

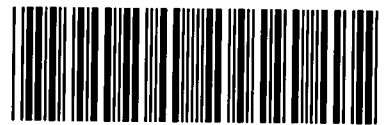
Registration number: 3805401

Bibby Distribution Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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Bibby Distribution Limited

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Bibby Distribution Limited

Company Information

| | |
|--------------------------|---|
| Directors | Richard James Morson Duncan Ashley Eyre Michael Peter Brown Jonathan Osborne Nigel Leonard Douglas Tullett Jacqueline Barker |
| Company secretary | Bibby Bros. & Co. (Management) Limited |
| Registered office | 105 Duke Street Liverpool L1 5JQ |
| Solicitors | Gordan Dadds LLP 26 Windsor Place Cardiff CF10 3BZ |
| Bankers | Lloyds Bank Plc Lisbon House Wellington Street Leeds LS1 4LT |
| Auditor | Deloitte LLP Chartered Accountants and Statutory Auditor Liverpool United Kingdom |

Bibby Distribution Limited

Strategic Report for the Year Ended 31 December 2016

The Directors present their strategic report for the year ended 31 December 2016.

Principal activity

The principal activity of the company is as a provider of logistics and warehousing services covering the entire supply chain from delivering raw materials into manufacturing plants to working alongside customers to manage their finished product storage and distribution. The business operates from over 90 locations with more than 1,800 staff and over 2,500 trucks and trailers. The business transports products ranging from fresh milk to car parts, coffee to cardboard, as well as bulk powders.

Review of the business

As shown on the profit and loss account on page 9, the Company's turnover has decreased by 12% from the prior year but the trading performance of the Company has improved from an operating loss of £4.3m to an operating profit of £2.3m.

This improvement was driven by the successful implementation of a comprehensive profit improvement plan commenced in late 2015 with substantial focus being placed on organizational right sizing, procurement, transport optimization through a singular transport management system, property cost and location and new contract wins.

The operating profit of £2.3m includes an exceptional benefit of £2.5m relating to a legal settlement.

The profit improvement plan continues into 2017, with increased focus on transport optimization, reduced variable transport costs and new contract wins awarded in late 2016.

The balance sheet on page 11 of the financial statements shows that the net assets of the Company increased by 3% at the year-end from £35.0m to £35.9m.

Note 17 on page 23 shows that the turnaround of the business has significantly reduced loans and borrowings at the year-end 2016 to £11.8m from £18.1m at the year-end 2015.

Future Developments

Following the restructure of the business in 2015/2016 the platform for further growth in both turnover and profit margins is well established, with positive new contract wins already awarded and a continuation of a culture of tight cost control as required in the logistics industry.

Other than the financial information and ratios used in these financial statements the Company does not have any key non-financial or financial performance indicators that the directors deem to be relevant for disclosure in these financial statements.

Bibby Distribution Limited

Strategic Report for the Year Ended 31 December 2016 (continued)

Principal risks and uncertainties

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

The Company 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 Company has a receivables finance agreement which is in place until 31st December 2018 and will then convert to a three month rolling evergreen facility. The directors are confident that this facility will continue until the end of the contract and have obtained confirmation from the bank that this is the case.

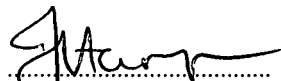
The Company meets its day to day working capital requirements by managing its debtors, creditors and bank facilities.

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 Company 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.

The Company has interest bearing liabilities including a Base Rate Interest Swap agreement covering £5 million of principal with a fixed interest of 4.03% margin. The interest rate swap contract matures in line with the expected maturity of the term loan it was taken out to hedge and is utilised to fix some of the exposure to interest rate fluctuations. At 31 December 2016 the fair value of the swap contract was a liability of £61k (2015 - £103k).

Approved by the Board on 31 March 2017 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

Bibby Distribution Limited

Directors' Report for the Year Ended 31 December 2016

The Directors present their annual report and the annual financial statements for the year ended 31 December 2016.

