Heathrow catering firm faces threat of bankruptcy

By Tom Bawden

GATE GOURMET, the airline catering firm at the centre of the wildcat strikes that almost brought Heathrow to a standstill last week, could face bankruptcy after its creditors threatened to call in their loans.

The company, owned by Texas Pacific, the American buyout firm that also jointly controls Debenhams, is in discussions with creditors after defaulting on interest payments on a SwFr300 million (£132 million) "mezzanine" loan every month since January.

The creditors are keen to agree a debt-for-equity swap that would most likely see them dropping the company's debt in return for a 65 per cent stake in Gate Gourmet and about SwFr150 million in cash. The company's debt was arranged by Credit Suisse and Citigroup.

The creditors, who have lent nearly SwFr700 million in total, are threatening to call in their loans if they cannot agree a debt-for-equity swap. It is understood that Gate Gourmet would be unable to pay back the loans and that such a move would force it to file for bankruptcy protection.

Gate Gourmet's cost-cutting programme, designed to return it to profitability and including about 600 redundancies, triggered wildcat strikes at Heathrow last Thursday, when 1,000 British Airways staff walked out in support of the sacked workers. This left more than 110,000 passengers stranded.

Shares in Watermark, a rival of Gate Gourmet, rallied on hopes that it could benefit from its competitor's woes. The shares added 4½p to close at 130p as the market digested Watermark's announcement on Friday night that its Air Fayre catering division had "an opportunity to gain new contracts".

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Divertimenti shops — favoured by the cookery expert Delia Smith — are to be a platform for Aga Foodservice Group's ovens

Aga savours Delia's taste

AGA Foodservice Group has acquired the favourite kitchen-utensil shop of Delia Smith, the doyenne of home cooking (Angela Jameson writes).

Divertimenti, which boasts 5,000 of the finest and most recommended cookery tools, has been bought by Aga Foodservice for £1.4 million.

Aga plans to use Divertimenti's shops, catalogue and online business to sell its upmarket cookers. It is also considering opening new Divertimenti stores.

William McGrath, the chief executive of Aga, said that Divertimenti, which has been in business for about 40 years in London, was an ideal platform on which to roll out his group's La Cornue and Falcon ovens. La Cornue is the French counterpart of the group's classic Aga cooker. Falcon is the steel industrial cooker beloved of loft-dwellers.

The cast-iron Aga cooker has been enjoying a revival in recent years, with its maker expecting annual sales of 15,000 by next year.

Xstrata prepares ground for Canadian nickel miner bid

By Nic Hopkins

XSTRATA, the FTSE 100 mining company, indicated yesterday that it may make a bid for Falconbridge, the Canadian nickel miner, after paying C$2 billion (£924 million) for a 19.9 per cent stake.

The Switzerland-based miner said that it was unlikely to be content with the stake that it acquired from Brascan, a Canadian asset management group that is a part-owner of Canary Wharf, for C$28 a share in cash. "It's not in the scheme of things for this company to hold minority stakes," Mick Davis, Xstrata's chief executive, said.

Xstrata has been on the acquisition trail since it lost a $7 billion (£3.7 billion) bid battle for WMC Resources, of Australia, to BHP Billiton this year. The company is also said to be considering a move for Oxiana, the Australian goldminer. Oxiana has appointed Macquarie Bank as its defence adviser against a possible bid from Xstrata.

"Our capacity to do deals remains very substantial," Mr Davis said after the announcement of the Falconbridge deal.

Xstrata, the world's biggest exporter of thermal coal, said that the Falconbridge stake would boost earnings immediately and would not hinder further deals.

Xstrata shares soared, closing up 79p at £13.52.

Mr Davis said that it would be "wrong to assume" that a bid for control of Falconbridge would be made, but added that Xstrata had carried out due diligence on Falconbridge last year, before the Canadian group's merger with its rival Noranda in June, and concluded that a combination would make sense.

