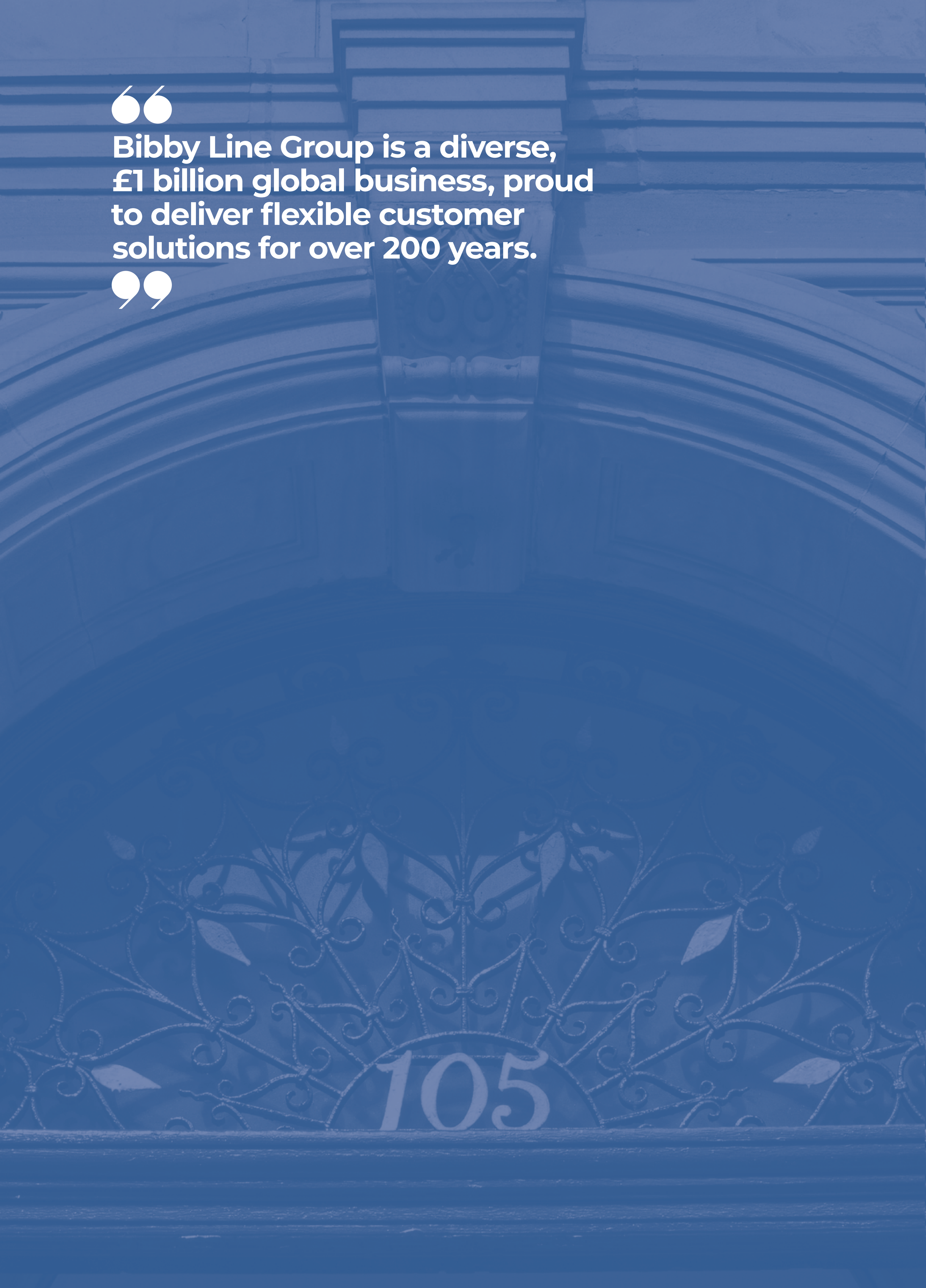
Bibby Line Group Limited Annual Report and Financial Statements 2017



"Bibby Line Group is a diverse, £1 billion global business, proud to deliver flexible customer solutions for over 200 years."

Our Values

People are the most important part of our business; we deliver on our objectives by **living our values**. This means each of us, at all times, strives to:

Work together

We understand the common long-term goals across our businesses, customers, suppliers and people and we work towards them as a team

Be better

We challenge ourselves to be the best, finding new ways to improve everything we do today

Trust each other

We trust and empower our people to deliver the right outcomes for our customers and our business

Be innovative

We do everything possible to look ahead, to anticipate customer needs and deliver innovative solutions

Do the right thing

At all times we do the right thing, providing a quality and safe service, acting responsibly for our people, customers and the communities in which we work

Living our Values enables us to deliver **excellent customer service**. We give our people the right environment, role and tools to deliver excellence and quality in everything we do.

P19

Bibby Financial Services have highly engaged, motivated people providing a positive experience to our clients

P23

Bibby Distribution
2017 has seen operational performance turn around, resulting in greater efficiency and an improved customer experience across the business

P27

Costcutter focused its efforts on supplying the right product range at competitive prices with strong promotional offers to retailers, while providing a frequent and flexible delivery service

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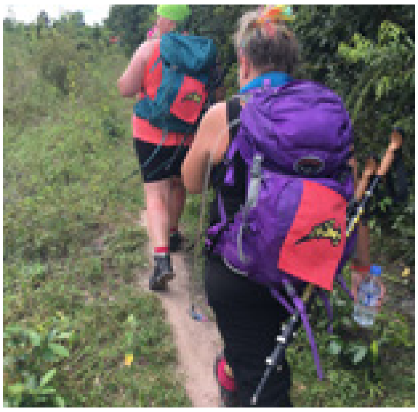
Bibby Marine
Bibby WaveMaster 1 was delivered in September 2017 on schedule and within budget

P35

Garic had a strong year driven by increased penetration of the company's core road, rail and infrastructure contractor markets



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The Giving Something Back Programme
has donated over £9.7 million to good causes since 2007

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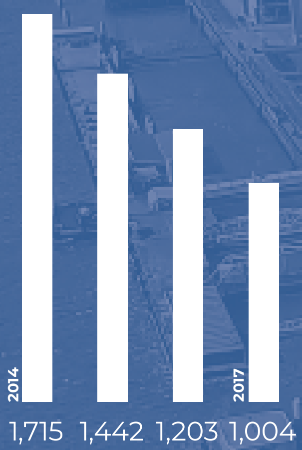
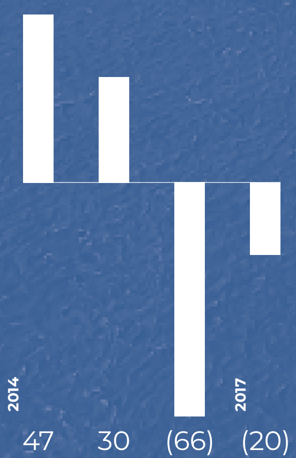
Chairman's Statement 2017

KPIs at a glance

Turnover (£ million)



Profit/(loss) before tax (£ million)



Capital investment (£ million)

£370,000

of charitable giving

Chairman's Statement 2017

Key developments

Trading conditions during 2017 were among the most challenging in the Group's two hundred-plus year history.

Our Offshore business continued to sustain losses in the wake of a prolonged downturn in investment in the oil and gas industries, and in November 2017 the group committed to a recapitalisation process which resulted in the effective transfer of control of the business. The business was deconsolidated at this point and its results and an accounting gain on disposal have been presented separately in the financial statements as discontinued operations.

Also in November 2017, Palmer and Harvey, the principal supplier to the retail arm of the Group, Costcutter, went into administration bringing supplies to our retailers to an immediate halt. Emergency supply arrangements were put in place covering the period from late 2017 into the early part of 2018, pending the enactment of a new, long term, supply arrangement with the Co-op on 8 May 2018. Trading performance suffered during this intervening period and is now recovering.

In August 2018 we entered into a settlement agreement with the administrator of Palmer and Harvey. Certain amounts due to Costcutter under the supply arrangement with Palmer and Harvey were waived as part of the settlement agreement. The subsequent write-down in the receivables balance has been reflected as an exceptional charge in the income statement.

We look forward with optimism to a successful and profitable partnership with the Co-op with a fully enacted supply deal in place. In assessing the value in use of the business we have taken into account recent trading performance and uncertainty within the retail sector in particular and the wider economy in general. Accordingly, the goodwill balance in Costcutter has been impaired during the year with the charge also being reflected as an exceptional item in the income statement.

Bibby Line, our shipping business, suffered the loss of one of its dry bulk vessels, the MV Cheshire, following the catastrophic effects from a chemical decomposition of a cargo of fertiliser. Well-established emergency procedures were followed by our team and there were no injuries to crew members and no environmental damage was incurred. The loss was fully covered by insurance proceeds. The write-off of the carrying value of the vessel and the proceeds from the insurance claim have both been reflected within exceptional items in the income statement.

Despite these challenges we are pleased to report continued growth and investment in our Financial Service business which continued to strengthen its funding and liquidity position and expanded its international presence across Europe, Asia and North America.

We also continued to invest for the future in our businesses with the introduction of Wavemaster 1 which was delivered on time and budget in Marine during 2017 and a commitment to build Wavemaster 2. Garic, our plant hire business, is performing strongly and we continue to invest in new fleet capacity to support growing demand within UK road and rail infrastructure projects.

All these developments had a material impact on the 2017 results.

Financial Results

As expected, 2017 was another challenging year for Bibby Line Group. We are committed to our strategic objectives and our focus remains on improving performance across our portfolio, investing in our businesses and people, developing our products, and on seizing new market opportunities. In 2017, the Group achieved a loss before tax of £20.0 million, a significant improvement from 2016 when the Group incurred a loss before tax of £65.6 million. Divestment of a number of businesses in 2016 and early 2017 contributed to a reduced turnover for the Group.

Corporate Transactions

In May 2017 GreenAcres – our woodland burial business – was sold to independent investors, enabling the business to develop under new owners. In January 2018 we exited the Bibby Offshore business, having committed to a recapitalisation of the business and agreement to transfer the shares to the Group's note holders in November 2017. Following completion, £50m of equity was injected, helping put the Offshore business in a great position to consolidate and expand its operations. In April 2018, we took advantage of an offer from pooling logistics specialists Contraload to dispose of our logistics pooling subsidiary PLS, with the timber manufacturing operations moving over to Bibby Distribution.

Bibby Line Group Board

The board and I are delighted that John Cresswell joined us as CEO on 1 June 2018, replacing Sir Michael Bibby as Managing Director. In July 2018 Gaurav Batra stepped down from his role as BLG Strategy Director. This followed Mike Brown stepping down from his role as BLG Portfolio Director in January 2018.

Corporate Social Responsibility

Our 'Giving Something Back' programme continues to be a source of immense pride within the company, with our colleagues across the globe making a huge difference to their local communities through their volunteering and fundraising. Together with our employees in 2017, £270,000 was donated to charity through the GSB programme (plus an additional £100,000 of corporate donations), bringing the total since the programme was launched in 2007 to over £9.7 million. In 2017 employees from across six divisions took part in two challenge events; a 26-mile trek along the South Downs Way, and a 90km trek through Cambodia – raising just under £40,000 for charity between them – an amazing achievement.

2017 also marked the 10th anniversary of the programme, with a special awards lunch celebrating our inspirational colleagues' achievements.

Bibby Line Group Values

There is no doubt that 2017 was a momentous year, with some difficult challenges for our businesses and our colleagues. Against this background I have been really impressed by the continued passion and commitment of our employees I have met in whichever part of the business they work. The Bibby values have never been so important. I see them embedded in our ways of working, with our people demonstrating them on a daily basis to offer personal, responsive and flexible customer solutions across our different markets.

A Family Business

During turbulent times it is worth remembering that Bibby Line Group has benefited from being a family business for over 200 years, bringing stability and a long-term perspective to the company. Although John Cresswell has taken over the leadership as CEO of Bibby Line Group, the family remain very close to the organisation. Sir Michael Bibby will join Geoffrey Bibby as a non-executive board member on the main Group board. During 2017 members of the 7th generation of the Bibby family spent time at Bibby Line Group head office gaining work experience, meeting the team and understanding how the business works.

Business Risks

In 2017 the world continued to experience historic shifts in the economy, technology, trade and politics. As with 2016, the predominant theme of the year remained uncertainty; uncertainty in relationships between global powers; uncertainty on how Brexit will play out; and uncertainty even closer to home in the specific markets and sectors we operate in. The weak pound has encouraged exports but made goods and services more expensive to import. We will continue to assess and try to mitigate the impact of leaving the EU single market on our businesses as negotiations progress, including the impact on access to international labour, customs and tariffs in moving our vessels, goods and people across borders, and 'passporting' in financial services. The knock on effects of trading relationships between global powers including USA-China trade wars, and tariffs on steel from UK, Europe and Canada will require close monitoring.

Close attention will need to be given to the retail sector. The UK has experienced significant changes to the retail sector and in consumer shopping habits in recent years, and further strategic consolidation between companies is likely. Our focus for 2018 is ensuring that the new wholesale partnership with Co-op is a success. With this in mind our robust approach to risk management using our three lines of defence model remains central to the way we manage all aspects of our business.

People

On behalf of the Board I would like to express our thanks and appreciation to Sir Michael Bibby for over 25 years service including 18 as Managing Director. He has developed a diverse enterprise with Bibby values embodied across the Group best exemplified by the very successful 'Giving Something Back' programme. We are delighted that he will continue as a Board member.

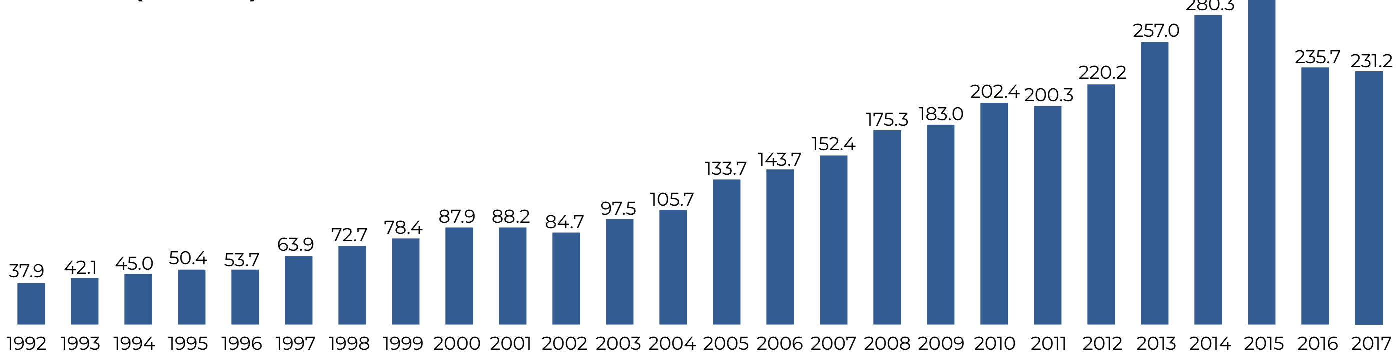
I would also like to take the opportunity to thank all our employees for the very hard work and commitment to Bibby Line Group, our customers and our local communities.

Outlook

Bibby Line Group Limited is a 6th Generation family business with a strong heritage and a long term commitment to remain a proud customer focused global family business. The past few years have been challenging and market conditions for some of our businesses remain volatile. The significant actions taken on portfolio, structure and commercial arrangements provide an improving platform for future growth. We will continue to be prudent in managing cash, costs and risks and prepared to take advantage of market opportunities as they arise.

Paul Drechsler CBE
Chairman

Net assets (£ million)



Strategy and Operations

Corporate Strategy Objectives

> The Group aims for a 'Target Portfolio' of businesses, which deliver wealth preservation, earnings, and growth in order to meet our objective of building long-term shareholder value.

Bibby Line Group Limited is the parent company of a group of trading businesses. The Group is 90.0% owned by the Bibby family, principally through family trusts, and these corporate strategic objectives have been set by the board in consultation with them.

The nature of the shareholding enables the Group to take a long-term view of its trading businesses and provides the rationale for the diversification within the portfolio.

The Group's corporate governance approach to managing the trading businesses in line with these objectives is set out in the governance section of this report.

Target portfolio

The Group aims for a 'Target Portfolio' of businesses within the Group. The Target Portfolio should deliver wealth preservation, earnings, and growth in order to meet the Group's objective of building long-term shareholder value within acceptable risk parameters. The Group aims to maintain a diversified portfolio of businesses providing multiple, uncorrelated, sources of earnings. It should also avoid excessive exposures to individual risks to provide security against downturns in any particular market or sector.

The directors consider that the Group can take patient, long-term decisions and tolerate earnings volatility in pursuit of maximum lifetime value creation. The business model for Bibby Line Group is to maintain a portfolio of businesses which provide dividend income to the holding company from which a consistent dividend is paid to shareholders, leaving a significant portion of profits and cash available for reinvestment in the businesses in pursuit of the Group's corporate strategic objectives.

The Corporate Strategic Objectives are:

1. To maximise the long-term value of shareholders' funds by achieving a compound growth rate in shareholders' funds over a seven year cycle of not less than 12%.
2. To keep a business portfolio capable of generating recurring earnings and a dividend flow to the holding company to provide security against cyclical downturns in any particular market.
3. To attract, motivate and retain high quality personnel.
4. To maintain our excellent reputation for high quality, integrity and safety of operations.
5. To be aware of the impact on society of our operations and to continually improve the environment for all.
6. To continually strive for excellence in our service to customers through our flexible, personal and responsive approach.
7. To ensure Bibby Line Group values flow through the company and its individual businesses in order to protect and nurture the Group's reputation as a diverse and forward looking family business.

Chief Executive's Review

This is my first report as Chief Executive of the business having succeeded Sir Michael Bibby on 1 June 2018. The Group has been through a difficult last three years but in 2017 returned to an Operating Profit of £0.2m[1] (2016: £6.1m loss) on Continuing Operations. I am looking forward to leading the business through the next phase of its growth.

2017

Bibby Marine took delivery of Bibby WaveMaster 1 in August and the vessel has been safely and efficiently transporting workers to offshore windfarms using its innovative 'Walk to Work' technology. This is a new, fast expanding marine niche market which could grow into a major arm of the business. The vessel recently won the OSJ Offshore renewable award for the 'Project that has made a significant difference in the Offshore Renewables market'.

Within Bibby Distribution, the leadership team have been systematically improving infrastructure, including its transport management system. The team were also recognised with prestigious awards including two Gold Awards from the Royal Society for the Prevention of Accidents, and an International Safety Award from the British Safety Council.

Throughout the year Financial Services continued to grow its scale and profitability, and at the end of 2017 was supporting more than 10,000 business customers worldwide to grow and evolve with an overall client satisfaction of 93% and an impressive Net Promoter Score of +36. The team also recently celebrated another top 50 placement in the Sunday Times Top 100 Companies list.

Garic, the Group's plant hire business, continued to grow its network around the UK based on solid demand in the road and rail infrastructure sector, working closely with customers to launch a series of new and innovative products to meet changing demands.

The sale of GreenAcres – the woodland burial business was completed during the year and in 2018 PLS was sold.

Very difficult trading conditions for Offshore continued in 2017, and towards the end of the year the Group negotiated a deal with the bondholders to recapitalise the business and transfer it to new owners. On completion, bondholders injected £50 million into the business helping put Bibby Offshore in a good position to consolidate and expand its operations, while protecting suppliers and employees. A gain of £114.6m on deconsolidation of the business (effectively writing back the previous trading losses) has been recognised in the profit and loss account, shown within exceptional items.

Just as dry bulk shipping markets started to improve, while on passage from Norway to Thailand, a cargo of fertiliser decomposed on board MV Cheshire leading to explosions in the hold. The crew reacted quickly and calmly, following well practised emergency procedures and as a result, no crew were injured nor environmental damage incurred. Since the incident we have worked together with the insurers, lawyers and technical manager to quickly assess the damage, declare the vessel a Constructive Total Loss and arrange for it to be scrapped in Turkey in line with environmental best practices.

In November Palmer and Harvey – the main supplier to the Costcutter shops – went into administration, stopping all deliveries to 1,776 stores in the run-up to Christmas. The CSG team quickly executed contingency plans that saw retailers up and running with supply solutions within days. Proving what 'going the extra mile' really looks like, employees worked through the night to support retailers to continue trading. This was only achieved with the trust, hard work and commitment of all our people, working with all our partners in an open, honest and fair way.

Following the collapse of Palmer and Harvey, Costcutter was forced to operate under temporary supply conditions pending the enactment of a new supply agreement with the Co-op. Through this period Costcutter's sales and profits were negatively impacted. The 2017 results include exceptional charges relating to the impairment of goodwill in Costcutter (£35.9m) reflecting a downward revision to value in use in light of recent trading performance and a more prudent future outlook for the business. The write-off of amounts due from Palmer and Harvey totalling £6.1m is also recorded as an exceptional charge in the year, reflecting the settlement agreement with the administrator that was signed during August 2018.