Directors of the Company

The directors who held office during the year and thereafter are as follows:

Richard James Morson

Duncan Ashley Eyre

Jonathan Haymer (resigned 4 May 2016)

Michael Peter Brown

Jonathan Osborne

Mark Joseph Lyons (appointed 4 May 2016 and resigned 12 September 2016)

Jacqueline Barker (appointed 12 September 2016)

The following director was appointed after the year end:

Nigel Leonard Douglas Tullett (appointed 1 February 2017)

Dividends

The directors recommend a final dividend payment of £714,000 be made in respect of the financial year ended 31 December 2016 (2015: nil). This dividend has not been recognised as a liability in the financial statements.

Financial risk management

Objectives and policies

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

Price risk, credit risk, liquidity risk and cash flow risk

The company has implemented policies that require appropriate credit checks on potential customers before new accounts are accepted. Where debt finance is utilised, this is subject to pre-approval by the board of directors.

The company actively maintains a mixture of long-term and short-term debt and lease finance that is designed to ensure that it has sufficient available funds for operations and planned expansions.

Employment of disabled persons

The Company is an equal opportunity employer which recognises and values the strength and contribution of a diverse workforce. The policy of the Company is to give full and fair consideration to applications for employment made by all people including disabled persons.

If any employee becomes disabled whilst employed by the 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.

Bibby Distribution Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

Employee involvement

The Company is committed to attracting, motivating and retaining high quality personnel. It is the companies' policy to train and develop each individual to maximise their contribution to the group's performance, whilst providing satisfying and fulfilling career opportunities. It is the companies' policy to promote the understanding and involvement of all employees in its business aims and performance. To do this, the company continually develops effective employee communication, consultation and involvement, including the regular publication of company magazines, company updates by e-mail and the use of a company intranet.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in note 2.

Directors' liabilities

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

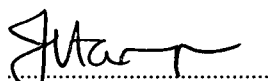
Disclosure of information to the auditor

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/she 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 confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 31 March 2017 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

Bibby Distribution Limited

Statement of Directors' Responsibilities

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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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 Company 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 that 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.

Bibby Distribution Limited

Independent Auditor's Report

We have audited the financial statements of Bibby Distribution Limited for the year ended 31 December 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and the related notes 1 to 25. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 Statement of Directors' Responsibilities (set out on page 6), 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 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 the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Bibby Distribution Limited

Independent Auditor's Report (continued)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Bsc, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP, Statutory Auditor

Liverpool
United Kingdom

Date: 31/3/17

Bibby Distribution Limited

Profit and Loss Account for the Year Ended 31 December 2016

| | Note | 2016 £ 000 | 2015 £ 000 |
|--|-------------|-----------------------|-----------------------|
| Turnover | 3 | 187,191 | 212,908 |
| Cost of sales | | <u>(159,966)</u> | <u>(184,988)</u> |
| Gross profit | | 27,225 | 27,920 |
| Administrative expenses | | (27,436) | (32,183) |
| Exceptional items | 5 | <u>2,485</u> | <u>-</u> |
| Operating profit/(loss) | 4 | 2,274 | (4,263) |
| Other interest receivable and similar income | 6 | 19 | 54 |
| Interest payable and similar charges | 7 | <u>(671)</u> | <u>(650)</u> |
| Profit/(loss) before tax | | 1,622 | (4,859) |
| Taxation | 11 | <u>(705)</u> | <u>804</u> |
| Profit/(loss) for the financial year | | <u><u>917</u></u> | <u><u>(4,055)</u></u> |

The above results were derived from continuing operations.

The company has no other comprehensive income or expense for the year other than the results above.

