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Bibby Distribution Services (Holdings) Limited

Directors' Report and Consolidated Financial Statements
for the Year Ended 31 December 2012

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Bibby Distribution Services (Holdings) Limited

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Bibby Distribution Services (Holdings) Limited

Officers and Advisers

Chairman	Sir Michael Bibby, Bt
Directors	P A Cullingford I A Speak Sir Michael Bibby, Bt J Haymer P A Byrne P Kavanagh
Secretary	Bibby Bros & Co (Management) Limited
Registered office	105 Duke Street Liverpool L1 5JQ
Bankers	Bank of Scotland 40 Spring Gardens Manchester M2 1EN Barclays Bank Market Place Crackenedge Lane Dewsbury WF13 1DN Lloyds TSB Lisbon House Wellington Street Leeds LS1 4LT
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Liverpool United Kingdom

Bibby Distribution Services (Holdings) Limited
Director's Report for the Year Ended 31 December 2012

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2012

Business review and principal activities

Bibby Distribution Services (Holdings) Ltd 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")

The Group's principal activities continue to be contract distribution, warehousing, freight forwarding, returnable plastic packaging, government funded and non funded training and driver 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 and expect the general level of activity to continue.

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 10, the Group's turnover has increased by 2.9% from £247.6m to £254.9m whereas operating profit has reduced by £8.4m from £4.5m to a loss of £3.9m. The reduction in operating profit has been caused primarily by material losses in excess of £7.5m within the training business as a result of a number of factors in respect of post acquisition integration issues, cost control and monitoring and management of learners. £1.5m of these losses are exceptional, the remainder normal trading losses. Substantial changes have been made within the training business during the year including a complete restructuring of the business, the closure of eight branches and changes in senior personnel leading to a more streamlined and focussed business with improved processes, controls and systems. Following these changes significant improvement has been seen within the training business and following an OFSTED inspection in the latter half of 2012 the business received a scoring of Grade 2 (Good) across the board. We believe this to be the only logistics training company in the UK to achieve such a high grade.

Other parts of the Group performed much better with record results achieved in the driver agency and recruitment and returnable plastic packaging subsidiaries. Within contract distribution, 2012 was the first full year of operations following the loss of a major customer in 2011. Although the results for distribution show a decline in operating profit year on year the directors are pleased with the performance given the very tough and competitive conditions that currently exist in the distribution and warehousing sector. Key senior personnel also have been recruited into the business which puts the Group in a strong position for the future. Work has commenced to improve operational efficiency as a result of the growth associated with acquisitions made during the last two years. Significant additional value is anticipated to be progressively gained during the coming years.

The Directors are committed to further growth going forward. Return on Capital Employed (ROCE) as measured by profit after tax over opening shareholders' funds is (18.7%), (2011 - 8.3%).

The balance sheet on page 11 of the financial statements shows that the net assets of the Group are £18.9m (2011 - £24.7m) and net debt has reduced by £2.9m to £19.6m (2011 - £22.5m). The average number of employees during the year decreased from 2,597 to 2,553.

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. A programme of continuous improvement has been implemented and benefits from this are already being seen.

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 fuel price regulator agreements with customers to pass on any changes in fuel prices. The Group's principal financial instruments comprise bank balances, trade debtors, trade creditors, loans to the business and finance lease agreements. The main purpose of these instruments is to finance the Group's operations.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. Further details regarding the liquidity risk can be found in the Going Concern section on page 3 of the financial statements.

The Group has interest bearing liabilities. In 2011 a Base Rate Interest Swap agreement with a nominal value of £5 million was entered into. Interest rate swaps are utilised to fix some of the exposure to interest rate fluctuations. The directors regularly monitor the overall Group exposure to potential interest rate fluctuations.

Bibby Distribution Services (Holdings) Limited
Director's Report for the Year Ended 31 December 2012

Trade debtors are managed in respect of credit and cash flow risk policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. The Group manages the liquidity risk by ensuring that there are sufficient funds to meet payments by managing its debtors and through a loan facility which is currently in place.

