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**BIBBY DISTRIBUTION SERVICES  
(HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**YEAR ENDED  
31 DECEMBER 2006**

REGISTERED NUMBER 2005619

TUESDAY



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COMPANIES HOUSE

## **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

### **DIRECTORS**

Sir Michael Bibby, Bt	Chairman
T H J de Pencier	Chief Executive
P A Cullingford	Chief Financial Officer
I A Speak	Chief Operating Officer
J Haymer	
M S Howard	

### **BANKERS**

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

### **AUDITORS**

KPMG LLP  
8 Princes Parade  
Liverpool  
L3 1QH  
United Kingdom

### **SECRETARY**

Bibby Bros & Co (Management) Limited

### **REGISTERED OFFICE**

105 Duke Street  
Liverpool  
L1 5JQ

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

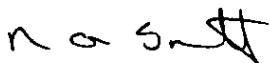
**NOTICE OF MEETING**

Notice is hereby given that the Annual General Meeting of the Company will be held on 11th of June 2007 at 10 30 at 105, Duke Street, Liverpool for the following purposes

- To approve the Business Review Directors' Report and Accounts for the year ended 31 December 2006
- To re-elect Directors
- To re-appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration
- 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

30th March 2007

## **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

### **BUSINESS REVIEW AND DIRECTORS' REPORT**

The Directors present their report together with the audited accounts for the year ended 31 December 2006

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Bibby Distribution Services (Holdings) Ltd ("the Group") is a wholly-owned subsidiary of Bibby Line Group Limited and acts as the holding company for Bibby Line Group's Distribution division

The Group's principal activities continue to be contract distribution, warehousing and distribution. During the course of the year the activities of the Group were extended to include freight forwarding and agency recruitment. The Directors are not, at the date of this report, aware of any likely major changes in the Group's activities in the next year.

The Group seeks investment opportunities, both organically and through acquisition in existing and new business areas with a view to implementing its policy of expansion and business growth.

As shown in the profit and loss account on page 7, the Group's turnover has increased by 13.7% over the prior year and profit after tax has decreased substantially. The major factors resulting in the reduction in profit after tax year on year have been the loss of contracts that occurred at the end of 2005, costs associated with current and anticipated empty properties, trading losses incurred on a new warehousing contract, the write off of certain IT systems and reorganisation and restructuring costs. Return on Capital Employed (ROCE) as measured by Profit after Tax over Opening Shareholder Funds is 1.65% (2005 - 9.45%).

The balance sheet on page 8 of the financial statements shows that the net worth of the Group remained broadly unchanged at the year end. Significant movements in the balance sheet have occurred within fixed assets as we continue our policy of replacing end of life vehicles with assets on a short term hire arrangement, trade creditors and cash.

At 31 December 2006 the Group had net debt of £1,842,000 compared to a net cash position at 31 December 2005. The net movement was an outflow of £1,870,000. This was after £863,000 was spent on acquisitions including cash acquired of £191,000. The balance of the movement in the net debt position was as the result of repaying bank and inter-group loans and a reduction in trade creditors.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

The Group manages its operations on a divisional basis. For this reason, the Group's Directors believe that further key performance indicators for the Group are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the respective trading subsidiaries are discussed in the Business Reviews and Directors' Reports as appropriate in the financial statements of those subsidiaries.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Competitive pressure in the logistics market is a continuing risk for the Group. To manage this risk the Group strives to maintain efficient utilisation of its operating assets and exercise strong cost control at all times.

The Group provides some services to international markets and customers and is therefore exposed to currency movements on sales and purchases made in foreign currencies. This exposure is mitigated wherever possible by matching costs and income in the same currencies.

The Group is financed principally by a term loan and overdraft facility from its bankers and is therefore exposed to interest rate movement. The Group monitors its exposure to interest rate risk. The Group does not hold or issue derivatives or other financial instruments for speculative purposes.

The Group is a major user of diesel fuel and is therefore exposed to movements in the price of fuel. This risk is mitigated wherever possible by means of a fuel price regulator agreement with its customers to pass on any changes in fuel prices.

### **PENSIONS**

It is the policy of the Group to ensure that all sections of the community have an equal opportunity in matters related to employment. The Group participates in a defined benefit scheme and a money purchase scheme operated by Bibby Line Group Limited. The Group also made contributions to a number of private money purchase schemes.