Bibby Distribution Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

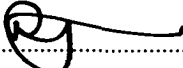
| | Note | 2016 £ 000 | 2015 £ 000 |
|--|-------------|-----------------------|-----------------------|
| Profit/(loss) for the year | | <u>917</u> | <u>(4,055)</u> |
| Total comprehensive expense for the year | | <u>917</u> | <u>(4,055)</u> |

The notes on pages 13 to 28 form an integral part of these financial statements.

Bibby Distribution Limited
(Registration number: 3805401)
Balance Sheet as at 31 December 2016

| | Note | 2016 £ 000 | 2015 £ 000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 12 | 5,251 | 6,591 |
| Tangible assets | 13 | <u>13,991</u> | <u>13,919</u> |
| | | <u>19,242</u> | <u>20,510</u> |
| Current assets | | | |
| Stocks | 14 | 699 | 884 |
| Debtors | 15 | 65,580 | 70,643 |
| Cash at bank and in hand | | <u>88</u> | <u>199</u> |
| | | 66,367 | 71,726 |
| Creditors: Amounts falling due within one year | 21 | <u>(35,007)</u> | <u>(36,278)</u> |
| Net current assets | | <u>31,360</u> | <u>35,448</u> |
| Total assets less current liabilities | | 50,602 | 55,958 |
| Creditors: Amounts falling due after more than one year | 21 | (11,772) | (18,088) |
| Provisions for liabilities | 19 | <u>(2,952)</u> | <u>(2,909)</u> |
| Net assets | | <u>35,878</u> | <u>34,961</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | - | - |
| Retained earnings | | <u>35,878</u> | <u>34,961</u> |
| Total equity | | <u>35,878</u> | <u>34,961</u> |

The financial statements of Bibby Distribution Limited, registered number 3805401, were approved by the Board and authorised for issue on 31 March 2017 and signed on its behalf by:



 Richard James Morson
 Director

Bibby Distribution Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------|--------------------------------|--|------------------------|
| At 1 January 2015 | - | 39,016 | 39,016 |
| Loss for the year | - | (4,055) | (4,055) |
| Total comprehensive income | - | (4,055) | (4,055) |
| At 31 December 2015 | - | 34,961 | 34,961 |
| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
| At 1 January 2016 | - | 34,961 | 34,961 |
| Profit for the year | - | 917 | 917 |
| Total comprehensive income | - | 917 | 917 |
| At 31 December 2016 | - | 35,878 | 35,878 |

The notes on pages 13 to 28 form an integral part of these financial statements.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated in United Kingdom.

The address of its registered office is:

105 Duke Street

Liverpool

L1 5JQ

The company is controlled by Bibby Supply Chain Services Limited. The company is a wholly owned subsidiary undertaking of Bibby Supply Chain Services Limited which is a wholly owned subsidiary of Bibby Line Group Limited all of which are registered in England at 105 Duke Street, Liverpool, L1 5JQ.

Bibby Line Group Limited is the parent undertaking of the largest group which consolidates these accounts and of which the company is a member.

Bibby Supply Chain Services Limited is the parent undertaking of the smallest group which consolidates these accounts and of which the Company is a member.

The ultimate controlling party is disclosed in the financial statements of Bibby Line Group Limited. Copies of the Group financial statements may be obtained from Bibby Line Group Limited, 105 Duke Street, Liverpool, L1 5JQ (www.bibbylinegroup.co.uk).

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the available exemptions to not disclose:

- A statement of cash flows;
- Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated;
- Key management personnel compensation;
- Fixed asset comparatives.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect the Company's development, performance and position are set out in the Fair review of business. The company has financial resources together with long term contracts with a number of customers and suppliers across different industries. As a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Company meets its day to day working capital requirements by managing its debtors and creditors. The directors have considered the Company's forecasts, taking into account reasonably possible changes in its trading performance and any uncertainties. These show that the Company should be able to operate within its current facilities.

