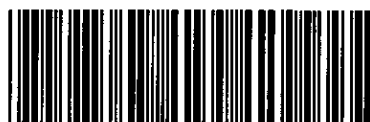


Company registration number 03076274 (England and Wales)

HEATHROW CARGO HANDLING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2022

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HEATHROW CARGO HANDLING LIMITED

COMPANY INFORMATION

Directors	S Harrop K Cox	(Appointed 11 January 2022) (Appointed 21 April 2023)
Secretary	LDC Nominee Secretary Limited	
Company number	03076274	
Registered office	Swissport House Hampton Court Manor Park Runcorn Cheshire WA7 1TT	

HEATHROW CARGO HANDLING LIMITED

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HEATHROW CARGO HANDLING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 29 SEPTEMBER 2022

The directors present the strategic report for the year ended 29 September 2022.

Principal activities

The Company trades as a cargo handling agent at Heathrow Airport in the United Kingdom.

Review of the business

Revenue for the year ended 29 September 2022 was £26.4m (2021: £27.0m), and profit before taxation for the year ended 29 September 2022 was £6.1m (2021: £7.3m).

The COVID-19 impact on the global aviation sector has been seismic. UK aviation itself was grounded not once but three times during 2020 and for the first four months of 2021. Revenue in 2021 increased as a result of the COVID-19 pandemic which drove an increase in e-commerce and resulted in growth in the cargo aviation industry. In 2022, a decrease in cargo tonnes and the cessation of the Covid-19 surcharge has resulted in an operating profit of £6.4m for the year (2021: £7.9m). The related parties Swissport Cargo Services & Swissport GB Limited supplies personnel to the Company and payroll costs have been recharged net of Coronavirus Job Retention Scheme (CJRS) grants received in related parties. The company received an income of £Nil (2021: £1.5m) in COVID-19 surcharges. The income is shown as other operating income in the income statement. At 29 September 2022, the company had net current assets of £16.6m (2021: £10.3m).

Principal risks and uncertainties

It is the aim of the directors to increase risk awareness across the Company and promote a culture where both risk and opportunity are identified and managed. The Company seeks to mitigate impacts or reduce the likelihood of major risk events, where practicable, and to transfer risk to insurers where cost effective.

The principal risks that have been identified fall into the following categories:

External Risks

Airline Alliances changes

There are three main airline alliances in our areas of operation - One World, Sky Team and Star Alliance, and there is significant risk that airlines joining an alliance will use a partner's cargo handling services at hub locations. This risk is mitigated in part by the number of locations in which the business operates.

Competition

The Company operates in very competitive markets. Previously airport operating licences limiting service alternatives at each airport minimised this risk, but this is increasingly less of a barrier to entry. The Company spends considerable resources on continuously improving productivity and unit labour costs and planning and rostering systems in particular are regularly being improved.

Customer Liquidity

The Company's primary customers are airlines for whom liquidity may be an issue, particularly during a downturn in demand when there is an increased risk of a significant customer seeking creditor protection. The Company mitigates the risk by chasing overdue debt regularly.

Economic activity

Impact on the worldwide aviation business from fluctuating fuel prices, turbulent global economic conditions, and the position of Heathrow in that market could influence the company's cargo business. While fluctuating fuel prices and the global economic situation are seen as challenging in the short to medium term for the industry, the continuing desire for all international carriers to fly to Heathrow as their key UK destination means competition for flight slots at the airport continues. It is felt that this high level of competition for flight slots will mitigate the impact of the challenges above.

HEATHROW CARGO HANDLING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

Covid-19 Risks

The Covid-19 pandemic developed rapidly, and in March 2020, all United Kingdom airports were closed by a government mandate. The pandemic period provided a stimulus to cargo handling as many companies increased their use of air freight as a result of shipping ports becoming congested, significantly slowing down the availability and timeliness of shipping cargo. This trend has continued following the end of the pandemic.

