BIBBY LINE GROUP

BIBBY LINE GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS **2018**

Bibby Line Group is a diverse, **£800 million global business**, operating in **16 countries**, employing **4,000 people** in retail, financial services, distribution, marine and construction equipment hire.

Founded in Liverpool in 1807, we are one of the UK's oldest family owned businesses, with **more than 200 years' experience** of providing personal, responsive and flexible customer solutions.

Bibby Line Group and our companies work alongside our communities to **minimise our environmental impact**, while creating safe places for all of our people to work and develop.

Bibby Distribution is a leading supplier of logistics and warehousing services. The business operates from 70 locations with more than 1,800 staff and over 2,000 trucks and trailers. We operate a 'Road to Zero' environment programme.

Bibby Marine Limited is the holding company for Bibby Marine Services, Bibby HydroMap and Bibby Maritime. Bibby WaveMaster 1 is one of a series of next generation Service Operations Vessels that serves the marine needs of offshore wind farm operators.

Bibby Financial Services is a global financial services provider and the UK's largest independent factoring company. We help businesses around the world grow, combining international scope with expert local knowledge.

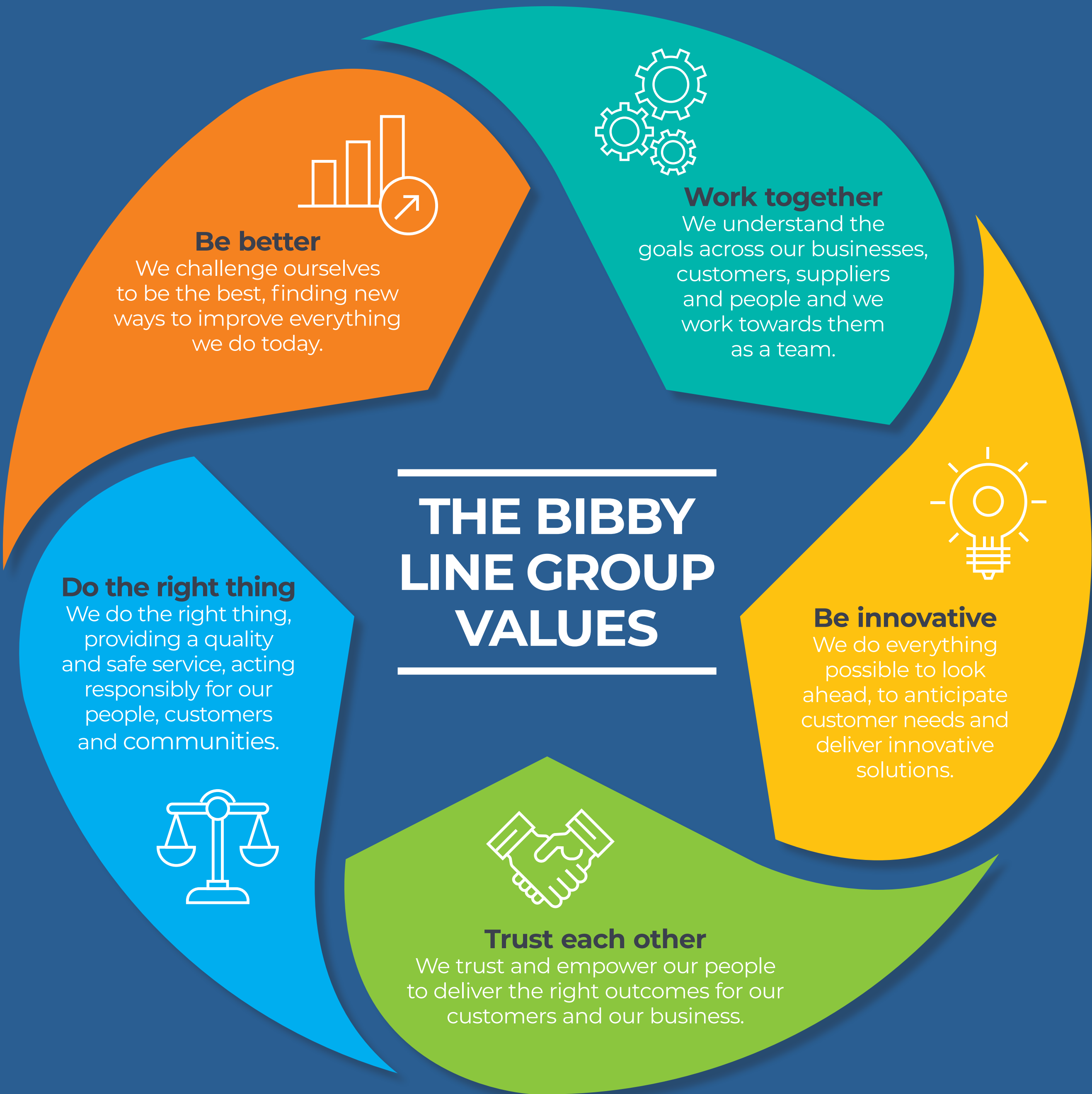
Garic has led the welfare and plant hire market with exceptional service and ground-breaking innovations for over 30 years. We transport goods to and from site and provide full site set up solutions, servicing and breakdown.

Costcutter Supermarkets Group (CSG) is one of the largest and most respected symbol convenience retail groups in the UK. CSG's commitment is to Help Independent Retailers Thrive. In Spring 2018, the Co-Op became the exclusive wholesale supplier for CSG.

We give **our people** the right environment, support and tools to deliver excellence and quality in everything we do.

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:



Contents

Chair’s Statement	8
Strategic Report	10
– **Group Strategy Overview**	11
– **Chief Executive's Review**	12
– **Principal Risks and Uncertainties**	22
– **Corporate Social Responsibility**	24
Corporate Governance	26
Directors’ Report	30
Independent Auditor’s Report to the members of Bibby Line Group Limited	32
Directors’ Responsibilities Statement	34
Consolidated Financial Statements	35
Company Financial Statements	57
Accounting Policies	66

Our purpose is to grow the long-term value of the Group. Guided by our shared values, we are custodians of the family business for future generations, creating a diverse Group of innovative companies that develop colleagues, delight customers and give back to communities.

1807

Year at a glance 2018

"We are driven by our values: Work together, Be better, Be innovative, Do the right thing, Trust each other, all leading to excellent customer service."

BIBBY LINE GROUP

TOP 100

BIBBY FINANCIAL SERVICES

42nd: BFS place in '*The Sunday Times Best Companies to Work For*', the eighth time in the top 100.

ZERO

LTI's (Lost Time Incidents) in 2018 for Bibby HydroMap against a backdrop of over

500,000

person-hours worked throughout the year.

BIBBY MARINE LIMITED

212

years in operation

BIBBY LINE GROUP

£10m

Employees of Bibby Line Group have raised £10 million for charity, since the launch of the company's Giving Something Back initiative just over ten years ago.

BIBBY LINE GROUP

Garic 30th Birthday celebrated in 2018.

GARIC

3,600

deliveries per week to stores in 2018.

COSTCUTTER SUPERMARKETS GROUP

20,100

BIBBY MARINE LIMITED

number of gangway transfers for Bibby WaveMaster 1 completed in 2018.

1,560

OPEN

Costcutter stores served at the end of 2018; a net increase of stores since mid-2018.

COSTCUTTER SUPERMARKETS GROUP

By having highly engaged, motivated people we provide a positive experience to our clients giving us a impressive **Net Promoter Score of**

+42

BIBBY FINANCIAL SERVICES

93%

Global client satisfaction rate

BIBBY FINANCIAL SERVICES

"Garic's new Thurrock depot is part of our bold growth plan to continue providing innovative products and exceptional customer service."

GARIC

10% CO_2

CO²/km reduction over 5 years.

BIBBY DISTRIBUTION

70

locations across the UK.

BIBBY DISTRIBUTION

670

BIBBY MARINE LIMITED

people the Bibby Challenge can house. The barge has 337 bedrooms – more rooms than the London Ritz and Claridge's combined.

Chair's Statement 2018

It was another year of challenges and change for Bibby Line Group as we made further progress in restructuring the portfolio and completing actions started in 2017 to deliver an improved performance. Despite volatile market conditions and continued uncertainty due to Brexit, the company improved its trading performance and ended the year more stable and better prepared for the future.

Financial Results

In 2018, the Group delivered a loss before tax of £15.1m (2017: £51.1m). The results were impacted by the difficult trading conditions in Costcutter as the business transitioned to a new supply agreement with the Co-op following the collapse of its main supplier Palmer & Harvey. Despite this, the results showed an improved trading performance.

