</b>

## Statement of total recognised gains and losses

*for the 9 month period ended 30 September 2011*

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Profit for the period	1,558	2,109
Actuarial gain relating to net pension asset	83	379
Deferred tax associated with actuarial loss relating to net pension liability	(21)	(102)
<b>Total recognised gains and losses relating to the period</b>	<b>1,620</b>	<b>2,386</b>

## 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

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 1. The financial position of the company, its cash flows and liquidity position are shown in the financial statements. The directors' report also notes the principal risks and uncertainties that impact on the company.

The Company has considerable financial resources together with ongoing contracts with a number of customers across different geographic areas. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the directors' report and financial statements.

#### *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
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#### *Foreign currencies*

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### *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*

##### *Air France Scheme*

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. For quoted securities the current bid price is taken as market value. 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.

##### *Servisair Scheme*

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 customers at invoiced amounts less value added tax to the extent that the income relates to the current period.

Turnover is recognised for cargo handling services at the point the cargo is despatched.

### 2 Turnover

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

### 3 Other operating income

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Rents receivable	-	154

Notes (continued)

4 Profit on ordinary activities before taxation

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
<i>Profit on ordinary activities before taxation is stated after charging.</i>		
Depreciation and other amounts written off tangible fixed assets		
Owner	221	308
Leased	35	46
Auditors' remuneration		
As auditors	19	17
Other services relating to taxation	5	4
Hire of other assets – operating leases	553	774
Profit on disposal of fixed assets	-	(11)
	<u>          </u>	<u>          </u>

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 amounted to

	Number of employees 2011	Number of employees 2010
Administrative staff	13	13
Operations staff	144	149
	<u>          </u>	<u>          </u>
	157	162
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Wages and salaries	4,665	5 951
Social security costs	323	390
Other pension costs	134	211
	<u>          </u>	<u>          </u>
	5,122	6,552
	<u>          </u>	<u>          </u>

None of the directors received any emoluments from the company during the year (2010. £nil)

**Notes (continued)**

**5 Staff numbers and costs (continued)**

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

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Current service costs of defined benefit scheme		
- treated as a defined benefit scheme	116	159
- treated as a defined contribution scheme	36	52
	<u>152</u>	<u>211</u>

Pension costs charged/credited other than to operating profit are shown in note 20

**6 Interest receivable and similar income**

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Bank interest	<u>6</u>	<u>8</u>

**7 Interest payable and other costs**

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Finance charges payable in respect of finance leases and hire purchase contracts	<u>10</u>	<u>14</u>

**8 Other finance income**

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Expected return on pension scheme assets	510	643
Interest on pension scheme liabilities	(461)	(599)
	<u>47</u>	<u>44</u>

## Notes (continued)

### 9 Taxation

#### Analysis of charge in year

	For the 9 month period ended 30 September 2011 £'000	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000	For the year ended 31 December 2010 £'000
<i>UK corporation tax</i>				
Current tax and income for year	517		668	
Adjustments in respect of prior years	7		4	
	<hr/>		<hr/>	
Total current tax		524		672
<i>Deferred tax</i>				
Reversal of timing differences	46		132	
Adjustments in respect of prior years	(133)		-	
	<hr/>		<hr/>	
Movement in deferred tax provision (note 15)	(87)		132	
Adjustment in respect of FRS17 pensions	2		332	
	<hr/>		<hr/>	
		(85)		464
		<hr/>		<hr/>
Tax on profit on ordinary activities		439		1,136
		<hr/>		<hr/>

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

The current tax charge for the year is lower (2010 lower) than the standard rate of corporation tax in the UK (26.66%, 2010 28%). The differences are explained below

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,997	3,245
	<hr/>	<hr/>
Current tax at 26.66% (2010 28%)	533	909
Expenses not deductible for tax purposes	38	(273)
Origination and reversal of timing differences	(10)	-
Capital allowances in excess of depreciation	(44)	32
Adjustment in respect of tax in prior years	7	4
	<hr/>	<hr/>
Total current tax charge (see above)	524	672
	<hr/>	<hr/>