Community

2017 was also the 10th anniversary of our Giving Something Back community programme. This year we were proud to support our colleagues to do the right thing and help their chosen charities as employees trekked, cycled, baked, and danced to raise

1. The statutory result is an operating loss of £114.7m. This is however after charging £47.3m of exceptional items and £67.6m of operating losses relating to discontinued operations. Adjusting for these items, the Group made an operating profit of £0.2m.

money. Through match funding, payroll giving and Group challenges, we supported colleagues to raise just under a quarter of a million pounds for charity, and volunteer hundreds of hours for good causes. This brings the total amount raised for charity since 2007 to £9.7 million – an amazing achievement, of which we can all be very proud. We were also able to continue our support for young people in Birkenhead through a donation to the Wirral Youth Zone, which launched a brand new activity centre in 2017, helping to build upon the Bibby family's strong links with Youth Clubs in the area since 1953.

2018

Having entered into the settlement agreement with the administrator of Palmer and Harvey our focus this year is on the successful transition to the new Co-op arrangements in Costcutter to deliver a market leading service to our franchisees. Our new partnership will allow access to Co-op's product range including Co-op's own label range, which in its first weeks is proving a major draw for shoppers and retailers. The Group has continued to support the business throughout an extremely challenging trading period. Carefully managing the risks associated with operating in a sector that is experiencing unprecedented levels of change and consolidation and is directly affected by wider economic uncertainty continues to be a key focus for the Group.

Costcutter renewed its main bank facility in September 2018 and all debt and claims with Palmer and Harvey have been resolved and settled with no residual financial or operational risk remaining. During 2018 the Group has continued to provide financial support to the business and we remain optimistic about its future prospects with forecasts for the business showing that it will be able to operate with limited working capital support from the Group. In the event of adverse variations in trading compared to the forecast, the directors of Costcutter acknowledge that further support may be required and as a consequence the directors of Costcutter have noted a material uncertainty relating to going concern in the Costcutter accounts.

Bibby Financial Services is focused on increasing efficiencies by rolling out innovative new multi-channel systems as it continues its path of international growth through better, more efficient and easier service to our clients. £13m of investment was made in 2017 focussed on improving digital capability, revenue generation, core infrastructure and employee development.

We continue to look to improve the productivity of our vehicles, and assets in Bibby Distribution. Garic continues to grow its number of depots as it now provides a national network to our customers. Bibby Distribution continues to build its client base by focussing on customer service excellence, while also delivering their 'Road to Zero' programme with the aim of reducing environmental impact and accidents to zero. Improving employee engagement is vital to meeting the skill shortages faced by the sector. Both businesses continue to invest in technology and colleague and customer engagement.

Bibby HydroMap continues to perform well in an extremely tough market, increasing turnover and profitability through service excellence and technical efficiency with the latest automated vessels and sensor technology improving data capture at a lower cost. Marine Services are building on the success of Bibby WaveMaster 1, having secured a 10 year charter for a second vessel with Siemens Gamesa, and look to develop its product offering, supporting the construction, maintenance and repair of wind farms and oil and gas platforms.

Having joined the Group on 1 May I formally succeeded Sir Michael on June 1. I should like to thank him for his support and advice during the transition and look forward to working with him in his new role on the board as a non-executive director.

I have spent my first weeks visiting the businesses and hearing from colleagues about the opportunities they see and the challenges we face. I believe we have some exciting opportunities for investment.

I have been greatly impressed with the passion and loyalty staff have for Bibby Line Group and the talent and dedication of our teams. It is clear that the values of the business resonate strongly with them.

My priority is to work with the teams to build on the platform we have created to optimise our capital allocation.

In order to expedite this I have assumed the Chairmanship of each of the subsidiary holding companies over the summer.

I should like to thank all Bibby Line Group colleagues for their dedication and hard work throughout 2017, and I look forward to working with them through 2018 and beyond.

John Cresswell
Chief Executive Officer

Financial Review

Results summary

	2017 Continuing operations	2017 Discontinued operations	2017 Total	2016 Continuing operations	2016 Discontinued operations	2016 Total
	£000	£000	£000	£000	£000	£000
Turnover	922,874	81,342	1,004,216	1,038,291	165,005	1,203,296
EBITDA[1]	29,990	(54,197)	(24,207)	29,174	(35,380)	(6,206)
Depreciation and amortisation	(29,813)	(13,375)	(43,188)	(35,310)	(15,733)	(51,043)
Operating profit / (loss) before exceptional items	177	(67,572)	(67,395)	(6,136)	51,113)	(57,249)
Exceptional items	(47,265)	-	(47,265)	-	-	-
Operating loss	(47,088)	(67,572)	(114,660)	(6,136)	(51,113)	(57,249)
Gain on deconsolidation of subsidiary	-	114,565	114,565	-	-	-
Profit / (loss) on disposal of subsidiary	-	-	-	-	7,833	7,833
Profit / (loss) on disposal of fixed assets	1,388	(2,365)	(977)	1,514	(1)	1,513
Finance cost (net)	(5,354)	(13,566)	(18,920)	(3,877)	(13,797)	(17,674)
(Loss) / profit on ordinary activities before tax	(51,054)	31,062	(19,992)	(8,499)	(57,078)	(65,577)

[1] EBITDA is defined as Earnings Before Interest, Taxation, Depreciation and Amortisation and excludes Exceptional Items

The results for the year ended 31 December 2017 and the presentation of the Group Profit and Loss Account have been materially impacted by the key developments that are outlined in the Chairman's statement on page 6.

Our continuing operations delivered an Operating profit before exceptional items of £0.2m in 2017, recovering from a loss of £6.1m in 2016. During the year we agreed to exit the Offshore business, which had continued to generate losses and was the main driver of the losses sustained by the Group over the last two years. Our withdrawal from this business puts the Group on a more stable financial platform for the future.

The results from Offshore have been shown separately as Discontinued Operations[2] in the Group Profit and Loss Account.

Continuing Operations

Results from Continuing Operations represent activity from our ongoing businesses, which have delivered solid trading performances in 2017. Group EBITDA was £30.0m, growing by 2.8% year on year and underpinned by improved margins as we have focused on profitability as well as top line performance. All businesses other than Marine delivered year on year growth in EBITDA.

Continuing Operations delivered an Operating Profit before Exceptional Items of £0.2m, an improvement of £6.3m against the £6.1m Operating loss before Exceptional items generated in the previous year. The improvement reflects the growth in EBITDA and reduced charges for depreciation and amortisation.

The Group's overall results from Continuing Operations are, however, impacted by one-off Exceptional Items which total £47.3m. These comprise of charges totalling £42m in respect of the retail arm of the business, Costcutter, and are related to the collapse of its principal supplier, Palmer and Harvey, in November 2017. There is also a net charge of £5.3m in respect of the Marine business.

As a result of these Exceptional Items, the Group reports an Operating Loss from Continuing Operations of £47.1m for 2017 and a Loss Before Tax from Continuing Operations of £51.1m.

Discontinued Operations

Operating losses sustained in the Offshore division in 2017 and 2016 were the key drag on the Group's overall results and our exit from the business marks a significant step forward in our efforts to develop a solid platform for future growth.

The Operating Loss incurred by the Offshore business during 2017, which is reported within Discontinued Operations, was £67.6m. The gain on deconsolidation of this subsidiary, which represents the write-back of accumulated losses, is also shown on the face of the Group Profit and Loss Account within Discontinued Operations and totals £114.6m. As this gain more than offsets the Operating Loss for the year we report an overall Profit Before Tax of £31.1m for Discontinued Operations.

Total

In total, the Group returned a Loss Before Tax of £20.0m in 2017, which is £46.6m lower than the £65.6m Loss Before Tax in 2016.

[2] Discontinued operations also include Greenacres, which was disposed of during 2017, and Bibby Ship Management which was disposed of during 2016

Continuing operations

	2017	2016	Change	
	£000	£000	£000	%
Turnover	922,874	1,038,291	(115,417)	-11.1%
EBITDA[1]	29,990	29,174	816	2.8%
Depreciation and amortisation	(29,813)	(35,310)	5,497	-15.6%
Operating profit / (loss) before exceptional items	177	(6,136)	6,313	-102.9%
Exceptional items	(47,265)	-	(47,265)	
Operating loss	(47,088)	(6,136)	(40,952)	667.4%
Profit on disposal of fixed assets	1,388	1,514	(126)	-8.3%
Finance cost (net)	(5,354)	(3,877)	1,477	-38.1%
Statutory loss before tax	(51,054)	(8,499)	(42,555)	500.7%

Turnover from continuing operations

	2017	2016	Change	
	£000	£000	£000	%
Financial Services	168,023	156,659	11,364	7.3
Distribution	191,434	191,243	191	-
Retail	512,196	627,915	(115,719)	(18.4)
Marine	21,088	32,105	(11,017)	(34.3)
Other	30,133	30,369	(236)	(0.8)
	922,874	1,038,291	(115,417)	(11.1)

Group turnover from continuing operations for the year was down by £115.4m (11.1%), mainly driven by Costcutter where business performance was adversely impacted by continuously declining service levels in the wake of Palmer and Harvey financial challenges, prior to them going into administration and suspending trading on 28th November 2017. In addition, the full year impact of a targeted programme to improve profitability by stopping business with unprofitable retailers led to reduced, but more profitable, levels of activity.

Financial services grew strongly by 7.3% reflecting solid performance across our European, Asian and North American operations and the launch of our Corporate proposition for UK businesses. Investment in digital technology supported improved service levels to existing customers and growth in the customer base to over 10,000 business customers worldwide.

Distribution maintained turnover in line with 2016, with a key focus on improving the operational efficiency and profitability of existing operations.

Market conditions for our Marine business were challenging with the low oil price, reduced investment in the energy sector and low charter rates suppressing turnover. Vessel availability was adversely impacted by the the loss of the MV Cheshire bulk carrier in August 2017. The new Service Operations Vessel (SOV), Bibby WaveMaster 1, has traded ahead of expectations having worked continuously since being brought into service in September 2017 and investment to expand the fleet is underway. The HydroMap business experienced growth against a difficult market backdrop.

EBITDA from continuing operations (before exceptional items)

	2017	2016	Change	
	£000	£000	£000	%
Financial Services	27,297	26,213	1,084	4.1
Distribution	5,833	4,248	1,585	37.3
Retail	3,862	387	3,475	897.9
Marine	(5,083)	3,611	(8,694)	n/a
Other	5,213	2,746	2,467	89.8
Head Office	(7,132)	(8,031)	899	11.2
	29,990	29,174	816	2.8

EBITDA performance before exceptional items from continuing operations for the year was stable, despite turnover being down by 11.1%, reflecting the Group's focus on driving improvements in profitability across the portfolio.

Financial Services growth is driven by strong conversion of turnover to the bottom line and cost efficient delivery of services. Broadening the range of products and developing our international business has supported profitable growth.

The structured Profit Improvement Programme which started in Distribution in 2016 has continued to gather momentum in 2017 and has delivered efficiencies from the rationalisation and greater utilisation of our property assets and further optimisation of our transport operations.

Retail EBITDA has improved by £3.5m despite turnover being £115.7m down on the previous year as non-value added costs have been eliminated and we have stopped business with unprofitable retailers. Following the collapse of Palmer and Harvey, emergency supply arrangements were put in place at very low margins, which has adversely impacted 2017 performance. A new supply arrangement with the Co-op has been agreed, which came into operation during 2018.

Performance in the Marine business was adversely impacted by low market rates and utilisation levels. Growth in 'Other' reflects higher activity and stronger margin performance in Garic driven by reductions in costs to serve.

Discontinued operations

	2017	2016	Change	
	£000	£000	£000	%
Turnover	81,342	165,005	(83,663)	(50.7)
EBITDA	(54,197)	(35,380)	(18,817)	53.2
Depreciation & amortisation	(13,375)	(15,733)	2,358	(15.0)
Operating loss	(67,572)	(51,113)	(16,459)	32.2
Loss on disposal of fixed assets	(2,365)	(1)	(2,364)	n/a
Gain on deconsolidation of investments	114,565	-	114,565	n/a
Profit on disposal of subsidiary	-	7,833	(7,833)	n/a
Finance costs (net)	(13,566)	(13,797)	231	1.7
Profit/(loss) on ordinary activities before taxation	31,062	(57,078)	88,140	154.4

On 28 November 2017 an agreement was reached on the recapitalisation of Bibby Offshore's balance sheet with noteholders who held 80% of the £175 million 7.5% senior secured notes due 15 June 2021 issued by its subsidiary Bibby Offshore Services Plc. At completion of the transaction on 17 January 2018, transferred its entire ownership in Bibby Offshore to the Group's noteholders.

In accordance with FRS102, Bibby Offshore was deconsolidated from 28 November 2017 as it was at this point that the Group considered it had lost control of the Bibby Offshore business and the results of the business have been presented separately in the financial statements as discontinued. The profit on disposal represents the difference between the net liabilities of the business at the date of disposal and the proceeds (£nil) from the disposal, less costs. In addition, Bibby Ship Management which is a business included in the Marine division was disposed in 2016. Greenacres Woodland Burial business, included within the 'other' division was disposed during 2017.

Exceptional items (continuing operations)

Exceptional items for the year total £47.3m (2016: £nil) which comprise mainly of a total £42m charge associated with the impact of the collapse of Palmer and Harvey on the Costcutter business and £5.9m arising on the impairment of the MV Shropshire. Also reflected is a net gain of £0.7m relating to the difference between insurance proceeds receivable and book value of one of our shipping vessels, the MV Cheshire, which was declared a constructive total loss during 2017.

Following the collapse of Palmer and Harvey in November 2017, Costcutter was forced to operate under temporary supply conditions pending the enactment of a new supply agreement with the Co-op. Through this period Costcutter's sales and profits were negatively impacted.

A charge of £35.9m has been recognised to impair the goodwill relating to Costcutter, reflecting a downward revision to value in use in light of recent trading performance and a more cautious future outlook for the business. A £6.1m write-off of amounts due from Palmer and Harvey when they went into administration is also recorded as an exceptional charge in the year, reflecting the settlement agreement with the administrator that was signed during August 2018.

Finance costs (net) (continuing operations)

Finance costs increased by £1.5m in the year, largely due to a £2.2m movement in the exchange difference on foreign currency borrowings and an increase of £0.2m on the defined benefit pension scheme interest charge.

Interest on debt facilities reduced by £0.9m reflecting the repayment of the holding company facility during the year, the repayment of outstanding finance on the MV Cheshire and lower levels of activity in Retail.

Taxation

The underlying effective tax rate of 22.9% (2016: 8.9%) is higher than the weighted average rate of Corporation tax of 19.25% for the year, and is impacted by the gain on deconsolidation of the Offshore division which is non-taxable due to the applicability of the substantial shareholdings exemption. The increase in the effective tax rate compared to 2016 reflects unrecognised tax losses carried forward and a reduction in foreign tax.

Balance sheet

	2017	2016	Change
	£000	£000	£000
Fixed assets	166,846	327,492	(160,646)
Net working capital	935,640	835,201	100,439
Provisions	(5,848)	(16,781)	10,933
Pension liability	(5,046)	(26,742)	21,696
Net debt	(860,391)	(883,498)	23,107
Shareholders' funds	231,201	235,672	(4,471)

Fixed assets reduced to £166.8m (2016: £327.5m) reflecting a £37.6m reduction in Intangibles which is primarily due to a goodwill impairment charge in Costcutter and a £123m reduction in Tangible assets. Deconsolidation of the Offshore division accounted for £85m of the reduction in Tangible assets. Additions in the year of £36.8m include Bibby Wavemaster 1, fleet and equipment renewals and growth investment. Disposals of £12.8m were driven mainly by rationalisation of our warehousing estate in Distribution, and impairment charges relating mainly to the MV Cheshire and MV Shropshire totalled £28.7m. The depreciation charge for the year was £32.1m.

The increase in net working capital to £935.6m (2016: £835.2m) is mainly a consequence of growth in the Financial Services business (£78m) and resulting increase in the value of funds advanced to clients and movements related to the deconsolidation of Offshore (£11.5m).

Provisions have reduced to £5.8m during the year, which is largely as a result of the deconsolidation of the Offshore division. The balance at the end of the year represents potential further contributions to the Merchant Navy Ratings Pension Fund and vacant property provisions.

The group's net debt has reduced during the year to £860.4m (2016: £883.5m). To support continued growth, the financial services business expanded its HSBC Pan-European funding and launched an additional facility with RBS, increasing net debt by £106m. Of the total debt at the year end, £774.8m related to the Financial services business. Investment in Wavemaster 1 increased net debt in the Marine business by £19.4m

Net debt of £184.5m was removed when the Offshore business was deconsolidated, with the trading losses incurred up to the point of deconsolidation consuming the brought forward cash balances in the business, increasing net debt by £38.4m during the year.

There are no cross guarantees between the group holding company and subsidiaries and each subsidiary is responsible for managing its external financing facilities. At 31 December 2017 there was no debt in the group holding company (2016: £9.2m).

Shareholders' funds reduced by £4.5m reflecting the £15m retained loss for the year, currency translation differences of £3.2m, a reduction in the net pension deficit of £16.9m and dividends of £3.2m.

Pensions

The accounting deficit for the Bibby Line Group Pension Scheme is calculated by independent scheme actuaries, KPMG, who incorporate data taken from the financial markets in calculating the closing deficit position.

Summary of changes in pension deficit

	£m
Deficit as at 1 January 2017	(24.0)
Scheme administration costs	(0.3)
Net interest expense	(0.6)
Actuarial gains arising on liabilities	14.5
Return on scheme assets excluding interest income	5.8
Contributions	1.7
Deficit as at 31 December 2017	**(2.9)**

The reduction in the deficit is largely as a result of actuarial gains on liabilities of £14.5m and a £5.8m return on scheme assets excluding interest income.

In addition to the deficit in the Bibby Line Group Pension Scheme, there is a provision of £2.1m (2016: £2.7m) relating to the Group's share of liabilities in the Merchant Navy Officers Pension Fund.

Also included within provisions is £2.3m in respect of further contributions requested by the Merchant Navy Ratings Pension Fund following a High Court decision allowing additional contributions over the section 75 charge paid on exiting the scheme in 2004.

Cash flow

	2017 £000	2016 £000	Change £000
Net cash outflow from operating activities – financial services	(71,348)	(58,464)	(12,884)
Net cash outflow from operating activities – other businesses	(41,875)	(33,953)	(7,922)
Cash flows from investing activities	(31,818)	(46,122)	14,304
Cash flows from financing activities	78,902	86,870	(7,968)
Net decrease in cash and cash equivalents	(66,139)	(51,669)	(14,470)

The overall cash outflow for the year was £66.1m (2016: outflow of £51.7m).

Net cash outflow from operating activities for the financial services business was £71.3m and represents net advances to clients. These are funded by external funding draws which are shown within cash flows from financing activities.

Of the net cash outflow from operating activities from other businesses of £41.9m (2016: £34.0m), £37.8m was driven by the Offshore business, which is no longer part of the group meaning that the cash losses will not recur going forward.

Cash flows from investing activities include £19.0m relating to Wavemaster 1, £12.0m in Financial Services to develop our digital capabilities, £6.7m to fund fleet expansion and renewal in Garic as well as £4.4m to renew fascias and systems in Costcutter. This is offset by proceeds from the disposal of warehousing and fleet assets totalling £14.3m.

Net in flows from financing totalled £78.9m. New financing of £139.9m mainly related to the Financial Services business, funding for Wavemaster 1 and the introduction of an asset based lending facility in Garic. Repayments of previous facilities totalled £46.9m. £27.7m related to repayment of bank facilities, of which £6m was within the Offshore business. In addition, the £9.2m facility in the holding company was repaid and Costcutter reduced its external facilities by £14.5m. Repayments of capital on hire purchase and finance leases in Garic and Distribution totalled £19.1m.

Cash flows from financing activities include dividend payments of £3.2m and interest of £10.9m, of which £7.3m related to the Offshore division.

Outlook

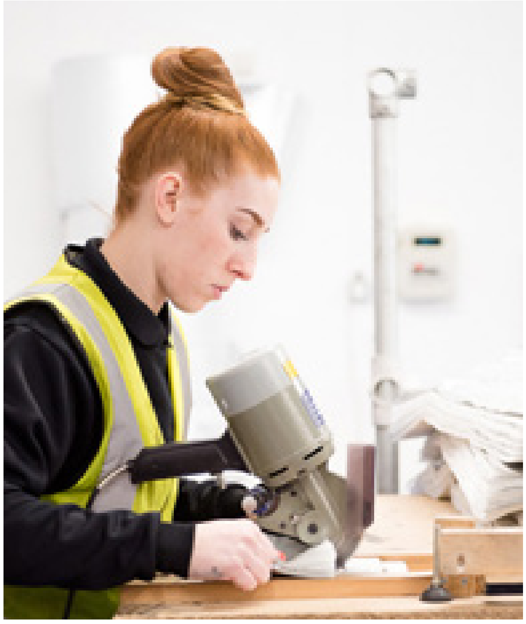
2017 was a challenging year for the group but we move forward into 2018 from a stronger base. The investments made and restructuring activities undertaken during 2017 will provide a sound platform for the future.