Following the recent years of high acquisition activity the risk of integrating new businesses into the Group is managed by ensuring that a sufficiently detailed integration plan is performed and implemented by suitably qualified and experienced personnel.

Results and dividend

The results for the group are set out in the financial statements.

During the year interim dividends of £1,068,000 (2011 - £2,039,000) were paid.

Creditor payment policy

The Group does not follow a specific standard or code for the payment of creditors. It agrees payment terms with its suppliers when it enters into purchase contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The amounts owed to the Group's trade creditors at the year-end represent 62 days (2011 60 days) as a proportion of the total amounts invoiced by suppliers during the year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review.

At 31 December 2012, the Group had net current liabilities of £4.8m, a cash balance of £2.1m and borrowings of £21.6m.

The Group has in place two main funding facilities provided by its principal bankers, an invoice discounting facility secured on its trade debtors and a term loan facility secured on freehold property.

The invoice discounting facility had a value of £20.4m at year end. This facility is in place until 30 June 2013 and will then convert to a three month rolling evergreen facility. The directors are confident that the invoice discounting facility will continue in the foreseeable future and have obtained confirmation from the bank that they see no reason why the invoice discounting facility will not continue.

The term loan facility had a balance of £4.38m at the year end and is repayable in instalments by October 2017. The combined facilities have certain covenant restrictions. No covenant breaches have occurred in the current year, or are forecast in the next 12 months.

The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and meet its covenant tests. After making enquiries the Directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual accounts.

Corporate governance

The Group strives to maintain the highest standards in corporate governance and bases its actions on the principals of openness, integrity and accountability. Audit and Remuneration committees exist within Bibby Line Group Limited, which also covers the activities of this Group. Where relevant and practical for a privately-owned group of its size, the Board seeks to implement the Combined Code on Corporate Governance prescribed for publicly quoted companies.

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.

Bibby Distribution Services (Holdings) Limited
Director's Report for the Year Ended 31 December 2012

Employees

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

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

The Group is in a defined benefit pension scheme which was closed in 2011 and a money purchase pension scheme operated by Bibby Line Group Limited. The Group also made contributions to a number of private money purchase schemes.

Post-balance sheet events

No events have occurred since the year end which require reporting or disclosing in the financial statements.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Directors

The directors who held office during the year and thereafter unless otherwise stated were as follows:

- Sir Michael Bibby, Bt
- P A Cullingford
- I A Speak
- J Haymer
- P A Byrne
- P Kavanagh (appointed 1st August 2012)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Bibby Distribution Services (Holdings) Limited
Director's Report for the Year Ended 31 December 2012

Directors' responsibilities statement

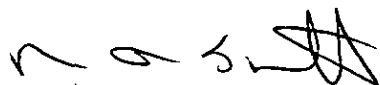
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the period ending on that date. In preparing these financial statements, directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 2006. 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.

Approved by the Board on 22 March 2013 and signed on its behalf by



Bibby Bros & Co (Management) Limited
Company Secretary

Duty Authorised Signatory
For and on behalf of
Bibby Bros & Co (Management)
Limited, SECRETARY

**Independent Auditor's Report to the Members of
Bibby Distribution Services (Holdings) Limited**

We have audited the consolidated financial statements of Bibby Distribution Services (Holdings) Limited for the year ended 31 December 2012, which comprise the consolidated Profit and Loss account, the consolidated Balance Sheet, the company balance sheet, the Statement of Total Recognised Gains and Losses, company profit and loss account, the consolidated Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all of the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

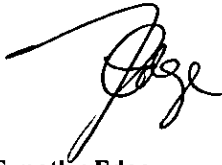
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
Bibby Distribution Services (Holdings) Limited**