Corporate Transactions

In January 2018, we exited the Bibby Offshore business, following the recapitalisation of the business and agreement to transfer the shares to the Group's note holders in 2017. Following completion, £50m of new equity was injected, helping to put the Offshore business in a stronger 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 Packaging Logistic Services.

Bibby Line Group Board

As previously reported John Cresswell joined as CEO on 1 June 2018, succeeding Sir Michael Bibby as Managing Director, who assumed a Non-executive Director role. I would like to take the opportunity to most sincerely thank Tim Lebus for his contribution to the Board over nine years and his wise advice to myself and Board colleagues during some of the most challenging times. David Anderson has assumed his responsibilities as Senior Independent Director and Caroline Hoare has taken on the role of Chair of Remuneration Committee.

Corporate Governance

New corporate governance reporting requirements will apply to company reporting for financial years starting on or after 1 January 2019, under The Companies (Miscellaneous Reporting) Regulations 2018. We have completed a review of our corporate governance arrangements against the Wates Principles and are satisfied that there are not any material areas of non-compliance. The Group intend to adopt the Wates Corporate Governance Principles ("Wates Principles") for Large Private Companies and for the year ending 31 December 2019 we will redesign the Corporate Governance section of the Annual Report to explain how we have complied with the Principles throughout the financial year.

Corporate Social Responsibility

Bibby Line Group's 'Giving Something Back' (GSB) team were proud to announce an important milestone in 2018 – since the programme was launched in 2007, the company and colleagues have donated over £10 million to charities and good causes. This is a great example of family business values at work. Together with our employees in 2018, £331,000 was donated to charity through the GSB programme (including £100,000 of corporate donations). The programme continues to be a source of immense pride within the company.

Corporate Social Responsibility

Employees of Bibby Line Group (BLG) have raised a staggering £10million for charity, since the launch of the company's Giving Something Back initiative just over ten years ago.

The milestone figure was revealed at the business' annual charity awards ceremony, which celebrates the achievements of BLG employees in supporting good causes.

In 2018 over £331,000 was donated to charity via colleagues and the company.

£10

Bibby Line Group Values

In a time of significant and rapid change, the Bibby values provide an important guiding framework for decisions and actions. They can be clearly seen in Bibby Line Group ways of working, with our people demonstrating them on a daily basis to offer personal, responsive and flexible customer solutions across different markets. We are fortunate to be part of such a values-led, responsible Group of companies. By working together our Bibby values can help us manage the risks while maximising the opportunities – ensuring success for the next generation of the Bibby family and beyond.

A Family Business

Bibby Line Group has benefited from being a family business for over 200 years, bringing stability and a long-term perspective to the company. The Bibby family remain close to the business and organisation, with both Sir Michael Bibby and Geoffrey Bibby as non-executives on the board. We are pleased to see the engagement of the next generation of the Bibby family in discussions about the future of the company.

Business Risks

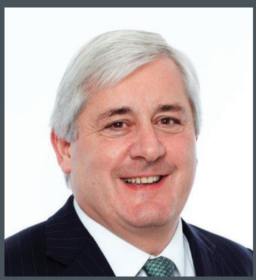
We continue to assess and try to mitigate the impact of leaving the EU single market on our businesses, including the impact on access to international labour, customs and tariffs in moving our vessels, goods and people across borders. The effects of international trading relationships between global powers will require close monitoring.

The UK continues to experience significant changes to the retail sector through changing consumer shopping habits, and the evolution of online retailers. A key priority for 2019 is to navigate these risks and ensure that the new wholesale partnership with Co-op is a great success for all stakeholders. It is vital that we protect and grow Bibby Financial Services to ensure that they maintain their market leading customer satisfaction scores.

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.

Outlook

Bibby Line Group has 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. However actions taken over the past two years have stabilised the Group's position. Significant actions taken by management on portfolio, structure and commercial arrangements provide an improving platform for future growth. Our strategic focus for 2019 remains on further improving financial performance across our portfolio, and in investing in our businesses, people, and our products to deliver exceptional customer service.



Paul Drechsler CBE
Chairman

.1m

Strategic Report

Group Strategy Overview 11

Chief Executive's Review 12

Principal Risks and Uncertainties 22

Corporate Social Responsibility 24

Group Strategy Overview

The Group aims for a 'Target Portfolio' of businesses within the Group, which should deliver wealth preservation, earnings, and growth in order to meet the Group's 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% owned by the Bibby family, principally through family trusts. The board, in consultation with them, has set these corporate strategic objectives.

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 this report.

The Group aims for a 'Target Portfolio' of businesses within the Group, which 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.

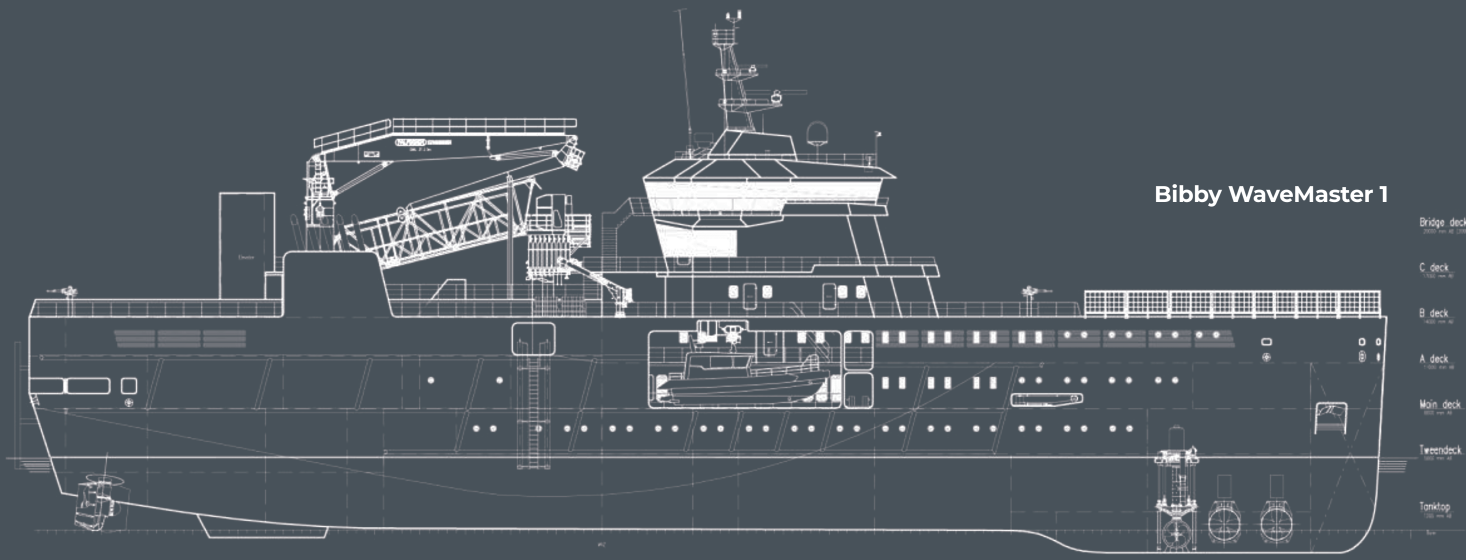
The business model for Bibby Line Group is to maintain a portfolio of businesses, which provide dividend income to the holding company from which a consistent dividend is paid to shareholders, leaving a significant portion of profits and cash for reinvestment in the businesses in pursuit of the Group's corporate strategic objectives.

During the year we have refreshed the Group's purpose, which is to grow the long-term value of the Group. Guided by our shared values, we are custodians of the family business for future generations, creating a diverse Group of innovative companies that develop colleagues, delight customers and give back to communities.