Internal Risks

Health and Safety Breaches

Airside operations are inherently hazardous, and it is only through having operating procedures that in many cases exceed industry standards, aided by recurrent training and on-going internal audit that the Company is able to maintain reasonable levels of residual risk.

Aircraft damage

Although incidences are few, the Company strives to eradicate aircraft damage through a process of continuous improvement. Recurrent training is conducted with more rigour than industry standards dictate to minimise occurrences and most contracts with airlines include the standard IATA liability limits. For the rest, extensive insurance cover is available to mitigate the impact.

Inability to supply

Failure to deliver to contractual commitments is a risk. Ensuring continuous service delivery is critical. The following factors help to manage this risk:

- regular engagement with employees and their representatives
- business continuity plans
- key systems disaster recovery.

Financial Risks

Price risk

The majority of sales contracts include annual inflation-linked rises, therefore protecting margins.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company manages its accounts receivables continuously. Significant internal resources are put into mitigating credit risk by closely monitoring its key customers, with some customers operating on a prepay basis or with limited credits. In the current climate, senior management is more closely involved in monitoring key customers to ensure accounts are kept up to date.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company aims to minimise liquidity risk by managing cash generated by its operations in line with group policies and has in place appropriate treasury management controls. As at 29 September 2022 the Company was in net current asset position of £16.6m (2021: £10.3m).

Interest rate risk

External borrowings are predominantly finance leases with fixed repayments including an interest element. Interest accrues on our receivable loan from our Group Treasury pooling facility at a margin of EURIBOR.

Cyber risk

The company is at a greater risk of a cyber-attack given that it operates in a crucial infrastructure as was evidenced by the Groupwide Cyber-attack in February 2022. The business continues proactively managing risks associated with data loss, GDPR non-compliance, and data control weaknesses. Failure to prevent a cyber-attack or data breach could negatively impact our customer and employee data, ground handling and cargo operations, financial reporting systems and stakeholder confidence. It could ultimately result in fines levied by the ICO. Swissport Implemented several enhanced security protocols to mitigate future attacks; this includes 2-factor authentication and regular communication from group IT on how to identify and avoid phishing scams. To further reinforce our data security, we are currently reviewing our IT structure, systems, and procedures to ensure that they are fit for purpose.

HEATHROW CARGO HANDLING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

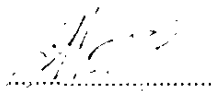
Key performance indicators

The key performance indicators for the company are revenue from contacts with customers and operating profit.

	2022	2021	% increase/ (decrease)
Cargo tonnes	126,049	135,909	(7.3)
	£000	£000	%
Revenue	26,408	26,992	(2.2)
Operating profit for the financial year	6,449	7,960	(19.0)
EBITDA	7,368	9,150	(19.5)

Overall revenue decreased by 2.2% from the prior year (2021: 9.6%), driven by the decrease in cargo tonnes and cessation of Covid-19 surcharge, resulting in an operating profit of £6.4m for the year (2021: £7.9m). The pandemic stimulated cargo handling as many companies increased their air freight use due to congesting shipping ports, significantly slowing down the availability and timeliness of shipping cargo.

On behalf of the board



S Harrop
Director

Date: 26.03.2024

HEATHROW CARGO HANDLING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 29 September 2022.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Harrop	(Appointed 11 January 2022)
K Cox	(Appointed 21 April 2023)
N Kaddouri	(Resigned 11 January 2022)
J Winstanley	(Resigned 21 April 2023)

Financial instruments

The company's operations are funded through a combination of short leasehold property, finance leases for airport equipment, operating leases, share capital, loans received from other companies within its group (Swissport UK Holdings Limited, Swissport Limited and Swissport International Limited) and items arising from trading operations (trade debtors and trade creditors). The risks relating to financial instruments are described in the Strategic Report.

Employee involvement

Disabled persons are employed and trained whenever their aptitudes and abilities allow, subject to any overriding consideration of access and safety at the workplace. Where any employee becomes disabled during the period of their employment with the Company, retraining and continued employment is arranged wherever practicable.