Reconciliation of non-GAAP measures used in the financial review to the GAAP measures reflected in the financial statements

Reconciliation of measures used in the Financial Review to statutory measures

	2017			2016		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
EBITDA (before exceptional items)	29,990	(54,197)	(24,207)	29,174	(35,380)	(6,206)
Depreciation & amortisation	(29,813)	(13,375)	(43,188)	(35,310)	(15,733)	(51,043)
Operating profit/(loss) (before exceptional items)	177	(67,572)	(67,395)	(6,136)	(51,113)	(57,249)
Exceptional items	(47,265)	-	(47,265)	-	-	-
Operating loss	(47,088)	(67,572)	(114,660)	(6,136)	(51,113)	(57,249)

The Group presents EBITDA and Operating Profit / (loss) before Exceptional Items as Alternative Performance Measures (APMs) because the Directors believe that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance. These APMs are mainly measures which disclose the 'comparable' performance of the Group excluding specific items which are regarded as non-underlying and are consistent with the measures used by the Board for internal management purposes.



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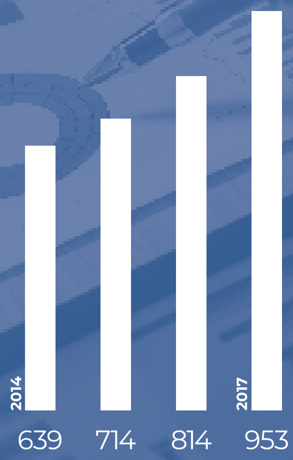
Bibby Financial Services

KPIs at a glance

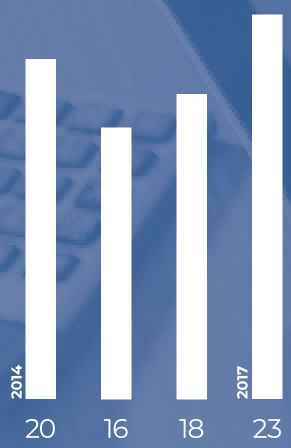
Debts factored (£ billion)

Funds out (£ million)



Capital investment (£ million)

Operating profit (£ million)



EBITDA (£ million)

All figures shown exclude Australia, New Zealand and Verus360.

Business Review
Bibby Financial Services

Bibby Financial Services
Bibby Financial Services (BFS) provides invoice finance, asset finance, trade finance and foreign exchange services to small and medium sized businesses across the world, supporting more than 10,000 business customers in over 300 industry sectors to grow and succeed.

Strategy
BFS's vision is to be the independent financial services company with which every ambitious company would love to work. To deliver this vision and achieve our corporate objectives, our global strategy is to 'focus and grow'.

The focus of our strategy relates to the prioritisation of investment in key geographical locations and product businesses.

Our growth strategy is based on three key pillars:

- Colleagues ('being a great place to work')
- Clients ('setting the standard for service and value')
- Contribution ('growing profitably')

Our people are at the heart of everything we do, and in 2017 we came 33rd in the Sunday Times Best Companies to Work For.

By having highly engaged, motivated people – supported by technology – we provide a positive experience to our clients. At the end of 2017 overall client satisfaction was at 93% and we held an impressive Net Promoter Score of +36. Greater customer satisfaction helps us to achieve a targeted global portfolio of businesses.

Operational review
2017 was a year of continued growth and ongoing investment for BFS. In line with our strategy, we have:

- invested over £12 million in our people, systems and processes;
- driven forward our international ambition; and
- continued to strengthen our funding and liquidity position

As a result we are able to:

- provide support for business and economies both now and in the future;
- demonstrate strong performance across our European, Asian and North American businesses; and
- be better prepared to meet our clients' needs in a cost efficient way.

Risk management
Risk management, robust governance and internal control are central to the way we manage all aspects of our business. Our risk framework is overseen by our Global Risk team. This framework enables us to review key risks, and manage and mitigate outcomes ensuring the continued profitability and success of BFS.

Financial performance

	2017	2016	% increase
Debts factored	£9.2bn	£8.2bn	12.2
Funds advanced to customers	£953m	£814m	17.1
Revenue	£168m	£157m	7.0
Operating profit	£22.7m	£17.7m	28.2

> By having highly engaged, motivated people we provide a positive experience to our clients. At the end of 2017 overall client satisfaction was at 93%, and we held an impressive Net Promoter Score of +36.

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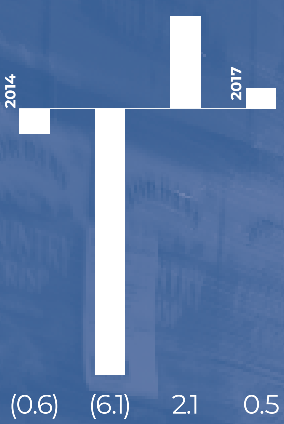
Business Review
Bibby Distribution

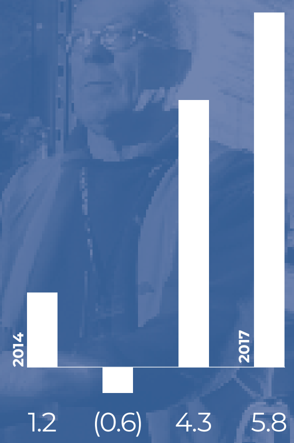
KPIs at a glance

Turnover (£ million)

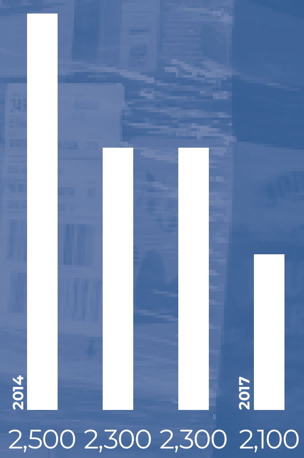
Operating profit/(loss) (£ million)



EBITDA (£ million)



Trucks and trailers



10%

CO_2/km reduction over 5 years

Business Review
Bibby Distribution

What we do
Bibby Distribution provides 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 70 locations with over 1,800 staff and over 2,100 trucks and trailers. Bibby Distribution transports products ranging from fresh milk to car parts, coffee to cardboard, as well as bulk powders, and palletised and non-standard freight.

Operational performance
2017 has been a significant year for Bibby Distribution, a year that has seen a halt to decline in sales and continued improvement in EBITDA as a result of the clear plan from the leadership team and the support of our dedicated colleagues. Investment in people, property and technology has seen operational performance turn around, resulting in greater efficiency and an improved customer experience across the business.

Focus on service excellence has seen us retain major contracts with customers such as Saica and Tayto, grow additional business with customers such as Unilever as well as winning and implementing new business with Suzuki and Nampak. The business has also been successful in winning two significant contracts which commenced in the first half of 2018, both of which will increase current sector offerings and one will open up new geographical regions.

Strategy
Bibby Distribution's strategy is to provide an outstanding customer experience to clients in niche markets within the consumer goods, bulk and food ingredients, paper, packaging and industrial sectors to deliver organic growth. Recognising that people are our most important asset, we have invested in employee engagement, which in turn has driven our improved customer experience. Investment in people and technology has been used to drive operational efficiency that has increased warehouse productivity and reduced empty mileage travelled by the fleet.

Health & safety
The 'Road to Zero' – aiming for Zero Harm, Zero Waste and Zero Emissions – forms the core of Bibby Distribution's safety and environmental strategy.

There were improvements across key safety performance measures over the year, with RIDDORs (reportable incidents) falling by 40% for a second successive year. Our commitment to safety has been recognised externally with the award of 2 ROSPA Gold awards for overall and fleet safety. Environmental performance continues to improve driven by use of telematics across the fleet to increase fuel efficiency, newer lower emission vehicles and facilitate safer driver behaviour with a focussed driver education programme.

Financial performance
The structured Profit Improvement Programme which was set out in 2016 has continued through 2017 with significant progress made in the following areas:

- Property rationalisation – review of the property portfolio to deliver a significantly reduced cost per pallet slot in more modern facilities in improved geographic locations. This has seen the exit of three historic sites and consolidation of the majority of the customer base into existing sites. This will deliver a net annual property cost saving in 2018 of

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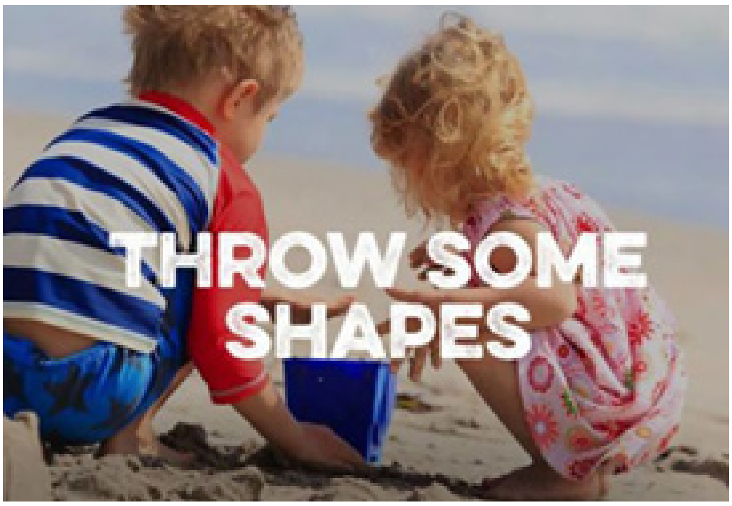
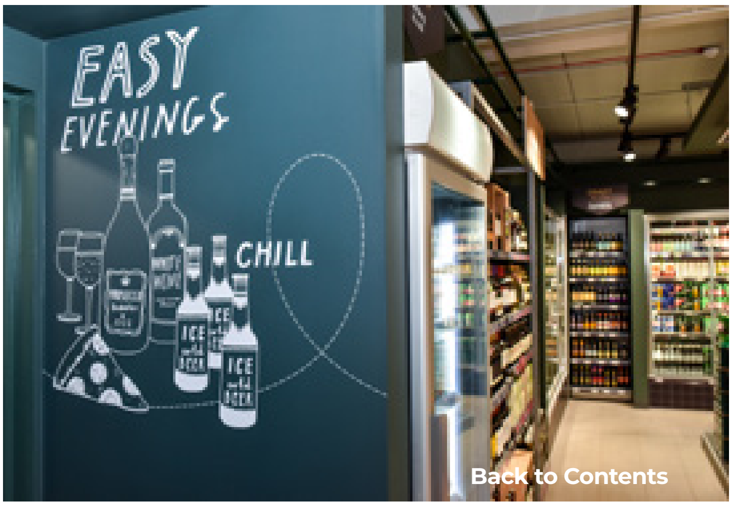
> Investment in people, property and technology during 2017 has seen operational performance turn around, resulting in greater efficiency and an improved customer experience across the business.

£1 million although cost of change and stock transfers were taken to the P&L in 2017.

- Transport Optimisation – following the implementation of one transport management system across the shared user fleet, improved visibility of empty running and introduction of a central planning function has driven improved asset utilisation across the entire Bibby fleet. A focus on subcontractor procurement has also delivered a reduced cost per mile of transport subcontractors.
- Consistent revenue performance has been delivered in 2017 through a strong new business pipeline conversion rate which will also see two sizeable contract wins in 2018 go live which were awarded in 2017.

Overall the business has responded well to the improvement programme, with an increase in EBITDA.





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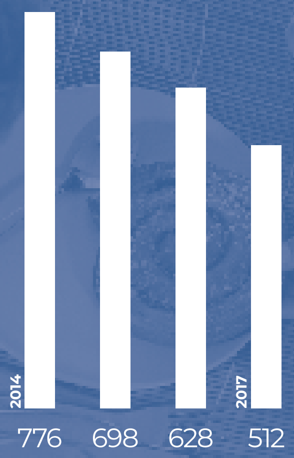
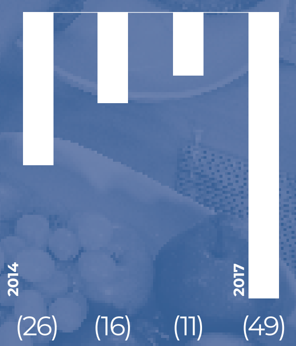
KPIs at a glance

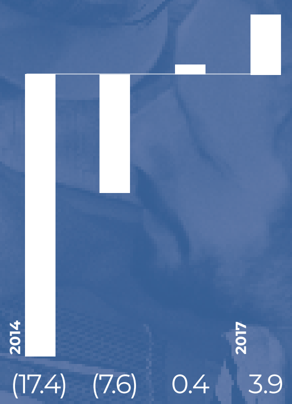
Turnover (£ million)



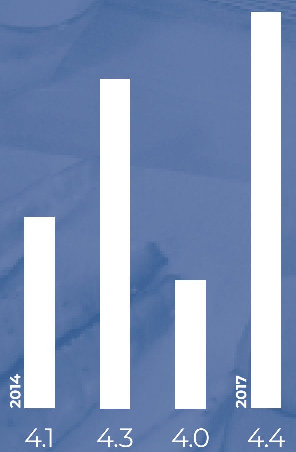
Operating loss (£ million)



EBITDA (£ million)



Capital investment (£ million)



Store numbers

Business Review
Costcutter

What we do

Costcutter Supermarkets Group (CSG) operates as a convenience retail symbol group in the UK. CSG supports multiple fascias including Costcutter, Mace, Simply Fresh, Kwiksave and Supershop.

CSG owns and operates a small number of stores directly and owns the rights to the Independent own label food brand.

Strategy

CSG's aspiration is to be the leading symbol operator in the UK. At the core of the strategy is the delivery of market leading solutions to independent convenience retailers, to enable them to service the needs of their consumers, to maximise their sales and to optimise their profitability within a highly competitive but growing segment of the grocery market.

Based on a deep understanding of the retailers' and consumers' needs, CSG focuses on supplying the right product range at competitive prices with strong promotional offers, whilst providing a frequent and flexible delivery service. A wide range of value added services is provided to our retailers, including marketing to their consumers, helping them to maximise the effectiveness of their store space and promotional activity.

The strategy continues to be founded on four key pillars:

- A retailer proposition that best meets retailers' and consumers' needs
- The best consumer/brand proposition which attracts consumers and makes it clear what to expect from a store operating under one of our fascias
- An efficient and effective operating model
- Driving growth to maximise the value potential for all stakeholders.

Operational review

On 17th November 2017, CSG signed a new long-term supply agreement with the Co-op which lays the foundation to successfully implement and execute its market leading strategies.

Having worked with Palmer & Harvey in a strategic partnership since March 2014 the contract was terminated when Palmer & Harvey filed for administration on 28th November. Prior to this point, CSG's business performance was significantly impacted by the continuously declining service levels, and a process for sourcing an alternative supplier was already in progress when Palmer and Harvey entered administration.

CSG was therefore able to quickly re-establish supply for its retailers with most of our retailers having access to an interim delivered supply solution within days.

Despite all adversities, EBITDA of £3.9m in 2017 was slightly ahead of our target and ahead of 2016.

CSG continued the journey in 2017 of improving its financial performance despite a lower turnover by eliminating non-value adding costs and stopping business with unprofitable retailers. The 2017 EBITDA of £3.9m improved by £3.5m versus 2016 and by more than £11m over the past 2 years. Our 2017 turnover of £512m was negatively impacted – to an equal share – by the full year impact of exiting the unprofitable trading with Motor Fuel Group (MFG) stores and by low availability levels. We managed to retain 1,900 stores at the end of December 2017 despite the exceptionally difficult trading conditions for our retailers.

The support and loyalty at the retailers was largely due to the personal, flexible and responsive relationships built up by the whole Costcutter team but particularly the business development managers over the previous years. In August 2018 CSG reached a commercial agreement with the administrator of Palmer and Harvey in which it was agreed that all mutual claims are settled. As part of that agreement CSG agreed to waive its claim to £6.1m receivable from Palmer and Harvey. The resulting charge to write down the receivables balance has been shown as an exceptional item in the profit and loss account.

2018 is a year of transformation and

> Despite supply issues due to wholesale supplier P&H's ongoing financial challenges, CSG remained focused on delivering the right product range at competitive prices with strong promotional offers to retailers.

growth for Costcutter Supermarket Group. The new partnership with the Co-op provides CSG access to Co-op's product range including Co-op's own label range. In addition, CSG will be able to offer the option for independent retailers to operate as a Co-op franchise under a separate Master Franchise Agreement.

By working with the Co-op, CSG can leverage the wholesale strength and grocery retailing expertise of the Co-op and combine its in-depth understanding of our independent convenience sector to create the best possible offer for all independent retailers. This partnership greatly enhances CGS's ability to evolve as the market changes and ensure we are truly putting the shopper first. In 2018, CSG focuses on the areas that will help our retailers to be successful in a competitive market:

- Rebuilding service level reliability day-in, day-out through the new partnership with the Co-op;
- Ensuring that CSG's retailers choose the most suitable range for their shoppers' needs from the new Co-op range offering and that they have access to most competitive prices and terms in the symbol sector;
- Expanding the offering of fresh food, food-to-go and Co-op own label in our stores;
- Strengthening CGS's fascias to drive footfall and spend through both the Costcutter brand proposition and by re-launching a redesigned Mace brand;
- Focusing on retailer recruitment promoting CSG's unique offering and proven competitive advantage for independent retailers; this will include offering new and existing retailers the option to become a Co-op franchise store

Outlook

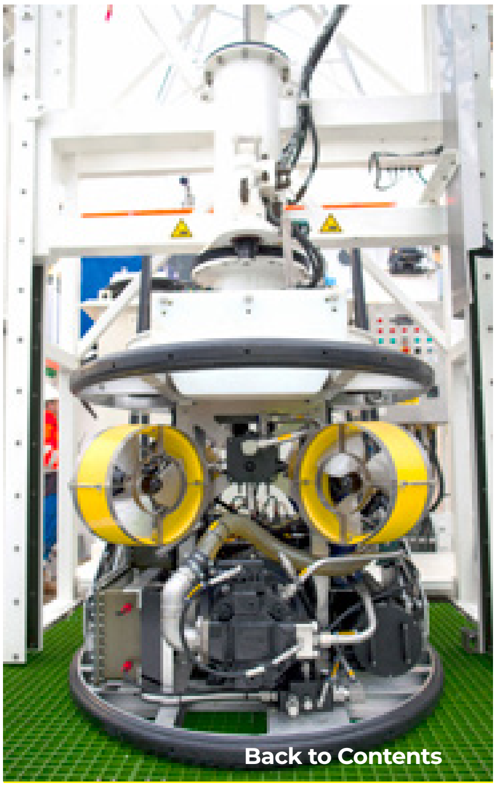
Economic conditions and competition within the convenience segment of the grocery market led to fluctuations in sales volumes and the number of retail members. The UK has experienced significant changes in consumer shopping habits in recent years with the growth of limited range discounters and an increased propensity to shop-around for the best value.

There is further uncertainty due to the unknown parameters of Brexit and increasing inflation. With Tesco having merged with Booker and Asda and Sainsbury seeking to merge, further strategic consolidation in the sector is probable. This is likely to further increase the pressure to buy effectively and operate efficiently to survive in the long-term.

Costcutter continually reviews its proposition and offer to retailers to ensure that the product, pricing and range are competitive and that service levels are high. As well as employing a responsive, skilled and experienced field force, CSG's retailer board improves communication and engagement between CSG and its retailers, ensuring that customers' concerns are at the forefront of planning and execution.

The 2017 results include an exceptional charge of £35.9m relating to the impairment of goodwill in Costcutter reflecting a downward revision to value in use in light of recent trading performance and a more prudent future outlook for the business reflecting uncertainty in the retail sector and the wider economy in general.

As noted on page 46, Bibby Line Group Limited has recently agreed an additional new committed revolving working capital facility for Costcutter. Taking account of this committed facility from Bibby Line Group Limited and external bank facilities, the forecasts for Costcutter indicate that it will have sufficient resources to continue to operate for the foreseeable future. In the event of adverse variations in trading compared to the forecast, the directors of Costcutter have acknowledged that further support from Bibby Line Group Limited may be required and as a consequence the directors of Costcutter have noted a material uncertainty relating to going concern in the Costcutter accounts.



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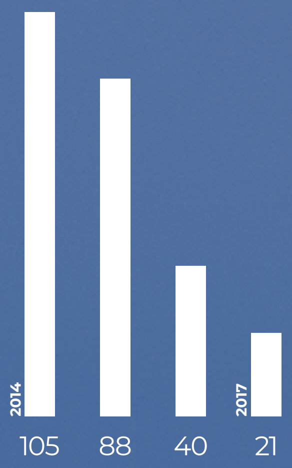
Marine

KPIs at a glance

Turnover (£ million)*



Operating profit/(loss) (£ million)

EBITDA (£ million)

Capital investment (£ million)

* FY16 and prior includes results from discontinued operation

Business Review
Marine

What we do

The Marine businesses incorporate a fleet of near shore accommodation vessels (coastels), a new vessel specifically designed to support workers on offshore wind farm projects, hydrographic (subsea) surveying vessels, and the ownership and chartering of shipping vessels.