The Corporate Strategic Objectives:

1. 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. 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. Attract, motivate and retain high quality personnel.
4. Maintain our excellent reputation for high quality, integrity and safety of operations.
5. Be aware of the impact on society of our operations and to continually improve the environment for all.
6. Continually strive for excellence in our service to customers through our flexible, personal and responsive approach.
7. 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

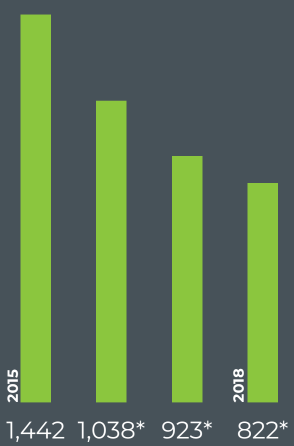


Bibby WaveMaster 1

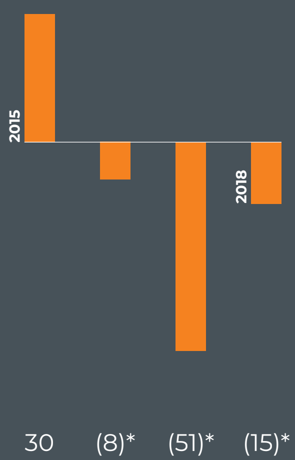
WaveMaster 1 and WaveMaster Horizon
Following the success of her sister ship Bibby WaveMaster 1, Bibby WaveMaster Horizon was under construction during 2018. In 2019, the vessel will launch, safely and efficiently transporting workers to offshore windfarms using its innovative 'Walk to Work' technology. This is a new, fast expanding marine niche market, which could grow into a major arm of the business. Bibby WaveMaster 1 recently won the Offshore Support Journal Offshore renewable award for the 'Project that has made a significant difference in the Offshore Renewables market'.

KPIs at a glance

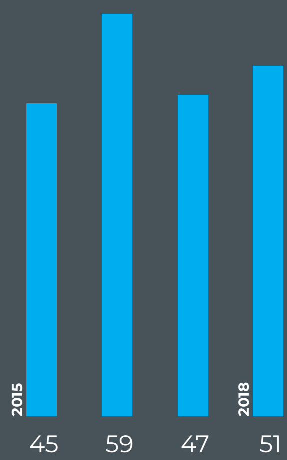
Turnover (£ million)



Profit/(loss) before tax (£ million)



Capital investment (£ million)



*Continuing operations

Our 2018 results reflect the challenging year that the Group has faced but I am encouraged that the actions we have taken together as a management team over the last 12 months helped us to stabilise the business in the second half of the year. The financial statements contained within this report show a continued improvement with reduced losses at both the operating and profit before tax level. This is testament to the hard work of all colleagues across the Group.

There were significant changes to the executive team within BLG head office and we took the opportunity for a strategic refresh, ensuring we have clear deliverable plans in place to build the Group for the future.

Following the collapse of supplier Palmer & Harvey in November 2017, Costcutter faced a challenging year in 2018. The new partnership with Co-op and Nisa featuring a new wholesale supply agreement, which started in May, marked a significant milestone. In September Costcutter reached an agreement with PWC as administrators on its liabilities to Palmer & Harvey, secured credit insurance for supplies from the Co-op and secured a new three year invoice discount facility. The Group also took the opportunity to restructure the Costcutter debt, resulting in a more stable balance sheet and reduced interest cost.

The management team's resilience and commitment were rewarded, with Costcutter reporting a significant improvement in financial performance in the second half of 2018, which gives us confidence of a return to operating profit in 2019.

Elsewhere in the Group, Bibby Financial Services had another impressive year of revenue growth with turnover, debts factored and funds advanced all increasing. Profit before tax reduced from £22.7m to £15.0m reflecting the increased depreciation charge from our continued investment programme and additional amortisation of loan issue costs as we continue to strengthen our funding and liquidity position.

The company has consolidated our position by growing our corporate proposition for UK businesses, while expanding our specialist support services. The reputation of the business is reflected in overall customer satisfaction sitting at an impressive 93%. The company also continues to be a great place to work – coming 42nd in The Times Top 100 Companies to Work For. The company's 8th time in the top 100.

Following the appointment of Richard Morson as CEO of Bibby Distribution mid-way through 2018 the business has undergone a strategy review, including focussing on full load and tanker transport, colleague engagement, implementing new technology and building upon the company's impressive SHEQ successes. The new strategy is addressing the structural and commercial challenges

> I have been greatly impressed with the passion and loyalty colleagues 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.

John Cresswell
Chief executive officer

Chief Executive's Review (continued)

A 108% (£18.8m) year-on-year increase in sales in Bibby Marine Ltd, with the first successful full year of trading from our WaveMaster 1 vessel.

that caused a loss in the 2018 financial results, and we are already seeing significant progress.

2018 was a year of recovery for Bibby Marine Limited, with growth in almost all areas. Bibby WaveMaster 1 (BWM1) has been highly successful, with 18 months of largely continuous service following its launch in 2017. Behind the scenes, BWM1's sister ship – Bibby WaveMaster Horizon – is being constructed and due for delivery in Autumn 2019, further boosting our offshore renewable energy service vessel offering. Bibby HydroMap's ongoing focus on innovation and customer satisfaction meant they had an impressive 2018, doubling their sales and delivering strong profit growth. Strong utilisation of barges saw a significant increase in revenue for Bibby Maritime with the team delivering an improvement on 2017 results.

In its 30th year of operation Garic saw significant revenue growth in 2018 supported by investment in assets, strong hire fleet utilisation and revenues from servicing hire assets at customer sites. In line with our strategy of building a national distribution network, Garic opened a new depot in Thurrock in 2018, and will open a new site in Falkirk in 2019. The company continues to build share in the core road, rail and infrastructure contractor markets.

On the 4th December 2018, Bibby Line Limited completed the sale of its Mumbai product tanker vessel. This followed the sale of its bulk carrier vessel Shropshire a month earlier. The sale of Mumbai completed the disposal of the product tanker fleet.

Group financial performance

For the year ended 31 December 2018, the Group delivered a loss before tax of £15.1m compared to a prior year loss before tax of £51.1m for continuing operations.

The 2018 results were materially affected by difficult trading conditions in Costcutter as the business transitioned to a new supply agreement with the Co-op following the collapse of its main supplier Palmer & Harvey at the end of 2017. This transition has been completed successfully and the business has returned to growth with improving financial performance.

Also in 2018, the Financial Services business incurrred additional amortisation of loan issue costs as we continue to strengthen our funding and liquidity position. The Group is better placed to deliver an improved financial performance.

People

Our colleagues remain core to the success of our Group. In 2018 we undertook employee engagement surveys across each business to ensure we are listening to, engaging with and developing our talent.

Our aim is to give them the right tools and training for their job, and support and trust them to carry out their role in a professional and customer-focused way in line with our values. We recognise we are in the market for talent, and in 2018 set up cross business action groups to build plans to increase employee diversity, helping make us a more inclusive employer and ensuring our induction processes are world class, reflecting our proud heritage and our values.

Brexit

There continues to be significant uncertainty around the outcome, timing and impact of Brexit. The Group has been preparing for different scenarios that contain both risk and opportunity. The major impacts on our businesses short term of a no deal Brexit would be disruption of supply chains and labour supply.

For Costcutter we are in close dialogue with the Co-op/Nisa and our retailers to ensure we are able to supply what our customers need. BDL is benefiting short term from customers increasing their stock holdings and we have opened a Driver Academy in 2019 to start to address the issue of chronic driver shortages; potential disruption of our customers' supply chains is hard to predict at this stage.

Mid to long term, the greatest risk would be a prolonged UK recession. To mitigate this impact, BFS has increased its funding lines and liquidity buffer to take advantage of increased lending opportunity and Garic has strategically moved its business more into core infrastructure projects away from construction. In a no deal scenario, there may be short term impact on registration of vessels to work in foreign waters but we are working with the relevant authorities to prepare mitigating actions and expect minimum disruption.

2019 Outlook

Market conditions remain challenging and we are mindful that we are operating in extremely uncertain political and economic times and we will adjust plans accordingly as the economic picture develops.

The actions taken in 2018 place our businesses in a more stable position than when we entered the year.

We have a market leading international business in Bibby Financial Services, who are consistently adapting their service offer based on clients' needs. There are great opportunities to grow our Marine businesses, as demand for renewable energy reaches record levels. Costcutter now has the supply chain in place to support retailers and take advantage of the growth in the convenience sector. Garic is well placed to expand and significantly increase its market share, including developing their rail sector offer. We also continue to develop our distribution business, investing in new technology and colleague engagement in a fast-changing market.

In the short-term, our priority is to remain focused on executing our agreed plans across the Group, making sure that everything is delivered in line with our three-year strategy, improving the financial performance within our portfolio.

Over the next 18 months we will seek to stabilise the business further. The Group is investing significant amounts in several of the businesses, and we expect to see positive returns, which will accelerate growth in the Group in the medium to long-term.

The actions taken in 2018 place our businesses in a more stable position than when we entered the year.

Continued revenue growth and ongoing investment were the key trends in 2018 for BFS.

Bibby Financial Services

BFS's 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 their global strategy is to 'focus and grow'.

The growth strategy is based on three key pillars, referred to as the three 'Cs':

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

People are at the heart of the company. Their placement as 42nd in the Sunday Times Best Companies to Work For in 2019 demonstrates their focus and commitment on being a great place to work.