Arrangements exist whereby the Company's representatives may meet regularly with employees' representatives who are able to enquire of matters of concern to them as employees and may express their views on matters likely to affect their interests. Such meetings also enable the Company to seek to make employees aware of the financial and economic factors affecting the performance of relevant areas of the Company. The Company does not operate an employee share scheme.

Future developments

The impact of the COVID-19 pandemic on the Company and its operations and the Company's response to it are discussed in the Strategic report. The directors expect the company to continue trading in its key markets for the foreseeable future. There are no material future developments that would be expected to impact the business beyond those matters already included in Strategic Report of these financial statements.

Due to the importance of a Heathrow International Airport as a cargo during and since the pandemic, the company has not experienced the same downturn as other operators in the aviation sector and COVID-19 is not considered to be a significant ongoing risk to the business.

Global economy & cost of living crisis

The recession forecast for the global economy, the cost-of-living crisis, and the increase in interest rates may reduce the demand for international travel and the passenger numbers going through United Kingdom airports but is unlikely to have a material impact on the company for 2024 as the general trend forecast by the industry is for continued growth.

Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

HEATHROW CARGO HANDLING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

Going concern

The financial statements have been prepared on the going concern basis. In assessing the going concern assumptions, the Board has assessed the forecast outturns and assessed identified downside risks and mitigating actions for a period to 31 December 2025.

The COVID-19 crisis has significantly impacted the financial performance of all organisations in the industry, including the Group. The most severe restrictions on movement and international travel were in 2020 and early 2021. Globally since 2021 markets have reopened and during November 2023 it was reported that air passenger movements had reached 99.1% of pre-pandemic levels. Recent industry analysis predicts continued air passenger growth over the going concern assessment period to 31 March 2025 and while the Directors acknowledge the cost-of-living crisis and technical recession which the UK has recently entered these are not deemed to have a material impact on the business. Globally, many markets have re-opened, and current activity levels are rebounding. Recent industry analysis gives a more stable view of expected activity levels over the going concern assessment period to 31 March 2025. In their assessment, the Directors have utilised externally available data to inform their forecast base case for the UK businesses operated by Swissport Group.

The Directors know that inflation and the cost-of-living crisis will likely have a residual impact in 2024 as markets adjust. The budget and plan assumed an inflation rate of 5% in 2024 and 3% in 2025. The Group has no external funding; therefore, the current interest rate increase does not adversely impact the Company's finances. The Board has considered the forecasts, downside sensitivities, reverse stress test, and the cash resources available to the Group. It has determined that the actions it has taken and measures the Group have available in the future, should they be required, are sufficient to mitigate the uncertainty. General staff attrition levels and contract details allow the Group to manage its labour costs where necessary. Lease expenditure can be reduced, and experience gained during the pandemic has also shown that non-labour station overheads can be reduced when necessary.

Taking this into account and to assess the Group's ability to remain a going concern, management has modelled both a base case scenario and a severe but plausible downside scenario through to 31 March 2025. The downside scenario assumes a reduction in passenger revenue from the base case of 10%. Under the severe but plausible downside scenario management have assumed a cash outflow in November 2024 relating to settlement of several potential claims (refer note 29). During 2024 under the base case scenario the forecast cash balance ranges from a low of £4.1m, which will be remediated by the Groups cash pooling arrangement and a high of £32.3m, with a 31 March 2025 closing balance of £19.9m. Under neither the base case scenario nor the severe but plausible scenario, the would the Group require financial support from its parent entity.

The Directors assessed what level that revenue would need to fall to that would render the going concern assumption invalid, even with parental support. This reverse stress test was run at a 65% reduction in revenue; however, it is assumed staff can be made redundant and other further cost savings made in this severe downside scenario to mitigate the impact. The Directors, therefore, consider this a remote and implausible scenario.

Given the need for parental support under both the base case and severe but plausible scenarios, the Directors have obtained from Swissport International their written confirmation that they will not seek repayment of intercompany loans (amounting to £227m at the balance sheet date) and that they will provide financial support to the Group in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities through to 31 March 2025 up to a maximum aggregate amount of £40m. The directors have acknowledged the letter of support and are satisfied with its contents.

