

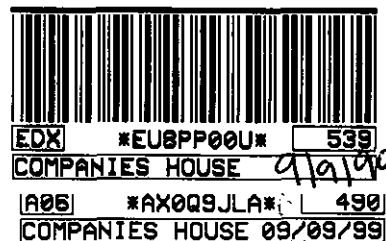
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**BIBBY DISTRIBUTION SERVICES
(HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**YEAR ENDED
31 DECEMBER 1998**

REGISTERED NUMBER: 2005619



10.9.99.
227

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

DIRECTORS

S P Sherrard Chairman
A J Palmer Managing Director
P A Cullingford
I A Speak
C D Suddes
M J Bibby
J Haymer

BANKERS

Bank of Scotland
PO Box No 5
The Mound
Edinburgh
EH1 1YZ

AUDITORS

PricewaterhouseCoopers
8 Princes Parade
St Nicholas Place
Liverpool
L3 1QJ

SECRETARY

Bibby Bros. & Co. (Management) Limited

REGISTERED OFFICE

105 Duke Street
Liverpool
L1 5JQ

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

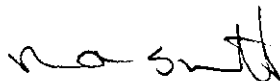
NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held on 1 June 1999 at 105, Duke Street, Liverpool for the following purposes :

- To approve the Directors' Report and Accounts for the year ended 31 December 1998
- To re-elect Directors
- To re-appoint PricewaterhouseCoopers as auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse) for the ensuing year.
- To transact any other business.

A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.

By order of the Board.



Bibby Bros. & Co. (Management) Limited
Secretary

105 Duke Street
Liverpool
L1 5JQ

9 April 1999

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

DIRECTORS' REPORT

The Directors present their report together with the audited accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE YEAR

The principal activities of the Group are contract distribution, warehousing and transport.

During the year, the Group was successful in securing and implementing new dedicated contract business and investment was directly linked to these developments.

The Group has continued to improve the quality and value of the services provided to all of its customers whilst maintaining strong pressure to reduce operating costs.

In the current year, the Group will actively seek opportunities to expand and develop its business through the winning of new dedicated contract business, the further development of shared-user services through the depot network and appropriate acquisition of contract-based businesses.

TRADING RESULT

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

The Directors do not recommend the payment of a dividend (1997 - Nil). The transfer of the consolidated profit for the year to reserves is set out in Note 18.

POST BALANCE SHEET EVENT - CAPITAL RECONSTRUCTION

The Group has initiated a reorganisation of its share capital and reserves in order to simplify the Group structure.

The procedures for the above include :-

- Approval by the Court to ensure that the reconstruction will not have any adverse effect on any actual creditors of the Company.
- Transfer of the trades and identified assets and liabilities of the Company's Subsidiary Undertakings to a newly incorporated company.
- Elimination of the deficit on distributable reserves of the Holding Company by reduction in share capital and payment of dividends from Subsidiary Undertakings.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company during the year were:

S P Sherrard	Chairman
A J Palmer	Managing Director
S Hunter	(resigned 14th August 1998)
G Watson	(resigned 31st January 1998)
P A Cullingford	
I Speak	
M R Palmer	(resigned 17th February 1998)
C D Suddes	(appointed 28th September 1998)
M J Bibby	
J Haymer	

The only interests of the Directors in shares of the Bibby Group Companies were in shares of Bibby Line Group Limited.

The interests of Mr S P Sherrard, Mr A J Palmer, Mr M J Bibby and Mr J Haymer in the shares of Bibby Line Group Limited are disclosed in the Directors' Report of that company.

Insurance has been taken out under Section 310(3) of the Companies Act 1985, for the Company's officers against liabilities in relation to the Company.

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FIXED ASSETS

Information relating to changes in fixed assets during the year is given in Note 8 to the accounts.

YEAR 2000

The Year 2000 issue within the Bibby Line Group is being considered and dealt with as described below.

Many computer systems and equipment with embedded microchips, express calendar dates using only the last two digits of the year. In order to avoid malfunction, causing widespread commercial disruption, those systems and equipment that are critical to the operation of the business will require modification or replacement to accommodate the Year 2000 and beyond.

The Group is giving high priority to the impact of this problem and is taking positive steps to ensure that critical systems are Year 2000 compliant. Each Division of the Group is implementing a Year 2000 programme, using an agreed methodology with clear milestone dates and defined responsibilities. Progress against plans is regularly monitored by the Group and Divisional Boards.