BFS Performance

Continued growth and ongoing investment were the key trends in 2018 for BFS. Income grew across BFS businesses in the UK, continental Europe, Asia and North America. Total revenue grew to £176.8m (2017: £168.0m), an increase of 5.2% over the year. During 2018, debts factored grew by 10.8% to £10.1bn globally, with funds advanced to customers increasing to £955.0m (2017: £894.0m).

In line with their strategic plan, the team have grown their corporate proposition for UK businesses, and continued to expand the specialist businesses supporting clients with bad debt protection, contractual debt financing, trade, FX and leasing needs.

BFS continued to strengthen their funding and liquidity position, in particular by extending the UK securitisation facility to include the addition of a mezzanine layer of junior notes, and expanding Pan-European funding. As of 31 December 2018, total funding capacity for BFS was £1.33bn. By ensuring BFS has a robust mix of funding, the team are better able to meet clients' needs in a cost efficient way.

The team are committed to the most effective support for clients and blend personal relationships with effective digital technology. To achieve this BFS has continued to develop proprietary digital technology within their core financial services operation.

This investment has helped to grow customer numbers and improve the level of service provided to existing clients; at the end of 2018 overall client satisfaction was 93% and the Net Promoter Score was an impressive +42.

Profit before tax has fallen from £22.7m to £15.0m, after absorbing a higher depreciation charge of £5.9m (2017: £4.6m) and higher interest payable and similar charges including £4.9m of additional costs that arose on the introduction of a new mezzanine layer of loan notes, incurred as we continue to strengthen our funding and liquidity position.

Risk management, robust governance and internal control are central to the way risk is managed across the business. Risk frameworks are overseen by BFS's Global Risk team. Risk was effectively managed by operational and central risk teams in 2018 with the bad debt charge being 0.94% of their portfolio at the year end.

Costcutter Supermarkets Group

CSG's Strategy

As predicted, 2018 has been a year of transformation for Costcutter. Following the collapse of its main supplier, Palmer & Harvey in November 2017 and a six month interim supply period, its new long-term supply partnership with Co-op and Nisa started in mid-2018.

This has laid the foundation for the successful execution of Costcutter's market-leading strategies. Costcutter stores now have access to a broad product range including Co-op's own label. Under a separate Master Franchise Agreement, Costcutter can offer its retailers the option to operate as a Co-op franchise. The first Co-op franchise stores have already started to exceed expectations.

Costcutter retailers' loyalty during the difficult months of early 2018 has been rewarded with a reliable supply chain, a strong retail offer, new improved commercial terms and investments in the retail proposition in the second half of 2018.

Costcutter served 1,560 stores at the end of December 2018 (2017: 1,776). Although the number of retailers has declined versus 2017, due to retailers leaving in the aftermath of Palmer & Harvey's collapse, there has been a net increase of stores since mid-2018.

CSG Performance

Costcutter's business performance in 2018 was a tale of two periods, as the first seven months were negatively impacted by the collapse of Palmer & Harvey resulting in a period of unprofitable trading under interim supply arrangements. This changed in the final five months when the new supply agreement with the Co-op was live, and all legacy issues had been addressed, contributing towards an improved performance over prior year.

Costcutter's 2018 turnover of £387.0m and a loss before tax of £17.1m were significantly impacted by the interim supply arrangements of the first few months. During this interim period, Costcutter incurred a loss before tax of £15.5m, with a limited impact in the five months from August to December with a loss before tax of £1.6m.

The focus in 2019 is on growing the business with existing and future retailers. Costcutter is working with retailers to help them choose the best range for their shoppers' needs – fresh food, food-to-go and Co-op branded products offer exciting new opportunities. Costcutter's 'Shopper First Programme' has been delivering excellent levels of sales growth among participating stores and will continue to generate significant benefits for participating retailers.

In today's constantly evolving convenience market, the opportunity to help grow retailers' businesses has never been greater and Costcutter is committed to working with retailers to help them to thrive in the years ahead.

Costcutter stores now have access to a broad product range including Co-op's own label.

Chief Executive's Review (continued)

Bibby Distribution: a strategic review of the business took place in 2018, with core activities focussed on full load and tanker transport, while maximising performance of the warehouse and associated transport activities.

Bibby Supply Chain Services

Bibby Supply Chain Services (BSCS) Group comprises Bibby Distribution Limited (BDL), Bibby International Logistics, and until April 2018, Packaging Logistics Services.

In 2018 BSCS turnover reduced year on year from £198.4m to £189.8m, with PBT reducing by £3.8m, to a loss before tax of £3.0m.

Bibby Distribution Limited

BDL's Strategy

In response to some significant trading challenges, a strategic review of the business took place in 2018, with core activities focussed on full load and tanker transport, while maximising performance of the warehouse and associated transport activities.

To address the driver shortage in the UK of circa 50,000 drivers (where availability and upward pressure on driver wages are key issues for the business in 2019) BDL is planning to train a number of apprentices in 2019. The aim of the initiative is to reduce the impact of any potential driver shortage, utilising the apprenticeship levy and creating a flow of new drivers with a 'Bibby Driver Academy' being established.

BDL is also looking to maximise vehicle utilisation (therefore reducing vehicle numbers) by moving to a 24-hour operating model. BDL is well placed to take advantage of this market trend and is in discussions with a number of potential customers to take advantage of this more fluid operating model.

BDL performance

The above actions have taken place to address a disappointing financial performance in 2018. The company's turnover reduced by 0.8% and the trading performance switched from an operating profit of £1.2m to an operating loss of £5.3m, excluding restructuring costs.

The performance of the company was impacted by loss making contracts in the tanker operation which have now been exited, an onerous lease charge and losses on the automotive night network operation and bad debt expense in excess of normal levels.

In addition, there were restructure costs of £1.1m related to the strategic closure of a warehouse facility at Corby and rightsizing costs. The company also had to fund over £1.0m of investment in the Scunthorpe site, and also settle historical dilapidation charges of £0.6m.

Given the challenging performance and significant outflow of funds for investment and historical property dilapidations, the business obtained £1.0m of working capital funding from Bibby Line Group in December 2018.

Bibby International Logistics

Although Bibby International Logistics' turnover reduced by 10% from the prior year, the trading performance of the company improved from an operating loss to an operating profit in 2018.

Packaging Logistics Services

Packaging Logistics Services (PLS) was sold on 30th April 2018. The profit and loss account only reflects four months of trading and the pre-sale closure of the non-asset pooling business. PLS's turnover for the four months was

£2.7m with a loss on ordinary activities before interest of £0.4m. Profit on disposal of the business was £3.2m.

Bibby Marine Limited

Bibby Marine Limited (BML) comprises Bibby Marine Services, Bibby HydroMap, and Bibby Maritime. As anticipated, 2018 was a year of recovery for BML following a difficult 2017; expectations were surpassed in almost all areas, with growth achieved in each of the three trading businesses.

Sales of £36.2m represented a 108% year on year increase, driven primarily by the first full year of trading from our Bibby WaveMaster 1 vessel and large contract wins for Bibby HydroMap in the offshore renewables sector. Similarly, PBT improved significantly from this growth in profitable contracts, with a reduced loss of £0.7m, compared to a loss of £6.1m in 2017.

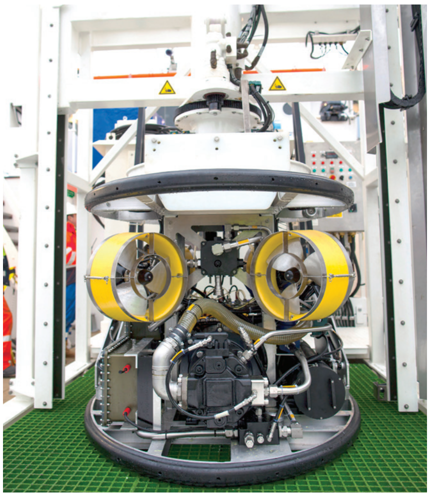
Continued focus on operational excellence ensured significant improvements in vessel availability and utilisation plus another year with zero lost time incidents across the business.

Bibby Marine Services

Bibby Marine Services (BMS) continued to grow at pace by focusing on leading levels of customer service, developing innovative solutions and forging strong collaborations with shareholders.
The company benefited from 18 months of largely continuous operation following the delivery of WaveMaster 1 in mid-2017, completing four separate charters and achieving >90% utilisation in the process. To date BMS has safely transferred almost 39,000 people to offshore structures.