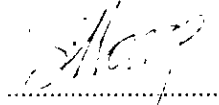
The Directors have considered the availability of that support from Swissport International during adverse circumstances, also taking into account that Group completed a refinancing in September 2022 in which the Group was subsequently made a cross-guarantor. They have reviewed the base and severe but plausible downside forecast Group cash flows over the assessment period and concluded that Group would indeed be able to provide the funding support. In coming to this conclusion, the Directors considered the Group's historical forecasting accuracy, the assumptions underpinning the forecast, and the amounts and timings of the cashflows, particularly noting the availability of cash balances and undrawn facilities. As a result of the above review and analysis, the Group continues to adopt the going concern basis in preparing its financial statements.

HEATHROW CARGO HANDLING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

On behalf of the board



S Harrop
Director

Date: 26.03.2024

HEATHROW CARGO HANDLING LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 29 SEPTEMBER 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	26,408	26,992
Cost of sales		(12,725)	(12,700)
Gross profit		13,683	14,292
Administrative expenses		(7,313)	(8,331)
Other operating income		79	1,999
Operating profit	4	6,449	7,960
Investment income	7	191	-
Finance costs	8	(519)	(707)
Profit before taxation		6,121	7,253
Tax on profit	9	(2,397)	(1,548)
Profit and total comprehensive income for the financial year		3,724	5,705

All results derive from continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

HEATHROW CARGO HANDLING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 29 SEPTEMBER 2022

	Notes	2022 £'000	£'000	2021 £'000	£'000
Non-current assets					
Property, plant and equipment	10		517		613
Right-of-use assets	10		7,176		8,254
			<u>7,693</u>		<u>8,867</u>
Current assets					
Trade and other receivables	11	34,563		19,517	
Cash and cash equivalents		<u>2,280</u>		<u>2</u>	
		36,843		19,519	
Current liabilities	12	<u>(20,201)</u>		<u>(9,189)</u>	
Net current assets			<u>16,642</u>		<u>10,330</u>
Total assets less current liabilities			24,335		19,197
Non-current liabilities	12		(7,625)		(8,301)
Provisions for liabilities					
Deferred tax liabilities	16		(2)		(8)
Other provisions	17		<u>(2,743)</u>		<u>(647)</u>
Net assets			<u>13,965</u>		<u>10,241</u>
Equity					
Called up share capital	18		800		800
Retained earnings			<u>13,165</u>		<u>9,441</u>
Total equity			<u>13,965</u>		<u>10,241</u>

All results derive from continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

For the financial year ended 29 September 2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

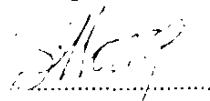
The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

HEATHROW CARGO HANDLING LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 29 SEPTEMBER 2022

The financial statements were approved by the board of directors and authorised for issue on 26.03.2024 and are signed on its behalf by:



S Harrop
Director

Company registration number 03076274

HEATHROW CARGO HANDLING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 SEPTEMBER 2022

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 30 September 2020	800	3,736	4,536
Year ended 29 September 2021:			
Profit and total comprehensive income for the year	-	5,705	5,705
	<hr/>	<hr/>	<hr/>
Balance at 29 September 2021	800	9,441	10,241
Year ended 29 September 2022:			
Profit and total comprehensive income for the year	-	3,724	3,724
	<hr/>	<hr/>	<hr/>
Balance at 29 September 2022	800	13,165	13,965
	<hr/>	<hr/>	<hr/>

All results derive from continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

Company information

Heathrow Cargo Handling Limited is a private company limited by shares incorporated in England and Wales. The registered office is Swissport House, Hampton Court, Manor Park, Runcorn, Cheshire, WA7 1TT. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

1. the requirements of IFRS 7 "Financial Instruments: Disclosures"
2. the requirements of paragraphs 91 to 99 of IFRS 13 "Fair Value Measurement"
3. the requirement in paragraphs 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 and
 - (ii) paragraph 73(e) of IAS 16 "Property, Plant and Equipment"
4. the requirements of IAS 7 "Statement of Cash Flows"
5. the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
6. the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"
7. the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on the going concern basis. In assessing the going concern assumptions, the Board has assessed the forecast outturns and assessed identified downside risks and mitigating actions for a period to 31 March 2025.