## **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

### **BUSINESS REVIEW AND DIRECTORS' REPORT (continued)**

#### **CORPORATE GOVERNANCE**

The Group strives to maintain the highest standards in corporate governance and bases its actions on the principles of openness, integrity and accountability. Audit and Remuneration committees exist within Bibby Line Group Limited which also covers the activities of the Group.

#### **ENVIRONMENT**

The Group recognises the importance of its environmental responsibilities. The Group consumes resources and it produces waste both of which have an effect on the environment. During the year we have looked at ways of reducing the impact of both activities through recycling and reducing energy consumption.

#### **EMPLOYEES**

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

The policy of the Group is to give full and fair consideration to applications for employment made by disabled persons. If any employee becomes disabled whilst employed by a Group company, every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities available for training, career development and promotion.

#### **DIVIDENDS**

The Directors do not propose a dividend. During the course of the year a final dividend of £587,000 (2005-£851,000) in respect of 2005 was paid.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make 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 group and the parent company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

**BUSINESS REVIEW AND DIRECTORS' REPORT (continued)**

**DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

**DIRECTORS AND THEIR INTERESTS**

The Directors of the Company during the year were

Theodore Henry John de Pencier

Paul Andrew Cullingford

Iain Alexander Speak

Michael James Bibby

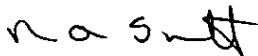
Jonathan Haymer

Martin Stewart Howard (resigned 11 January 2007)

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

The interests of M J Bibby and J Haymer in the shares of Bibby Line Group Limited are disclosed in the Directors' Report of that company  
None of the other directors had any interests in the shares of Bibby Line Group Limited

By order of the Board



Bibby Bros & Co (Management) Limited

Secretary

105 Duke Street

Liverpool

L1 5JQ

30th March 2007

KPMG LLP  
8 Princes Parade  
Liverpool  
L3 1QH  
United Kingdom

**Independent auditor's report to the members of Bibby Distribution Services (Holdings) Limited**

We have audited the group and parent company financial statements (the "financial statements") of Bibby Distribution Services (Holdings) Limited for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor

30th March 2007

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
YEAR ENDED 31 DECEMBER 2006**

	Note	Ongoing 2006 £'000	Acquisitions 2006 £'000	Total 2006 £'000	2005 £'000
<b>TURNOVER</b>	2	175,185	3,426	178,611	157,114
Cost of sales		(147,594)	(2,309)	(149,903)	(130,947)
<b>GROSS PROFIT</b>		27,591	1,117	28,708	26,167
Administrative expenses		(26,490)	(1,088)	(27,578)	(23,651)
<b>OPERATING PROFIT</b>		1,101	29	1,130	2,516
Loss on disposal of fixed assets	6			(640)	-
Interest payable and similar charges	5			(615)	(591)
Interest receivable				139	94
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6			14	2,019
Taxation	7			309	(257)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19			323	1,762

The notes on pages 10 to 20 form an integral part of these accounts

There are no recognised gains or losses in 2006 or 2005 other than the result for the year

There is no policy of revaluation

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



**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2006**

CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2005					
	Note	Company		Group	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>FIXED ASSETS</b>					
Tangible assets	9	-	-	12,835	17,543
Investment in subsidiary undertakings	10	33,377	32,193	-	-
Intangible assets	11	-	-	7,510	7,285
		<u>33,377</u>	<u>32,193</u>	<u>20,345</u>	<u>24,828</u>
<b>CURRENT ASSETS</b>					
Stocks	12	-	-	477	453
Debtors	13	-	-	23,584	23,365
Deferred tax	13	-	-	3,154	2,736
Cash at bank and in hand		-	-	2,845	6,531
		<u>-</u>	<u>-</u>	<u>30,060</u>	<u>33,085</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(28,202)</u>	<u>(27,519)</u>	<u>(25,738)</u>	<u>(30,588)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(28,202)</u>	<u>(27,519)</u>	<u>4,322</u>	<u>2,497</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,175</u>	<u>4,674</u>	<u>24,667</u>	<u>27,325</u>
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(501)	(288)	(3,616)	(6,323)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	-	-	(1,469)	(1,444)
		<u>4,674</u>	<u>4,386</u>	<u>19,582</u>	<u>19,558</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	4,288	4,000	4,288	4,000
Profit and loss account	19	386	386	15,294	15,558
<b>SHAREHOLDERS' FUNDS</b>	20	<u>4,674</u>	<u>4,386</u>	<u>19,582</u>	<u>19,558</u>