Building on this success, BMS were awarded a 10-year charter serving Siemens Gamesa Renewable Energy on two offshore windfarms in the German sector of the North Sea. BMS's sister vessel, Bibby WaveMaster Horizon is being purpose built for this contract and will start operations in late 2019.

Offshore wind remains the only major deployable renewable energy source and a major ongoing opportunity, with new markets in France, Taiwan and the USA rapidly establishing and others close behind. Having won a five year framework with Total E&P Netherlands to assist in their (and the wider Oil and Gas markets) move to de-man platforms, BMS has identified a second market where it is already leading the way. Both turnover and PBT increased significantly year-on-year, with revenues increasing from £0.3m to £9.1m, and PBT from £(0.6)m to £0.1m.



Bibby Marine Ltd: 2018 was a year of recovery for BML; with growth achieved in each of the three trading businesses.

Chief Executive's Review (continued)

Garic's strategy is to grow the business by investing in new assets and establishing a UK-wide depot network.

Bibby HydroMap

Large contract wins in the offshore renewables sector meant that 2018 was a year of significant turnaround for Bibby HydroMap (BHL) with a record £21.0m in sales – more than double the previous year – and delivering £1.5m profit before tax, compared to losses in each of the previous three years. Traction was also gained in BHL's asset inspection services for ports, harbours and inland waterways, opening up new opportunities with global construction customers.

During 2018, BHL continued to deliver innovative solutions to challenging projects, investing over £1.0m in their vessel fleet and Scanfish, d'ROP and DriX technologies to survey over 26,000km and analyse over 120TB of client data during the year.

BHL's ongoing focus on innovation and client delivery resulted in a 100% Achilles audit score – a key industry procurement benchmark – and winning a Marine and Coastal Civil Engineering award for innovation.

Bibby Maritime

Accommodation barge revenues increased in 2018, with strong utilisation of our European vessels for shipyard clients and a long-term charter in Sweden supporting construction of land-based windfarms. Further short-term contracts to support shipping refurbishment contracts in both Europe and Asia opened up a new market for the business and resulted in all five vessels being on charter simultaneously for a short period, something which has not recently been achieved with the current fleet.

Continuation of the Swedish charter, strong shipyard activity and an increasingly positive pipeline in the global Liquified Natural Gas (LNG) sector give prospects for potential growth for 2019 and beyond. The operating loss before tax in Maritime reduced year-on-year from £3.3m in FY17 to a loss of £2.6m in FY18.

Garic

Garic's Strategy

Garic's strategy is to grow the business by investing in new assets and establishing a UK-wide depot network that enables the company to deliver outstanding customer service to its growing national, regional and local client base.

Further hire fleet investment will include continued growth in the company's range of eco products as well as expansion of the wider welfare and accommodation fleets. The company prides itself on its innovative, high quality and eco-friendly products, supported by high levels of customer service. Achieving and maintaining top quartile health and safety performance remains a critical objective for the company.

Garic Performance

Turnover in the year to 31 December 2018 was 18% ahead of the previous year at £27.3m. This growth was achieved by increased penetration of the company's core road, rail and infrastructure contractor markets with a number of major new contracts secured in the year. Growth was supported by investment of nearly £10.0m in new hire assets, strong utilisation of the hire fleet and solid 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.

PBT was slightly below the previous year at £(0.1)m despite the growth in revenue. This reflects input price inflation, bad debts incurred with Carillion and HT Forrest and the challenge of serving an increasingly national customer base from a small number of depots. A new depot was opened in Thurrock in October 2018 and a further depot will open in Falkirk in the first half of 2019. The expanded depot network and further automation of key business processes, together with identified cost efficiencies, should enable growth in margin through 2019.

On 31 October 2018 the company extended its Asset Based Lending facility with HSBC Bank. The extended facility runs to 31 October 2021, and will further boost the company's liquidity providing funding to support the company's growth plans for the next three years.

Bibby Line Ltd

The 57,000DWT bulk carrier Shropshire was sold in November, avoiding the approaching capital-intensive special survey. After a short period of marketing the vessel for sale, a credible buyer was found.

In December 2018 Bibby Line Ltd completed the sale of the Mumbai, the last remaining product tanker and final vessel in the BLG Commodity Trading Shipping division.

John Cresswell
Chief Executive Officer

Bibby Line Ltd completed the sale of the Mumbai, the last remaining product tanker and final vessel in the BLG Deep Sea Shipping division.

Principal risks and uncertainties

This section highlights the principal risks and uncertainties that affect the Group, together with the key mitigating activities in place to manage those risks. This does not represent a comprehensive list of all of the risks that the Group faces, but focuses on those that are currently considered to be the most relevant.

Strategic objective **No risk movement** **Risk decreasing**

Risk Area	Principal risks and uncertainties	Mitigation
Strategic	**Group Composition** An imbalance in the portfolio may leave the Group with too much risk, or create over-dependence on one sector/country. 1 2	The annual review of operating plans by the Bibby Line Group Board and Executive includes the desired shape of the portfolio with regard to both present market conditions and future expectations. Investment and divestment plans are appraised with reference to the shape of the target portfolio.
	Acquisitions Buying the wrong business, over-paying for a business or failing to integrate it effectively. 1 7	The Bibby Line Group strategy team are involved in all material acquisitions across the Group, providing expertise on M&A activity. 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.
Operational	**Transformational projects** Change programmes risk reducing shareholder value if they are not implemented effectively. 1 2 6	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. The Bibby Line Group CEO chairs each of the divisional boards monitoring performance, including progress on material projects.
	Divisional underperformance Divisions underperform due to errors in strategy or operations, or through market forces. 1 6	The Divisions annual operating plans are reviewed by their own boards and critiqued by the Bibby Line Group strategy team prior to being discussed at a dedicated annual meeting of the Group board. Monthly, an update on the businesses performance is provided at the Bibby Line Group board meeting. The Bibby Line Group CEO chairs each of the divisional boards monitoring performance and its chief executive, together with the Group CFO.
	Reputation An event occurs which adversely affects the Bibby Line Group brand and affects our divisional operations. 1 2 3 4 5 6 7	Bibby Line Group's values are integral to the way the Group does business and we expect all staff to do the right thing. 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.
	Technology A cyber-attack or operational IT failure results in an adverse impact on customer service. 1 2 6 7	Cyber security and system resilience controls are in place across the Group including training programmes to raise awareness of IT security issues 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. A Group wide Cyber insurance policy is also in place.
	Regulation The Group and its business fail to comply with legislation in all territories that it operates in including but not limited to employment, competition, anti-bribery and corruption, money laundering, GDPR, statutory financial reporting, tax rules etc. 4	The BLG Board and divisional boards take their responsibilities very seriously and recognise that a breach of any regulation can lead to reputational damage and financial damage to the Group. Legal teams in the larger divisions monitor legislative changes and external advisors are used in the smaller divisions to provide advice and guidance. In addition, policies and procedures are in place to inform and educate staff on their roles and responsibilities in respect of complying with regulation and/or legislation.
	Brexit Failure to prepare for the UK's departure from the EU causes disruption and creates uncertainty in our businesses which could have an adverse effect on our financial results and operations. 2	The nature of the UK's future trading relationship with the EU is still to be determined. Our divisions have assessed their business plans based on various scenarios and as further details of the terms of the departure from the EU emerge, we will continue to assess and monitor the potential risks and impacts of these on our businesses, customers and colleagues and take appropriate measures.

Risk Area	Principal risks and uncertainties	Mitigation
People	**Talent retention** Failure to recruit or retain talent within Bibby Line Group or a division could result in business underperformance. 1 3 6	The remuneration committee sets the remuneration packages of senior executive staff and divisional chief executives with regard to the external market and aligns the remuneration to the results of the business through the annual and long term bonus arrangements. Regular 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.
	Health & safety Some of our people work in potentially hazardous situations, 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. 4 7	Due to the diverse nature of our operations this risk is managed within each division with systems appropriate to each industry. Our businesses have appropriate Health and Safety policies, with rigorous reporting mechanisms informing their board of both incidents and near-misses, with continuous improvement feedback processes, and external audits in many of the businesses. A new BLG Board Health and Safety report has been introduced in 2018 reporting on health and safety key performance indicators.
Financial	**Liquidity and financial risks** 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. 1	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 or related group of institutions and restricts the acceptable credit rating of such counterparties to A/A2 and above. The Group manages its significant foreign exchange trading exposures through forward contracts. The Group Treasury policy states that to manage foreign exchange translation risk, wherever possible divisions should seek to naturally hedge translation risk by borrowing in the same currency as the asset. 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.
	Pensions The Group has liabilities in respect of two defined benefit pension schemes for which deficit contributions consume Group cash. There is a risk that future financial performance of the schemes will underperform expectations leading to increased deficit payments. 1	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.