## Notes (continued)

### 10 Dividends

The aggregate amount of dividends comprises

	For the 9 month period ended 30 September 2011 £000	For the year ended 31 December 2010 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	-
Interim dividends paid in respect of the current year	1,000	2,000
Aggregate amount of dividends paid in the financial year	1,000	2,000
Dividends in respect of the year recognised as a liability at the year end	-	-
	1,000	2,000

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £nil (2010 £nil)

### 11 Tangible fixed assets

	Equipment, fixtures, fittings and tools £'000
<b>Cost</b>	
At beginning of year	5,146
Additions	1,305
At end of year	6,451
<b>Depreciation</b>	
At beginning of year	3,728
Charge for year	256
At end of year	3,984
<b>Net book value</b>	
At 30 September 2011	2,467
At 31 December 2010	1,418

Included in the total net book value of tangible fixed assets is £244,000 (2010 £244,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £35,000 (2010 £46,000).

**Notes (continued)**

**12 Debtors**

	2011 £'000	2010 £ 000
Trade debtors	1,920	1,836
Amounts owed by group undertakings (see note 24)	239	228
Other debtors	269	89
Prepayments and accrued income	598	252
	<u>3,026</u>	<u>2,405</u>

All debtors fall due within one year

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

	2011 £'000	2010 £'000
Trade creditors	1,483	666
Amounts owed to group undertakings (see note 24)	247	263
Taxation and social security	135	160
Corporation tax	517	666
Accruals and deferred income	1,342	873
Obligations under finance leases and hire purchase contracts (see note 14)	65	64
Other creditors	215	52
	<u>4,004</u>	<u>2,744</u>

**14 Creditors: amounts falling due after more than one year**

	2011 £000	2010 £000
Obligations under finance leases and hire purchase contracts	<u>98</u>	<u>146</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows

	2011 £000	2010 £000
Within one year	79	78
In the second to fifth years	<u>118</u>	<u>177</u>
	197	255
Less future finance charges	<u>(34)</u>	<u>(45)</u>
	<u>163</u>	<u>210</u>

**Notes (continued)**

**15 Deferred Taxation**

The movement in the deferred taxation provision during the year was

	2011 £'000	2010 £'000
At beginning of year	186	54
Origination and reversal of timing differences	46	132
Adjustments in respect of prior periods	(133)	-
<b>At end of year</b>	<b>99</b>	<b>186</b>

The elements of deferred taxation are as follows

	2011 £'000	2010 £'000
Difference between depreciation and capital allowances	109	69
Short term timing differences	(10)	117
<b>Undiscounted deferred tax liability</b>	<b>99</b>	<b>186</b>

**16 Provisions for liabilities and charges**

The movement in the deferred taxation provision during the year was

	Dilapidations £'000	Deferred Tax £'000	Total £'000
At beginning of year	350	186	536
Origination and reversal of timing differences	-	46	46
Adjustments in respect of prior periods	-	(133)	(133)
<b>At end of year</b>	<b>350</b>	<b>99</b>	<b>449</b>

**17 Called up share capital**

	2011 £'000	2010 £'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
	<b>800</b>	<b>800</b>

## Notes (continued)

### 17 Called up share capital (continued)

	£'000	£'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
	<u>800</u>	<u>800</u>

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

### 18 Reserves

	Profit and loss account £'000
At beginning of period	775
Profit for the period	1,558
Dividends on shares classified in shareholders' funds	(1,000)
Actuarial loss recognised in the pension scheme	83
Deferred tax arising on gains in the pension scheme	(21)
At end of year	<u>1,395</u>

	2011 £'000	2010 £'000
Profit and loss reserve excluding pension liability	917	403
Pension liability	478	372
Profit and loss reserve including pension liability	<u>1,395</u>	<u>775</u>

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	At 30 September 2011 Land and buildings £'000	At 30 September 2011 Other £'000	At 30 September 2010 Land and buildings £'000	At 30 September 2010 Other £'000
Operating leases which expire				
Within one year	545	79	545	47
In the second to fifth years inclusive	-	114	-	67
Over five years	-	-	-	-
	<u>545</u>	<u>193</u>	<u>545</u>	<u>114</u>

## Notes (continued)

### 20 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 2007 and was updated for FRS 17 purposes by a qualified independent actuary as at 30 September 2011.