Matters on which we are required to report by exception

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

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



Timothy Edge

(Senior Statutory Auditor)

for and on behalf of

Deloitte LLP

Chartered Accountants and Statutory Auditor

Liverpool

United Kingdom

22 March 2013

Bibby Distribution Services (Holdings) Limited
Consolidated Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Turnover	2	254,874	247,646
Cost of sales		(215,916)	(201,667)
Gross profit		<u>38,958</u>	<u>45,979</u>
Administrative expenses		(42,962)	(41,588)
Other operating income	3	88	87
Operating (loss)/profit		<u>(3,916)</u>	<u>4,478</u>
Interest receivable and similar income		-	2
Interest payable and similar charges	7	(735)	(592)
(Loss)/Profit on ordinary activities before taxation	4	<u>(4,651)</u>	<u>3,888</u>
Tax on (loss)/profit on ordinary activities	8	(85)	(1,961)
(Loss)/ Profit on ordinary activities after taxation		<u>(4,736)</u>	<u>1,927</u>
Minority interests	21	155	210
(Loss)/ Profit for the financial year	22	<u>(4,581)</u>	<u>2,137</u>


Turnover and operating profit derive wholly from continuing operations

The group has no recognised gains or losses for the current and prior year other than the results above and accordingly a separate statement of total recognised gains and losses has not been prepared

Bibby Distribution Services (Holdings) Limited
Consolidated Balance Sheet as at 31 December 2012

		2012	2011
	Note	£ 000	£ 000
Fixed assets			
Intangible assets	10	11,777	16,319
Tangible assets	11	22,432	26,355
		<u>34,209</u>	<u>42,674</u>
Current assets			
Stocks	13	1,091	1,072
Debtors	14	44,468	47,191
Cash at bank and in hand		2,077	1,555
		<u>47,636</u>	<u>49,818</u>
Creditors: Amounts falling due within one year	15	(52,394)	(39,293)
Net current (liabilities)/assets		<u>(4,758)</u>	<u>10,525</u>
Total assets less current liabilities		29,451	53,199
Creditors: Amounts falling due after more than one year	16	(5,961)	(25,344)
Provisions for liabilities	18	(4,625)	(3,185)
Net assets		<u>18,866</u>	<u>24,670</u>
Capital and reserves			
Called-up share capital	19	4,288	4,288
Profit and loss reserve	20	14,578	20,227
Shareholders' funds		<u>18,866</u>	<u>24,515</u>
Minority interests	21	-	155
Total capital employed		<u>18,866</u>	<u>24,670</u>

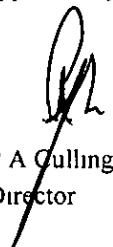
The consolidated financial statements of Bibby Distribution Services (Holdings) Limited, registered number 2005619, were approved by the board of directors and authorised for issue on 22 March 2013


P A Cullingford
Director

Bibby Distribution Services (Holdings) Limited
Company Balance Sheet as at 31 December 2012

		2012	2011
	Note	£ 000	£ 000
Fixed assets			
Investments	12	32,454	36,214
Creditors: Amounts falling due within one year	15	(29,268)	(30,241)
Net current liabilities		<u>(29,268)</u>	<u>(30,241)</u>
Total assets less current liabilities		3,186	5,973
 Creditors: Amounts falling due after more than one year			
year	16	<u>-</u>	<u>(987)</u>
Net assets		<u>3,186</u>	<u>4,986</u>
 Capital and reserves			
Called-up share capital	19	4,288	4,288
Profit and loss reserve	20	<u>(1,102)</u>	<u>698</u>
Equity shareholders' funds	22	<u>3,186</u>	<u>4,986</u>

The financial statements of Bibby Distribution Services (Holdings) Limited, registered number 2005619, were approved by the board of directors and authorised for issue on 22 March 2013