The coastels offer flexible accommodation in remote coastal locations, including supporting construction, mining, renewables and oil and gas projects, that enable up to 900 workers to live near the project site in a safe, high quality environment. All vessels can offer single berth en-suite accommodation, set-up, serviced and operated by Bibby Maritime.

Bibby Marine Services operates a Service Operations Vessel (SOV) with Walk to Work capability in the North Sea. The vessel was delivered in September 2017 and is proving a success with customers. We believe she will provide a step change in productivity to the industry. In 2018, the company ordered a second vessel to be chartered to Siemens Gamesa under a 10 year contract.

Bibby HydroMap produces high quality survey reports mapping the seabed and undertaking cable pipeline inspections. The company owns and operates a fleet of survey vessels and other specialist equipment to acquire the data and has numerous blue chip clients in the Renewables, Oil & Gas and Cable sectors.

The Bibby Line shipping fleet comprises one supramax dry bulk carrier and one product tanker operating principally in South East Asia.

Bibby Marine Services

The new SOV vessel, Bibby WaveMaster 1, was delivered in September 2017. The build was completed on schedule and budget. The ship has worked supporting the construction of wind farms in Northern Europe before moving on to supporting the maintenance of gas fields in 2018.

Bibby Maritime

Utilisation of the coastels in 2017 remained low as the price of oil impacted on the number of new mega energy projects. The business was loss making for the first time in many years in 2017, but we expect a return to profitability by 2019. The focus on safe operations delivered another year with no lost time safety incidents. Bibby Maritime's strategy is to take more utilisation risk on the vessels as clients may not be able to fill the coastel during the period of reduced activity and to ensure that our assets are maintained to the highest standards to deliver excellent customer service.

Bibby HydroMap

Bibby HydroMap performed well in an extremely tough market, increasing turnover and profitability against a difficult market backdrop. The signs for 2018 are positive for the market as a whole and we expect HydroMap's results to improve further.

The strategy is to further develop innovative products and deliver best in class quality to differentiate HydroMap in this difficult market.

Bibby Line

The recovery in the dry bulk market continued into 2017 supporting the decision to re-activate the Shropshire,

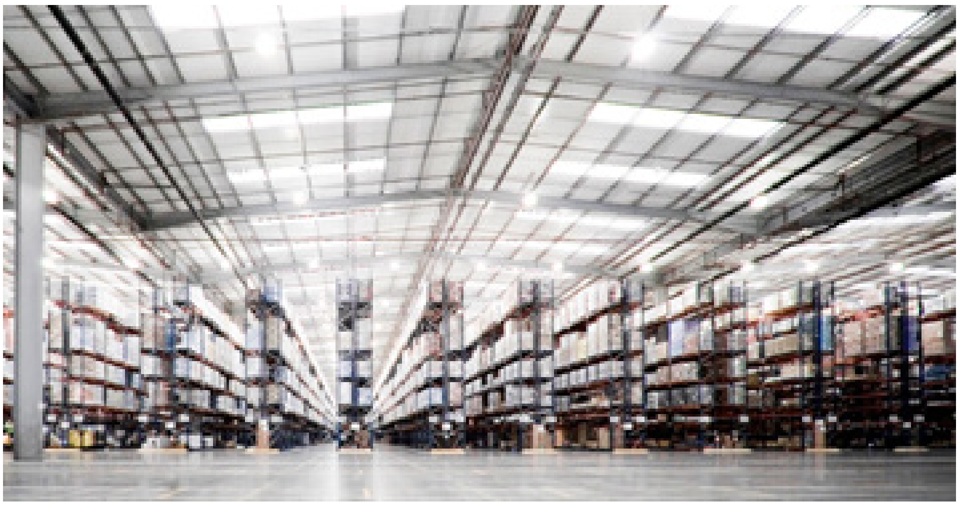
> Bibby WaveMaster 1 was delivered in September on schedule and within budget, and has been working non-stop supporting the construction of wind farms and the maintenance of gas fields.

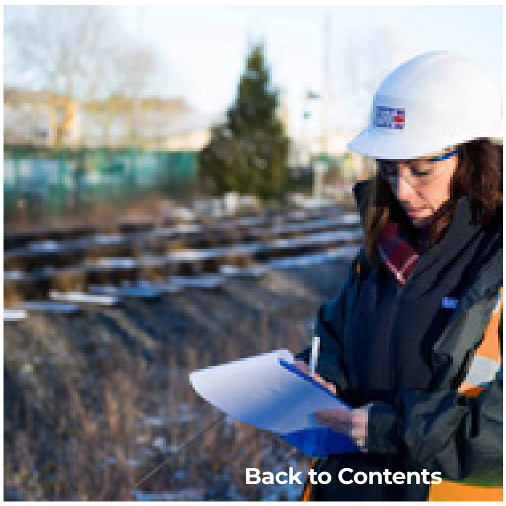
supermax dry bulk carrier in Q1 and to enhance the cargo hold coatings on both dry bulk vessels to give them the widest operating envelope possible. An opportunity to lock-in a good charter rate was exploited in Q2 on MV Cheshire for the balance of the year. However, in August the vessel suffered the catastrophic effects from a chemical decomposition of a cargo of fertiliser, being transported from Norway to Thailand, whilst off the Canary Islands. After extensive salvage operations the vessel was towed to the Spanish port of Puerto Motril where the residual cargo was discharged. Warranty surveys indicated extensive damage and the vessel has been declared a Constructive Total Loss. Subsequent to the end of the financial year, insurance proceeds covering the carrying value of the vessel were received.

MV Shropshire traded well post-re-activation, but required a period out of service to replace crane slewing bearings, which is the subject of an insurance claim. Post-repairs the vessel continued to exploit the improving dry bulk market in and around South East Asia. Following the end of the year, the business received an offer for the vessel which was subsequently accepted, and it has been written down to its expected recoverable amount.

Efforts to dispose of MV Mumbai were frustrated when in April 2017 the vessel suffered a major failure of the main engine, involving procurement of a new crankshaft only available on a long lead time. The vessel was placed in warm lay-up at the repair facility to reduce costs and for the majority of the period was out of service, which was covered by our loss of hire insurance. The vessel re-entered service in December to resume regional trading in and around SE Asia.

The strategic direction of the business continues to focus on identifying profitable opportunties throughout the cycle of markets in which it operates, and retain a strong focus on safety and the environment with no pollution incidents and very low accident rates, with only one Medical Treatment Incident and no Lost Time Incidents.





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Other businesses

> Garic, Bibby Line Group's specialist plant hire business, had a strong year driven by increased penetration of the company's core road, rail and infrastructure contractor markets.

Garic

Garic, Bibby Line Group's specialist plant hire business, had a strong year driven by increased penetration of the company's core road, rail and infrastructure contractor markets. Growth was supported by investment of £6.4 million in new hire assets, rising asset yield and utilisation and strong revenues from servicing hire assets at customer sites. Asset investment in the year was focused on the company's core welfare fleet and eco range of products.

During the year Garic refinanced its external debt facilities, moving to a three year Asset Based Lending facility. This has strengthened the company's liquidity, reduced annual debt servicing costs and provides funding to support the company's growth plans.

PLS

PLS is a provider of technology-enabled supply chain asset management solutions, via two distinct services: technology solutions for asset tracking; and returnable asset pooling and management.

In April 2018 we took advantage of an offer from market specialist Contraload to dispose of PLS realising a profit on disposal.

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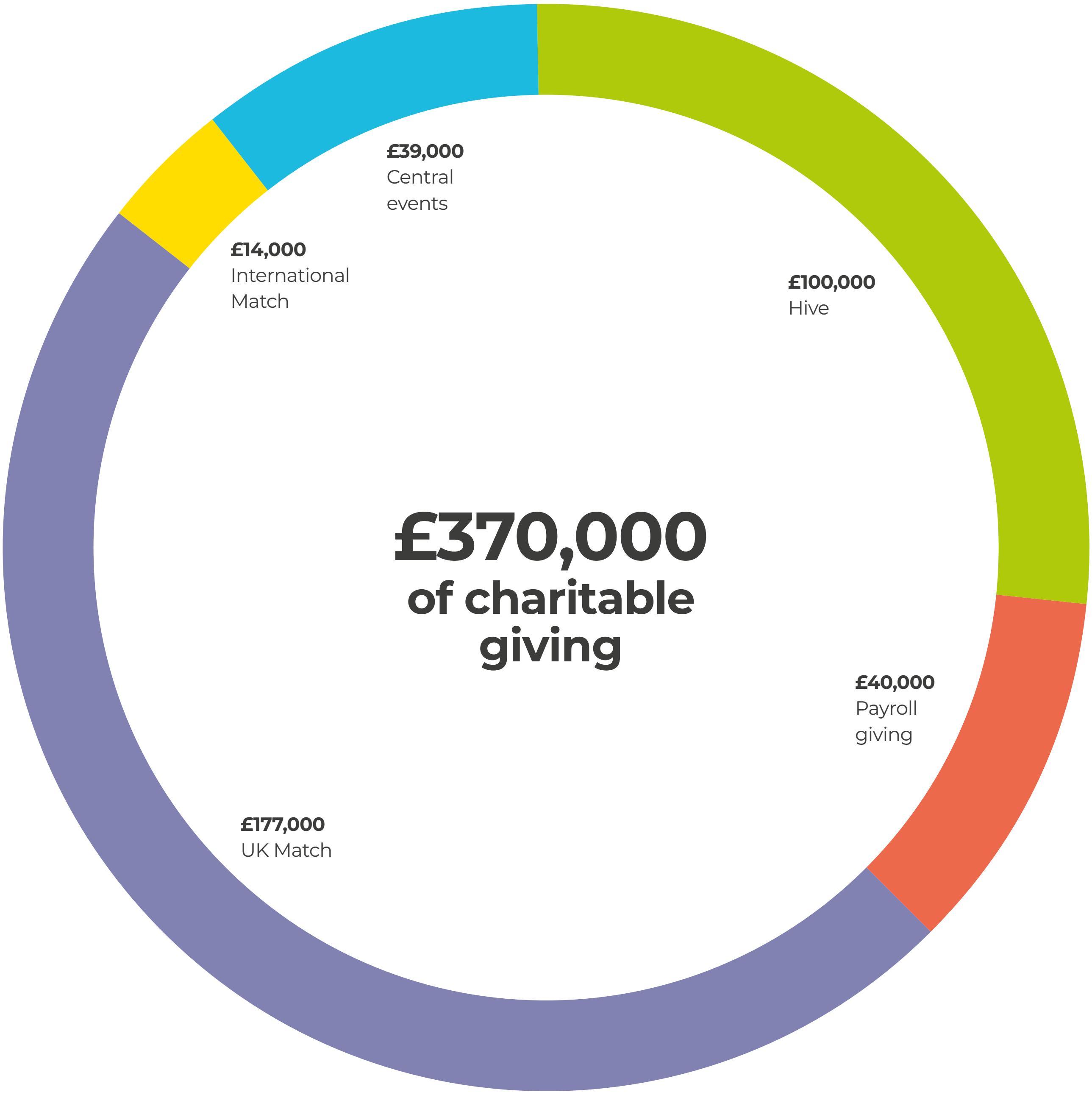
Giving Something Back
Corporate Social Responsibility



Giving Something Back
Corporate Social Responsibility

The Giving Something Back (GSB) programme aims to harness the passion of our people to help the communities they work in by supporting them to fundraise and volunteer. Employees choose the causes that they are most passionate about and Bibby Line Group provides match funding and exciting fundraising and volunteering opportunities to boost the benefit received by charities each year.

This year saw the 10th anniversary of the programme with a special awards ceremony. Since its creation in 2007, the GSB Programme has donated over £9.7 million to good causes across the globe, an outstanding testament to our employees' dedication and their commitment to living the Group's values.

Since 2007, the company's target has always been to allocate 1% of the Group's pre-tax profit to CSR activities. Given the difficult trading conditions this was adapted to support only the core activities in 2017, focused around employee matched funding activities and fulfilling a prior commitment to support the Hive Youth Zone. It was therefore a significant achievement that in 2017 our employees' efforts enabled £310,000 to reach over 150 charities.

Central Events Programme

The GSB Central Events programme encourages and enables employees to join together and take part in exciting challenges which help to maximise fundraising opportunities. These events often provide life changing experiences for those who take part. In 2017 employees from across six divisions took part in two events; a 26 mile trek along the South Downs Way, and a 90km trek through Cambodia – raising just under £40,000 for charity between them.

Despite torrential tropical rain, 36°C heat and 90% humidity, colleagues embarked on their Cambodian trek working together to traverse paddy fields, steep mountains and dense jungles before finally emerging at the stunning Angkor Wat temple complex. Despite the challenges, colleagues managed to keep a video diary each day of their adventure, which can be viewed on the Bibby Line Group website.

Employee fundraising and volunteering

In 2017 employees trekked, cycled baked, and danced for their chosen charities, as well as helping many beneficial yet difficult to reach causes such as local hospices, school and sports groups. Employees continued to regularly support their favourite charities through the Group's Payroll Giving scheme, and in 2017, with support of Bibby Line Group, our employees donated over £40,000 to their chosen charities through the scheme.

The Group's top fundraisers were invited to celebrate their successes at a 10-year special anniversary Giving Something Back Awards in December, where Sir Michael Bibby presented awards in categories such as Top Fundraiser, Top Volunteer and Most Innovative Idea whilst giving his personal thanks to individuals for their inspiring charitable efforts.

Environment

Several of our businesses operate in carbon intensive industries.

The Group encourages carbon offsetting to compensate for some of our emissions, funding carbon dioxide reductions elsewhere, and the Group supports efforts to reduce the impact on the environment by eliminating unnecessary business travel and making best use of technology to communicate across the Group.

The Group expects each subsidiary to present an Environmental Report to their board on an annual basis. A highlight of 2017 was Bibby Distribution winning the Freight

> Since 2007, the GSB Programme has donated over £9.7 million to good causes, an outstanding testament to our employees' dedication and their commitment to living the Group's values.

Transport Association Leadership in Carbon Reduction Award based on a reduction in CO2 per vehicle kilometre of 10% from 2011 to late 2016, while Garic are proud to continue leading the way in designing and manufacturing the most advanced, environmentally friendly and cost effective products with their innovative Environmental Solutions range.

Health and safety

The Group is committed to providing safe working conditions for employees. In 2017 a number of our businesses were recognised for their efforts to improve health and safety. Bibby Distribution won several prestigious awards including two Gold Awards from the Royal Society for the Prevention of Accidents, Bibby Marine achieved full certification to the quality, environmental and safety management Standards for the provision of vessel management services, and Garic received the Fleet Operator Recognition Scheme (FORS) Gold award.

The HIVE Youth Zone

In 2017 we were proud to support The Hive Youth Zone in Wirral to open a brand new building which now has over 6,000 young people signed up. The Youth Zone provides a safe environment where young people can come and enjoy themselves and learn new skills, supporting them to raise their aspirations and confidence. In 2017, Bibby Line Group and Bibby Financial Services also provided support and expertise through skill sharing including employees helping young people to learn both finance and CV skills. This support follows a longstanding commitment by the Bibby family to young people in Wirral.

Additional CSR activity

In 2017 Bibby Line Group demonstrated its commitment to open and honest communications by setting up an independent whistleblowing hotline which supports employees to confidentially report violations of policies or standards which may have taken place.

The Group and relevant divisions also issued modern slavery statements, to help support the eradication of slavery, servitude, forced or compulsory labour and human trafficking.

A new Tax strategy was created in 2017, which sets out the Group's tax objectives and defines the Group's responsible approach to tax management, covering governance, the Group's approach to tax planning, tax risk management and relationship with local tax authorities.

Risk Management

Risk Framework

The Group's businesses operate in a wide range of industries and countries. The benefit of maintaining a portfolio of businesses in diverse sectors with no cross-guarantees is to reduce the Group's sensitivity to any particular market or performance risk.

We have a risk management framework that aligns to the principles of the three lines of defence model. The risk management framework is overseen by the Bibby Line Group audit committee. The cornerstones of the framework are the requirement for each division to

- apply a suitable framework of internal controls
- perform regular review of management accounts and KPI dashboards
- maintain consistent risk registers
- have Bibby Line Group attendance on divisional boards, and
- include an annual review of strategy and risk within the annual operating plan process.

This governance framework within which Bibby Line Group practices risk management is overseen at divisional boards, supported by divisional audit committees within the three largest subsidiary businesses, and by the Group audit committee as set out in the Corporate Governance section on page 44, and implemented by the executive management team.

Three lines of defence model

The **first line of defence** is the business line management.

The business line management have the primary risk and control responsibility. The line management have responsibility for the implementation of risk mitigation and control measures as well as being responsible for promoting and embedding a strong and robust risk management culture.

The **second line of defence** defines the risk management policies which are set by the executive team and support functions such as Finance, Quality, Health, Safety and Environment, Information Technology and Human Resources. These functions define risk management processes and controls. They develop policies and standards to which the business line management adhere. The second line of defence monitor and report on risk and maintain the risk register.

The **third line of defence** is internal audit and the audit committee. They provide and oversee the independent assurance that our processes are effective and operating as designed to appropriately mitigate and control risks. The Group internal audit plan is prepared following an annual Group-wide risk assessment process which involves the review of each division's risk register and discussions with Group and divisional management teams.

Annual operating plan process

Each business prepares a three-year operating plan which sets out the strategic position of the business. Within this process the risks affecting the strategy are identified and reviewed in further detail, documented on the risk register and either accepted or mitigated.

Bibby Line Group prepares its own three year plan reviewing the operating plans of the divisions to assess the best portfolio for the Group taking into account each company's returns, the values by which they operate and the risk appetite of the board within the business.

Risk registers

The risks identified by the operating plan process, in the preparation of budgets, and through ongoing reviews by management, are documented in the corporate risk registers for each business.

The risk register structure and format captures the strategic, operational, reporting, and compliance risks of each division and aligns with the best practice Committee of Sponsoring Organisations of the Treadway Commission ('COSO') framework with the likelihood and impact of each risk assessed on a 5x5 risk matrix.

The risk registers are reviewed at each board meeting and annually by internal audit. This process is supplemented by project-specific and function-specific risk registers in some divisions and dedicated risk management processes for significant projects within the Group.

The principal risks the Group is exposed to are set out on pages 42 to 43.

Principal Risks and Uncertainties

The principal risks and uncertainties which are considered to have a potential material impact on the Group are shown in the table below along with the mitigating actions taken by management to manage these risks and the strategic objective (see page 9) affected by the risk.