The total costs involved in achieving compliance have not been quantified but they are considered not to be material. In the normal course of business, each of the Divisions has replaced its main accounting systems in 1998 and this has significantly reduced the potential for large costs being expended in this area.

EMPLOYEE INVOLVEMENT

The Group is committed to the continuing development of effective employee communication, consultation and involvement, including the regular publication of company magazines.

The Group maintains a policy to consider workers for all suitable employment vacancies and to give appropriate training assistance necessary to introduce such workers to their jobs and to develop their skills and capabilities.

If any employee becomes disabled whilst employed by the Group, every effort is made to find suitable continuing employment, with re-training as necessary.

The Group has maintained a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

AUDITORS

During the year, our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1st July 1998 following which Price Waterhouse resigned and the Directors appointed the new firm, PricewaterhouseCoopers as auditors to fill the casual vacancy caused by this resignation. A resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board.



Bibby Bros. & Co. (Management) Limited
Secretary
105 Duke Street
Liverpool
L1 5JQ

9 April 1999

AUDITORS' REPORT TO THE MEMBERS OF BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described above the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

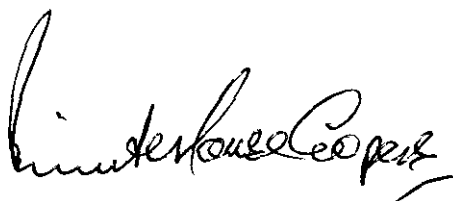
Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1998 and of the result of the Company and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
8 Princes Parade
St Nicholas Place
Liverpool L3 1QJ

9 April 1999

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1998**

		Company		Group	
	Note	1998 £'000	1997 £'000	1998 £'000	1997 £'000
TURNOVER	2	158	-	67,336	63,648
Cost of sales		-	-	(56,019)	(52,580)
GROSS PROFIT		158	-	11,317	11,068
Administrative expenses		(10)	(10)	(9,403)	(8,299)
OPERATING PROFIT/(LOSS)		148	(10)	1,914	2,769
Interest payable and similar charges	5	(148)	(450)	(820)	(1,109)
Interest receivable		-	125	164	261
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	-	(335)	1,258	1,921
Taxation	7	-	95	(428)	1,239
RETAINED PROFIT/(LOSS) FOR THE YEAR	18	-	(240)	830	3,160

The notes on pages 8 to 15 form an integral part of these accounts.

There are no recognised gains or losses in 1998 or 1997 other than the result for the year.

The turnover and profit on ordinary activities all derive from continuing activities which are unchanged from the previous year.

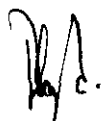
BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	Company		Group	
		1998	1997	1998	1997
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8	-	-	16,450	16,350
Investment in subsidiary undertakings	9	23,901	23,901	-	-
Intangible assets	10	-	-	234	281
		<u>23,901</u>	<u>23,901</u>	<u>16,684</u>	<u>16,631</u>
CURRENT ASSETS					
Stocks	11	-	-	239	461
Debtors	12	10,600	4,378	13,742	15,114
Cash at bank and in hand		1,000	3,878	3,558	2,056
		<u>11,600</u>	<u>8,256</u>	<u>17,539</u>	<u>17,631</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(27,487)</u>	<u>(24,222)</u>	<u>(13,530)</u>	<u>(15,111)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(15,887)</u>	<u>(15,966)</u>	<u>4,009</u>	<u>2,520</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,014</u>	<u>7,935</u>	<u>20,693</u>	<u>19,151</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	14	3,726	5,647	6,744	7,800
PROVISION FOR LIABILITIES AND CHARGES	16	-	-	485	717
		<u>3,726</u>	<u>5,647</u>	<u>7,229</u>	<u>8,517</u>
CAPITAL AND RESERVES					
Called up share capital	17	8,000	6,000	8,000	6,000
Profit and loss account	18	(3,712)	(3,712)	5,464	4,634
SHAREHOLDERS' FUNDS					
Equity		288	288	9,464	8,634
Non-equity		4,000	2,000	4,000	2,000
Total	19	<u>4,288</u>	<u>2,288</u>	<u>13,464</u>	<u>10,634</u>
		<u>8,014</u>	<u>7,935</u>	<u>20,693</u>	<u>19,151</u>

The notes on pages 8 to 15 form an integral part of these accounts.