P A Cullingford
Director

Bibby Distribution Services (Holdings) Limited

Consolidated Cash Flow Statement for the Year Ended 31 December 2012

		2012	2011
	Note	£000	£000
Net cash from operating activities	25	8,288	1,620
Bank interest paid		(716)	(573)
Interest received		<u>-</u>	<u>2</u>
		(716)	(571)
Taxation			
Group relief paid		(815)	(1,409)
Corporation tax paid		<u>(1,000)</u>	<u>(263)</u>
		(1,815)	(1,672)
Capital Expenditure			
Purchase of tangible fixed assets		(2,202)	(7,740)
Proceeds from sale of tangible fixed assets		<u>1,275</u>	<u>1,001</u>
		(927)	(6,739)
Acquisitions and disposals			
Purchase of subsidiaries		-	(6,411)
Deferred consideration paid		(824)	(981)
Cash acquired with subsidiaries		<u>-</u>	<u>1,421</u>
		(824)	(5,971)
Equity dividends paid		(1,068)	(2,039)
Net inflow/(outflow) before financing		<u>2,938</u>	<u>(15,372)</u>
Financing			
Capital element of finance leases		(1,488)	(1,047)
Loans (repaid)/drawdown		(928)	19,443
Issue costs incurred on new loans		-	(46)
Government grant received		<u>-</u>	<u>417</u>
Increase in cash	26	<u>522</u>	<u>3,395</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

1. Accounting policies

The principal accounting policies are summarised below

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They have all been applied consistently throughout the year and the preceding year.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The acquisition method of accounting has been adopted. Under this method the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Its loss for the financial year was £732,000 (2011 - £1,209,000).

(b) Going concern

The Group's business activities, together with the factors likely to affect its future performance, are set out in the business review. After making enquiries as set out on page 3 of the Directors' Report, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(c) 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 Group to the customer.

(d) 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 less of estimated residual value of the asset.

The rates of depreciation are as follows -

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

Property disposals are recognised on legal completion or on exchange of an unconditional contract if earlier. Residual value is based on values prevailing at the date of acquisition.

(e) 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 to nil by equal annual instalments over a period between 5 and 10 years.

(f) Stocks

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

(g) Deferred taxation

Deferred tax 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. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gain and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

1. Accounting policies (continued)

(h) Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

(i) Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments in subsidiary undertakings are stated at cost less amounts written off.

(j) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even when payments are not made on such a basis.

(k) Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital payments outstanding.

Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

(l) Pensions

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 a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the Scheme in respect of the accounting period. Differences between the amounts charged to the profit and loss accounts and the payments made to the scheme are treated as assets or liabilities. The disclosures required by FRS 17 have been incorporated in note 28.

(m) Related party transactions

Under FRS 8 "Related Party Disclosures", the Company has taken advantage of the exemption not to disclose inter group related party transactions with other group companies where 100% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited. Transactions with group companies that are not 100% subsidiaries of the ultimate parent undertakings are disclosed in note 29.

(n) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(o) Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

(p) Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

(q) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or use derivative financial instruments for speculative purposes. Derivatives are not included at fair value in the financial statements but in accordance with the Companies Act 2006 the fair value is disclosed in note 17.

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

1. Accounting policies (continued)

(r) Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Long-term contract balances represents costs incurred on specific contracts, net of amounts transferred to costs of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value. Provision is made for the full amount of foreseeable losses on contracts. Income arising from settlement of contract claims is recorded when final negotiations have been completed and the amount of the settlement is considered to be collectable.

2. Turnover

All turnover is derived from the group's principal activities.

An analysis of turnover by geographical location is given below.

	2012	2011
	£ 000	£ 000
UK	244,831	242,374
European	10,043	5,272
	<u>254,874</u>	<u>247,646</u>

3. Other operating income

	2012	2011
	£ 000	£ 000
Rental income	-	47
Government grants amortisation	88	40
	<u>88</u>	<u>87</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

4. (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting)

	2012	2011
	£ 000	£ 000
Hire of plant and machinery -- operating leases	7,791	6,594
Hire of other assets -- operating leases	9,233	7,548
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	3	3
Fees payable to the Company's auditor of the company's subsidiaries annual accounts	59	59
Other services	-	60
Profit on disposal of fixed assets	(400)	(516)
Depreciation of tangible fixed assets -- owned	3,968	4,351
Depreciation of tangible fixed assets -- held under finance leases	1,282	1,154
Impairment of tangible fixed assets	-	535
Exceptional revenue written off	729	-
Exceptional costs	727	-
Amortisation of goodwill	2,710	2,467
Impairment of goodwill	<u>444</u>	<u>-</u>