Risk area	Principal risks and uncertainties	Mitigation	Relevant strategic objective
Strategic	**Composition of the portfolio**		
	An imbalance in the portfolio may leave the Group with too much risk, or create over-dependence on one sector/country.	The annual review of operating plans includes a review by the Bibby Line Group board of the balance of the portfolio to facilitate discussion of the desired shape of the portfolio with regard to both present market conditions and future expectations. Investment and divestment plans are appraised with regard to improving the balance in the portfolio with reference to the shape of the target portfolio.	1, 2
Strategic / Operational	**Acquisitions**		
	Buying the wrong business, over-paying for a business or failing to integrate it effectively.	The Bibby Line Group strategy team are involved in all material acquisitions across the Group, providing expertise on M&A activity. Future investment plans are collated and reviewed by the Group board to optimise resource allocation between competing projects. Material acquisitions are a matter reserved for Bibby Line Group board approval which is only given after suitable review of the options and risks associated with the proposition and other alternatives. A rigorous step-by-by step integration programme is in place for deployment when a new business is acquired.	All
Operational	**Transformational projects**		
	Change programmes within the operating businesses risk reducing shareholder value if they are not implemented effectively.	Investments in significant projects are a matter reserved for Bibby Line Group board approval which is only given after suitable review of the options and risks associated with them. Bibby Line Group executives chair each of the divisional boards to monitor performance of the division, including progress on material projects. They report developments as necessary to the Group board.	All
	Divisional underperformance		
	Divisional businesses underperform relative to their potential and to expectations due to errors in strategy or operations, or through market forces.	The annual operating plans of each division are reviewed by their own boards and critiqued by the Bibby Line Group strategy team before being discussed at a dedicated annual meeting of the Group board. An update on business performance is provided to each Bibby Line Group board meeting and the monthly management accounts for all businesses are circulated to the Group board. Bibby Line Group executives chair each of the divisions to monitor performance of the division and its chief executive.	All
	Reputation		
	An event occurs which adversely affects the Bibby Line Group brand and affects our divisional operations.	Bibby Line Group's values are integral to the way the Group does business and we expect all staff to do the right thing. Each subsidiary is tasked with promoting the BLG values. Risks with a potential reputational impact are identified on the relevant Group and Divisional risk registers and appropriate controls are in place including an escalation procedure to the Group Board.	7
	Technology		
	A cyber-attack or operational IT failure results in an adverse impact on customer service.	Educational programmes are in place to equip staff with awareness of IT security issues and security policies. Cyber security and system resilience controls are in place across the Group and this continues to be an area of focus and investment for Bibby Line Group and divisional management teams. Business continuity policies / plans and Disaster Recovery plans are in place for Group and the Divisions including incident response plans to manage the recovery of IT and operational services in the event that a security incident occurs.	1, 2, 4, 6, 7

Risk area	Principal risks and uncertainties	Mitigation	Relevant strategic objective
People	**Talent retention**		
People	Failure to recruit or retain sufficient talent within Bibby Line Group or one of the divisions would result in business underperformance.	The remuneration committee sets the remuneration packages of senior executive staff and divisional chief executives with regard to the external market for such individuals and aligns the remuneration to the results of the business through the annual and long-term bonus arrangements. Regular individual appraisals are undertaken to provide feedback and identify development needs and opportunities, which are delivered through bespoke and business-wide development programmes. Succession plans are in place to cover all senior positions.	1, 3, 6
People	**Health & safety**		
People	Our people work in potentially hazardous situations in many of our businesses, where failure to protect our staff, customers and the public could injure those involved, breach our own objectives, laws and regulations, and result in financial penalties, and possible imprisonment.	Due to the diverse nature of our operations this risk is managed within each division with systems appropriate to each industry. Each of our businesses have appropriate Health and Safety policies, with rigorous reporting mechanisms for informing the board of both incidents and near-misses, together with feedback processes for continuous improvement, backed up by external audits in many of the businesses. Key performance indicators are reviewed at each subsidiary and Group board.	4, 7
Financial	**Liquidity and financial risks**		
Financial	Failure to maintain liquidity across the Group would impact value creation within the Group by curtailing investment in future projects or by threatening the solvency of a division. Liquidity would be adversely affected by credit risk losses to which the Group is primarily exposed in respect of counter parties holding bank balances or owing trade receivables.	The Group monitors weekly and monthly cash flow forecasts of individual businesses to identify cash requirements. Future investment plans are collated and reviewed by the Group board to optimise resource allocation between competing projects. A Group wide treasury policy imposes a fixed cash deposit limit with any one financial institution and restricts the acceptable credit rating of such counterparties to A/A2 and above. Credit limits are in place for customers. The Group manages its significant foreign exchange trading exposures through forward contracts. The Group accepts the risk of its exposure to foreign exchange movements on the consolidation of its net investment in overseas subsidiaries. The Group holding company, Bibby Line Group, is financed by dividends paid by the divisional trading companies. The Group holding company aims to maintain sufficient cash to meet all contractual obligations and dividend payments for at least the next 12 months, with surplus cash available for reinvestment in the divisions. It also has available an undrawn £5 million overdraft facility in place until October 2018 (currently undrawn) to manage unexpected calls on working capital.	1
Financial	**Pensions**		
Financial	The Group has liabilities in respect of two defined benefit pension schemes for which deficit contribution are funded from Group cash. There is a risk that future financial performance of the schemes will underperform expectations leading to increased deficit payments.	The Bibby Line Group Pension Fund is closed to new entrants and future accrual, limiting the gross liabilities to which the Group is exposed. The currently agreed deficit contributions to both the Bibby Line Group Pension Fund and the Merchant Navy Officers Pension Fund (MNOPF) (see note 23) are included within the cash flow forecasts of the Group when calculating future headroom on facilities. The MNOPF is a multi-employer defined benefit pension scheme for the maritime industry (also now closed to new entrants and future accrual) and the Group has agreed funding contribution levels with the scheme until the next actuarial valuation (see note 23). A review of BLG's pension liabilities is performed annually by third party actuaries and triennially a full valuation is performed.	1

The Strategic Report as set out on pages 5 to 43 was approved by the board on 28 September 2018 and signed on its behalf by John Cresswell, Chief Executive Officer.

Corporate Governance

Board of directors

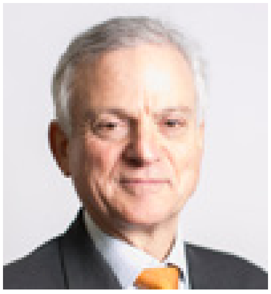
The board of directors during the year, and to the date of this report, comprised:

Paul Drechsler, CBE
Chairman, independent non-executive director
Appointed to the board 1 July 2014
- Nominations committee chairman

David Anderson
Independent non-executive director
Appointed to the board 1 August 2012
- Audit committee chairman
- Remuneration committee
- Nominations committee

Geoffrey Bibby
Non-executive director
Appointed to the board 1 April 2015
- Audit committee
- Remuneration committee
- Nominations committee

Caroline Hoare
Independent non-executive director
Appointed to the board 1 January 2016
- Audit committee
- Remuneration committee
- Nominations committee



Timothy Lebus
Senior independent non-executive director
Appointed to the board 1 March 2009
- Audit committee
- Remuneration committee chairman
- Nominations committee

John Cresswell
Chief executive officer from 1 June 2018
Appointed to the board 1 May 2018

Sir Michael Bibby Bt., DL
Managing director to 1 June 2018 and non-executive director thereafter
Appointed to the board 26 June 1992

Mark Lyons
Chief financial officer
Appointed to the board 1 April 2016

Mike Brown, Group portfolio director, was appointed to the board 3 November 2014, and resigned from the board 31 January 2018. Gaurav Batra, Strategy director, was appointed to the board 1 July 2013, and resigned from the board 19 July 2018

Role of the board

The board works with management to review, challenge, and agree the strategy of the business, monitor progress against the strategy and review the mitigation of risks that may affect the execution of the strategy. The board is collectively responsible for ensuring that the Group is well governed and there is an appropriate portfolio of companies to spread risk effectively. It also reviews trading performance, funding facilities, talent management, and maintains oversight of the Group's systems of risk management and internal control.

The non-executive directors are responsible for bringing independent scrutiny and judgement to bear on the decisions taken by the board.

The executive team is responsible for day to day management, with certain restrictions on their powers set out in the company's 'matters reserved for board approval' schedule. The executive is held accountable for the outcomes of such decisions through performance targets and subsequently the review of outcomes in 'Post Investment Reviews'.

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The schedule of matters reserved for the board includes the appointment of Group directors or divisional chief executives, significant acquisitions, significant capital expenditure or leases, financial guarantees and bank facilities, and changes to Group accounting policies.

The Bibby Line Group board met formally eight times during 2017, supplemented by regular executive team meetings, regular communication via email, and conversations between the executive and non-executive directors. During 2017 there was full attendance by the directors at all board meetings. There are seven board meetings with broad agendas and an annual meeting that solely focuses on the review of the Group and divisional strategy as set out in the operating plans.

Divisional boards

The holding companies heading the Group's trading divisions are each governed by a board of directors which includes at least one representative of the Group holding company as a non-executive director, at least one of whom is an executive director of Bibby Line Group who chairs the board. The Group board is responsible for the appointment of the divisional chief executives who are granted significant autonomy as to how to run their division, with oversight from their divisional board. The Group has cascaded the governance structure to the divisional boards providing clarity on which decisions require divisional, and Group, board approval.

Audit committee

The audit committee's purpose is to review the application of corporate governance, corporate reporting, risk management, and internal control activities within the Bibby Line Group and advise the Group board on such matters. The audit committee also oversees the Group's relationship with the Group's external auditor.

The audit committee members are the non-executive directors of the company (apart from the chairman), who are considered to have appropriate financial expertise. The external auditor, managing director, chief financial officer and head of internal audit are invited to attend meetings of the committee as required.

During 2017 the committee met in January, April, July and November, in line with the company's financial reporting cycle and to review the annual internal audit plan. There was full attendance by the committee members at all meetings. The audit committee reviewed the work of internal audit within Bibby Line Group and met with the external auditors to review the completion of the 2016 statutory audit and the planning for the 2017 statutory audit.

The audit committee has set guidelines for the pre-approval of all non-audit services to be provided by the external auditors. The audit committee reviewed the external audit fee arrangements and concluded that they are appropriate.

Remuneration committee

The remuneration committee's purpose is to review and approve the remuneration (including all salary, bonus and other benefits) of the holding company executive directors, any subsidiary business Chief Executive Officer, and other senior managers with salary over a certain level. The members of the remuneration committee are the non-executive directors of the company except the chairman. The Group CEO and HR director are in attendance at each remuneration committee meeting.

The remuneration committee met three times during 2017 with full attendance.

In determining these remuneration packages the committee has regard to:

- the importance of recruiting and retaining management of the quality required;
- aligning the objectives of management with those of the shareholders; and
- giving every encouragement to enhancing the Group's performance through innovation and achievement in the very competitive markets in which the Group operates.

All executive directors have service contracts with the company which are terminable within twelve months by either party. Details of director remuneration are given in note 2 to the financial statements.

The Group operates a long-term incentive plan for the executive directors of the Group board and certain executive directors and key employees of the main operating subsidiaries.

Prior to 2015 Performance Unit Plans (PUPs) were awarded. Notional units are allocated to members of the plan each year proportionate to their salary by the remuneration committee. Dependent upon certain financial criteria being met these units are redeemed in cash three years later. These existing schemes continue in operation for those units allocated prior to 2015 and for other subsidiary businesses.

The long-term incentive plans for executive directors of the Group board and certain subsidiaries awarded in 2015 changed to schemes based on notional enterprise values of the businesses rather than shareholders' funds. In the first scheme on this new basis (performance period 2015 to 2017) the change in value will be assessed over three years, and a proportion of the increase in value above a required compound rate of return of 7.5% will be payable to the scheme participants over the following four years. Subsequent versions of this scheme for some subsidiaries were recommended to the remuneration committee for approval for the performance period 2018 - 2020. It is intended to issue rolling annual allocations with any payment to executives subject to performance criteria being met and after the approval of the statutory accounts for year three of the performance period.

Payments under all schemes are at the discretion of the remuneration committee.

Nominations committee

The nominations committee's purpose is to review and approve the appointment of directors to the board. It met in 2017 to review the Talent & Succession plans for the executive teams of Bibby Line Group and its subsidiaries and to discuss appointments to the Bibby Line Group Board.

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2017.

Details of the principal activities, business review, directors and charitable donations are included within the Strategic Report on pages 5 to 43 and are included in the Directors' Report by reference.

Group results

The Group loss for the year after taxation and minority interests amounts to £15.0 million (2016 – £59.7 million loss). After taking account of movements through the statement of changes in equity, total shareholders' funds have reduced from £235.7 million to £231.2 million. A review of the Group's results is shown on page 12.

Going concern statement

In many of the company's core markets, conditions are volatile. Additionally, the current levels of political uncertainty, both in the UK and internationally, have the potential to deliver shocks to the economy and give rise to risks for all of our businesses. In considering the going concern basis for preparing the financial statements, the Directors have considered the risks to the delivery of the Group's strategy, including an assessment of any uncertainty on the viability of the Group's business models and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The review includes consideration of cash flow forecasts for at least the next fifteen months for all businesses in the Group. Based on this assessment, and taking into account mitigating actions which are within management's control, the Directors consider that the Group maintains an appropriate level of capital and liquidity, sufficient to meet both the normal demands of the divisions and the requirements which might reasonably be expected to arise in a downside scenario. The Directors have also sensitised the projections with more prudent assumptions and considered potential mitigating actions. Mitigating actions directly within managements control include restricting growth investment, reducing central costs, and reducing dividend payments.

Taking into account reasonable potential changes in trading performance, the Directors consider that liquidity is likely to be sufficient to meet the requirements of the company for the foreseeable future. Each division has external financing and there are no banking guarantees in place between the divisions and Bibby Line Group Limited. Although Bibby Line Group has provided contractual support for the financing of Wavemaster 2 and does provide support to certain divisional businesses for capital expenditure, working capital, and, when appropriate, to fund losses, it has no contractual obligations to extend support beyond the arrangements that are already agreed and reflected in its cash flow forecasts.

The company, Bibby Line Group Limited, is financed by dividends from the trading divisions, principally Bibby Financial Services. In making their assessment of going concern, the Directors have confidence in Financial Services' ability to perform at a level in that will support dividend payments.

Bibby Line Group Limited has recently agreed an additional new committed revolving working capital facility for Costcutter, and will consider further requests for support. Taking account of this committed facility from Bibby Line Group Limited and external bank facilities, the forecasts for Costcutter indicate that it will have sufficient resources to continue to operate for the foreseeable future. In the event of adverse variations in trading compared to the forecast, the directors of Costcutter have acknowledged that further support from Bibby Line Group Limited may be required and as a consequence the directors of Costcutter have noted a material uncertainty relating to going concern in the Costcutter accounts. There are no banking guarantees in place between Costcutter and Bibby Line Group Limited and further requests for support will be subject to strict investment case and affordability criteria. The directors of Bibby Line Group Limited have considered these factors in their assessment of the basis of preparation for the group accounts.

On the basis that the board of Directors consider the Group to be sufficiently funded and will continue in operational existence for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

Events since the balance sheet date

On 30 April 2018, the Group sold its entire shareholding in Packaging Logistics Services Limited, realising a profit on disposal. No adjustments were made to the 2017 balance sheet as a result of the transaction.

In August 2018, Costcutter reached a commercial settlement with the administrators of Palmer and Harvey in which it was agreed that all mutual claims are settled. The impact on the receivables balance as at 31 December 2017 has been reflected in the 2017 results.

In September 2018 the Group agreed to sell the MV Shropshire. Accordingly the value of the vessel has been written down to the expected recoverable amount.

Dividends

Interim dividend of £57.58 and a final dividend of £115.16 per share to the holders of the £1,000 Ordinary Shares were paid on 3 January 2017 and 19 June 2017 respectively, constituting a total dividend for the year ended 31 December 2016 of £172.74 per Ordinary share.

Interim dividends of £59.83 and £119.66 per share to the holders of the £1,000 Ordinary shares was paid on 15 January 2018 and 21 June 2018 respectively constituting a total dividend for the year ended 31 December 2017 of £179.49 per Ordinary share.

Interim dividends of £195.52 and £391.03 per share to the holders of the £1 Ordinary A Shares were paid on 3 January 2017 and 19 June 2017, constituting a total dividend for the year ended 31 December 2016 of £586.55 per Ordinary A share.

Interim dividends of £203.16 and £406.31 per share to the holders of the £1 Ordinary A shares was paid on 15 January 2018 and 21 June 2018 respectively, constituting a total dividend for the year ended 31 December 2017 of £609.47 per Ordinary A share.

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.

Employment policies

The Group is committed to attracting, motivating and retaining high quality personnel. It is the Group's 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 Group's policy to promote the understanding and involvement of all employees in its business aims and performance. To do this, the Group continually develops effective employee communication, consultation and involvement, including the regular publication of company magazines.

The Group is an equal opportunity employer which recognises and values the strength and contribution of a diverse workforce. The policy of the Group 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 a Group company, every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities available for training, career development and promotion.

Disclosure of information to the auditor

Each of the directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves 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.

By order of the board

Bibby Bros. & Co. (Management) Limited, Secretary
28 September 2018

Registered Office
105 Duke Street
Liverpool
L1 5JQ

Independent auditor's report to the members of Bibby Line Group Limited

Report on the audit of the financial statements

Opinion

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 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bibby Line Group Limited (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: HYPERLINK "http://www.frc.org.uk/auditorsresponsibilities" www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit: 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; and the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Christopher Robertson
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, UK
28 September 2018

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), 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 then apply them consistently;
- make judgments 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Financial Statements

Group Profit and Loss Account

for the year ended 31 December 2017

	Note	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000
Turnover	1	922,874	81,342	1,004,216	1,038,291	165,005	1,203,296
Cost of sales		(818,439)	(129,920)	(948,359)	(922,248)	(194,409)	(1,116,657)
Gross profit/(loss)		104,435	(48,578)	55,857	116,043	(29,404)	86,639
Administration expenses (before exceptional items)		(104,258)	(18,994)	(123,252)	(122,179)	(21,709)	(143,888)
Exceptional items	6	(47,265)	-	(47,265)	-	-	-
Total administration expenses		(151,523)	(18,994)	(170,517)	(122,179)	(21,709)	(143,888)
Operating loss	1	(47,088)	(67,572)	(114,660)	(6,136)	(51,113)	(57,249)
Profit/(loss) on disposal of fixed assets	4	1,388	(2,365)	(977)	1,514	(1)	1,513
Gain on deconsolidation of subsidiary	4	-	114,565	114,565	-	-	-
Profit on disposal of subsidiary	4	-	-	-	-	7,833	7,833
(Loss)/profit on ordinary activities before interest		(45,700)	44,628	(1,072)	(4,622)	(43,281)	(47,903)
Finance cost (net)	5	(5,354)	(13,566)	(18,920)	(3,877)	(13,797)	(17,674)
(Loss)/Profit on ordinary activities before taxation		(51,054)	31,062	(19,992)	(8,499)	(57,078)	(65,577)
Taxation on profit/(loss) on ordinary activities	7	5,081	(75)	5,006	(1,627)	7,492	5,865
(Loss)/Profit for the financial year		(45,973)	30,987	(14,986)	(10,126)	(49,586)	(59,712)
Attributable to:							
Non-controlling interests		-	-	-	-	(14)	(14)
Equity shareholders		(45,973)	30,987	(14,986)	(10,126)	(49, 572)	(59,698)
		(45,973)	30,987	(14,986)	(10,126)	(49,586)	(59,712)

Group Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Loss for the financial year		(14,986)	(59,712)
Remeasurement of net defined benefit on pension liabilities	23	20,290	(12,134)
Currency translation differences on foreign currency net investments		(3,157)	10,482
Deferred tax (charge)/credit on items of other comprehensive income		(3,449)	2,063
Unrealised gain on cash flow hedges		-	276
Total (losses)/gains recognised relating to the year		(1,302)	59,025

Group Balance Sheet

as at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets:			
Intangible assets	8	32,876	70,463
Tangible assets	9	133,821	256,776
Investments	10	149	253
		166,846	327,492
Current assets:			
Stock	11	3,944	4,734
Debtors	12	1,250,338	1,162,146
Cash and cash equivalents		38,589	104,852
		1,292,871	1,271,732
Creditors (amounts falling due within one year)	13	(395,066)	(490,308)
Net current assets		897,805	781,424
Total assets less current liabilities		1,064,651	1,108,916
Creditors (amounts falling due after more than one year)	14	(822,556)	(829,721)
Provisions for liabilities and charges	16	(5,848)	(16,781)
Net pension liability	23	(5,046)	(26,742)
Net assets		231,201	235,672
Capital and reserves:			
Called-up share capital	18	18,005	18,005
Other reserves		275	275
Profit and loss account		212,921	217,392
Total shareholders funds		231,201	235,672

The financial statements of Bibby Line Group Limited have been approved and authorised for issue by the board on 28 September 2018.