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HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

Going concern (continued)

The Directors have considered the availability of that support from Swissport International during adverse circumstances, also taking into account that Group completed a refinancing in September 2022 in which the Group was subsequently made a cross-guarantor. They have reviewed the base and severe but plausible downside forecast Group cash flows over the assessment period and concluded that Group would indeed be able to provide the funding support. In coming to this conclusion, the Directors considered the Group's historical forecasting accuracy, the assumptions underpinning the forecast, and the amounts and timings of the cashflows, particularly noting the availability of cash balances and undrawn facilities. As a result of the above review and analysis, the Group continues to adopt the going concern basis in preparing its financial statements.

1.3 Revenue

Revenue represents amounts derived from the provision of cargo handling services during the year, exclusive of trade discounts, rebates and value added tax. Under IFRS 15 revenue from contract with customers, revenue is recognised by applying the following five steps:

- Identify the contract(s) with customer
- Identify the performance obligations in the contract
- Determine the transactions price
- Allocate the transaction price to each performance obligation based on the relative standalone selling price of each distinct good or service promised in the contract
- Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to customer

The Company recognises revenue as the company satisfies performance obligation by providing promised services to the customers.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Airport equipment	4 to 10 years
Computers	4 years
Motor vehicles	4 to 10 years
ROU assets	3 to 15 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in debt and equity securities

Investments in jointly controlled entities and subsidiaries are carried at cost less impairment.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets (including trade and other debtors)

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a CGU which represents the smallest group of assets which together generate cash inflows from continuing use and which are largely independent of the cash inflows of other assets or CGUs. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs, or a group of CGUs, which are expected to benefit from the synergies of the combination and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Derecognition of financial assets and liabilities

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The Company recognises right-of-use assets at the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Buildings 3 to 15 years
- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.13 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

1 Accounting policies

(Continued)

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting estimates and judgements

In preparing these financial statements the directors' have made judgements, estimates and assumptions that affect the application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable. Actual outcomes may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The key accounting judgements and sources of estimation uncertainty affecting these financial statements relate to:

- The assumption used to test non-current assets for impairment. Assumptions relating to risk-adjusted cash flows are based on business forecasts and are therefore inherently subjective. Future events could cause a change in business forecasts, with a consequent adverse effect on the future results of the company.
- Evaluation of provisions. Key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account specific circumstances and therefore are inherently subjective and could change substantively over time as new facts arise.

The preparation of financial statements required the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are:

Leases

Estimating the incremental borrowing rate IFRS 16.26 The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3 Revenue

	2022 £'000	2021 £'000
Revenue analysed by class of business		
Cargo handling services	26,408	26,992

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

3 Revenue (Continued)

	2022 £'000	2021 £'000
Other income		
Grants received	-	1,532

Revenue and profit before tax are attributable to the principal activity of the company which is the provision of cargo handling services for airlines operating from Heathrow Airport. Revenue arises solely in the UK.

4 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging/(crediting):		
Government grants	-	(1,532)
Depreciation of property, plant and equipment	919	1,093

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Operations	82	66
Administration	22	18
Total	104	84

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	7,829	1,723
Social security costs	(47)	270
Pension costs	(33)	204
Other operating income	-	(1,608)
	7,749	589

In addition to this, the company was charged a fee for an element of Swissport GB Limited payroll costs relating to Heathrow Cargo Handling Limited of £7,172,000 (2021: £6,209,000).

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

6 Directors' remuneration

The directors of the company are also directors of the holding company and fellow UK subsidiaries. The directors received total remuneration for the year of £905,327 (2021: £400,000), all of which was paid by Swissport GB Limited, a company under common control. The aggregate amount of total remuneration paid to the highest paid director was £414,652 (2021: £257,782) and contribution to pension scheme for that director amounted to £14,188 (2021: £13,481). The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow UK subsidiary companies.