APPROVED BY THE BOARD ON 9 April 1999



P A CULLINGFORD
DIRECTOR

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(a) Accounting convention and basis of consolidation

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards, using the audited accounts for the period ended 31 December 1998 of the parent company and its subsidiaries.

(b) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less depreciation provided to date. Depreciation is provided in equal annual instalments over the estimated useful life of the asset, on the original cost of the asset.

The rates of depreciation are as follows:-

Leasehold land and buildings:-

Long	2%
Short	The life of the lease
Vehicles & Equipment	Varying rates from 10% - 25%

(c) Leased assets - vehicles and equipment

(i) Assets held under finance leases

The capital element of leasing repayments is treated as a separate category within fixed assets. The outstanding commitment to repay these sums is shown separately within creditors in notes 13 and 14.

Interest is allocated to accounting periods by a method which produces a constant periodic rate of charge on the remaining balances outstanding.

Leased vehicles and equipment are depreciated at rates varying between 12.5% - 20%.

(ii) Assets held under operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(d) Deferred taxation

Provision for deferred taxation resulting from accelerated tax depreciation allowances and other timing differences is made where a corporation tax liability is expected to arise within the foreseeable future.

(e) Stocks

Stocks are stated at the lower of weighted average cost and net realisable value.

(f) Turnover

Turnover represents the total amount receivable in the ordinary course of business for services provided excluding value added tax. All turnover relates to continuing operations.

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

1 ACCOUNTING POLICIES (Continued)

(g) Pension costs

The cost of providing pensions is charged against profit on a systematic basis with pension surpluses or deficits arising allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to the pension scheme are treated as assets or liabilities.

(h) Goodwill

Goodwill arising on consolidation is considered separately for each acquisition. In the case where goodwill is considered to have continuing value it is amortised on a straight line basis over its useful economic life through the profit and loss account. In those cases where the goodwill is considered to have no continuing value it is accounted for immediately on acquisition by write off against reserves.

(i) Cash flows

A statement of Group cash flows has been included in the consolidated accounts presented by the ultimate parent undertaking. Accordingly, no statement is presented in these accounts.

(j) Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from disclosing inter group related party transactions, as more than 90% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited.

2 SEGMENTAL INFORMATION

The Directors are of the opinion that there is only one business, that of contract distribution, warehousing and transport. All turnover is derived in the United Kingdom.

3 EMOLUMENTS OF DIRECTORS

	1998 £'000	1997 £'000
Directors' emoluments	<u>524</u>	<u>532</u>
Highest paid director (including pension contributions)	<u>195</u>	<u>154</u>
The accrued pensions benefits of the highest paid Director were as follows :-		
Accrued pension	<u>11</u>	<u>9</u>
Accrued lump sum	<u>26</u>	<u>22</u>

The number of Directors to whom retirement benefits were accruing under defined benefit pension schemes during the year was 7 (1997 - 6).

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

4 EMPLOYEES

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Staff costs				
Wages and salaries	-	-	21,165	19,686
Social security costs	-	-	1,884	1,789
Pension costs	-	-	510	482
	<u>-</u>	<u>-</u>	<u>23,559</u>	<u>21,957</u>

The average number of persons employed by the Group throughout the period was 1,436 (1997 - 1,263).

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Interest payable on bank borrowings repayable within five years	148	450	665	860
Finance charges payable on finance leases and HP agreements	-	-	155	249
	<u>148</u>	<u>450</u>	<u>820</u>	<u>1,109</u>

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation of owned assets	-	-	2,695	2,799
Depreciation of assets held under finance leases	-	-	691	783
Profit on disposal of fixed assets	-	-	(72)	(30)
Amortisation of goodwill	-	-	47	46
Auditors' remuneration	-	-	30	34
- audit fee	-	-	-	-
- other fees	-	-	16	2
Hire of plant and machinery	-	-	1,609	878
Rental paid under operating leases	-	-	-	-
- land and buildings	-	-	4,108	3,923
- other	-	-	598	449
	<u>-</u>	<u>-</u>	<u>598</u>	<u>449</u>