The notes on pages 10 to 20 form an integral part of these accounts

APPROVED BY THE BOARD  
30th March 2007

  
P A CULLINGFORD  
DIRECTOR

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 DECEMBER 2006**

	Note		2006		2005
		£'000	£'000	£'000	£'000
<b>Net cash (outflow)/inflow from operating activities</b>	21		(64)		9,680
<b>Returns on investments and servicing of finance</b>					
Bank interest paid		(615)		(591)	
Interest received		139		94	
			(476)		(497)
<b>Taxation</b>					
Group relief paid			(113)		(52)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(1,367)		(6,057)	
Proceeds from sale of tangible fixed assets		1,998		2,478	
Property dilapidations		(589)		(79)	
			42		(3,658)
<b>Acquisitions and disposals</b>					
Cash consideration		(863)		(4,313)	
Cash transferred as a result of acquisition		191		(253)	
			(672)		(4,566)
<b>Equity dividends paid</b>			(587)		(851)
<b>Net cash inflow before financing</b>			(1,870)		56
<b>Financing</b>					
Bank loan advances		-		5,500	
Bank loan repayments		(1,816)		(3,334)	
			(1,816)		2,166
<b>(Decrease)/increase in cash</b>	22		(3,686)		2,222

The notes on pages 10 to 20 form an integral part of these accounts

## **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

### **NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006**

#### **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. The group accounts consolidate the accounts of the company and its subsidiary undertakings up to 31 December 2006. As permitted by Section 230 (4) of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented.

##### **(b) Tangible 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 -

Freehold land	Nil
Freehold buildings	2% on a straight line basis
Leasehold land and buildings -	
Short	The life of the lease
Vehicles & Equipment	Varying rates from 5% - 25%

Property disposals are recognised on legal completion or on exchange of an unconditional contract if earlier.

##### **(c) Intangible fixed assets**

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 at rates varying between 5% and 15%. In those cases where the goodwill is considered to have no continuing value it is accounted for immediately on acquisition by write off through the profit and loss account.

##### **(d) 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.

##### **(e) Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. The deferred tax assets and liabilities are not discounted. Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable tax profits from which the future reversal of the timing differences can be deducted.

##### **(f) Stocks**

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

##### **(g) Turnover**

Turnover represents the total amount receivable in the ordinary course of business for services provided excluding value added tax. Income is recognised at the time the relevant services are provided by the business to its customer. All turnover relates to continuing operations.

##### **(h) Pension costs**

Bibby Distribution Services (Holdings) Limited is a member of the Bibby Line Group Limited Pension Scheme, a defined benefit scheme, but is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis therefore, as required by FRS 17 'Retirement Benefits', Bibby Distribution Services (Holdings) Limited continues to account for the scheme as if it were defined contribution. As a result, the amount charged to the profit account represents the contributions payable to the Scheme in respect of the accounting period. Differences between the amounts charged in the profit and loss account and payments made to the pension scheme are treated as assets or liabilities. The disclosure required by FRS 17 have been incorporated in note 27.

# **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

## **NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

### **1 ACCOUNTING POLICIES (continued)**

#### **(i) 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

#### **(j) Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

### **2 SEGMENTAL INFORMATION**

The Directors are of the opinion that there is only one business, that of contract distribution, warehousing and transport.

The geographical analysis of turnover is as follows -

	Group	
	2006	2005
	£'000	£'000
United Kingdom	176,866	156,141
Overseas - Europe	1,745	973
	<b>178,611</b>	<b>157,114</b>

### **3 EMOLUMENTS OF DIRECTORS**

Directors' emoluments

Highest paid director (excluding pension contributions)

The accrued pension benefit of the highest paid Director was as follows -

	Group	
	2006	2005
	£'000	£'000
Directors' emoluments	1,012	1,022
Highest paid director (excluding pension contributions)	270	300
The accrued pension benefit of the highest paid Director was as follows -		
Accrued pension	41	32

The number of Directors to whom retirement benefits were accruing under defined benefit pension schemes during the year was 5 (2005 - 4)