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.

Corporate Social Responsibility

The Group is committed to being a responsible company, including minimising environmental impact, creating safe places for our people to work and develop, while supporting our communities. We make positive contributions wherever we can.

Safety, Health, Environment and Quality (SHEQ)

SHEQ is fundamental to our business success and our colleagues wellbeing. In 2018, a number of our businesses were recognised for their efforts to improve health and safety including Bibby Distribution who won several prestigious awards including two ROSPA Gold Awards, after reducing accidents by a further 10 per cent year-on-year. Bibby HydroMap achieved zero LTIs (Lost Time Incidents) in 2018, against a backdrop of over 500,000 person-hours worked throughout the year.

A cross Group committee works to ensure our SHEQ standards increase year on year and we are aware of growing issues such as mental health.

Giving Something Back Programme

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.

Employee giving: A Special Milestone

The year 2018 saw the 11th anniversary of the programme and marked a special milestone. Since its creation in 2007, the GSB Programme has donated over £10million to good causes across the globe, an amazing amount and testament to our employees' dedication and their commitment to living the Group's values.

In 2018 our employees trekked, paddled, cycled and baked for their chosen charities, as well as helping many beneficial yet difficult to reach causes such as local hospices, schools and sports groups. As part of our match funding initiative, their efforts enabled £179,000 to reach over 150 charities. We were also proud to support colleagues to donate £29,000 to charity through their salary.

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 2018, employees from across six companies took part in two events; 22 colleagues tackled the Yorkshire Three Peaks in horrendous conditions raising £6,500 for charity, and 17 colleagues trekked the foothills of the Himalayas, raising over £30,000 for charity – a trek that Sir Michael Bibby took part in and fundraised for personally.

Annual awards

The Group's top fundraisers were invited to celebrate their successes at our annual Giving Something Back Awards in December, where awards were presented in categories such as Top Fundraiser, Top Volunteer and Most Innovative Idea. Whilst giving his personal thanks to individuals for their inspiring charitable efforts, Bibby Line Group non-executive director, Sir Michael Bibby, who established the programme during his time as Managing Director, received a special award at the ceremony in honour of his contributions over the last ten years.

The HIVE Youth Zone

Following on from our support in 2017 to open The Hive Youth Zone in Wirral (a purpose-built environment where young people can come, enjoy themselves, and learn new skills supporting them to raise their aspirations and confidence). In 2018, Bibby Financial Services once again 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 on the Wirral.

Environmental matters

The Group encourages carbon offsetting to compensate for some of our emissions, funding carbon dioxide reductions elsewhere. The Group also 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 2018 was Bibby Distribution winning the Freight Hero and Ecodriving Hero awards from the Energy Saving Trust, recognising their long-term 'Road to Zero' strategy, which aims to eliminate harm, waste and environmental impact. Garic continue to lead the way in designing and manufacturing the most advanced, environmentally friendly and cost effective products with their innovative Environmental Solutions range.

At a glance highlights include:

£330k Donated to charity by colleagues and the company in 2018

£10m Raised by colleagues and the company for the charity since the GSB Programme began in 2007

£29k Donated to charity via colleagues salaries in 2018

£300k Donated to The Hive Youth Zone over the last three years

£46k Raised by colleagues who took part in two special charity treks

3 Yorkshire Peaks climbed by our charity trekkers in June

15 Awards given out to colleagues at our annual GSB Awards

11 Years the GSB programme has been running

150 Charities supported in 2018

“Through match funding, **The Bibby GSB programme has been such an outstanding source of support** to Upton Football Club. We are extremely grateful for the continued support of Bibby.” **BDL Colleague Steven Turk**

“I had an amazing time hiking in the foothills of the Himalayas, and spent time with my new extended Bibby Family. Thank you Bibby for a great trek and for giving your employees this experience.”
BFS Colleague Sophie Heptinstall

“The dream of creating The Hive was only made a reality thanks to the significant finance support provided by our Capital Supporters like Bibby Line Group.”
Gill Pleavin, Enterprise and Employability Co-ordinator at The Hive

The Strategic Report as set out on pages 10 to 25 was approved by the Board on 25 September 2019 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 chair

David Anderson
Senior independent director
Appointed to the board 1 August 2012

- Audit committee chair
- 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 chair
- Nominations committee

Sir Michael Bibby Bt., DL
Managing director to 1 June 2018 and non-executive director thereafter Appointed to the board 13 July 1992

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

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. Timothy Lebus, non-exectutive director, was appointed to the board 1 March 2009 and resigned from the board 30 November 2018. Jonathan Lewis was appointed to the board as Chief Financial & Strategy Officer, on 25 July 2019. Following a transition period, Mark Lyons will retire from the board on 25 September 2019.

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'.

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 2018, supplemented by regular executive team meetings, regular communication via email, and conversations between the executive and non-executive directors. During 2018 there was full attendance at all but one of the board meetings (Caroline Hoare was unable to attend the Board meeting in May). 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.
Subsidiary Boards include 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 decisions requiring 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, chief executive officer, chief financial officer and head of internal audit are invited to attend meetings of the committee as required.

During 2018 the committee met in January, July and September, 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 but two of the meetings (Timothy Lebus attended only the audit committee in January; Timothy resigned from the board 30 November 2018). 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 2017 statutory audit, confirm independence of the auditors, and the planning for the 2018 statutory audit.

The audit committee continually reviews the form of the Annual Report to ensure that it accurately meets the needs of its recipients, whilst at the same time properly reflects the Group's status as a private company.

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 five times during 2018. Caroline Hoare was unable to attend the meeting in May, otherwise there was full attendance throughout the year.

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 six 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, senior employees in the central team 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.

A new long term incentive plan covering the period from 2018 to 2021 has been introduced for the executive directors of the Group board and certain senior employees in the central team. The scheme is based on the delivery of Profit Before Tax, cash and certain non-financial objectives with payment seeing distribution over a five year period.

Corporate Governance

New corporate governance reporting requirements will apply to company reporting for financial years starting on or after 1 January 2019, under The Companies (Miscellaneous Reporting) Regulations 2018. Companies are able to adopt the Wates principles as an appropriate framework when making disclosures regarding corporate governance arrangements and the Group intend to apply the Wates Corporate Governance Principles for Large Private Companies.

Here we set out each of the Wates Principles and cross-reference them to the relevant sections of the Annual Report which describe how that Principle was applied during the year ended 31 December 2018.

For the year ending 31 December 2019 we will redesign the Corporate Governance section of the Annual Report to explain how we have complied with the Principles throughout the financial year.

Principle 1 – Purpose and leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Founded in Liverpool in 1807, we are one of the UK's oldest family owned businesses, with more than 200 years' experience of providing personal, responsive and flexible customer solutions.

As set out on page 4 our purpose is to grow the long-term value of the Group. Guided by our shared values, we are custodians of the family business for future generations, creating a diverse Group of innovative companies that develop colleagues, delight customers and give back to communities.

Our values are core to the way in which we do business. These are set out on page 3.

An overview of the Group's Strategy and our Corporate Strategic Objectives are set out on page 11.

Principle 2 – Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Board of Directors and the Role of the board are set out on pages 26 and 27. Independent Non-Executive Directors bring experience in a variety of sectors so that they are able to bring challenge to the Executive.

The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained.

Principle 3 – Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

As set out on page 26 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 Independent Non-Executive Directors are wholly independent in that they have no business relationships with the company that might influence their independence or judgement.

We also have two family Directors who represent the interests of the major shareholder group.

Each Board member has a clear understanding of their accountabilities and responsibilities.

As set out of page 26 there are seven board meetings with broad agendas and an annual two day meeting that solely focuses on the review of the Group and divisional strategy as set out in the operating plans.

Certain governance responsibilities are delegated to the Audit and Risk Committee and Remuneration Committee.

The Board receives a monthly performance report which contains key commercial and operational performance reporting, financial information and KPIs. The performance report facilitates Board discussion and engagement on key issues.

Further information on the role of the board and board committees is set on pages 26 and 27.

Principle 4 – Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Long term strategic opportunities are captured in the annual Group Operating Plan process which is presented to the Group Board every year and covers a three year horizon. Short term opportunities to improve performance, resilience and liquidity are captured through monthly and quarterly performance review meetings with each Division, which are attended by the Group Chief Executive and the Group Chief Financial Officer.