7 Investment income

	2022 £'000	2021 £'000
Interest income		
Other interest income	191	-

8 Finance costs

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	519	622
Interest on other loans	-	85
	519	707

9 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	2,490	30
Adjustments in respect of prior periods	(87)	153
Other tax reliefs	-	1,357
Total UK current tax	2,403	1,540
Deferred tax		
Origination and reversal of temporary differences	(6)	8
Total tax charge	2,397	1,548

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

9 Taxation

(Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £'000	2021 £'000
Profit before taxation	6,121	7,253
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	1,163	1,378
Effect of expenses not deductible in determining taxable profit	1,300	-
Change in unrecognised deferred tax assets	(8)	11
Depreciation on assets not qualifying for tax allowances	-	4
Under/(over) provided in prior years	(87)	153
Remeasurement of deferred tax for changes in tax rates	1	2
Fixed asset differences	28	-
Taxation charge for the year	2,397	1,548

Factors that may affect the future tax charge

The standard rate of UK corporate tax is 19% and this took effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and have therefore been reflected in the measurement of deferred tax at the period end.

10 Property, plant and equipment

	Airport equipment	Equipment, fixtures and fittings	Computers	Motor vehicles	ROU assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 30 September 2021	-	7,250	-	-	10,203	17,453
Additions	-	-	-	-	19	19
Disposals	-	-	-	-	(433)	(433)
Transfer	203	(501)	226	72	-	-
At 29 September 2022	203	6,749	226	72	9,789	17,039

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

10 Property, plant and equipment

(Continued)

	Airport equipment	Equipment, fixtures and fittings	Computers	Motor vehicles	ROU assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated depreciation and impairment						
At 30 September 2021	-	6,638	-	-	1,948	8,586
Charge for the year	12	79	-	5	823	919
Eliminated on disposal	-	-	-	-	(159)	(159)
On assets reclassified as held for sale	140	(405)	226	39	-	-
At 29 September 2022	152	6,312	226	44	2,612	9,346
Carrying amount analysed between owned assets and right-of-use assets						
At 29 September 2022						
Owned assets	51	437	-	28	-	437
Right-of-use assets	-	-	-	-	7,177	7,177
	51	437	-	28	7,177	7,693
At 29 September 2021						
Owned assets	-	612	-	-	-	612
Right-of-use assets	-	-	-	-	8,255	8,255
	-	612	-	-	8,255	8,867

Property, plant and equipment includes right-of-use assets, as follows:

	Land and buildings	Airport equipment	Total
	£'000	£'000	£'000
Net carrying value at 30 September 2020	9,010	204	9,214
Depreciation charge	(807)	(153)	(960)
Net carrying value at 29 September 2021	8,203	51	8,254
Additions	19	-	19
Disposals	(363)	(70)	(433)
Depreciation charge	(807)	(16)	(823)
Depreciation eliminated on disposal	124	35	159
Net carrying value at 29 September 2022	7,176	-	7,176

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

11 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	10,903	3,781
Provision for bad and doubtful debts	(394)	(3)
	<u>10,509</u>	<u>3,778</u>
Amounts owed by related parties	25,549	13,323
Other receivables	(2,326)	377
Prepayments and accrued income	831	2,039
	<u>34,563</u>	<u>19,517</u>

All debtors are repayable within one year. All amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Amounts owed by Group Undertakings now includes £Nil (2021: £13,323,000) in cash deposits administered by Swissport International Inc under a group cash pooling facility.