### **4 EMPLOYEES**

#### **Staff costs**

Wages and salaries

Social security costs

Pension costs

	Group	
	2006	2005
	£'000	£'000
Wages and salaries	54,465	52,141
Social security costs	5,393	4,552
Pension costs	692	722
	<b>60,550</b>	<b>57,415</b>

The average number of persons employed by the Group throughout the period was -

	Group	
	2006	2005
	Number	Number
Warehouse staff	658	706
Drivers and distribution staff	1,067	1,010
Managerial and administrative staff	595	568
	<b>2,320</b>	<b>2,284</b>

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	Group	
	2006	2005
	£'000	£'000
Interest payable on bank borrowings repayable within five years	615	591
	<b>615</b>	<b>591</b>

**6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Group	
	2006	2005
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation of owned assets	3,499	4,012
Loss on disposal of fixed assets	-	74
Amortisation of goodwill	1,054	718
Auditors' remuneration		
- Audit of financial statements of holding company pursuant to legislation	24	20
- Audit of financial statements of subsidiaries pursuant to legislation	50	48
- Other services relating to taxation	5	3
- All other services	10	7
Rentals paid under operating leases		
- plant and machinery	3,249	2,667
- other	6,211	5,837
Exceptional item - Loss on disposal of fixed assets	640	-
Loss on disposal of fixed assets primarily relates to the write off of IT equipment		

**7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	Group	
	2006	2005
	£'000	£'000
UK Corporation Taxation (credit)/charge based on the profit for the year		
Corporation tax - current year	-	221
Corporation tax - prior year	113	74
Deferred tax - current year	(497)	10
Deferred tax - prior year	75	(48)
	<b>(309)</b>	<b>257</b>

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**
**7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)**

	Group	
	2006	2005
	£'000	£'000
The current tax charge is lower (2005 lower) than the standard rate of corporation tax in the UK of 30%		
The differences are explained as follows -		
Profit on ordinary activities before taxation	14	2,019
Profit on ordinary activities multiplied by the weighted average rate of tax of 30% (2005 - 30%)	4	606
Effects of		
Utilisation of trading tax losses	-	(59)
Capital allowances for the year in excess of depreciation	(351)	(524)
Utilisation of capital losses in other group companies	(11)	-
Expenses not allowable for tax purposes	358	198
Current tax charge for the year	-	221

See note 13 for further information on deferred tax and tax losses

**8 DIVIDENDS PAID**

	Group	
	2006	2005
	£'000	£'000
Equity dividend on ordinary shares		
Final 2005 dividend paid 13 7p per share (2005 21 3p per share)	587	851
	587	851

**9 TANGIBLE FIXED ASSETS GROUP**

	Freehold land and buildings	Short leasehold land and buildings	Vehicles & equipment		Total
	£'000	£'000	Owned £'000	Leased £'000	£'000
<b>Cost</b>					
At 31 December 2005	5,006	3,124	27,094	71	35,295
On acquisition	-	-	183	-	183
Additions	149	-	1,218	-	1,367
Disposals	-	(335)	(9,623)	-	(9,958)
At 31 December 2006	5,155	2,789	18,872	71	26,887
<b>Depreciation</b>					
At 31 December 2005	62	2,511	15,108	71	17,752
On acquisition	-	-	121	-	121
Charge for year	12	392	3,095	-	3,499
Disposals	-	(315)	(7,005)	-	(7,320)
At 31 December 2006	74	2,588	11,319	71	14,052
<b>Net book amount</b>					
At 31 December 2006	5,081	201	7,553	-	12,835
At 31 December 2005	4,944	613	11,986	-	17,543

Net book value of land included in freehold land and buildings which is not depreciable totals £1,188,000 as at 31st December 2006 (2005 £1,188,000)

# **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

## **NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

### **10 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS** **COMPANY**

Percentage of equity  
share capital held

Trading subsidiaries	Nature of business	
Bibby Distribution Limited	- contract distribution, warehousing and transport	100
Bibby International Logistics Limited *	- distribution, warehousing and international freight forwarding	100
Direct Workforce Limited	- recruitment and temporary worker agency	100
Sutton Support Services Limited	- contract distribution warehousing and transport dormant from 31 December 2006	100
Hammond Logistics Group Limited	- dormant from 31 December 2006	100
Archfield (Shipping) Limited	- international freight forwarding	100
<b>Non trading subsidiaries</b>		
Bibby Distribution Services Limited		100
Bondelivery Limited		100
The Red Pallet Company Limited		100
Oldbibco IV Limited		100
M Birch Limited *		100
Route One (Distribution) Limited		100
Oldbibco III Limited		100
Bibby Logistics Limited		100
Alexander-Molyneux Haulage Limited		