Exceptional revenue and costs relate to losses in the Group's subsidiary company System Group arising from a restructuring and reorganisation of the business

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

5 Particulars of employees

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	2012	2011
	No	No.
Warehouse	639	643
Drivers and distribution	1,120	1,009
Managerial and administrative	794	945
	<u>2,553</u>	<u>2,597</u>

The aggregate payroll costs of these persons were as follows

	2012	2011
	£ 000	£ 000
Wages and salaries	66,148	65,582
Social security costs	6,405	6,466
Other pension costs (note 28)	843	704
	<u>73,396</u>	<u>72,752</u>

6 Directors' emoluments

The directors' emoluments for the year were as follows

	2012	2011
	£ 000	£ 000
Directors' remuneration (including benefits in kind)	692	782
Amounts receivable under long term incentive schemes	-	155
	<u>692</u>	<u>937</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £246,000 (2011 - £318,000)

The number of directors to whom retirement benefit was accruing under a defined benefit scheme during the year was 2 (2011 - 2), although this scheme was closed on 30 September 2011. Payments made to this scheme during the year equalled £nil (2011 - £41,716)

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

7 Interest payable and similar charges

	2012	2011
	£ 000	£ 000
Interest on receivable financing	507	249
Term loan interest	54	77
Other interest payable	5	16
Finance lease and hire purchase interest	150	231
Amortised issue costs on bank loans	19	19
	<u>735</u>	<u>592</u>

8 Taxation

	2012	2011
	£ 000	£ 000
Current tax		
Corporation tax (credit)/charge	(203)	1,730
Adjustment in respect of previous year	(38)	(8)
UK Corporation tax	<u>(241)</u>	<u>1,722</u>
Deferred tax		
Reversal of timing differences	326	239
Total deferred tax	<u>326</u>	<u>239</u>
Total tax on profit on ordinary activities	<u>85</u>	<u>1,961</u>

Factors affecting current year tax charge

The current tax assessed on the profit on ordinary activities for the year is higher than (2011 – higher than) the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)

The differences are reconciled below

	2012	2011
	£ 000	£ 000
Profit on ordinary activities before taxation	<u>(4,651)</u>	<u>3,888</u>
Standard rate corporation tax charge	(1,140)	1,030
Expenses not allowable for tax purposes	781	642
Adjustment in respect of previous year	(38)	(8)
Fixed asset timing differences	156	58
	<u>(241)</u>	<u>1,722</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

8 Taxation (continued)

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 24% with effect from 1 April 2012 and 23% with effect from 1 April 2013. Accordingly, deferred tax balances have been re-valued to the lower rate of 23% in these accounts which has resulted in a debit to the profit & loss account of £43,000.

The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014. As this legislation was not substantively enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets of the company were all to reverse after 1 April 2014, the effect of the future changes from 23% to 21% would be to reduce the net deferred tax asset by £86,000. To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax asset will be reduced.

9 Dividends on equity shares

	2012 £ 000	2011 £ 000
Equity dividends paid	1,068	2,039
25 pence per £1 share (2011 – 48 pence £1 per share)		

10 Intangible fixed assets

	Goodwill £ 000
Cost	
As at 1 January 2012	28,083
Decrease in fair value of deferred consideration	(1,387)
As at 31 December 2012	26,695
Amortisation	
As at 1 January 2012	11,764
Charge for the year	2,710
Impairment of goodwill	444
As at 31 December 2012	14,918
Net book value	
As at 31 December 2012	11,777
As at 31 December 2011	16,319