JOHN CRESSWELL

MARK LYONS

Directors of Bibby Line Group Limited, Registered No. 00034121

Group Cash Flow Statement

for the year ended 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Net cash outflow from non-financial services operating activities	**20**		(41,875)		(33,953)
Net cash outflow from financial services operating activities	**20**		(71,348)		(58,464)
Net cash outflow from operating activities	**20**		(113,223)		(92,417)
Cash flows from investing activities					
Purchase of tangible and intangible fixed assets		(46,983)		(58,691)	
Proceeds on sale of tangible fixed assets		14,293		4,101	
Interest received		64		414	
Disposal of subsidiary		808		8,054	
Net cash flows from investing activities			(31,818)		(46,122)
Cash flows from financing activities					
Equity dividends		(3,169)		(3,105)	
Dividends paid on preference shares		(15)		(15)	
Interest paid		(10,936)		(17,701)	
Repayment of amounts borrowed		(27,716)		(36,050)	
Capital element of hire purchase and finance lease payments		(19,148)		(10,678)	
New loans		133,931		147,606	
New hire purchase and finance lease agreements		5,955		6,813	
Net cash flows from financing activities			78,902		86,870
Net decrease in cash and cash equivalents	**21, 22**		(66,139)		(51,669)
Cash and cash equivalents at beginning of the year			101,853		151,740
Effect of foreign exchange rate changes			995		1,782
Cash and cash equivalents at the end of the year			36,709		101,853

Group Statement of Changes in Equity

for the year ended 31 December 2017

	Called-up share capital	Capital redemp-tion	Profit and loss account	Hedging reserve	Total	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2017	18,005	275	217,392	-	235,672	-	235,672
Loss for the financial year	-	-	(14,986)	-	(14,986)	-	(14,986)
Currency translation differences	-	-	(3,157)	-	(3,157)	-	(3,157)
Remeasurement of net defined benefit pension liabilities	-	-	20,290	-	20,290	-	20,290
Tax relating to items of other comprehensive income	-	-	(3,449)	-	(3,449)	-	(3,449)
Total comprehensive income	-	-	(1,302)	-	(1,302)	-	(1,302)
Dividends paid on equity shares	-	-	(3,169)	-	(3,169)	-	(3,169)
At 31 December 2017	18,005	275	212,921	-	231,201	-	231,201
At 1 January 2016	18,005	275	279,784	(276)	297,788	34	297,822
Loss for the financial year	-	-	(59,698)	-	(59,698)	(14)	(59,712)
Hedges of variable interest rate risk and foreign exchange risk	-	-	-	276	276	-	276
Currency translation differences	-	-	10,482	-	10,482	-	10,482
Remeasurement of net defined benefit pension liabilities	-	-	(12,134)	-	(12,134)	-	(12,134)
Tax relating to items of other comprehensive income	-	-	2,063	-	2,063	-	2,063
Total comprehensive income	-	-	(59,287)	276	(59,011)	(14)	(59,025)
Dividends paid on equity shares	-	-	(3,105)	-	(3,105)	-	(3,105)
Eliminated on disposal	-	-	-	-	-	(20)	(20)
At 31 December 2016	18,005	275	217,392	-	235,672	-	235,672

Notes to the Financial Statements

for the year ended 31 December 2017

1. Analysis by class of business

	2017	2016
	£000	£000
Turnover		
Marine	21,088	32,105
Contract Distribution	191,434	191,243
Financial Services	168,023	156,659
Retail	512,196	627,915
Other	30,133	30,369
Continuing operations	922,874	1,038,291
Discontinued operations	81,342	165,005
Total	1,004,216	1,203,296

Operating profit	2017	2016
	£000	£000
Marine	(15,792)	(3,875)
Contract Distribution	530	2,054
Financial Services	22,703	17,672
Retail	(48,749)	(10,650)
Other	320	(3,625)
Head Office	(6,100)	(7,712)
Continuing operations	(47,088)	(6,136)
Discontinued operations	(67,572)	(51,113)
Total	(114,660)	(57,249)

Net assets:	2017	2016
	£000	£000
Marine	26,313	41,856
Contract Distribution	6,689	7,049
Financial Services	193,353	192,845
Retail	(136,876)	(87,820)
Other	6,380	12,030
Head Office	135,342	100,812
Continuing operations	231,201	266,772
Discontinued operations	-	(31,100)
Total	231,201	235,672

2. Emoluments of directors

	Salary & Fees	Benefits in Kind	Annual Bonus	2017 Total	2016 Total
	£000	£000	£000	£000	£000
Paul Drechsler	150	-	-	150	150
Tim Lebus	39	-	-	39	39
David Anderson	39	-	-	39	39
Geoffrey Bibby	33	-	-	33	33
Caroline Hoare	33	-	-	33	33
Sir Michael Bibby	404	66	81	551	465
Jon Haymer	-	-	-	-	92
Gaurav Batra	303	45	68	416	381
Mark Lyons	395	64	69	528	441
Mike Brown	373	12	55	440	421
	1,769	187	273	2,229	2,094

Benefits in kind include the provision of a company car (or cash equivalent), fuel, medical insurance and the cash equivalent paid to a director in lieu of pension scheme contributions.

Pensions

Sir Michael Bibby was a member of the Bibby Line Group Pension Scheme, a defined benefit scheme, which closed to future accruals in 2011. Details of pension benefits accrued in this scheme at the year end are:

	Additional pension earned in the year	Accrued pension entitlement
	£	£
Sir Michael Bibby	-	102,447

Loans to directors

On 10 June 2015 the shareholders of Bibby Line Group Limited approved the provision of a £100,000 loan to Mike Brown as part of his employment arrangements.

The £100,000 was advanced to Mike Brown on 21 August 2015. No amount of principal was repaid in the year. Interest is charged and paid annually on the loan at the HMRC approved rate for beneficial loans (currently 3%) from the date of advance of the loan. The loan was forgiven on 31 May 2018.

3. Particulars of employees

	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
	£000	£000	£000	£000	£000	£000
Staff costs						
Wages and salaries	143,652	17,707	161,359	140,179	33,216	173,395
Social security costs	16,421	1,950	18,371	15,707	3,002	18,709
Other pension costs	3,242	1,041	4,283	4,131	2,051	6,182
	163,315	20,698	184,013	160,017	38,269	198,286
Staff numbers						
The average number of persons employed by the Group throughout the period was:						
Marine	136	-	136	148	188	336
Offshore oil field services	-	282	282	-	341	341
Contract distribution	1,844	-	1,844	1,853	-	1,853
Financial Services	1,305	-	1,305	1,334	-	1,334
Retail	665	-	665	621	-	621
Other	362	18	380	359	44	403
Head Office	44	-	44	46	-	46
	4,356	300	4,656	4,361	573	4,934

4. Profit on disposal of fixed assets and investments

	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
	£000	£000	£000	£000	£000	£000
Profit on disposal of fixed assets						
Profit / (loss) on disposal of tangible fixed assets	1,388	(2,365)	(977)	1,514	(1)	1,513
The net tax effect of the above transaction is a tax charge of	278	(473)	(195)	303	-	303
Gain on deconsolidation of a subsidiary	-	114,565	114,565	-	-	-
The net tax effect of the above transaction is a tax charge of	-	-	-	-	-	-
Profit on disposal of investment	-	-	-	-	7,833	-
The net tax effect of the above transaction is a tax charge of	-	-	-	-	-	-

5. Finance costs (net)

	2017 Continuing Operations	2017 Discontinued Operations	2017 Total	2016 Continuing Operations	2016 Discontinued Operations	2016 Total
	£000	£000	£000	£000	£000	£000
Interest receivable and similar income						
Other interest receivable	41	24	65	100	326	426
Exchange difference on foreign borrowings	-	-	-	1,190	-	1,190
	41	24	65	1,290	326	1,616
Interest payable and similar charges						
On bank loans, overdrafts and other secured loans	(2,284)	(12,840)	(15,124)	(2,907)	(13,206)	(16,113)
On loan notes	-	-	-	(187)	-	(187)
HP and finance leases	(1,113)	(750)	(1,863)	(844)	(917)	(1,761)
On other debt financing	(383)	-	(383)	(400)	-	(400)
Exchange difference on foreign borrowings	(893)	-	(893)	-	-	-
Net interest cost on defined benefit pension liability	(707)	-	(707)	(464)	-	(464)
On £100 preference shares at 9.75% of nominal value	(15)	-	(15)	(15)	-	(15)
Amount reclassified from equity to Profit & Loss in respect of derivative financial instruments designated as cash flow hedges	-	-	-	(275)	-	(275)
Change in fair value of other derivative financial instruments measured through profit & loss	-	-	-	(75)	-	(75)
	(5,395)	(13,590)	(18,985)	(5,167)	(14,123)	(19,290)
Finance cost (net)	(5,354)	(13,566)	(18,920)	(3,877)	(13,797)	(17,674)

In addition, interest payable by the Financial Services division is included in the Group Profit and Loss Account within cost of sales. The amounts charged in the year were:

On bank loans and overdrafts	20,197	-	20,197	17,017	-	17,017

6. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging the following amounts:

	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000
Depreciation – owned tangible fixed assets (see note 9)	16,975	9,978	26,953	15,405	11,598	27,003
Depreciation – leased tangible fixed assets	1,783	3,397	5,180	3,911	4,117	8,028
Amortisation of intangible fixed assets (see note 8)	11,055	-	11,055	15,994	18	16,012
Foreign exchange losses	129	(1,946)	(1,817)	212	136	348
Impairment losses on tangible fixed assets (see note 9)	21,256	7,444	28,700	2,867	2,143	5,010
Impairment losses on intangible fixed assets (see note 8)	35,943	-	35,943	-	-	-
Profit / (loss) on disposal of tangible fixed assets	1,388	(2,365)	(977)	1,514	(1)	1,513
Charitable donations	216	-	216	235	-	235
Operating lease costs:						
Plant and machinery	10,540	30,281	40,821	13,209	42,393	55,602
Other	11,711	1,753	13,464	10,948	1,925	12,873
Fees payable to the company's auditor for:						
– the audit of the company's current year accounts	173	-	173	82	-	82
– the audit of the company's subsidiaries current year accounts	681	124	805	620	118	738
– the audit of the company's subsidiaries prior year accounts	-	-	-	104	-	104
Total audit fees	854	124	978	806	118	924
Auditor's renumeration for non-audit services:						
Tax service	40	-	40	84	-	84
Other services	109	-	109	84	-	-
Toal non-audit fees	149	-	149	84	-	84

Net exceptional items	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000
(a) Impairment of intangibles	(35,943)	-	(35,943)	-	-	-
(b) Bad debt write-off (insurance claim):	(6,092)	-	(6,092)	-	-	-
(c) MV Cheshire CTL:						
Impairment of vessel	(15,014)	-	(15,014)	-	-	-
Insurance income – settlement of CTL claim	15,666	-	15,666	-	-	-
Net impact	652	-	652	-	-	-
(d) Impairment of tangible fixed assets	(5,882)	-	(5,882)	-	-	-
	(47,265)	-	(47,265)	-	-	-

(a) Relates to the impairment of goodwill relating to Costcutter Supermarkets Group as a result of a revised assessment of value in use following the collapse of Palmer and Harvey in November 2017
(b) Relates to the write-down of receivable balances from Palmer and Harvey
(c) Relates to the Constructive Total Loss of the MV Cheshire which resulted in full impairment of the vessel and related insurance proceeds receivable at the year end
(d) Relates to the impairment of the MV Shropshire

7. Tax on profit/(loss) on ordinary activities

	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000
Tax on profit on ordinary activities						
Current year UK corporation tax charge/(credit)	5	-	5	7	-	7
Prior year UK corporation tax charge	(1,896)	432	(1,464)	(1,073)	(1,620)	(2,693)
Current year charge for foreign corporate and witholding taxes	2,516	65	2,581	4,580	131	4,711
Current tax charge for the year	625	497	1,122	3,514	(1,489)	2,025
Deferred tax charge/(credit) on pension scheme costs	234	-	234	291	-	291
Adjustments in respect of prior years	(294)	3,183	2,889	198	-	198
Effect of change in tax rate on opening liability	4	(31)	(27)	182	142	324
Origination and reversal of timing differences	(5,650)	(3,574)	(9,224)	(2,558)	(6,145)	(8,703)
Deferred tax charge/(credit) for the year (see note 16)	(5,706)	(422)	(6,128)	(1,887)	(6,003)	(7,890)
Total tax (credit)/charge for the year	(5,081)	75	(5,006)	1,627	(7,492)	(5,865)

Factors affecting the tax (credit)/charge for the year:

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax are as follows:

	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000	2016 Continuing Operations £000	2016 Discontinued Operations £000	2016 Total £000
Tax reconciliation						
(Loss)/profit on ordinary activities before taxation	(51,054)	31,062	(19,992)	(8,499)	(57,078)	(65,577)
(Loss)/profit on ordinary activities multiplied by the weighted average rate of UK corporation tax of 19.25% (2016 – 20.0%)	(9,828)	5,979	(3,849)	(1,700)	(11,415)	(13,115)
Effect of:						
Trading losses carried forward / (utilised)	306	7,120	7,426	120	-	120
Non taxable gains	2,415	-	2,415	(238)	-	(238)
Expenses not deductible for tax purposes including amortisation of goodwill	5,776	(22,005)	(16,229)	2,766	(1,551)	1,215
Other timing differences	(687)	-	(687)	(258)	3,037	2,779
Adjustment in respect of prior year	(498)	3, 615	3,117	(875)	(1,620)	(2,495)
Difference in tonnage tax rate to weighted average tax rate	76	2,054	2,130	756	384	1,140
Transfer pricing adjustment	-	-	-	-	-	-
Different rate of overseas tax	387	(24)	363	1,012	3,531	4,543
Deferred tax on pension scheme	-	-	-	(138)	-	(138)
Change in deferred tax rate	152	156	308	182	142	324
Group relief not paid for	(3,180)	3,180	-			
Total tax charge for the year	(5,081)	75	(5,006)	1,627	(7,492)	(5,865)

8. Intangible assets

	Goodwill	Intangible assets	Total
	£000	£000	£000
Cost			
At 1 January 2017	138,728	29,246	167,974
Additions	175	9,790	9,965
Disposals	(894)	(73)	(967)
Exchange differences	2,003	-	2,003
At 31 December 2017	140,012	38,963	178,975
Amortisation			
At 1 January 2017	90,195	7,316	97,511
Charge for the year	8,113	2,942	11,055
Impairment	35,943	-	35,943
Disposals	(791)	(55)	(846)
Exchange differences	2,235	201	2,436
At 31 December 2017	135,695	10,404	146,099
Net book amount at 31 December 2017	4,317	28,559	32,876
Net book amount at 31 December 2016	48,533	21,930	70,463

The impairment charge relates to the write-down of goodwill in Costcutter following a reassessment of the future cash flows of the business in light of the collapse of P&H in November 2017, as described in Note 6.

Intangible assets primarily comprise of software used by the Financial Services division.

9. Tangible assets

	Vehicles and equipment		Land and buildings			
	Fleet	Other	Freehold	Short Leasehold	Long Leasehold	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2017	336,055	112,621	10,105	6,225	13,151	478,157
Additions	16,944	19,130	9	711	19	36,813
Disposals	(37,052)	(17,341)	(5,863)	(881)	(322)	(61,459)
Disposal on sale of subsidiary	(162,226)	(9,971)	-	-	(8,929)	(181,126)
Exchange differences	(4,443)	6,684	(920)	-	(2,890)	(1,569)
At 31 December 2017	149,278	111,123	3,331	6,055	1,029	270,816
Depreciation						
At 1 January 2017	152,673	50,399	4,653	4,207	9,449	221,381
Charge for the year	16,826	14,836	179	178	114	32,133
Impairment	28,340	341	-	-	19	28,700
Disposals	(28,796)	(15,646)	(3,028)	(876)	(281)	(48,627)
Disposal on sale of subsidiary	(83,490)	(6,753)	-	-	(5,821)	(96,064)
Exchange differences	(3,176)	5,933	(622)	-	(2,663)	(528)
At 31 December 2017	82,377	49,110	1,182	3,509	817	136,995
Net book amount at 31 December 2017	66,901	62,013	2,149	2,546	212	133,821
Net book amount at 31 December 2016	183,382	62,222	5,452	2,018	3,702	256,776
Net book value of leased assets included above:						
At 31 December 2017	-	8,097	-	-	-	8,097
At 31 December 2016	22,564	24,846	-	-	-	47,410

The impairment charge primarily relates to the MV Cheshire following it being declared a Constructive Total Loss, and the MV Shropshire to reflect an offer for the vessel which was accepted following the year end. Also included is the impairment of Remote Operating Vehicles in Bibby Offshore.

10. Investments

	2017
	£000
At 1 January 2017	253
Disposals	(104)
At 31 December 2017	149

11. Stock

	2017	2016
	£000	£000
Raw materials	666	508
Work in progress	224	120
Retail goods	1,604	1,490
Consumables	1,450	2,616
	3,944	4,734

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

12. Debtors

	2017	2016
	£000	£000
Trade debtors - financial services	1,021,917	904,106
Trade debtors - other	63,535	97,791
Taxation and social security	84	3,021
Deferred taxation asset - other timing differences (see note 16)	8,118	5,975
Net investment in finance leases	70,221	68,203
Other debtors	40,219	30,144
Corporation tax	5,805	3,704
Prepayments and accrued income	40,439	49,202
	1,250,338	1,162,146

Included within net investment in finance leases is £31,639,000 (2016 - £30,989,000) which is due after more than one year. Included within other debtors is an amount of £nil (2016: £680,000) which is due after more than one year.

The cost of assets acquired for the purpose of leasing under finance lease was £23,546,000 (2016: £20,503,000).

The aggregate rentals receivable during the year in respect of finance leases was £23,351,000 (2016: £24,941,000).

The deferred tax balance recognised above relates to timing differences and tax losses carried forward which the directors consider to be recoverable based on the future taxable profits.

The Group has UK tax losses of £14.5m (2016: nil) on which deferred tax assets have not been recognised as there is uncertainty about the recoverability. These losses are available indefinitely to carry forward and offset against future taxable income.

13. Creditors (amounts falling due within one year)

	2017	2016
	£000	£000
Bank loans (see note 15)	72,342	146,189
Bank overdrafts	1,880	2,999
Hire purchase and finance leases (see note 15)	2,837	10,111
Trade creditors - financial services	197,583	158,266
Trade creditors - other	26,064	79,203
Taxation and social security	11,560	10,804
Other creditors	30,435	6,345
Corporation tax creditor	3	-
Deferred consideration	-	163
Accruals and deferred income	52,226	75,743
Derivative financial instruments	136	485
	395,066	490,308

14. Creditors (amounts falling due after more than one year)

	2017	2016
	£000	£000
Bank loans (see note 15)	804,603	642,451
Other secured loans (see note 15)	-	170,035
Hire purchase and finance leases (see note 15)	17,318	16,565
9.75% Preference shares of £100 each (see note 18)	154	154
Other creditors	481	516
	822,556	829,721

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15. Debt instruments

	2017	2016
	£000	£000
Bank loans are repayable:		
Within one year	72,342	146,189
Between one and two years	38,633	27,503
Between two and five years	744,473	582,050
After five years	21,497	32,898
	876,945	788,640
Hire purchase and finance leases are repayable:		
Within one year	2,837	10,111
Between one and two years	2,358	7,998
Between two and five years	14,950	8,498
After five years	10	69
	20,155	26,676
Other debt is repayable:		
After five years	-	170,035
	-	170,035

The rates of interest payable on bank loans, vary with either US, Euro or UK short term LIBOR or UK base rates. Bank loans are secured by way of fixed and floating charges over the assets of the relevant entities.

Obligations under hire purchase and finance leases are secured on the assets they finance.

Other debt:

In the prior year Bibby Offshore was financed by a £175,000,000 bond issued on the Luxembourg market. The bond carried interest of 7.5%, payable every six months, non-amortising and repayable in 2021. It was recognised net of unamortised issuance costs.

16. Provisions for liabilities

	Other	Vacant Property	Deferred Taxation	Total
	£000	£000	£000	£000
At 1 January 2017	9,624	7,157	-	16,781
Profit and loss account	-	421	(6,128)	(5,707)
Utilised	(6,074)	(1,360)	-	(7,434)
Reclassification to debtors	-	-	3,579	3,579
Deconsolidation of subsidiary	(1,250)	(2,663)	(833)	(4,746)
Exchange differences	-	(7)	(67)	(74)
Statement of comprehensive income	-	-	3,449	3,449
At 31 December 2017	2,300	3,548	-	5,848

The vacant property provision relates to properties that were vacated and are surplus to the Group's requirements. The Other provision relates to further contributions to the Merchant Navy Ratings Pension Fund described in note 23.

Deferred taxation is provided at the rates substantively enacted at the year end being 19% (to April 2018), 18% (to April 2020), and 17% thereafter depending on the expected duration of the timing difference (2017 – 19%, 18% and 17% respectively). These deferred tax assets are as follows:

	2017	2016
	£000	£000
Accelerated capital allowances	(3,814)	5,658
Pensions	(858)	(4,556)
Other timing differences	(1,717)	(2,995)
Trading Losses	(1,729)	(4,082)
	(8,118)	(5,975)

17. Financial instruments and risk management

The following disclosures relate solely to Bibby Financial Services Limited and its direct subsidiaries.

Credit risk

The objective of credit risk management is to enable Bibby Financial Services to achieve appropriate risk versus reward performance whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to Bibby Financial Services.

The key principles of Bibby Financial Services' Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit.
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.
- Credit risk authority is delegated by the board of Bibby Financial Services and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination.
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

The following table provides an analysis of the credit quality of third party financial assets and commitments based on the performing/ impaired status of the asset.

Trade and other receivables	2017	2016
	£000	£000
Performing	1,064,730	893,747
Impaired	54,091	33,960
Impairment provision	(26,547)	(25,738)
	1,092,274	901,969

17. Financial instruments and risk management (continued)

The following table shows the movement in the provision for impairment of trade and other receivables.

	2017	2016
	£000	£000
At 1 January	25,738	18,846
Charged to the Profit and Loss Account	7,840	7,416
Amounts written off	(7,770)	(604)
Recoveries	899	272
Exchange differences	(160)	(192)
At 31 December	26,547	25,738

For invoice financing Bibby Financial Services lends to clients against approved invoices that are legally assigned to Bibby Financial Services and therefore act as security for lending. For leasing, Bibby Financial Services holds security over the assets financed by the lease.

Currency risk

Bibby Financial Services undertakes certain transactions denominated in foreign currencies, hence exchange rate fluctuations arise. Bibby Financial Services' policy is normally to match foreign currency receivables with borrowings in the same currency. Where necessary exchange rate transaction risk is addressed by taking out forward cover in the form of a currency derivative contract.