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Taxation (charge)/credit based on the profit/(loss) for the year at 31% (1997: 31.5%)				
Group relief payable	-	95	66	157
- current period	-	-	2	1,488
- prior period	-	95	68	1,645
	<u>-</u>	<u>95</u>	<u>68</u>	<u>1,645</u>
Deferred taxation - charge for current period at 30% (Note 12) (1997 : 30%)	-	-	(496)	(406)
	<u>-</u>	<u>95</u>	<u>(428)</u>	<u>1,239</u>

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

8 TANGIBLE FIXED ASSETS

GROUP	Short	Vehicles & equipment		Assets under	Total
	leasehold	land and	buildings	Owned	Leased
	land and				
	buildings				
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 December 1997	5,476	16,259	4,230	-	25,965
Additions	159	3,266	-	708	4,133
Disposals	(3)	(1,906)	(799)	-	(2,708)
Reclassified	966	(913)	15	-	68
At 31 December 1998	6,598	16,706	3,446	708	27,458
Depreciation					
At 31 December 1997	1,328	6,133	2,154	-	9,615
Charge for year	379	2,316	691	-	3,386
Disposals	(1)	(1,261)	(799)	-	(2,061)
Reclassified	(292)	265	95	-	68
At 31 December 1998	1,414	7,453	2,141	-	11,008
Net book amount					
At 31 December 1998	5,184	9,253	1,305	708	16,450
At 31 December 1997	4,148	10,126	2,076	-	16,350
Capital commitments					
		Company		Group	
		1998	1997	1998	1997
		£'000	£'000	£'000	£'000
Capital expenditure contracted for but not provided for in the accounts		-	-	907	818

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Percentage of equity
share capital held

Bibby Distribution Services Limited	100
Nisaway Limited	100
Alexandra-Molyneaux Haulage Limited	100
Bibby Distribution Limited	100
Bondelivery Limited	100
Bibby Distribution (Avonmouth) Limited	100
Bibby Logistics Limited	100

Investments in subsidiary undertakings at 31 December 1997 and 1998

£23,901,000

All subsidiary undertakings are incorporated and operate in the United Kingdom and operate in the transport, distribution and warehousing sector, except for Nisaway Limited, Alexandra-Molyneaux Haulage Limited and Bibby Distribution (Avonmouth) Limited, which are dormant.

10 INTANGIBLE ASSETS

Goodwill
£'000

Cost

At 31 December 1997 and 1998

469

Depreciation

At 31 December 1997

188

Provision for the year

47

At 31 December 1998

235

Net book amount

At 31 December 1998

234

At 31 December 1997

281

11 STOCKS

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Consumables	-	-	239	461

12 DEBTORS

	Company		Group	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	-	-	6,814	7,655
Amounts owed by group undertakings	10,600	4,378	3,733	3,212
Other debtors	-	-	726	265
Prepayments and accrued income	-	-	2,016	3,033
Deferred tax	-	-	453	949
	<u>10,600</u>	<u>4,378</u>	<u>13,742</u>	<u>15,114</u>

Of the deferred taxation asset, £365,000 (1997 - £803,000) relates to accelerated capital allowances; other timing differences increase the asset by £88,000 (1997 - £146,000).

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	Company		Group	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans	15	1,921	2,075	2,456	2,075
Obligations under finance leases	15	-	-	552	667
Hire purchase agreements	15	-	-	647	414
Trade creditors	-	-	-	6,765	6,175
Other creditors	-	-	-	76	293
Amounts owed to group undertakings	-	25,566	22,141	-	69
Other taxation and social security	-	-	-	555	585
Accruals and deferred income	-	-	6	2,479	4,833
		<u>27,487</u>	<u>24,222</u>	<u>13,530</u>	<u>15,111</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	Company		Group	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
Bank loans	15	3,726	5,647	5,774	5,647
Obligations under finance leases	15	-	-	812	1,348
Hire purchase agreements	15	-	-	158	805
		<u>3,726</u>	<u>5,647</u>	<u>6,744</u>	<u>7,800</u>

15 OBLIGATIONS UNDER BANK LOANS, FINANCE LEASES AND HIRE PURCHASE AGREEMENTS

	Company		Group	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Obligations under bank loans are repayable as follows:				
Within one year	1,921	2,075	2,456	2,075
Between one and two years	1,150	1,921	1,686	1,921
Between two and five years	2,576	3,726	4,088	3,726
	<u>5,647</u>	<u>7,722</u>	<u>8,230</u>	<u>7,722</u>