\* Held indirectly through subsidiary company

<b>Investments in subsidiary undertakings</b>	<b>£'000</b>
At 1 January 2006	32,193
Acquisitions in the year (Note 25)	1,364
Adjustment to investments on prior year acquisition	(180)
At 31 December 2006	<u>33,377</u>

All subsidiary undertakings are incorporated in the United Kingdom

An acquisition of Sutton Support Services Limited was made during 2005 and the preliminary fair values were as shown below. A warranty claim was made during the year and as a result of this settlement the net consideration for the purchase was reduced by a cash refund of £180,000 and the assessment of the creditors fair value has been adjusted by £99,000. No further fair value adjustments were necessary. The resulting adjustment to goodwill was £81,000 (see note 11).

	Fair Value 31st December 2005 £'000	Adjustment £'000	Fair Value 31st December 2005 £'000
<b>Fixed assets</b>			
Tangible	310		310
<b>Current assets</b>			
Stock	115		115
Debtors	7 698		7 698
Deferred tax	130		130
Corporation tax	377		377
Cash	253		253
<b>Total assets</b>	<u>8,883</u>	<u>-</u>	<u>8,883</u>
Creditors	(9,339)	(99)	(9,438)
Bank loans	(750)		(750)
Vacant property provisions	(736)		(736)
<b>Total liabilities</b>	<u>(10,825)</u>	<u>(99)</u>	<u>(10,924)</u>
<b>Net liabilities</b>	<u>(1,942)</u>	<u>(99)</u>	<u>(2,041)</u>
<b>Goodwill</b>			<u>6,680</u>
<b>Purchase consideration and costs of acquisition</b>			<u>4 639</u>
Less cash acquired			<u>(253)</u>
<b>Net cash consideration</b>			<u>4 386</u>

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

		<u>Goodwill</u>
		<u>£'000</u>
<b>11 INTANGIBLE ASSETS</b>		
<b>GROUP</b>		
<b>Cost</b>		
At 31 December 2005		9,536
On acquisitions in the year		1,360
Adjustment to goodwill on prior year acquisition		<u>(81)</u>
At 31 December 2006		<u>10,815</u>
<b>Amortisation</b>		
At 31 December 2005		2,251
Provision for the year		<u>1,054</u>
At 31 December 2006		<u>3,305</u>
<b>Net book amount</b>		
At 31 December 2006		<u>7,510</u>
At 31 December 2005		<u>7,285</u>

As a result of the warranty claim the goodwill arising on the acquisition was reduced by £81,000 See note 10

<b>12 STOCKS</b>	<u>Company</u>		<u>Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Consumables	<u>-</u>	<u>-</u>	<u>477</u>	<u>453</u>
<b>13 DEBTORS</b>				
			<u>2006</u>	<u>2005</u>
			<u>£'000</u>	<u>£'000</u>
Trade debtors			19,889	19,948
Other debtors			907	585
Corporation tax			-	196
Prepayments and accrued income			2,788	2,636
			<u>23,584</u>	<u>23,365</u>

Trading tax losses of approximately £1,800,000 (2005 - £7,000,000) are available to relieve future profits of the Group  
A deferred tax asset has been recognised based on the directors' estimate of the profit of the Group between 2006 and 2009, which indicates that the asset can reasonably be expected to be recoverable over that timeframe The amount that has been recognised at the balance sheet date amounts to £3,154,000 (2005 - £2,736,000)

Deferred tax not provided comprises potential corporation tax losses carried forward of £215,000 (2005 - £1,014,000) and accelerated depreciation of £1,944,000 (2005 - £1,237,000) These assets will be recovered in the event that the business maintains high levels of taxable profits in the future

**14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>Note</u>	<u>Company</u>		<u>Group</u>	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Bank loans	16	-	-	1,572	1,968
Trade creditors		-	-	9,304	12,908
Other creditors		-	-	782	750
Amounts owed to group undertakings		28,202	27,519	3,019	8,074
Other taxation and social security		-	-	2,815	1,670
Accruals and deferred income		-	-	8,246	5,218
		<u>28,202</u>	<u>27,519</u>	<u>25,738</u>	<u>30,588</u>