Liquidity risk

The risk is the risk that Bibby Financial Services is unable to meet its obligations as they fall due.

The table below analyses financial instrument liabilities of Bibby Financial Services, into relevant maturity groupings based on the remaining period at the balance sheet date.

	Up to 12 months	1 – 2 years	2 – 5 years	Total
	£000	£000	£000	£000
Financial liabilities				
Trading and other payments	216,427	-	-	216,427
Bank loans	52,589	18,414	728,775	799,778
Derivative financial instruments	136	-	-	136
Finance Leases	114	122	325	561
	269,266	18,536	729,100	1,016,902

Exchange rate risk

At 31 December 2017, if sterling had weakened 10% against the world's major currencies with all other variables held constant, Bibby Financial Services' shareholders' funds for the year would have been £7.2 million (2016 – £5.1 million) higher. Conversely, if Sterling had strengthened 10% against the world's major currencies with all other variables held constant, shareholders' funds would have been £5.9 million (2016 – £8.4 million) lower.

18. Called-up share capital

	2017	2016
	£000	£000
Alloted and full paid:		
1,536 9.75% Preference Shares of £100 each	154	154
100 Ordinary A Shares of £1 each	-	-
18,005 (2016 - 18,005) Ordinary Shares of £1,000 each (equity share capital)	18,005	18,005

The rights attaching to the Ordinary A Shares are as follows:

a) The right to dividend as outlined in the company's Articles of Association.

b) The right to participate in a distribution arising from a winding-up of the company subject to the detailed rules outlined in the company's Articles of Association.

The rights attaching to the Preference Shares are as follows:

a) The right to a fixed cumulative preferential dividend at the rate of 9.75% net per annum on the capital for the time being paid up thereon payable half-yearly on 30 June and 31 December in each year.

b) On a return of capital on liquidation or otherwise the right to have payment of capital and arrears and accruals of dividend whether earned or declared or not to be calculated down to the date of return of capital in priority to the Ordinary Shares, but shall not confer any further right to participate in profits or assets.

c) The right to receive notice of but not to attend and vote at any General Meeting by virtue of their holding unless the fixed cumulative preferential dividend on the Preference Shares is thirty days or more in arrears or if the business of the Meeting includes the consideration of a Resolution for altering the objects of the company or for reducing the capital of the company or for winding-up the company or any Resolution varying or abrogating any of the rights or privileges attached to the Preference Shares.

19. Dividends paid

	2017	2016
	£000	£000
Equity dividends paid per Ordinary Share:		
Interim £58 (2016 – £57)	1,037	1,016
Final £115 (2016 – £115)	2,073	2,032
	3,110	3,105
Equity dividends paid per Ordinary A share:		
Interim £196 (2016 – £192)	20	19
Final £391 (2016 – £383)	39	38
	59	57
Total dividends paid	3,169	3,105

20. Reconciliation of operating (loss)/profit to net cash flow from operating activities

	2017	2016
	£000	£000
Group operating loss	(114,660)	(57,249)
Less operating profit of the financial services business	(22,703)	(17,672)
Operating profit of the non-financial services businesses	(137,363)	(74,921)
Depreciation	30,318	34,108
Impairment of fixed assets	28,700	5,010
Amortisation of intangible assets	8,276	8,298
UK tax	2,600	1,888
Impairment of intangible assets	35,943	-
Overseas tax paid	-	(6,087)
Operating cash flow before movement in working capital	(31,526)	(31,704)
Movement in provisons	(7,612)	9,641
Movement in stock	(555)	714
Movement in debtors	29,025	(3,109)
Movement in creditors	(29,897)	(7,412)
Excess of pension scheme contributions paid over service cost	(1,300)	(2,083)
Cash outflow from non-financial services operating activities	(41,875)	(33,953)
Operating profit of the financial services business	22,703	17,672
Depreciation	1,815	923
Amortisation of intangible assets	2,779	7,714
UK taxation paid	(2,600)	(2,230)
Overseas taxation paid	(1,640)	(4,748)
Operating cash flow before movement in working capital	23,057	19,331
Movement in debtors	(129,161)	(70,230)
Movement in creditors	34,756	(7,565)
Cash outflow from financial services operating activities	(71,348)	(58,464)
Net cash outflow from operating activities	(113,223)	(92,417)

21. Reconciliation of net debt

	2017 £000	2016 £000
Movement in cash and cash equivalents in the year	(66,139)	(51,669)
Movement in loans and lease finance in the year	(93,048)	(107,690)
Change in net debt from cash flows	(159,187)	(159,359)
Exchange movements	(849)	(25,728)
Non-cash movements	(893)	(65)
Finance lease non-cash additions/non cash early redemption	(463)	-
Net debt transferred	184,499	-
Movement in net debt in the year	23,107	(185,152)
Net debt at 1 January 2017	(883,498)	(698,346)
Net debt at 31 December 2017	(860,391)	(883,498)

The net debt transferred relates to Bibby Offshore which was deconsolidated during 2017.

22. Analysis of net debt

	1 January 2017 £000	Cash flow £000	Non-cash movement £000	Exchange movements £000	31 December 2017 £000
Cash at bank and in hand	104,852	(67,258)	-	995	38,589
Bank overdrafts	(2,999)	1,119	-	-	(1,880)
	101,853	(66,139)	-	995	36,709
Debt due after 1 year	(829,051)	(164,016)	173,125	(1,979)	(821,921)
Debt due within 1 year	(156,300)	70,968	10,018	135	(75,179)
	(985,351)	(93,048)	183,143	(1,844)	(897,100)
	(883,498)	(159,187)	183,143	(849)	(860,391)

23. Pension costs

Pension Liability	2017 £000	2016 £000
Bibby Line Group Pension Scheme	(2,906)	(23,999)
Merchant Navy Officers' Pension Fund	(2,140)	(2,743)
	(5,046)	(26,742)

The Group administered several defined contribution pension schemes during the financial year. The assets of the schemes are held separately from those of the Group in funds under the control of independent insurance companies. The contributions made by the Group to these schemes over the financial year amounted to £4,283,000 (2016 – £6,182,000). There were no outstanding contributions at the balance sheet date to any pension arrangement.

The Group also contributes to the Merchant Navy Officers' Pension Fund (MNOPF) which is a multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and liabilities of the MNOPF, but has agreed a schedule of contributions to the overall scheme deficit as set out below. These have been recognised in the pension liability on the balance sheet. This provision will unwind as contributions are paid and will increase if a revised, increased, schedule of contributions is agreed with the MNOPF. The contributions made by the Group to the MNOPF scheme over the financial year amounted to £601,000 (2016 – £601,000). The latest actuarial valuation of the scheme, at March 2012, identified a scheme deficit of £492,000,000. The Group has agreed to make annual contributions based on the scheme's deficit of £601,000 per annum from 2018 to 2020 and £113,000 per annum from 2021 to 2023 (2016 – same).

The Group has previously participated in the Merchant Navy Ratings Pension Fund (MNRPF) and exited the scheme in 2004, paying the agreed section 75 charge at the time. Following a High Court decision that the MNRPF could set aside previous agreements such as this with former employers and implement its proposed revised funding arrangements, the MNRPF has requested further contributions from the Group of £2.3 million which is provided for in note 16.

The company sponsors the Bibby Line Group Pension Scheme, which is a defined benefit arrangement. The latest valuation of the Scheme was carried out by a qualified independent actuary as at 5 April 2014 using the projected unit method and showed the Scheme to be 77% funded.

The Scheme has been closed to new entrants since April 2000. New employees are offered membership of a defined contribution arrangement known as the Bibby Line Group Personal Pension Plan. The Scheme closed to future accrual for existing members on 30 September 2011, these employees were offered membership of the Bibby Line Group Personal Pension Plan.

23. Pension costs (continued)

The contributions made by the employer over the financial year to the Bibby Line Group Pension Scheme have been £1,510,000 (2016 – £1,510,000). These payments are in accordance with the schedule of contributions adopted by the Scheme Trustees to fund the deficit.

Assumptions:

The assets of the Bibby Line Group Pension Scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2017	2016
Annual inflation (RPI)	3.20%	3.45%
Annual salary increases	n/a	n/a
Annual rate of discount	2.55%	2.70%
Pension in payment increases	As guaranteed	As guaranteed
Annual revaluation rate for deferred members	2.20%	2.45%
Allowance for commutation of pension for cash at retirement	No	No

The mortality assumptions adopted at 31 December imply the following life expectations:

	2017	2016
Male retiring at age 65 at the year end	21.4	22.4
Male retiring at age 65 in twenty years time	22.7	24.6

Funded status:

The funded status at the end of the year, and the related amounts recognised in the balance sheet, were as follows:

	2017	2016
	£000	£000
Total market value of assets	92,219	88,141
Present value of Scheme liabilities	(95,125)	(112,140)
Net pension liability	(2,906)	(23,999)

Fair value of assets comprise:

	2017	2016
	£000	£000
Equities	52,629	49,597
Bonds	39,329	38,370
Cash	261	174
Total	92,219	88,141

Reconciliation of opening and closing balances of the present value of the Scheme liabilities:

	2017	2016
	£000	£000
Scheme liabilities at 1 January	112,140	91,151
Interest cost	2,953	3,421
Actuarial losses/(gains)	(6,429)	22,040
Experience gains	(8,024)	(2,184)
Benefits paid and expenses	(5,515)	(2,288)
Scheme liabilities at 31 December	95,125	112,140

23. Pension costs (continued)

Reconciliation of opening and closing balances of the fair value of the Scheme assets:

	2017	2016
	£000	£000
Fair value of the Scheme assets at 1 January	88,141	78,175
Interest income	2,325	2,957
Actuarial gains/(losses)	5,836	7,722
Contributions by employer	1,714	1,714
Administration expenses	(282)	(139)
Benefits paid and expenses	(5,515)	(2,288)
Fair value of the Scheme assets at 31 December	92,219	88,141

Analysis of the amount charged to the profit and loss account over the year:

	2017	2016
	£000	£000
Net interest cost on defined benefit liability	629	464
Administration expenses	282	139
Total charge to the profit and loss account	911	603

Analysis of the amount charged/(credited) to the statement of comprehensive income:

	2017	2016
	£000	£000
Actuarial (gains)/losses arising from changes in demographic and financial assumptions	(6,429)	22,040
Experience gains	(13,861)	(9,906)
Actuarial (gains)/losses recognised in the statement of comprehensive income	(20,290)	12,134

The best estimate of contributions to be paid by the employer to the Scheme for the year beginning after 31 December 2017 is £1,714,000 less scheme administration expenses in the year and the charge to the profit and loss acccount will be £832,000.

Risks

The main risks the Group is exposed to by the Scheme are:

- Mortality risk – the assumptions adopted by the Group make allowance for future improvements in life expectancy. However, if life expectancies improve at a faster rate than assumed, this would result in greater payments from the Scheme and consequently increases in the Scheme's liabilities. The Group and the Scheme's Trustees review the mortality assumption on a regular basis to minimise the risk of using inappropriate assumptions.
- Investment risk – the Scheme invests its assets in a portfolio of asset classes. There is residual risk that as the selected portfolio matures, there is the possibility of not being able to reinvest the assets at the assumed rates. The Scheme's Trustees review the structure of the portfolio on a regular basis to minimise these risks.
- Inflation risk – increases to benefits in the Scheme are linked to inflation. If inflation is greater than expected, the liabilities will increase.

Sensitivity Analysis

Sensitivity analysis figures provided by the actuary are based on various assumptions and current market conditions and as such are likely to change over time.

Sensitivity	Increase in Liabilities
Decrease discount rate by 0.1%	£1,800,000
Increase inflation rate by 0.1%	£800,000
Life expectancies increase by one year	£3,700,000

Company only: the company pension liability is £82,000 less than the Group pension liability (2016 – £112,000 less) as part of the MNOPF liability is attributable to a subsidiary company.

24. Operating lease commitments

	2017		2016	
	Property	Other	Property	Other
	£000	£000	£000	£000
The Group has the following total minimum lease payments under non-cancellable operating leases:				
Within one year	13,830	8,637	16,297	42,287
Between two and five years	46,569	7,302	50,750	36,124
After five years	44,574	1,180	52,845	2,306

25. Related party transactions

Under section 33 of FRS 102, the Group is exempt from disclosing intra-Group related party transactions, as 100% of the voting rights are controlled by the Group.

The Group considers the directors to be key management personnel and their remuneration, and other transactions with directors, are disclosed in note 2.

Substantial Shareholdings
The Bibby family trustees own 72.71% of the £1,000 ordinary shares of the company through a number of trusts set up to provide for current and future members of the Bibby family. Two of the directors who served during the year and to the date of this report, M.J. Bibby and G.F.H. Bibby, are among the beneficiaries of these trusts. Bibby family members, either directly or through trusts, have a beneficial interest in 90.02% of the £1,000 ordinary shares.

26. Capital commitments

	2017	2016
	£000	£000
Property, plant and equipment expenditure for which contracts have been placed but which are not otherwise provided for in these financial statements	2,715	2,292

27. Post balance sheet events

Interim dividends of £59.83 per share and £119.66 per share to the holders of the £1,000 Ordinary shares were paid on 15 January 2018 and 21 June 2018 respectively. Interim dividends of £203.16 per share and £406.31 per share to the holders of the £1 Ordinary A shares were paid on 15 January 2018 and 21 June 2018 respectively.

On 30 April 2018 the Group disposed of the shares of Packaging Logistics Services Limited and Packaging Logistics Services Polska Sp. z o.o.

In August 2018, Costcutter reached a commercial settlement with the administrators of Palmer and Harvey in which it was agreed that all mutual claims are settled. The impact on the receivables balance as at 31 December 2017 has been reflected in the 2017 results.

In September 2018 the Group agreed to sell the MV Shropshire. Accordingly the value of the vessel has been written down to the expected recoverable amount.

Company Financial Statements

Company Balance Sheet

as at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets:			
Tangible assets	28	1,682	1,731
Investments	29	78,777	168,090
		80,459	169,821
Current assets:			
Debtors	30	18,591	21,955
Cash and cash equivalents		7,449	19,907
		26,040	41,862
Creditors (amounts falling due within one year)	31	(37,417)	(44,703)
Net current liabilities		(11,377)	(2,841)
Total assets less current liabilities		69,082	166,980
Creditors (amounts falling due after more than one year)	32	(418)	(424)
Provisions for liabilities and charges		(2,300)	(2,300)
Net pension liability	23	(4,964)	(26,630)
Net assets		61,400	137,626
Capital and reserves:			
Called-up share capital		18,005	18,005
Other reserves		275	275
Profit and loss account		43,120	119,346
Total shareholders funds		61,400	137,626

The company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006.

The company made a loss for the financial year of £89,898,000 (2016 – profit of £7,413,000).

The financial statements of Bibby Line Group Limited have been approved and authorised for issue by the board on 28 September 2018.

JOHN CRESSWELL MARK LYONS

Directors of Bibby Line Group Limited, Registered No. 34121

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Called-up share capital	Capital redemption	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	18,005	275	119,346	137,626
Loss for the financial year	-	-	(89,898)	(89,898)
Remeasurement of net defined benefit pension liabilities	-	-	20,290	20,290
Tax relating to items of other comprehensive income	-	-	(3,449)	(3,449)
Total comprehensive income	-	-	(73,057)	(73,057)
Dividends paid on equity shares	-	-	(3,169)	(3,169)
At 31 December 2017	18,005	275	43,120	61,400

	Called-up share capital	Capital redemption	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	18,005	275	125,109	143,389
Profit for the financial year	-	-	7,413	7,413
Remeasurement of net defined benefit pension liabilities	-	-	(12,134)	(12,134)
Tax relating to items of other comprehensive income	-	-	2,063	2,063
Total comprehensive income	-	-	(2,658)	(2,658)
Dividends paid on equity shares	-	-	(3,105)	(3,105)
At 31 December 2016	18,005	275	119,346	137,626

28. Tangible assets

	Vehicles and equipment	Freehold land and buildings	Total
	£000	£000	£000
Cost			
At 1 January 2017	476	2,210	2,686
Additions	52	9	61
At 31 December 2017	528	2,219	2,747
Depreciation			
At 1 January 2017	384	571	955
Charge for the year	41	69	110
At 31 December 2017	425	640	1,065
Net book amount at 31 December 2017	103	1,579	1,682
Net book amount at 31 December 2016	92	1,639	1,731

29. Investments

	Total
	£000
At 1 January 2017	168,090
Disposals	(37,648)
Impairment of investments	(51,665)
At 31 December 2017	78,777

See note 34 for details of subsidiary undertakings. The impairment relates to a reduction in investment value to net asset value of the relevant subsidiary.

30. Debtors

	2017	2016
	£000	£000
Amounts owed by subsidiary undertakings	16,631	14,805
Deferred taxation asset	1,236	4,933
Corporation tax	636	303
Prepayments and accrued income	88	1,914
	18,591	21,955

The amounts owed by subsidiary undertakings relate to loans provided to support the relevant businesses. The loans bear interest at rates between 3-5% and are due for repayment in January 2019.

The deferred taxation assets predominantly relate to pensions liabilities timing differences in respect of the Bibby Line Group Pension scheme MNRPF, and MNOPF.

31. Creditors (amounts falling due within one year)

	2017	2016
	£000	£000
Bank loans	-	9,167
Amounts owed to subsidiary undertakings	31,377	28,753
Taxation and social security	4,260	5,283
Accruals and deferred income	1,780	1,500
	37,417	44,703

Amounts owed to subsidiary undertakings relate to working capital funding provided by subsidiary undertakings together with consideration for tax losses. The loans are non-interest bearing with no scheduled date for repayment.

32. Creditors (amounts falling due after more than one year)

	2017	2016
	£000	£000
9.75% Preference shares of £100 each	154	154
Other creditors	264	270
	418	424

33. Subsidiary undertakings

The subsidiaries of the Group are set out below. All parent companies of the trading businesses' subgroups are UK incorporated companies. All interests are in ordinary share capital (or the equivalent) with voting rights.