Obligations under finance leases are repayable as follows:

Within one year	-	-	552	667
Between one and two years	-	-	553	552
Between two and five years	-	-	259	796
	<u>-</u>	<u>-</u>	<u>1,364</u>	<u>2,015</u>

Hire purchase obligations are repayable as follows:

Within one year	-	-	647	414
Between one and two years	-	-	93	647
Between two and five years	-	-	65	158
	<u>-</u>	<u>-</u>	<u>805</u>	<u>1,219</u>

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

16 PROVISION FOR LIABILITIES AND CHARGES

Reorganisation
and other
provisions
£'000

At 1 January 1998	717
Utilised during the year	(232)
At 31 December 1998	<u>485</u>

17 CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Ordinary shares of £1 each	4,000	4,000	4,000	4,000
Redeemable preference shares of £1 each	4,000	2,000	4,000	2,000
	<u>8,000</u>	<u>6,000</u>	<u>8,000</u>	<u>6,000</u>

The rights attaching to the preference shares are as follows:

- (a) To be paid out of the profits of the Company, a cumulative dividend at a rate to be determined by the directors of the Company per annum on the capital for the time being paid up, in priority to any payment to the holders of any other class of shares.
- (b) Having no other rights to participate in the profits of the Company whatsoever.
- (c) Carrying the right to one vote per share.
- (d) Redeemable at any time at the option of the shareholders or the Company at par value.

On 2 January 1998 the Company increased its share capital by the issue of 2,000,000 Redeemable Cumulative Preference Shares of £1 each to Bibby Line Group Limited, each share ranking pari passu in all respects with the Cumulative Preference £1 shares in the capital of the Company already issued.

These shares were issued in accordance with the authority granted under a Special Resolution of the Company dated 19 December 1997 to increase the authorised Share Capital to £8,000,000.

18 RESERVES

	Company	Group
Profit & loss	1998 £'000	1998 £'000
At 1 January 1998	(3,712)	4,634
Profit for the year	-	830
At 31 December 1998	<u>(3,712)</u>	<u>5,464</u>

19 MOVEMENTS IN SHAREHOLDERS' FUNDS

	Company		Group	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Profit/(loss) for the financial year	-	(240)	830	3,160
Issue of Redeemable Cumulative Preference Shares during the year	2,000	-	2,000	-
Net addition to shareholders' funds	<u>2,000</u>	<u>(240)</u>	<u>2,830</u>	<u>3,160</u>
Opening shareholders' funds	2,288	2,528	10,634	7,474
Closing shareholders' funds	<u>4,288</u>	<u>2,288</u>	<u>13,464</u>	<u>10,634</u>

BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1998 (continued)

20 OPERATING LEASE COMMITMENTS

GROUP

	1998		1997	
	Property	Other	Property	Other
	£'000	£'000	£'000	£'000
The Company has the following annual commitments under operating leases which expire:				
Within one year	43	26	57	421
Between two and five years	920	530	191	1,168
After five years	3,229	-	3,458	-
	4,192	606	3,706	1,589

21 PENSION COSTS

Bibby Line Group operates a defined benefit pension scheme for its employees.

Further information is given in the accounts of Bibby Line Group Limited.

The pension charge for the year is given in Note 4.

22 ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of Bibby Line Group Limited, the ultimate parent undertaking, a company incorporated in the United Kingdom. Group accounts may be obtained from 105 Duke Street, Liverpool, L1 5JQ.

Bibby Line Group Limited is the ultimate parent undertaking of the largest and smallest group which consolidates these accounts, and of which the Company is a member.

23 CONTINGENT LIABILITIES

A bank loan of the parent undertaking and the overdrafts of its subsidiary undertakings are secured by a first floating and first fixed charge on the undertaking of the Company, its parent undertaking and its fellow subsidiary undertakings and by cross guarantees given by those companies. A ranking agreement has also been entered into covering the Bank of Scotland, Bibby Distribution Services Limited, Bibby Distribution Limited, Bondelivery Limited, Bibby Logistics Limited and the parent undertaking regulating the respective ranking of the debenture granted in favour of the Bank of Scotland.

As at 31 December 1998 the contingent liability thus arising is £4,679,000 (1997 - £5,672,000).