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

11 Tangible fixed assets
Group

	Freehold land and buildings	Short leasehold land and buildings	Vehicles and equipment	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
As at 1 January 2012	8,852	5,144	29,423	43,419
Additions	99	45	2,058	2,202
Disposals	-	-	(4,661)	(4,661)
As at 31 December 2012	<u>8,951</u>	<u>5,189</u>	<u>26,820</u>	<u>40,960</u>
Depreciation				
As at 1 January 2012	965	3,690	12,409	17,064
Charge for the year	284	202	4,764	5,250
Disposals	-	-	(3,786)	(3,786)
As at 31 December 2012	<u>1,249</u>	<u>3,892</u>	<u>13,387</u>	<u>18,528</u>
Net book value				
As at 31 December 2012	<u>7,702</u>	<u>1,297</u>	<u>13,433</u>	<u>22,432</u>
As at 31 December 2011	<u>7,887</u>	<u>1,454</u>	<u>17,014</u>	<u>26,355</u>
Net book value of leased assets included above:				
At 31 December 2012	<u>-</u>	<u>-</u>	<u>5,406</u>	<u>5,406</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>5,405</u>	<u>5,405</u>

Net book value of freehold land and buildings which is not depreciated is £3,043,153 (2011 - £2,987,953)

Included within the net book value of tangible fixed assets is £5,406,000 (2011 - £5,404,837) in respect of assets held under finance lease agreements. Depreciation for the year on these assets was £1,681,218 (2011-£1,153,617)

The Group has a £4,380,000 Term loan(2011-£4,939,000) which is secured against freehold land and buildings

There are no tangible fixed assets in the company

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

12 Investments held as fixed assets

The company has investments in the following subsidiary undertakings

Subsidiary undertaking		Principal activity	Class	%	Year ended
Bibby Distribution Limited	United Kingdom	Contract distribution, warehousing and transport	Ordinary	100	31 December
Bibby International Logistics Limited	United Kingdom	Warehouse rental	Ordinary	100	31 December
Direct Workforce Limited	United Kingdom	Recruitment and temporary worker agency	Ordinary	100	31 December
System Group Limited	United Kingdom	Training Services	Ordinary	76	31 December
Taygroup (UK) Holding Limited	United Kingdom	Distribution	Ordinary	100	31 March
Taylor of Martley (Holdings) Limited	United Kingdom	Distribution	Ordinary	100	31 December
Gullivers Transport Limited	United Kingdom	Distribution	Ordinary	100	31 December
Hargreaves Training Services Limited	United Kingdom	Training Services	Ordinary	76	31 December

Subsidiary undertakings

Company

**Total
£ 000**

At 1 January 2012	36,214
Impairment	(2,773)
Adjustment to deferred consideration	(987)
As at 31 December 2012	<u>32,454</u>

13 Stocks

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Consumables	<u>1,091</u>	<u>1,072</u>	<u>-</u>	<u>-</u>

There is no material difference between the balance sheet value of stock and its replacement cost

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

14 Debtors and deferred tax

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Trade debtors	38,000	37,774	-	-
Corporation Tax	447	-	-	-
Other debtors	1,885	642	-	-
Deferred tax	981	1,307	-	-
Prepayments and accrued income	3,115	7,277	-	-
Amounts owed by group undertakings	40	191	-	-
	<u>44,468</u>	<u>47,191</u>	<u>-</u>	<u>-</u>

The movement in the deferred tax asset in the year is as follows

	£ 000
Balance as at 1 January 2012	1,307
Amount charged to Profit & Loss in year (note 8)	(326)
Balance as at 31 December 2012	<u>981</u>

The deferred tax asset is made up as follows

	2012	2011
	£ 000	£ 000
Fixed asset timing differences	<u>841</u>	<u>1,307</u>

A deferred tax asset has been recognised based on the directors' estimate of the future profitability of the relevant group companies between 2013 and 2015. This indicates that the asset can reasonably be expected to be recovered over that timeframe.

15 Creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Bank loans and overdrafts	14,556	122	-	-
Obligations under finance leases and hire purchase contracts	1,490	2,201	-	-
Trade creditors	13,909	18,103	-	-
Deferred consideration	3,198	2,272	-	-
Amounts owed to group undertakings	-	160	29,268	30,241
Corporation tax	-	1,609	-	-
Taxation and social security	2,206	1,522	-	-
Other creditors	746	803	-	-
Accruals and deferred income	16,217	12,445	-	-
Government Grants	72	56	-	-
	<u>52,394</u>	<u>39,293</u>	<u>29,268</u>	<u>30,241</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Bank loans and overdrafts	3,932	19,294		
Obligations under finance leases and hire purchase contracts	1,657	2,434	-	-
Deferred consideration	-	3,137	-	987
Government grants	371	479	-	-
	<u>5,961</u>	<u>25,344</u>	<u>-</u>	<u>987</u>