After making enquiries and considering forecasts no less than 12 months from the date of signing the financial statements the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

Key Accounting Judgements

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors deem that the main area of judgement for the Company is that of revenue recognition. In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services set out in FRS 102 Section 23 Revenue and, in particular, whether the Company has transferred to the customer the significant risks and rewards of the service undertaken. The directors are satisfied that the significant risks and rewards have been transferred at the time that revenue is recorded in these financial statements and that recognition of the revenue in the current year is appropriate.

Key sources of estimation uncertainty

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value. The carrying amount is £5,251k (2015 -£6,591k).

Determining whether the carrying value of provisions is sufficient to cover the future obligations of the company is a further area of estimation. The company has in place vacant property provisions and dilapidation provisions for leased buildings where there is a future obligation to bring the property back to its original state, less fair wear and tear, or where the company has a current lease obligation but the property is not being utilised. The value in use calculation requires the entity to estimate the future cash flows needed to settle these obligations and build up sufficient provisions to cover the liabilities as they fall due. The carrying amount is £2,952k (2015 -£2,909k).

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities excluding value added tax. Turnover is recognised at the time the relevant services are provided by the business to its customer. All turnover relates to continuing operations.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

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 company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Tangible assets

Fixed assets are stated in the balance sheet at cost less depreciation provided to date.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|----------------------------------|--|
| Freehold Land | Nil |
| Freehold Buildings | The expected useful life of the asset up to 50 years |
| Short leasehold land & buildings | Life of the lease |
| Vehicles & equipment | Varying rates from 5% to 25% |
| Assets under construction | Nil |

Goodwill

Goodwill arising on the purchase of a business 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 between 5 and 10 years.

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Trade debtors

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at their transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision from impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

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

Trade creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

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

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and 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 repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments included within creditors. finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

The company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or use derivative financial instruments for speculative purposes. The derivatives are included at fair value in the balance sheet with the movement in the fair value being recognised in administrative expenses in the period to which it relates.

3 Turnover

The analysis of the company's turnover for the year by market is as follows:

| | 2016 £ 000 | 2015 £ 000 |
|--------|----------------|----------------|
| UK | 182,954 | 206,887 |
| Europe | 4,237 | 6,021 |
| | <u>187,191</u> | <u>212,908</u> |

4 Operating profit / (loss)

Arrived at after charging/(crediting)

| | 2016 £ 000 | 2015 £ 000 |
|--|---------------|---------------|
| Operating lease expense - plant and machinery | 8,164 | 6,173 |
| Loss/(profit) on disposal of property, plant and equipment | 18 | (1,107) |
| Amortisation expense | 1,340 | 1,342 |
| Operating lease expense - property | 8,327 | 6,903 |
| Depreciation of owned assets | 1,778 | 2,058 |
| Depreciation of assets held under finance lease contracts | 1,223 | 1,474 |

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

5 Exceptional items

| | 2016 £ 000 |
|-------------------------|---------------|
| Legal settlement income | <u>2,485</u> |

The legal settlement relates to one off compensation received in relation to a historic contractual relationship.

6 Other interest receivable and similar income

| | 2016 £ 000 | 2015 £ 000 |
|---------------------------|---------------|---------------|
| Other interest receivable | <u>19</u> | <u>54</u> |

7 Interest payable and similar charges

| | 2016 £ 000 | 2015 £ 000 |
|-------------------------------------|---------------|---------------|
| Interest on bank borrowings | 576 | 549 |
| Interest on other loans | 75 | 81 |
| Amortised issue costs on bank loans | <u>20</u> | <u>20</u> |
| | <u>671</u> | <u>650</u> |

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2016 £ 000 | 2015 £ 000 |
|--|---------------|---------------|
| Wages and salaries | 53,809 | 60,911 |
| Social security costs | 5,064 | 5,818 |
| Pension costs, defined contribution scheme | <u>792</u> | <u>867</u> |
| | <u>59,665</u> | <u>67,596</u> |