**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**
**15 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Note	Company		Group	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loans	16	-	-	3,115	4,535
Amounts owed to group undertakings		-	-	-	1,500
Deferred Consideration		501	-	501	-
288,000 Redeemable preference shares of £1 each (see note 18)		-	288	-	288
		<u>501</u>	<u>288</u>	<u>3,616</u>	<u>6,323</u>

The £1 redeemable preference shares have been converted during the year to ordinary shares which rank equally with the existing Ordinary share capital

**16 OBLIGATIONS UNDER BANK LOANS, FINANCE LEASES AND HIRE PURCHASE AGREEMENTS**

	Group	
	2006 £'000	2005 £'000
Obligations under bank loans are repayable as follows		
Within one year	1,572	1,968
Between one and two years	1,420	1,420
Between two and five years	1,695	3,115
	<u>4,687</u>	<u>6,503</u>

The bank loans are secured by statutory mortgages on the assets of the group and by guarantee of group undertakings  
The loans carry interest rates that vary with the Halifax base rate

**17 PROVISION FOR LIABILITIES AND CHARGES**

	Vacant property provisions £'000
<b>GROUP</b>	
At 31 December 2005	1,444
Utilised during the year	(589)
Provided during the year	614
At 31 December 2006	<u>1,469</u>

This provision is expected to be utilised during the course of 2007 and 2008

**18 CALLED UP SHARE CAPITAL**

	Note	Authorised		Allotted, called up and fully paid	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
4,288,000 Ordinary shares of £1 each (2005 - 4,000,000)		<u>4,288</u>	<u>4,000</u>	<u>4,288</u>	<u>4,000</u>
288,000 Redeemable preference shares of £1 each	15	-	288	-	288

On 16 October 2006 the entire issued preference share capital of 288,000 £1 shares was redenominated as 288,000 £1 ordinary shares by special resolution

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**
**19 RESERVES**

Profit & loss	Note	Company £'000	Group £'000
At 1 January 2006		386	15,558
Profit for the financial year		587	323
Dividends	8	(587)	(587)
At 31 December 2006		<u>386</u>	<u>15,294</u>

The Parent Company made a profit for the financial year of £nil (2005 - £nil)

**20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Company		Group	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Profit for the financial year	587	851	323	1,762
Dividends	(587)	(851)	(587)	(851)
Conversion of preference shares to ordinary share capital	288	-	288	-
Net movement in shareholders' funds	<u>288</u>	<u>-</u>	<u>24</u>	<u>911</u>
Opening shareholders' funds	4,386	4,386	19,558	18,647
Closing shareholders' funds	<u>4,674</u>	<u>4,386</u>	<u>19,582</u>	<u>19,558</u>

**21 RECONCILIATION OF NET OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2006		2005	
	£'000	£'000	£'000	£'000
<b>Cash flow from operations</b>				
Net operating profit on ordinary activities		1,130		2,516
Depreciation		3,499		4,012
Loss on sale of fixed assets		-		74
Amortisation of goodwill		1,054		718
Movement in provisions		614		119
Working capital movements				
(Increase) in stocks	(24)		(152)	
Decrease in debtors	232		642	
(Decrease)/increase in creditors	(6,569)		1,751	
		<u>(6,361)</u>		<u>2,241</u>
Net cash (outflow)/inflow from operating activities		<u>(64)</u>		<u>9,680</u>

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

<b>22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Movement in cash in the year	(3,686)	2,222
Movement in lease financing and debt	1,816	(2,166)
<b>Change in net debt resulting from cash flows</b>	<b>(1,870)</b>	<b>56</b>
Loans and finance leases acquired with subsidiary	-	(750)
<b>Movement in net debt in the period</b>	<b>(1,870)</b>	<b>(694)</b>
<b>Net debt at 1 January</b>	<b>28</b>	<b>722</b>
<b>Net debt at 31 December</b>	<b>(1,842)</b>	<b>28</b>

<b>23 ANALYSIS OF NET DEBT</b>	<b>At 1 Jan 2006</b>	<b>Cash flows</b>	<b>At 31 Dec 2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	6,531	(3,686)	2,845
Bank loans	(6,503)	1,816	(4,687)
	<b>28</b>	<b>(1,870)</b>	<b>(1,842)</b>