17 Maturity of borrowings

a) The bank loans can be analysed as follows

	2012	2011
	£ 000	£ 000
Term loan	4,380	4,939
Receivable finance agreement	14,146	14,504
Less issue costs	<u>(38)</u>	<u>(27)</u>
	<u>18,488</u>	<u>19,416</u>

b) The term loan is repayable in quarterly intervals until October 2017. It is secured against freehold property. Interest on it has been fixed at an overall rate of 3.78%.

The receivables finance agreement has an interest rate that varies in line with Base Rate and is secured against the trade debtors of the Group. This agreement is in place until the 30th June 2013 and then converts to a rolling 3 month evergreen facility.

INTEREST RATE SWAP CONTRACT

The swap implicit in the loan at 31 December 2012 had a fair value of £282,484 liability (2011- £176,000 liability). The fair value was calculated based on mid-market values at 31 December 2012.

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

17 Maturity of borrowings (continued)

Vacant property provision

£ 000

Amounts repayable

	Bank loans	Obligations under finance leases and HP contracts	Total
	£ 000	£ 000	£ 000
As at 31 December 2012			
In one year or less on demand	14,556	1,490	16,046
Between one and two years	448	1,657	2,105
Between two and five years	3,484	-	3,484
	<u>18,488</u>	<u>3,147</u>	<u>21,635</u>
As at 31 December 2011			
In one year or less on demand	122	2,201	2,323
Between one and two years	15,900	2,434	18,334
Between two and five years	3,394	-	3,394
	<u>19,416</u>	<u>4,635</u>	<u>24,051</u>

18 Provisions for liabilities

Vacant property provision

£ 000

At 1 January 2012

3,185

Utilised during the year

(326)

Provided during the year

1,766

Balance as at 31 December 2012

4,625

It is estimated that these provisions will be substantially utilised in the period 2013-2015

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

19 Called-up share capital

	2012	2011
	£ 000	£ 000
Allotted, called-up and fully paid		
4,288,000 Ordinary shares of £1 each	<u>4,288</u>	<u>4,288</u>

20 Reserves

Group

	Profit and loss reserve
	£ 000
Balance at 1 January 2012	20,227
Transfer from profit and loss account for the year	(4,581)
Dividends	<u>(1,068)</u>
Balance at 31 December 2012	<u>14,578</u>

Company

	Profit and loss reserve
	£ 000
Balance at 1 January 2012	698
Transfer from profit and loss account for the year	(732)
Dividends	<u>(1,068)</u>
Balance at 31 December 2012	<u>(1,102)</u>

21 Equity minority interests

	2012	2011
	£ 000	£ 000
Balance at 1 January	155	365
Retained loss for the year	(155)	(210)
Balance at 31 December	<u>-</u>	<u>155</u>
	<u>-</u>	<u>155</u>

The directors are of the opinion that no further consideration is payable in respect of the minority interests

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

22 Reconciliation of movements in shareholders' funds

	Group		Company	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
(Loss)/profit attributable to members of the Company	(4,581)	2,137	(732)	1,209
Dividends paid	<u>(1,068)</u>	<u>(2,039)</u>	<u>(1,068)</u>	<u>(2,039)</u>
Net movement in shareholders' funds	(5,649)	98	(1,800)	(830)
Opening shareholders' funds	<u>24,515</u>	<u>24,417</u>	<u>4,986</u>	<u>5,816</u>
Closing shareholders' funds	<u>18,866</u>	<u>24,515</u>	<u>3,186</u>	<u>4,986</u>

23 Capital commitments

Expenditure contracted for but not provided in the financial statements

	2012	2011
	£ 000	£ 000
Capital commitments	<u>756</u>	<u>1,345</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

24 Operating lease commitments

Group

At the year end the group had annual commitments under non-cancellable operating leases which expire as follows