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

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

8 Staff costs (continued)

| | 2016 No. | 2015 No. |
|-------------------------------|---------------------|---------------------|
| Warehouse | 427 | 567 |
| Drivers and distribution | 855 | 944 |
| Managerial and administration | 554 | 603 |
| | <u>1,836</u> | <u>2,114</u> |

9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2016 £ 000 | 2015 £ 000 |
|--|-----------------------|-----------------------|
| Remuneration | 382 | 602 |
| Contributions paid to money purchase pension schemes | 28 | 40 |
| Compensation for loss of office | - | 435 |
| | <u>410</u> | <u>1,077</u> |

In respect of the highest paid director:

| | 2016 £ 000 | 2015 £ 000 |
|---|-----------------------|-----------------------|
| Remuneration | 193 | 214 |
| Company contributions to money purchase pension schemes | 14 | 15 |
| Compensation for loss of office | - | 193 |

10 Auditor remuneration

| | 2016 £ 000 | 2015 £ 000 |
|-----------------------------------|-----------------------|-----------------------|
| Audit of the financial statements | <u>40</u> | <u>40</u> |

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

11 Taxation

Tax charged/(credited) to the profit and loss account

| | 2016 £ 000 | 2015 £ 000 |
|--|-------------------|---------------------|
| Current taxation | | |
| Corporation tax (credit)/charge | 591 | (767) |
| UK corporation tax adjustment to prior periods | <u>(4)</u> | <u>(54)</u> |
| | <u>587</u> | <u>(821)</u> |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | 85 | (41) |
| Arising from changes in tax rates and laws | 102 | - |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | <u>(69)</u> | <u>58</u> |
| Total deferred taxation | <u>118</u> | <u>17</u> |
| Tax charge/(credit) in the income statement | <u><u>705</u></u> | <u><u>(804)</u></u> |

The tax on profit/(loss) before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

| | 2016 £ 000 | 2015 £ 000 |
|--|-------------------|---------------------|
| Profit/(loss) before tax | <u>1,622</u> | <u>(4,859)</u> |
| Corporation tax at standard rate | 324 | (984) |
| Effect of expense not deductible in determining taxable loss | 368 | 168 |
| Deferred tax expense (credit) relating to changes in tax rates or laws | 87 | - |
| Increase (decrease) in UK and foreign current tax from unrecognised temporary difference from a prior period | <u>(74)</u> | <u>12</u> |
| Total tax charge/(credit) | <u><u>705</u></u> | <u><u>(804)</u></u> |

Deferred tax

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

| | 2016 £ 000 | 2015 £ 000 |
|---|-------------------|-------------------|
| As 1 January | 899 | 916 |
| Deferred tax charged to the P&L account | <u>(118)</u> | <u>(17)</u> |
| At 31 December | <u><u>781</u></u> | <u><u>899</u></u> |

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

12 Intangible assets

| | Goodwill £ 000 |
|--------------------------|---------------------------|
| Cost or valuation | |
| At 1 January 2016 | <u>14,504</u> |
| At 31 December 2016 | <u>14,504</u> |
| Amortisation | |
| At 1 January 2016 | 7,913 |
| Amortisation charge | <u>1,340</u> |
| At 31 December 2016 | <u>9,253</u> |
| Carrying amount | |
| At 31 December 2016 | <u><u>5,251</u></u> |
| At 31 December 2015 | <u><u>6,591</u></u> |