* = interest not held directly by Bibby Line Group Limited

	Company Name	Country of Incorporation	Regis-tered office	% Equity Share Capital Held	Type of Business
1.	Bibby Supply Chain Services Limited	England & Wales	α	100%	Holding company
2.	Bibby Distribution Limited	England & Wales	α	100%*	Contract Distribution, warehousing and transport
3.	Bibby International Logistics Limited	England & Wales	α	100%*	International distribution and freight forwarding
4.	Bibby International Logistics (Singapore) Pte Ltd	Singapore	β	100%*	International freight forwarding in liquidation post year end
5.	Packaging Logistics Services Limited	England & Wales	α	100%*	Returnable packaging solutions – sold post year end
6.	Packaging Logistics Services Polska Sp. z o.o.	Poland	χ	100%*	Returnable packaging solutions – sold post year end
7.	Bibby Financial Services Limited	England & Wales	α	100%	Financial services holding company
8.	Bibby Debt Finance Limited	England & Wales	α	100%*	Asset financing
9.	Bibby Finance 1 Limited	England & Wales	α	100%*	Dormant
10.	Bibby Finance 2 Limited	England & Wales	α	100%*	Asset financing
11.	Bibby FS (Holdings) Limited	England & Wales	α	100%*	Financial services holding company
12.	Bibby Financial Services (UK) Limited	England & Wales	α	100%*	Financial services holding company
13.	Bibby Asset Finance Limited	England & Wales	α	100%*	Asset financing
14.	Bibby Leasing Limited	England & Wales	α	100%*	Asset financing
15.	Bibby Financial Services (FX) Limited	England & Wales	α	100%*	Foreign exchange services
16.	Bibby Foreign Exchange Limited	England & Wales	α	100%*	Foreign exchange services
17.	Bibby Foreign Exchange (Solutions) Limited	England & Wales	α	100%*	Foreign exchange services
18.	Bibby Management Services Limited	England & Wales	α	100%*	Management services
19.	Bibby Trade Services Limited	England & Wales	α	100%*	Trade financing
20.	Factoring UK Group Limited	England & Wales	α	100%*	Financial services holding company
21.	Cashflow UK Limited	England & Wales	α	100%*	Brokerage
22.	Bibby Corporate Financial Solutions Limited (formerly Newbico Limited)	England & Wales	α	100%*	Inventory financing
23.	BFS Corporate Financial Solutions Limited (formerly Factoring UK Limited)	England & Wales	α	100%	Dormant
24.	Bibby Invoice Finance UK Limited	England & Wales	α	100%*	Debt factoring
25.	Bibby ACF Limited	England & Wales	α	100%*	Debt factoring
26.	Bibby Factors Bedford Limited	England & Wales	α	100%*	Debt factoring
27.	Bibby Factors Borehamwood Limited	England & Wales	α	100%*	Debt factoring
28.	Bibby Factors Bristol Limited	England & Wales	α	100%*	Debt factoring
29.	Bibby Factors Leicester Limited	England & Wales	α	100%*	Debt factoring
30.	Bibby Factors Limited	England & Wales	α	100%*	Debt factoring
31.	Bibby Factors Manchester Limited	England & Wales	α	100%*	Debt factoring
32.	Bibby Factors Northeast Limited	England & Wales	α	100%*	Debt factoring
33.	Bibby Factors Northwest Limited	England & Wales	α	100%*	Debt factoring
34.	Bibby Factors Scotland Limited	Scotland	ϕ	100%*	Debt factoring
35.	Bibby Factors Slough Limited	England & Wales	α	100%*	Debt factoring
36.	Bibby Factors Sussex Limited	England & Wales	α	100%*	Debt factoring
37.	Bibby Factors Wessex Limited	England & Wales	α	100%*	Debt factoring

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Company Name		Country of Incorporation	Regis-tered office	% Equity Share Capital Held	Type of Business
38.	Bibby Factors Yorkshire Limited	England & Wales	α	100%*	Debt factoring
39.	Bibby Factors International Limited	England & Wales	α	100%*	Debt factoring
40.	Bibby Invoice Discounting Limited	England & Wales	α	100%*	Invoice discounting
41.	Bibby Revolving Finance Limited	England & Wales	α	100%*	Trade financing
42.	Bibby Trade Factors Limited	England & Wales	α	100%*	Trade financing
43.	Bibby Transactional Finance Limited	England & Wales	α	100%*	Transactional financing
44.	Global Management Services Limited	England & Wales	α	100%*	Dormant
45.	Bibby Financial Services (Asia) Limited	Hong Kong	γ	100%*	Debt factoring
46.	Bibby Financial Services (India) Pvt Limited	India	η	75%*	Debt factoring
47.	Bibby Financial Services (Singapore) Pte. Ltd.	Singapore	β	100%*	Debt factoring
48.	Bibby Factoring Services (Malaysia) Sdn Bhd	Malaysia	ι	100%*	Debt factoring
49.	Bibby Financial Services (Europe) Limited	England & Wales	α	100%*	Financial services holding company
50.	Bibby Financial Services a.s.	Czech Republic	φ	100%*	Debt factoring
51.	Bibby Financial Services B.V.	Netherlands	κ	100%*	Debt factoring
52.	Bibby Financial Services GmbH	Germany	λ	100%*	Debt factoring
53.	Bibby Financial Services (Ireland) Limited	Ireland	μ	100%*	Debt factoring
54.	Bibby Financial Services Sp. z o. o.	Poland	ν	100%*	Debt factoring
55.	Bibby Factoring Slovakia a.s.	Slovak Republic	ο	100%*	Debt factoring
56.	Bibby Financial Services AB	Sweden	α	99.8%*	Debt factoring
57.	Bibby Financial Services (Holdings) Inc.	USA	π	100%*	Debt factoring
58.	Bibby Financial Services (CA), Inc.	USA	θ	100%*	Debt factoring – merged into Bibby Financial Services Inc. 30 April 2018
59.	Bibby Financial Services (Canada) Inc.	Canada	ρ	100%*	Debt factoring
60.	Bibby Financial Services, Inc.	USA	τ	100%*	Trade finance – Bibby Financial Services (Midwest) Inc. merged 30 June 2017
61.	Bibby Transportation Finance, Inc.	USA	υ	100%*	Trade finance
62.	Bibby Factor France S. A.	France	δ	100%*	Debt factoring
63.	Bibby Holdings Limited	England & Wales	α	100%	Holding company
64.	Bibby Ship Management (Eastern Europe)	Russian Federation	ω	85.71%*	Non-trading
65.	Bibby Taurus Limited	England & Wales	α	100%*	Holding company
66.	Garic Limited	England & Wales	α	100%*	Design, fabrication and purchase of plant and machinery for sale and hire
67.	Bibby Travel Limited	England & Wales	α	100%*	Dormant
68.	Bibby Marine Limited	England & Wales	α	100%*	Holding company
69.	Bibby Marine Management Limited	England & Wales	α	100%*	Vessel Management
70.	Bibby Marine Services Limited	England & Wales	α	100%*	Holding company
71.	Bibby WaveMaster I Limited	England & Wales	α	100%*	Ownership and operation of marine vessels
72.	Bibby WaveMaster 2 Limited	England & Wales	α	100%*	Ownership and operation of marine vessels
73.	Bibby Marine Survey Services Limited	England & Wales	α	100%*	Non-trading
74.	Bibby Renewables Limited	England & Wales	α	100%*	Dormant
75.	Bibby HydroMap Limited	England & Wales	ξ	100%*	Ownership of hydrographic survey vessels
76.	Hydromap Limited	England & Wales	ξ	100%*	Dormant
77.	Bibby Athena Limited	England & Wales	α	100%*	Ownership of hydrographic survey vessels
78.	Bibby Tethra Limited	England & Wales	α	100%*	Ownership and operation of hydrographic survey vessels
79.	Bibby Maritime Limited	England & Wales	α	100%*	Ownership and operation of floating accommodation vessels

34. Subsidiary undertakings (continued)

	Company Name	Country of Incorporation	Registered office	% Equity Share Capital Held	Type of Business
80.	Bibby Bergen Limited	England & Wales	α	100%*	Ownership and operation of floating accommodation vessels
81.	Bibby Challenge Limited	England & Wales	α	100%*	Ownership and operation of floating accommodation vessels
82.	Bibby Maritime Crewing Services Limited	England & Wales	α	100%*	Provision of crew services
83.	Bibby Maritime Nigeria Limited	Nigeria	ψ	100%*	Non-trading
84.	Bibby Progress Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation unit
85.	Bibby Renaissance Limited	England & Wales	α	100%	Dormant
86.	Bibby Stockholm Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation unit
87.	Bibby Line Limited	England & Wales	α	100%	Holding company
88.	Bibby Bulk Carriers Limited	England & Wales	α	100%*	Ownership and operation of marine assets
89.	Bibby Gas Carrier Limited	England & Wales	α	100%*	Non-trading
90.	Bibby Navigation Limited	England & Wales	α	100%*	Ownership and operation of marine assets
91.	Bibby Pool Partner Limited	England & Wales	α	100%*	Non-trading
92.	Bibby Trader Limited	England & Wales	α	100%*	Ownership and operation of marine assets
93.	Bibby Transport Limited	England & Wales	α	100%*	Ownership and operation of marine assets
94.	Brixham Singapore Pte. Ltd.	Singapore	β	100%*	Dormant – dissolved 15 April 2018
95.	Kiel Singapore Pte. Ltd.	Singapore	β	100%*	Dormant – dissolved 15 April 2018
96.	Mumbai Singapore Pte. Ltd.	Singapore	β	100%*	Ownership and operation of marine assets
97.	Rmeil Singapore Pte. Ltd.	Singapore	β	100%*	Dormant – dissolved 15 April 2018
98.	Rumford Singapore Pte. Ltd.	Singapore	β	100%*	Dormant – dissolved 15 April 2018
99.	Bibby Retail Services Limited	England & Wales	α	100%	Dormant
100.	Costcutter Supermarkets Holdings Limited	England & Wales	α	100%	Holding company
101.	CSMF Limited	England & Wales	α	100%*	Holding company
102.	CSMB Limited	England & Wales	α	100%*	Holding company
103.	Costcutter Holdings Limited	England & Wales	α	100%*	Holding company
104.	Costcutter Supermarkets Group Limited	England & Wales	α	100%*	Retail
105.	Costcutter International Limited	England & Wales	α	100%*	Non-trading
106.	Ebor Foodmarkets Limited	England & Wales	α	100%*	Retail
107.	PDQ Limited	England & Wales	α	100%*	Non-trading
108.	Primex UK Limited	England & Wales	α	100%*	Dormant
109.	The Local Independent Trading Company Limited	England & Wales	α	100%*	Brand management
110.	Fredk. Ray Limited	England & Wales	α	100%	Dormant

Registered offices:

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δ 158 avenue Thiers, CS 70033, 69454 Lyon Cedex 06, France

ε 7th Floor Ship Canal House 98 King Street Manchester M2 4WU (Liquidator)

ϕ 1st Floor, Unit 2, Block B, Kittle Yards, Causewayside, Edinburgh, EH9 1PJ, Scotland

γ Unit 2302, 23/F Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong

η 121, First Floor, Sector 44, Gurgaon, Haryana, 122003, India

ι Suite 7E, Level 7, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor, Malaysia

φ Hlinky 118, Brno, 603 00, Czech Republic

κ Laan Van Diepenvoorde 5, 5582 LA, Waalre, Netherlands

λ Hansaallee 249, 40549 Düsseldorf, Germany

μ 4th Floor Heather House, Heather Road, Sandyford, Dublin 18, Ireland

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ω 1/2 Atarbekova str, 350062, Krasnodar, Russian Federation

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ψ 25 Adeyemo Alakija Street, Victoria Island, Lagos, Nigeria

∴ 10 Anson Road #09-17 International Plaza 079903 Singapore

Accounting Policies

Basis of preparation

Bibby Line Group Limited is a company incorporated in England and Wales. The address of the registered office is 105 Duke Street, Liverpool, L1 5JQ. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 5 to 43.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. They are prepared on a going concern basis. The reasons for the appropriateness of this assumption are located within the Directors' Report. The principal accounting policies have been applied consistently in dealing with items considered to be material to the Group and company's financial statements in the current and prior year.

The functional currency of Bibby Line Group Limited is considered to be Sterling being the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in Sterling. Foreign operations are included in accordance with the accounting policies set out below.

Bibby Line Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the reduced disclosure framework available to it in respect of its separate financial statements. Exemptions have been taken in relation to the presentation of a separate profit and loss account and cash flow statement.

Going Concern

In many of the company's core markets, conditions are volatile. Additionally, the current levels of political uncertainty, both in the UK and internationally, have the potential to deliver shocks to the economy and give rise to risks for all of our businesses.

In considering the going concern basis for preparing the financial statements, the Directors have considered the risks to the delivery of the Group's strategy, including an assessment of any uncertainty on the viability of the Group's business models and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The review includes consideration of cash flow forecasts for at least the next fifteen months for all businesses in the Group. Based on this assessment, and taking into account mitigating actions which are within managements control, the Directors consider that the Group maintains an appropriate level of capital and liquidity, sufficient to meet both the normal demands of the divisions and the requirements which might reasonably be expected to arise in a downside scenario. The Directors have also sensitised the projections with more prudent assumptions and considered potential mitigating actions. Mitigating actions directly within managements control include restricting growth investment, reducing central costs, and reducing dividend payments.

Taking into account reasonable potential changes in trading performance, the Directors consider that liquidity is likely to be sufficient to meet the requirements of the company for the foreseeable future. Each division has external financing and there are no banking guarantees in place between the divisions and Bibby Line Group Limited. Although Bibby Line Group has provided contractual support for the financing of Wavemaster 2 and does provide support to certain divisional businesses for capital expenditure, working capital, and, when appropriate, to fund losses, it has no contractual obligations to extend support beyond the arrangements that are already agreed and reflected in its cash flow forecasts..

The company, Bibby Line Group Limited, is financed by dividends from the trading divisions, principally Bibby Financial Services. In making their assessment of going concern, the Directors have confidence in Financial Services' ability to perform at a level in that will support dividend payments.

Bibby Line Group Limited has recently agreed an additional new committed revolving working capital facility for Costcutter, and will consider further requests for support. Taking account of this committed facility from Bibby Line Group Limited and external bank facilities, the forecasts for Costcutter indicate that it will have sufficient resources to continue to operate for the foreseeable future. In the event of adverse variations in trading compared to the forecast, the directors of Costcutter have acknowledged that further support from Bibby Line Group Limited may be required and as a consequence the directors of Costcutter have noted a material uncertainty relating to going concern in the Costcutter accounts. There are no banking guarantees in place between Costcutter and Bibby Line Group Limited and further requests for support will be subject to strict investment case and affordability criteria. The directors of Bibby Line Group Limited have considered these factors in their assessment of the basis of preparation for the group accounts.

On the basis that the board of Directors consider the Group to be sufficiently funded and will continue in operational existence for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

Consolidation

The Group financial statements consolidate the results of Bibby Line Group Limited and its subsidiary undertakings up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. The accounting periods of subsidiary undertakings are coterminous with those of the company, except for our Indian subsidiaries where the statutory requirement is for a 31 March year end. Interim financial statements have been used for consolidation purposes for these entities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Income recognition

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the customer.

Marine, Offshore oil & gas services, PLS, Direct Workforce, Garic and GreenAcres recognise income in the same period in which their assets or services are made available to customers (see also Long-term contracts below).

Contract distribution recognises income in the same period in which the related goods and services are delivered for their customers.

Financial services recognise factoring income when debts are assigned to them. Discount income is accrued on a monthly basis and charged to the client at each month end, when it is recognised as income. Other income is recognised when the service that it is charged for is provided. The before tax actuarial method is used to allocate income earned over the life of a hire purchase or leasing contract.

Retail income is recognised on the transfer of goods to customers.

Long-term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of subsidiary undertakings who prepare their financial statements in foreign currencies are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

Exchange differences arising on translation of the opening net assets, transactions entered into to hedge certain foreign currency risks, results of overseas operations, and on foreign currency borrowings to the extent that they hedge the Group's investment in such operations, are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). All other exchange differences are included in the profit and loss account.

Deferred consideration

Where the terms of an acquisition give rise to consideration payable on a future date and contingent on the uncertain future performance of the entity acquired, the financial statements contain the directors' best estimate of the fair value of the future liability to the extent that it can be measured reliably. The liability will be revised as further and more certain information becomes available and any changes made against goodwill.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration over the fair value of the separable net assets acquired, is capitalised and written off on a straight line basis over its useful economic life. The remaining useful economic life of goodwill is considered separately for each acquisition. The amortisation period is dependent upon the circumstances of each acquisition and is currently between 4 and 20 years. Provision is made for any impairment when indicators of impairment are identified and an impairment test indicates the recoverable value-in-use is lower than the carrying value.

Other intangible fixed assets

Intangible fixed assets are stated at historic cost less accumulated amortisation. Amortisation is calculated using the straight line method to write down the cost of the assets over their estimated useful lives of 10 years. Provision is made for any impairment.

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

Tangible fixed assets

Tangible fixed assets are included at cost, less depreciation and any provisions for impairment. Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets, less their estimated residual value, over their expected useful economic lives. Residual values are calculated at the amount currently expected to be obtained on disposal, less costs of disposal.

The annual rates of depreciation are:

- Freehold land – Nil

- Freehold buildings – 2%
- Long leasehold land and buildings – 2%
- Short leasehold land and buildings – The life of the lease
- Fleet – Varying rates between 4% and 20%
- Vehicles and equipment – Varying rates between 10% and 33%

Dry dock costs comprising non-enhancement costs for vessels associated with their periodic dry docking are written off in the year in which the dry dock takes place. Enhancement costs are capitalised and depreciated over the useful life of the enhancement.

Financial instruments

The Group has elected to apply the recognition and measurement provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate and foreign exchange movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value is estimated using valuation techniques which use market and non-market inputs to estimate the expected discounted cash flows. The valuation techniques use contracted pricing and forward market rates as determined by the issuer of the derivative. The resulting gain or loss arising on valuation is recognised in profit or loss unless the derivate financial instrument is a hedging instrument in a designated hedging relationship and accounted for in accordance with the Hedge Accounting provisions below.

Hedge accounting

The effective portions of changes in fair values of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. Amounts accumulated in the hedge reserve are reclassified to profit or loss in the periods when the hedged items will affect profit or loss.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below:

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is calculated by consideration of the future cash flows related to the assets. The judgements involved in these impairment reviews are set out in the critical accounting judgements and key sources of estimation uncertainty on pages 86 to 87.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a cash-generating unit (CGU), the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

The Group's financial services business recognises loan impairment provisions in respect of impairment losses incurred in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected the expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

For other financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the recoverable amount. Debts are written off when there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired balances to their expected realisable values. A further provision is made for losses not specifically identified, based on past experience, knowledge of the Group's exposure and other relevant factors. The charge for the year for bad debts is included in operating costs.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

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 taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. The deferred tax assets and liabilities are not discounted.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 gains and losses in tax assessments in periods different from those in which they are recognised. Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:
a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Pension costs

The Group's principal pension funds are a defined benefit plan and defined contribution plans. Contributions payable by the Group in respect of defined contribution plans are charged to operating profit as incurred.

The Bibby Line Group Pension Scheme is a defined benefit plan which is closed to new entrants and future accrual. Consequently there is no current service charge and only scheme administration expenses are accounted for within operating profit. The net interest cost on the net defined benefit liability is included in the profit and loss account within net finance costs. Remeasurement gains and losses comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income. The difference between the market value of the scheme's assets and the present value of the scheme's liabilities is disclosed as a liability on the Group balance sheet.

The Group also contributes to the Merchant Navy Officers' Pension Fund (MNOPF) which is a multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and liabilities of the MNOPF, but has agreed a schedule of contributions to the overall scheme deficit. These have been recognised in the pension liability on the balance sheet. This provision will unwind as contributions are paid and will increase if a revised, increased, schedule of contributions is agreed with the MNOPF.

Stock

Stock is stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value. Cost includes the direct costs of bringing the stock to its current condition and location, including procurement, direct labour costs and attributable overheads where appropriate. Provision is made for obsolete and slow moving stock where appropriate.

Cash

For the purposes of the cash flow statement, cash comprises cash in hand and on deposit less overdrafts which are repayable on demand.

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in note 28 to the financial statements.

Leased assets

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within debtors. The net investment in finance leases represents total minimum payments less gross earnings allocated to future periods.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, with the interest elements being charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. The company's preference shares are included in the balance sheet as a liability and accordingly the dividends payable on them are included within interest payable and similar charges.

Finance costs

Finance costs, including direct issue costs, are recognised in the profit and loss account over the term of such borrowings.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most

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significant effect on the amounts recognised in the financial statements.

Revenue and margin recognition on long-term contracts

Revenue and attributable profit on long-term contracts in progress is recognised based on the estimated stage of completion and only when the outcome of the contract can be estimated reliably.

In making this judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 Revenue. The directors are satisfied that the assessment of the stage of completion of works and associated recognition of the revenue in the current and prior year is appropriate.

Key sources of estimation uncertainty

Impairment of assets

The Group has conducted impairment reviews in the year and consequently, in respect of certain of these reviews, made impairment provisions. The impairment reviews have compared the net book value of the relevant assets to their value in use (calculated as their future expected cash flows over their remaining useful economic lives) or their current market values.

Tangible fixed assets – Marine

The carrying value of the Group's shipping vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tends to fluctuate with changes in charter rates and the cost of new-build vessels. Historically, both charter rates and vessel values tend to be cyclical. The Group evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives.

During the past few years, the market values of shipping vessels have experienced particular volatility with substantial declines in many vessel classes. As a result, the charter-free market value of the Group's dry-bulk carrier has declined below that vessel's carrying value which is an indicator of impairment and a full impairment review has been conducted.

The pre-tax discount rate is estimated at 8.0%. The impairment review has identified that, currently, the future income streams expected to be earned by vessels over their remaining operating lives would be sufficient to recover their carrying values at 31 December 2017. This review required estimates to be made of future charter rates, running costs, gearing ratios, remaining useful economic life and residual values. These assessments are made at an individual vessel level since separately identifiable cash flow information for each vessel is available. These assumptions are based on historical trends as well as future expectations. The key assumption relates to future earnings. Rates currently in effect for the duration of existing time charters are used. For future periods not covered by an existing charter management estimate daily time charter rates using a number of indicators, including management's view of the cyclicality of shipping markets. Average forward estimated rates are higher than actual current market rates, but are in line with historical indices.

Intangible fixed assets

The carrying value of the Group's goodwill in respect of its retail business is £nil. The retail business has recorded losses during the past three years and consequently an impairment review has been undertaken by reference to the value in use of the business as a single cash generating unit.

The value in use of the retail business has been estimated on the basis of the most recent 3 year cash flow forecasts for the business with a perpetuity factor applied thereafter, applying a suitable discount rate applied in order to calculate net present value. The pre-tax discount rate is estimated at 15%. In making this assessment, regard has been given to current market conditions and the current rate of improvement in trading performance of the business.

The value in use is highly sensitive to the rate of future sales growth included in the cash flow forecast. In the event that future trading performance does not reach forecast levels there may need to be impairment charges against Tangible Fixed Assets, which have a net book value of £10.1m as at 31 December 2017.

Loan impairment provisions (Financial Services)

Loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected the expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

Pensions

The financial statements include an estimate of the net liability in respect of the Bibby Line Group Pension Scheme defined benefit obligation. This has been calculated in accordance with the requirements of FRS 102 by a qualified actuary using the projected unit method. The assumptions used in this calculation were selected by the directors based on actuarial advice as the current best estimate of the components of the calculation, however the net liability recognised is sensitive to these assumptions and note 23 includes the impact of changes in these assumptions.


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