	Plant and Machinery And Motor Vehicles		Land and Buildings	
	2012	2011	2012	2011
	£ 000	£ 000	£ 000	£ 000
Within one year	293	1,491	2,448	994
Between two and five years	5,026	4,684	2,204	3,895
After five years	1,653	1,712	1,763	2,058
	<u>6,972</u>	<u>7,887</u>	<u>6,415</u>	<u>6,947</u>

25 Reconciliation of operating (loss)/profit to cash inflow from operating activities

	2012		2011
	£ 000	£ 000	£ 000
Operating (loss)/ profit		(3,916)	4,478
Depreciation		5,250	5,505
Impairment of fixed assets		-	535
Profit on sale of fixed assets		(400)	(516)
Amortisation of goodwill		2,710	2,467
Impairment of goodwill		444	-
Government grant amortisation		(88)	(40)
Movement in vacant property provision		1,440	486
Working capital movements			
Increase in stocks	(20)		(216)
Decrease/(increase) in debtors	2,844		(569)
Increase/(decrease) in creditors	<u>24</u>	<u>(10,510)</u>	
		<u>2,848</u>	<u>(11,295)</u>
Net cash inflow from operating activities		<u>8,288</u>	<u>1,620</u>

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012 (continued)

26 Reconciliation of net cash flow to movement in net debt

	2012 £ 000	2011 £ 000
Movement in cash in the year	522	1,974
Net cash balances acquired with subsidiaries	-	1,421
	<u>522</u>	<u>3,395</u>
Movement in lease financing and debt	2,416	(18,369)
Net debt acquired with subsidiaries	-	(1,691)
	<u>2,938</u>	<u>(16,665)</u>
Movement in net debt in year	(22,496)	(5,831)
Net debt at 1 January		
	<u>(22,496)</u>	<u>(5,831)</u>
Net debt at 31 December	(19,558)	(22,496)

27 Analysis of net debt

	1 January 2012 £ 000	Cash flows £ 000	At 31 Dec 2012 £ 000
Cash at bank and in hand	<u>1,555</u>	<u>522</u>	<u>2,077</u>
	1,555	522	2,077
Bank loans	(19,416)	928	(18,488)
Finance leases	(4,635)	1,488	(3,147)
Total	<u>(22,496)</u>	<u>2,938</u>	<u>(19,558)</u>

28 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 and to future accrual for existing members from 30 September 2011. The Group is unable to identify its share of the underlying assets and liabilities of the Scheme as a significant number of members who are deferred or pensioners within the Scheme relate to businesses that are no longer part of the Group. The contributions made by the Group over the financial year to this Scheme have been £nil (2011 - £261,591), equivalent to 0% (2011 - 18.4%) of pensionable pay.

Since 1 April 2000, the Group has participated in a defined contribution scheme for new employees, currently the Bibby Line Group Personal 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 £839,855 (2011 - £247,473).

The Group has also made contributions of £3,282 (2011 - £194,626) to private money purchase pension schemes.

Bibby Distribution Services (Holdings) Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

28 Pension costs (continued)

FRS17 Disclosures

As noted above and under accounting policies (see note 1) the Group participates in the Scheme. As part of the information disclosed under FRS17 in the ultimate holding company's accounts, a net deficit of £14,782,000 (2011 - £12,128,000) is noted. Further information on the Scheme can be found in the financial statements of the ultimate parent company.

29 Related Party Transactions

During the year Direct Workforce Limited made sales to System Group Limited a fellow subsidiary of Bibby Distribution Services (Holdings) Limited to the value of £48,114 (2011 £19,175). At the balance sheet date the amount owed by System Group Limited to Direct Workforce was £9,000. Bibby Distribution Limited made sales to System Group Limited to the value of £882,280 (2010 - £380,000). At the balance sheet date the amount owed by System Group to Bibby Distribution Limited was £6,545,000 (2011 - £2,711,000).

30 Post balance sheet events

No events have occurred since the year end which require reporting in the financial statements.

31 Ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Bibby Line Group Limited, the ultimate controlling party and 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.