<b>24 CAPITAL COMMITMENTS</b>	<b>Company</b>		<b>Group</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital expenditure contracted for but not provided for in the accounts	-	-	468	241

**BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**
**NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**
**25 ACQUISITIONS**

During the year the following acquisitions were made. In all instances goodwill is being written off over 10 years and there were no material fair value adjustments made to the book values of the acquired entities.

i) On 7 February 2006 the business and selected assets of PD Freight Management Limited were acquired for £322,000. As the fair value of net assets acquired was nil, the value of purchased goodwill was £322,000.

ii) On 28 July 2006 the entire issued share capital of Direct Workforce Limited was acquired for a net cash consideration estimated to be £575,000. The fair value of net liabilities acquired was £5,000, giving rise to purchased goodwill of £580,000.

iii) On 30 September 2006 the entire issued share capital of Archfield (Shipping) Limited was acquired for a net cash consideration of £467,000. The fair value of net assets acquired was £9,000, giving rise to purchased goodwill of £458,000.

	<u>PD Freight</u>	<u>Direct Workforce</u>	<u>Archfield</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Fixed assets				
Tangible fixed assets	-	41	21	62
Current assets				
Debtors	-	388	174	562
Cash	-	11	180	191
Current liabilities				
Bank loans & overdrafts	-	(445)	(366)	(811)
Other creditors	-			
Net assets/(liabilities)	<u>-</u>	<u>(5)</u>	<u>9</u>	<u>4</u>
Share of net assets acquired	<u>-</u>	<u>(5)</u>	<u>9</u>	<u>4</u>
Consideration (including expense)	322	575	467	1,364
Goodwill purchased	322	580	458	1,360
Deferred consideration	-	501	-	501

Deferred consideration will be payable to the vendors of Direct Workforce in 2010. The payment will be dependent on the level of profitability of the business for the year ending 31st December 2009. The maximum payment is limited to £1,300,000.

**26 OPERATING LEASE COMMITMENTS**

GROUP	2006		2005	
	Property £'000	Other £'000	Property £'000	Other £'000
The Company has the following annual commitments under operating leases which expire				
Within one year	971	303	682	812
Between two and five years	1,920	1,437	2,527	2,063
After five years	2,386	604	2,312	702
	<u>5,277</u>	<u>2,344</u>	<u>5,521</u>	<u>3,577</u>

## **BIBBY DISTRIBUTION SERVICES (HOLDINGS) LIMITED**

### **NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2006 (continued)**

#### **27 PENSION COSTS**

The Group participates in the Bibby Line Group Pension Scheme (the "Scheme"), a defined benefit pension scheme. The assets of the Scheme are held separately from those of the sponsoring and participating employers and are invested with an insurance company. The Scheme was closed to new entrants from 1 April 2000. The latest actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 6 April 2002 using the projected unit method and showed the Scheme to be 88% funded. Further actuarial information is given in the accounts of Bibby Line Group Limited. The contributions made by the Group over the financial year to this Scheme have been £483,000 (2005 - £425,000), equivalent to 18.1% of pensionable pay.

As noted above and under accounting policies (note 1) the Company participates in the Scheme. The Scheme is a multi-employer Scheme and the company and its subsidiaries are unable to identify their share of the assets and liabilities of the Scheme. As part of the information disclosed under FRS17 in the ultimate holding company's accounts, a net deficit of £10,716,000 (2005 - £11,304,000) is noted. Further information can be found in the financial statements of the ultimate holding company.

Since 1st April 2000, the Group has participated in the Bibby Line Group Money Purchase Pension Plan (the "Plan"), which is a defined contribution scheme for new employees. The contributions made by the Group over the financial year to the Plan have been £137,000 (2005 - £101,000).

Outstanding contributions at the balance sheet date to all pension arrangements amounted to £nil (2005 - £nil).

The Group also administered several other defined benefit contribution pensions schemes during the year. The contributions made by the Group to these schemes over the financial year amounted to £72,000 (2005 - £109,000).

#### **28 POST BALANCE SHEET EVENTS**

As announced in the March 2007 budget review the rate of UK corporation tax will decrease from 30% to 28% from April. This will affect the value of deferred tax assets held within the group in future periods.

#### **29 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.