Analysts said that the acquisition would give Xstrata exposure to the rising nickel-market, which it had been seeking from WMC, and open up revenue streams in North America. Falconbridge made net profits of C$686 million last year on sales of C$7 billion, with copper accounting for 52 per cent of turnover and nickel for 26 per cent.

"Commodity prices are likely to be higher on average over the next few years than they have been over the last few years," Mr Davis said.

Metal prices have been pushed higher in recent years amid rising demand from China and other fast-growing economies in the Far East. Nickel, which is used to make stainless steel, currently sells for $15,400 a tonne, its highest level in nearly two months.

Most analysts said that the purchase would also deter rivals from making a rival bid for Falconbridge.

"Interloper risk in any future offer for the company has been all but eliminated — so no more reliving the WMC experience," Michael Rawlinson, an analyst at JP Morgan Cazenove, said. Numis Securities said that the price that Xstrata paid for the Falconbridgestake, at 12.5 times last year's earnings per share, was "reasonable".

Xstrata said that $375 million of the purchase price would take the form of a 12-year guaranteed convertible debenture with a coupon of 4 per cent. The debenture would be convertible into 12.1 million new Xstrata shares, or 1.9 per cent of its current share capital at £17.13, or a 35 per cent premium to the close last Thursday.

Xstrata said that if it made an offer for the rest of Falconbridge within the next nine months at a price of more than $28 a share, it would pay Brascan the difference.

CITY DIARY

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In a spin on report

BOB CROW, general secretary of the RMT union, has been doing some spinning that Ashley Giles himself would be proud of. Crow recently reported in the *RMT News* that this newspaper had paid "damages and legal costs" over an article that we published about him two years ago.

Crow's memory of events seems a little wonky, so let me put him straight on a few points. He thought that the *Times* article accused him of outrageously and illegally attempting to influence voters in a union ballot. Last December, the Assistant Certification Officer (ACO), effectively a union watchdog, found that he had not actually broken trade union law in the election but that his letter to members was both "tendentious" and "disingenuous in parts".

In the light of this, *The Times* made a "qualified offer of amends", accepting that Crow had not broken trade union electoral law but stating that the rest of the article was correct and that his conduct could have brought the union into disrepute.

We offered to print an apology, but the union leader chose not to have his "victory" recorded in *The Times* as we would have published the ACO's full findings. Instead, he accepted a slightly larger sum of money and no apology, which goes to show he was more interested in the (still modest) damages than in vindication.

A LEAFLET in McDonald's outlets helpfully tells customers that the bun used in its McChicken sandwiches is suitable for vegetarians. All they need now is a vegetarian chicken go with it.

New start

STUART METCALFE is living proof that working for Queens Moat Houses need not be the end of a career. QMH's former chief executive, who oversaw its sale last year to Goldman Sachs, has popped up as head of the new British arm of Realstar Hotels. Realstar, a Canadian asset management company, was in the consortium that bought InterContinental Hotels Group's UK property portfolio for £1 billion this year and it is seeking further acquisitions.

Metcalfe, who worked on the IHG deal, says that he is relieved to have left both QMH and the quoted arena behind him.

AN ATTEMPT by Royal Dutch Shell to claim the website royaldutchshellplc.com from an 88-year-old veteran who uses it to publish material that criticises the oil giant has failed. The Geneva-based WIPO Arbitration and Mediation Centre has ruled in favour of Alfred Donovan, who has said that he will not relinquish the site until the company gets rid of all the management he deems responsible for its various recent woes, notably the reserves scandal.

Busman's holiday?

SPOTTED in the appropriately splendid Hotel Splendido in Portofino, Italy — Fred Watt, outgoing finance director of Royal Bank of Scotland. Watt is quitting business in order to spend more time with his family.

Although the Splendido is one of Italy's most luxurious hotels, it must have felt like a home from home for Watt after RBS's move to its spanking new Edinburgh headquarters — one of the most luxurious HQs in corporate Britain.

BP, Tesco and HSBC fill the top three spots in a survey of Britain's most admired companies. Flying high in sixth position is British Airways.

DOMINIC WALSH