12 Liabilities

		Current 2022 £'000	2021 £'000	Non-current 2022 £'000	2021 £'000
	Notes				
Trade and other payables	14	18,440	6,672	-	-
Corporation tax		1,208	1,928	-	-
Lease liabilities	15	553	589	7,625	8,301
		<u>20,201</u>	<u>9,189</u>	<u>7,625</u>	<u>8,301</u>

13 Fair value of financial liabilities

Except as detailed below, the directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

14 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	170	504
Amounts owed to related parties	12,509	3,037
Accruals and deferred income	2,685	2,689
Other payables	3,076	442
	<u>18,440</u>	<u>6,672</u>

15 Lease liabilities

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

15 Lease liabilities

(Continued)

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £'000	2021 £'000
Current liabilities	553	589
Non-current liabilities	7,625	8,301
	<u>8,178</u>	<u>8,890</u>

	2022 £'000	2021 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>519</u>	<u>622</u>

Other leasing information is included in note 19.

16 Deferred taxation

	ACAs £'000
Balance at 30 September 2020	-
Deferred tax movements in prior year	
Charge/(credit) to profit or loss	8
Liability at 30 September 2021	8
Deferred tax movements in current year	
Charge/(credit) to profit or loss	(6)
Liability at 29 September 2022	<u>2</u>

The deferred tax asset of £nil (2021: £nil) has not been recognised due to uncertainty over future trading profits.

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2022

17 Provisions for liabilities

		2022	2021
		£'000	£'000
Contractual provisions		329	335
Credit provision		2,414	312
		<u>2,743</u>	<u>647</u>
		<u><u>2,743</u></u>	<u><u>647</u></u>
Movements on provisions:			
	Contractual provisions	Credit provision	Total
	£'000	£'000	£'000
Additional provisions in the year	329	2,414	2,743

18 Share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital Issued and fully paid				
Ordinary Class A Shares of £1 each	40,000	40,000	800	400
Ordinary Class B Shares of £1 each	40,000	40,000	-	400
	<u>80,000</u>	<u>80,000</u>	<u>800</u>	<u>800</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The 'A' and 'B' shares have equal rights and rank equally on any winding up.

19 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	747	960
Interest expense on lease liabilities	<u>9</u>	<u>523</u>

HEATHROW CARGO HANDLING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 SEPTEMBER 2022

19 Other leasing information

(Continued)

The Company had total cash outflows for leases of £1,479,235 in 2022 (2021: £1,196,990).

The Company has lease contracts for leasehold properties and cargo airport equipment including forklift trucks, all used in its operations. Leases may have lease terms between 3 and 15 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments.

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are nil. The Company only recognised options that it has a legal right to right to exercise, and which are reasonably certain to be exercised. Therefore there are no undiscounted potential future rental payments other than those already included in the lease liability.

Information relating to lease liabilities is included in note 15.

20 Events after the reporting date

Cyber security incident

On 10 August 2023, a legacy system server used by the Company and containing pre 1 January 2020 data was affected by a cybersecurity incident impacting a UK data centre in England managed by the Company's third-party service provider. As soon as the Company learned of the incident, it immediately communicated the users to prevent any unauthorised access to the database. The third-party provider has launched an investigation, notified law enforcement, and engaged cybersecurity experts to help assess the scope of the incident and take steps to mitigate the potential impact. The investigation is ongoing, and there is no impact on the Company for costs related to the effect of system-related productivity in the operations.

Global economy & cost of living crisis

The recession forecast for the global economy, the cost-of-living crisis, and the increase in interest rates may reduce the demand for international travel and the passenger numbers going through United Kingdom airports but is unlikely to have a material impact on the company for 2024.

21 Controlling party

The Company is a subsidiary undertaking of Swissport UK Holding Limited, incorporated in England and Wales.

The Company's ultimate parent undertaking was Radar Topco SARL at the year end, and the company's results were included in its consolidated financial statements. The Company's intermediate parent undertaking was Swissport UK Holdings Limited at the year end, and the Company's results were included in its consolidated financial statements. The consolidated financial statements of Swissport UK Holdings Limited for 31 December 2021 are prepared under International Financial Reporting Standards and are available to the public and may be obtained from Swissport UK Holdings Limited, Swissport House, Hampton Court, Manor Park, Runcorn, Cheshire, WA7 1TT, United Kingdom.