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

13 Tangible assets

| | Land and buildings £ 000 | Vehicles & equipment £ 000 | Assets under construction £ 000 | Total £ 000 |
|--------------------------|--------------------------------|----------------------------------|---------------------------------------|----------------|
| Cost or valuation | | | | |
| At 1 January 2016 | 6,938 | 14,953 | - | 21,891 |
| Additions | 228 | 2,854 | 286 | 3,368 |
| Disposals | (451) | (3,913) | - | (4,364) |
| At 31 December 2016 | <u>6,715</u> | <u>13,894</u> | <u>286</u> | <u>20,895</u> |
| Depreciation | | | | |
| At 1 January 2016 | 2,954 | 5,018 | - | 7,972 |
| Charge for the year | 277 | 2,724 | - | 3,001 |
| Eliminated on disposal | (429) | (3,640) | - | (4,069) |
| At 31 December 2016 | <u>2,802</u> | <u>4,102</u> | <u>-</u> | <u>6,904</u> |
| Carrying amount | | | | |
| At 31 December 2016 | <u>3,913</u> | <u>9,792</u> | <u>286</u> | <u>13,991</u> |
| At 31 December 2015 | <u>3,984</u> | <u>9,935</u> | <u>-</u> | <u>13,919</u> |

The value of land held at the end of the year that is not depreciated is £706k (2015: £706k)

Leased assets

Included within the net book value of tangible fixed assets is £7,351k (2015: £5,757k) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £1,223k (2015: £1,474k).

14 Stocks

| | 2016 £ 000 | 2015 £ 000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | <u>699</u> | <u>884</u> |

The directors considered that there is no material difference between cost held on the balance sheet and replacement cost.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

15 Debtors

| | 2016 £ 000 | 2015 £ 000 |
|---------------------------------------|---------------|---------------|
| Trade debtors | 32,189 | 35,950 |
| Amounts owed by group undertakings | 29,349 | 29,601 |
| Other debtors | 195 | 347 |
| Prepayments | 3,066 | 3,066 |
| Deferred tax assets | 781 | 899 |
| Intercompany tax debtor | - | 780 |
| Total current trade and other debtors | <u>65,580</u> | <u>70,643</u> |

16 Share capital

Allotted, called up and fully paid shares

| | 2016 | | 2015 | |
|----------------------------|----------|----------|----------|----------|
| | No. | £ | No. | £ |
| Ordinary Shares of £1 each | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |

17 Loans and borrowings

| | 2016 £ 000 | 2015 £ 000 |
|---|-----------------------|-----------------------|
| Non-current loans and borrowings | | |
| Bank borrowings | 8,775 | 14,446 |
| Finance lease liabilities | <u>2,997</u> | <u>3,642</u> |
| | <u>11,772</u> | <u>18,088</u> |
| | 2016 £ 000 | 2015 £ 000 |
| Current loans and borrowings | | |
| Bank borrowings | 938 | 449 |
| Finance lease liabilities | <u>1,543</u> | <u>1,446</u> |
| | <u>2,481</u> | <u>1,895</u> |

The bank loans can be analysed as follows:

| | 2016 £ 000 | 2015 £ 000 |
|------------------------------|---------------|---------------|
| Term loan | 938 | 1,387 |
| Receivable finance agreement | <u>8,775</u> | <u>13,508</u> |
| | <u>9,713</u> | <u>14,895</u> |

Bank loans are repayable as follows:

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

17 Loans and borrowings (continued)

| | 2016 £ 000 | 2015 £ 000 |
|-----------------------------|---------------|---------------|
| On demand or within on year | 938 | 449 |
| Between one and two years | - | 938 |
| Between two and five years | 8,775 | 13,508 |
| | <u>9,713</u> | <u>14,895</u> |

The term loan has a fixed rate of interest of 4.03% and was taken out in 2011. It is repayable in quarterly instalments starting on October 2012 and is secured against freehold property. The receivable finance agreement has an interest rate that varies with base rate and is secured against the trade debtors of the Company. This agreement was renewed on 31 December 2015 for a minimum term of 3 years.

The term loan is secured against one of the companies freehold properties (£938k - 2016, £1,388k - 2015).

Interest rate swap contract

The Company has an interest rate swap contract on the term loan which matures on 1 August 2017 in line with the expected maturity of the term loan. At 31 December 2016 the contract had a fair value of £61k liability (2015: £103k liability). The fair value was calculated based on mid-market values at 31 December each year end. The swap was taken out in order to manage exposure to interest rate movements on the term loan.