At 30 September 2011, the scheme had a total gross deficit of £21.4m. 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 £36,000 (2010 £52,000). It has been agreed that an employer contribution rate (for members who opted for the salary sacrifice) will be 12.9% of pensionable pay for members aged under 40, 13.9% for members aged between 40 and 50 and 14.9% for members aged over 50. For all other members, employer contributions have been agreed at 7.9% of pensionable pay.

Contributions amounting to £8,000 (2010 £8,000) were payable to the scheme and are included in creditors.

#### Air France pension scheme

The company is a member of the Air France group pension scheme which provides benefits based on final pensionable pay. The following notes relate to the company's share of the scheme assets and liabilities. Contributions amounting to £nil (2010 £45,000) were payable to the scheme and are included in creditors.

Contributions paid for the year in respect of its employees participating in the scheme was £115,000 (2010 £1,306,000). It has been agreed that an employer contribution rate of 30.5% of pensionable salary will be paid.

The most recent actuarial valuation was on 31 March 2009 and showed that the market value of the scheme's assets was £8.0m with a total gross deficit of £2.1m.

The valuation was updated by a qualified independent actuary on an FRS 17 basis as at 30 September 2011.

## Notes (continued)

### 20 Pension schemes (continued)

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Present value of funded defined benefit obligations	(11,544)	(11,488)
Fair value of plan assets	12,181	11,996
	<hr/>	<hr/>
	637	508
Present value of unfunded defined benefit obligations	-	-
	<hr/>	<hr/>
Surplus	637	508
Related deferred tax (liability)/asset	(159)	(136)
	<hr/>	<hr/>
Net liability	478	372
	<hr/>	<hr/>

#### Movements in present value of defined benefit obligation

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
At 1 January	(11,488)	(11,144)
Current service cost	(116)	(159)
Interest cost	(462)	(599)
Actuarial gains	309	51
Contributions by members	(36)	(52)
Benefits paid	249	415
	<hr/>	<hr/>
At 30 September	(11,544)	(11,488)
	<hr/>	<hr/>

#### Movements in fair value of plan assets

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
At 1 January	11,996	10,082
Expected return on plan assets	510	643
Actuarial (losses)/gains /	(225)	328
Contributions by employer	115	1,306
Contributions by members	36	52
Benefits paid	(249)	(415)
	<hr/>	<hr/>
At 30 September	12,181	11,996
	<hr/>	<hr/>

## Notes (continued)

### 20 Pension schemes (continued)

#### Expense recognised in the profit and loss account

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £ 000
Current service cost	(116)	(159)
Interest on defined benefit pension plan obligation	(462)	(599)
Expected return on defined benefit pension plan assets	510	643
Total	(68)	(115)

The expense is recognised in the following line items in the profit and loss account

	For the 9 month period ended 30 September 2011 £'000	For the year ended 31 December 2010 £ 000
Administrative expenses	(116)	(159)
Other finance costs	48	44
	(68)	(115)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains is £84,000 (2010 £379,000)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £1,609,000 loss (2010 £1,693,000)

The fair value of the plan assets and the return on those assets were as follows

	For the 9 month period ended 30 September 2011 Fair value £'000	For the year ended 31 December 2010 Fair value £ 000
Equities	4,263	4,198
Corporate bonds	6,821	6,837
Other	1,097	960
	12,181	11,995
Actual return on plan assets	2.4%	9.6%