Our Principal Risks and Uncertainties are detailed on Pages 22 and 23. These are monitored and managed through the quarterly performance review meetings with each Division and are reported to the Group Audit Committee.

The Board has approved the implementation of an updated risk management framework, which includes the definition of risk appetite, and will be implemented during 2019.

Principle 5 – Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

The Board delegates responsibility for the remuneration of holding company executive directors, any subsidiary business Chief Executive Officer, and other senior managers with salary over a certain level to the Remuneration Committee.

The Remuneration Committee's purpose and guiding principles are set out on page 27.

Principle 6 – Stakeholders

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions

The Group is committed to being a responsible organisation, including minimising environmental impact, creating safe places for our people to work and develop, while supporting our communities, as explained in our Corporate Social Responsibility Report on pages 24 and 25.

As described on page 29 the Group continually develops effective employee communication, consultation and involvement, including the regular publication of company magazines. Colleague engagement surveys are completed in all trading divisions with the results and related actions being reviewed at the Quarterly Performance Reviews.

The Group's principal trading Divisions use external Net Promotor Scores and Trustpilot ratings to support strong service level provision to their customers.

The Group communicates openly with the Bibby Line Group pension trustee board, providing trading updates not less than twice a year.

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

Details of the principal activities, business review, directors and charitable donations are included within the Strategic Report on pages 10 to 25 and are included in the Directors' Report by reference.

Group results

The Group loss for the year after taxation amounts to £19.6 million (2017 – £15.0 million loss). After taking account of movements through the statement of changes in equity, total shareholders' funds have reduced from £231.2 million to £209.1 million. A review of the Group's results is shown on pages 12-14.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 10 to 21. The principle risks and uncertainties are set out on pages 22 and 23.

The holding company, Bibby Line Group Limited, is financed by dividends from the trading divisions, principally Bibby Financial Services. Each division has external financing and there are no banking guarantees in place between the divisions and Bibby Line Group Limited in respect of external financing. Bibby Line Group Limited does provide support to certain divisional businesses for capital expenditure, working capital, and, when appropriate, to fund losses. It has also provided contractual support for the financing of the Wavemaster Horizon vessel. In these cases formal loan agreements are put in place and draw-downs and repayments under those agreements are reflected in the holding company cash flow forecasts. There are no contractual obligations to provide divisional funding over and above the amounts defined within existing agreements. Requests for financial support from the divisions are considered on a case-by-case basis, subject to strict business case criteria and as a minimum requiring the approval of the Group Chief Executive.

In making their assessment of going concern the Directors have considered the cash flow forecast for the holding company for the next fifteen months. They have also considered the cash flow forecasts of the trading businesses for the same period. Given the current political and economic uncertainty the Directors have also considered downside projections, including the impact of a no deal Brexit on the cash flows from the trading divisions to the holding company, and considered the actions that could be taken to preserve liquidity. In particular, the Directors have given consideration to the actions which could be taken in order to preserve dividend payments from Bibby Financial Services in the event of a downturn in performance. Furthermore, there are additional actions available to management, such as constraining capital expenditure across the portfolio.

Based on this assessment the Directors consider that the Group maintains sufficient capital and liquidity to meet both the contractual requirements of the divisions and the requirements which might reasonably be expected to arise in a downside scenario.

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. 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 9 September 2019 the group entered into an agreement to sell its Headquarters in Liverpool to a third party and also entered into lease agreements for new premises in Liverpool city centre. The proceeds from the sale will be in excess of the carrying value of the property.

On 23 September 2019 the group exchanged contracts to refinance Bibby Wavemaster Horizon through a sale and leaseback arrangement. The refinancing secures a higher loan to value ratio for the vessel and reduces the group's equity funding requirement.

Dividends

Interim dividends of £59.83 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, constituting a total dividend for the year ended 31 December 2017 of £179.49 per Ordinary share.

Interim dividend of £61.15 per share to the holders of the £1,000 Ordinary shares was paid on 2 January 2019. Interim dividends of £203.16 and £406.31 per share to the holders of the £1 Ordinary A shares were paid on 15 January 2018 and 21 June 2018, constituting a total dividend for the year ended 31 December 2017 of £609.47 per ordinary A share. Interim dividend of £207.64 per share to the holders of the £1 Ordinary A shares was paid on 2 January 2019.

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.

We recognise, support and encourage diversity amongst our colleagues. It is firmly our belief that a range of diverse experiences, perspectives and backgrounds help us to deliver our range of business services and to support our customer needs. We work collaboratively to encourage shared ideas, perspectives and interactions with each other, and in turn with our customers and suppliers to foster mutual respect in our partnerships. Diversity is made up of a variety of characteristics, including (but not limited to) gender, age, religious beliefs and ethnicity, as well as physical and psychological differentiators. We disclose, monitor and act upon gender pay differences. The reports are available on the Group website.

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
25 September 2019

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 2018 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.

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: http://www.frc.org.uk/auditorsresponsibilities www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

Christopher Robertson
For and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, UK
25 September 2019

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 36

Group Balance Sheet 37

Group Cash Flow Statement 38

Group Statement of Changes in Equity 39

Notes to the Financial Statements 40

Group Profit and Loss Account

for the year ended 31 December 2018

	Note	2018 Total £000	2017 Continuing Operations £000	2017 Discontinued Operations £000	2017 Total £000
Turnover	1	821,990	922,874	81,342	1,004,216
Cost of sales		(746,620)	(818,439)	(129,920)	(948,359)
Gross profit/(loss)		75,370	104,435	(48,578)	55,857
Administration expenses (before exceptional items)		(90,256)	(104,258)	(18,994)	(123,252)
Net exceptional items	6	-	(47,265)	-	(47,265)
Total administration expenses		(90,256)	(151,523)	(18,994)	(170,517)
Operating loss	1	(14,886)	(47,088)	(67,572)	(114,660)
Loss/(profit) on disposal of fixed assets	4	(123)	1,388	(2,365)	(977)
Gain on deconsolidation of subsidiary	4	-	-	114,565	114,565
Profit on disposal of subsidiary	4	3,299	-	-	-
(Loss)/profit on ordinary activities before interest		(11,710)	(45,700)	44,628	(1,072)
Finance cost (net)	5	(3,424)	(5,354)	(13,566)	(18,920)
(Loss)/profit on ordinary activities before taxation		(15,134)	(51,054)	31,062	(19,992)
Taxation on profit/(loss) on ordinary activities	7	(4,452)	5,081	(75)	5,006
(Loss)/profit for the financial year		(19,586)	(45,973)	30,987	(14,986)
Attributable to:					
Non-controlling interests		-	-	-	-
Equity shareholders		(19,586)	(45,973)	30,987	(14,986)
		(19,586)	(45,973)	30,987	(14,986)

Group Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Loss for the financial year		(19,586)	(14,986)
Remeasurement of net defined benefit on pension liabilities	23	(352)	20,290
Currency translation differences on foreign currency net investments		1,080	(3,157)
Deferred tax credit/(charge) on items of other comprehensive income		60	(3,449)
Total losses recognised relating to the year		(18,798)	(1,302)

Group Balance Sheet

as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets:			
Intangible assets	8	43,046	32,876
Tangible assets	9	135,426	133,821
Investments	10	149	149
		178,621	166,846
Current assets:			
Stock	11	4,276	3,944
Debtors	12	1,234,825	1,250,338
Cash and cash equivalents		73,152	38,589
		1,312,253	1,292,871
Creditors (amounts falling due within one year)	13	(380,102)	(395,066)
Net current assets		932,151	897,805
Total assets less current liabilities		1,110,772	1,064,651
Creditors (amounts falling due after more than one year)	14	(891,807)	(822,556)
Provisions for liabilities and charges	16	(5,101)	(5,848)
Net pension liability	23	(4,754)	(5,046)
Net assets		209,110	231,201
Capital and reserves:			
Called-up share capital	18	18,005	18,005
Other reserves		275	275
Profit and loss account		190,830	212,921
Total shareholders funds		209,110	231,201

The financial statements of Bibby Line Group Limited have been approved and authorised for issue by the board on 25 September 2019.