18 Obligations under finance leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

| | 2016 £ 000 | 2015 £ 000 |
|---|---------------|---------------|
| Not later than one year | 1,543 | 1,446 |
| Later than one year and not later than five years | 2,928 | 3,607 |
| Later than five years | 69 | 35 |
| | <u>4,540</u> | <u>5,088</u> |

Operating leases

As at 31 December 2016 the company had total future minimum lease payments under non-cancellable operating leases as follows:

| Land and buildings | 2016 £ 000 | 2015 £ 000 |
|---------------------------|---------------|---------------|
| Within one year | 7,655 | 5,833 |
| Within two and five years | 23,372 | 15,539 |
| Over five years | 18,551 | 10,207 |
| | <u>49,578</u> | <u>31,579</u> |

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

18 Obligations under finance leases and hire purchase contracts (continued)

| Other | 2016 £ 000 | 2015 £ 000 |
|---------------------------|---------------|---------------|
| Within one year | 7,684 | 5,527 |
| Within two and five years | 8,066 | 9,556 |
| Over five years | 518 | 764 |
| | <u>16,268</u> | <u>15,847</u> |

19 Provisions

| | Vacant property and dilapidations provision £ 000 |
|--|---|
| At 1 January 2016 | 2,909 |
| Increase (decrease) in existing provisions | 378 |
| Provisions used | <u>(335)</u> |
| At 31 December 2016 | <u>2,952</u> |

£1,840k of the amount provided is due to be paid during the next 12 months (2015: £1,732k), the remainder will be paid by 2020.

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £792k (2015 - £867k).

Contributions totalling £Nil (2015 - £Nil) were payable to the scheme at the end of the year.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

20 Pension and other schemes (continued)

Defined benefit pension schemes

Bibby Line Group Pension Scheme

The Company 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 by an insurance company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme as a significant number of its members who are deferred or pensioners within the scheme relate to businesses that are no longer part of the group. The scheme was closed to new entrants from 1 April 2000 and was closed to future accrual on 30 September 2011. The contributions made by the Company over the financial year to this scheme have been £nil (2015: £nil).

As at 31 December 2016 there were no outstanding balances payable relating to any of the Company pension schemes.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

21 Creditors

| | Note | 2016 £ 000 | 2015 £ 000 |
|------------------------------------|------|---------------|---------------|
| Due within one year | | | |
| Bank loans and overdrafts | 17 | 938 | 449 |
| Trade creditors | | 13,551 | 13,153 |
| Amounts owed to group undertakings | | 392 | 756 |
| Finance lease liabilities | | 1,543 | 1,446 |
| Intercompany tax creditor | | 372 | - |
| Social security and other taxes | | 2,525 | 2,925 |
| Other creditors | | 941 | 1,498 |
| Accrued expenses | | <u>14,745</u> | <u>16,051</u> |
| | | <u>35,007</u> | <u>36,278</u> |
| Due after one year | | | |
| Bank loans and debt facilities | 17 | <u>11,772</u> | <u>18,088</u> |

22 Dividends paid

The directors are proposing a final dividend of 16.65p (2015 - £Nil) per share totalling £714,000 (2015 - Nil).

23 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,413k (2015 - £1,033k).

24 Related party transactions

The Company has taken advantage of the exemption in FRS102 Section 33 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group controlled by the parent undertaking.

Bibby Distribution Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

25 Parent and ultimate parent undertaking

The company's immediate parent is Bibby Supply Chain Services Limited, incorporated in United Kingdom.

The ultimate parent is Bibby Line Group Limited, incorporated in United Kingdom.

The ultimate controlling party is disclosed in the financial statements of Bibby Line Group Limited. Copies of the Group financial statements may be obtained from Bibby Line Group Limited, 105 Duke Street, Liverpool, L1 5JQ (www.bibbylinegroup.co.uk).