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio

## Notes (continued)

### 20 Pension schemes (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	For the 9 month period ended 30 September 2011 %	For the year ended 31 December 2010 %
Discount rate	5.4	5.4
Expected rate of return on plan assets	5.0	5.7
Expected return on plan assets at beginning of the period	5.7	6.3
Future salary increases	3.2	3.6
Rate of increase in pensions in payment and deferred pensions		
- pre April 2001	5.0	5.0
- post April 2001	3.2	3.6
Inflation assumption	3.2	3.6

In valuing the liabilities of the pension fund at 30 September 2011, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2011 would have increased by £350,000 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65-87.0 years (male), 89.8 years (female)
- Future retiree upon reaching 65-88.9 years (male), 91.2 years (female)

#### History of plans

The history of the plans for the current and prior periods is as follows

##### Balance sheet

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of scheme liabilities	(11,544)	(11,488)	(11,144)	(8,787)	(10,811)
Fair value of scheme assets	12,181	11,995	10,082	8,554	9,893
Deficit/surplus	637	507	(1,062)	(233)	(918)

##### Experience adjustments

	2011 £'000/%	2010 £'000/%	2009 £'000/%	2008 £'000/%	2007 £'000/%
Experience adjustments on scheme liabilities as a percentage of scheme liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Experience adjustments on scheme assets as a percentage of scheme assets	(226) (1.9)%	328 2.7%	716 7.1%	(2,446) (28.59)%	(310) (3.14)%

The Company expects to contribute approximately £115,000 to its defined benefit plans in the next financial year.

## Notes (continued)

### 21 Reconciliation of operating profit to operating cash flows

	For the year ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
Operating profit	1,954	3,207
Depreciation	256	323
Profits on disposals of fixed assets	-	11
Pension charge	116	159
Contributions to defined benefit scheme	(115)	(1,306)
(Increase)/decrease in debtors	(621)	(178)
Increase/(decrease) in creditors	1,351	254
Increase in provisions	(87)	350
<b>Net cash inflow from operating activities</b>	<b>2,854</b>	<b>2,820</b>

### 22 Analysis of cash flows

	For the year ended 30 September 2011 £'000	For the year ended 31 December 2010 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	6	8
Interest paid	(10)	-
Interest element of finance lease rental payments	-	(14)
	<b>(4)</b>	<b>(6)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,305)	(419)
Sale of tangible fixed assets	-	16
	<b>(1,305)</b>	<b>(403)</b>
<b>Financing</b>		
Capital element of finance lease rental payments	(47)	(65)

### 23 Analysis of net funds

	At beginning of year £'000	Cash flows £'000	Other non cash changes £'000	At end of year £'000
Cash in hand and at bank	806	(31)	-	775
Debt due after one year	(146)	-	48	(98)
Debt due within one year	(64)	(47)	(48)	(159)
<b>Total</b>	<b>596</b>	<b>(78)</b>	<b>-</b>	<b>518</b>

## Notes (continued)

### 24 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	207	141
Servisair UK Limited	100 % subsidiary of 50% shareholder	Trading balance	32	106
			<hr/> 239	<hr/> 247

During the year the company provided / received services to related parties as follows

	Sales £'000	Purchases £'000
Compagnie Nationale Air France	913	1,254
Servisair UK Limited	217	357
KLM Royal Dutch Airlines	229	-
	<hr/> 1,359	<hr/> 1,611

The company also made contributions to the pension schemes sponsored by the above companies in relation to employees who are members of the schemes (see note 20)

### 25 Ultimate controlling entity

The directors consider the ultimate controlling entities to be Compagnie Nationale Air France, a company incorporated in France, and Servisair plc (formerly Penauille Servisair plc), by virtue of them owning the share capital of the company. The ultimate parent of Compagnie Nationale Air France is Air France-KLM SA, which is registered in France. The ultimate parent company of Servisair plc is Derichebourg SA, which is registered in France.

The directors consider there are no ultimate controlling entities of Air France-KLM SA and Derichebourg SA.