JOHN CRESSWELL MARK LYONS

Directors of Bibby Line Group Limited, Registered No. 00034121

Group Cash Flow Statement

for the year ended 31 December 2018

			2018		2017
	Note	£000	£000	£000	£000
Net cash inflow/(outflow) from non-financial services operating activities	20		1,650		(41,875)
Net cash outflow from financial services operating activities	20		(38,150)		(71,348)
Net cash outflow from operating activities	20		(36,500)		(113,223)
Cash flows from investing activities					
Purchase of tangible and intangible fixed assets		(50,765)		(46,983)	
Proceeds on sale of tangible fixed assets		10,813		14,293	
Interest received		15		64	
Disposal of subsidiary		5,294		808	
Net cash flows from investing activities			(34,643)		(31,818)
Cash flows from financing activities					
Equity dividends		(3,293)		(3,169)	
Dividends paid on preference shares		(15)		(15)	
Interest paid		(3,461)		(10,936)	
Repayment of amounts borrowed		(11,177)		(27,716)	
Capital element of hire purchase and finance lease payments		(3,811)		(19,148)	
New loans		117,711		133,931	
New hire purchase and finance lease agreements		5,860		5,955	
Net cash flows from financing activities			101,814		78,902
Net increase/(decrease) in cash and cash equivalents	21, 22		30,671		(66,139)
Cash and cash equivalents at beginning of the year			36,709		101,853
Effect of foreign exchange rate changes			1,029		995
Cash and cash equivalents at the end of the year			68,409		36,709

Group Statement of Changes in Equity

for the year ended 31 December 2018

	Called-up share capital	Capital redemption	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	18,005	275	212,921	231,201
Loss for the financial year	-	-	(19,586)	(19,586)
Currency translation differences	-	-	1,080	1,080
Remeasurement of net defined benefit pension liabilities	-	-	(352)	(352)
Tax relating to items of other comprehensive income	-	-	60	60
Total comprehensive income	-	-	(18,798)	(18,798)
Dividends paid on equity shares	-	-	(3,293)	(3,293)
At 31 December 2018	18,005	275	190,830	209,110
At 1 January 2017	18,005	275	217,392	235,672
Loss for the financial year	-	-	(14,986)	(14,986)
Currency translation differences	-	-	(3,157)	(3,157)
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	-	-	(1,302)	(1,302)
Dividends paid on equity shares	-	-	(3,169)	(3,169)
At 31 December 2017	18,005	275	212,921	231,201

Notes to the Financial Statements

for the year ended 31 December 2018

1. Analysis by class of business

	2018	2017
	£000	£000
Turnover		
Marine	38,434	21,088
Contract Distribution	189,818	191,434
Financial Services	176,832	168,023
Retail	386,963	512,196
Other	29,943	30,133
Continuing operations	821,990	922,874
Discontinued operations	-	81,342
Total	821,990	1,004,216

Operating loss	2018	2017
	£000	£000
Marine	(2,517)	(15,792)
Contract Distribution	(6,334)	530
Financial Services	14,973	22,703
Retail	(9,268)	(48,749)
Other	(729)	320
Head Office	(11,011)	(6,100)
Continuing operations	(14,886)	(47,088)
Discontinued operations	-	(67,572)
Total	(14,886)	(114,660)

Net assets	2018	2017
	£000	£000
Marine	19,311	26,313
Contract Distribution	(2,475)	6,689
Financial Services	190,970	193,353
Retail	(56,369)	(136,876)
Other	1,485	6,380
Head Office	56,188	135,342
Continuing operations	209,110	231,201
Discontinued operations	-	-
Total	209,110	231,201

2. Emoluments of directors

	Salary/ fees/BIK	Severance	Annual Bonus	2018	2017
		£000	£000	£000	£000
Paul Drechsler	150	-	-	150	150
Tim Lebus	38	-	-	38	39
David Anderson	53	-	-	53	39
Geoffrey Bibby	36	-	-	36	33
Caroline Hoare	38	-	-	38	33
Sir Michael Bibby	299	-	40	339	551
John Cresswell	335	-	131	466	-
Gaurav Batra	256	391	-	647	416
Mark Lyons	460	-	71	531	528
Mike Brown	37	193	85	315	440
	1,702	584	327	2,613	2,229

In addition to the amounts detailed above, awards relating to 2018 have been made under the Bibby Line Group Limited Long Term Incentive Plan to Mark Lyons and John Cresswell of £201,000 and £283,000 respectively. These amounts have not been paid and it is currently anticipated that they will be paid out over the next three years.

3. Particulars of employees

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£000
Staff costs				
Wages and salaries	155,497	150,547	17,707	168,254
Social security costs	17,363	17,358	1,950	19,308
Other pension costs	4,169	3,657	1,041	4,698
	177,029	171,562	20,698	192,260
Staff numbers				
The average number of persons employed by the Group throughout the period was:				
Marine	154	136	-	136
Offshore oil field services	-	-	282	282
Contract distribution	1,789	1,844	-	1,844
Financial Services	1,324	1,305	-	1,305
Retail	621	665	-	665
Other	374	362	18	380
Head Office	33	44	-	44
	4,295	4,356	300	4,656

Notes to the Financial Statements

for the year ended 31 December 2018 (continued)

4. (Loss)/Profit on disposal of fixed assets and investments

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£000
(Loss) / profit on disposal of fixed assets				
(Loss) / profit on disposal of tangible fixed assets	(123)	1,388	(2,365)	(977)
The net tax effect of the above transaction is a tax (credit) / charge of	(23)	278	(473)	(195)
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	3,299	-	-	-
The net tax effect of the above transaction is a tax charge of	-	-	-	-

5. Finance costs (net)

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£000
Interest receivable and similar income				
Other interest receivable	14	41	24	65
Exchange difference on foreign borrowings	208	-	-	-
	222	41	24	65
Interest payable and similar charges				
On bank loans, overdrafts and other secured loans	(2,180)	(2,284)	(12,840)	(15,124)
HP and finance leases	(792)	(1,113)	(750)	(1,863)
On other debt financing	(408)	(383)	-	(383)
Exchange difference on foreign borrowings	-	(893)	-	(893)
Net interest cost on defined benefit pension liability	(251)	(707)	-	(707)
On £100 preference shares at 9.75% of nominal value	(15)	(15)	-	(15)
	(3,646)	(5,395)	(13,590)	(18,985)
Finance cost (net)	(3,424)	(5,354)	(13,566)	(18,920)

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	31,340	20,197	-	20,197

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

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

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£000
Depreciation – owned tangible fixed assets (see note 9)	16,217	16,975	9,978	26,953
Depreciation – leased tangible fixed assets (see note 9)	1,758	1,783	3,397	5,180
Amortisation of intangible fixed assets (see note 8)	6,117	11,055	-	11,055
Foreign exchange gains / (losses)	242	129	(1,946)	(1,817)
Impairment losses on tangible fixed assets (see note 9)	1,019	21,256	7,444	28,700
Impairment losses on intangible fixed assets	-	35,943	-	35,943
Profit / (loss) on disposal of tangible fixed assets	(123)	1,388	(2,365)	(977)
Charitable donations	228	216	-	216
Operating lease costs:				
Plant and machinery	9,051	10,540	30,281	40,821
Other	11,612	11,711	1,753	13,464
Fees payable to the company's auditor for:				
– the audit of the company's current year accounts	169	173	-	173
– the audit of the company's subsidiaries current year accounts	850	681	124	805
– the audit of the company's subsidiaries prior year accounts	50	-	-	-
Total audit fees	1,069	854	124	978
Auditor's remuneration for non-audit services:				
Tax service	26	40	-	40
Other services	143	109	-	109
Total non-audit fees	169	149	-	149

Net exceptional items	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£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 & 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 (loss)/profit on ordinary activities

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
	£000	£000	£000	£000
Tax on (loss)/profit on ordinary activities				
Current year UK corporation tax charge/(credit)	6	5	-	5
Prior year UK corporation tax charge/(credit)	1,601	(1,896)	432	(1,464)
Current year charge for foreign corporate and witholding taxes	2,424	2,516	65	2,581
Prior year charge for foreign corporate and withholding taxes	963	-	-	-
Current tax charge for the year	4,994	625	497	1,122
Deferred tax charge on pension scheme costs	243	234	-	234
Adjustments in respect of prior years	(10,751)	(294)	3,183	2,889
Effect of change in tax rate on opening liability	-	4	(31)	(27)
Origination and reversal of timing differences	9,966	(5,650)	(3,574)	(9,224)
Deferred tax charge/(credit) for the year (see note 16)	(542)	(5,706)	(422)	(6,128)
Total tax (credit)/charge for the year	4,452	(5,081)	75	(5,006)

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:

	2018 Total	2017 Continuing Operations	2017 Discontinued Operations	2017 Total
Tax reconciliation				
(Loss)/profit on ordinary activities before taxation	(15,134)	(51,054)	31,062	(19,992)
(Loss)/profit on ordinary activities multiplied by the weighted average rate of UK corporation tax of 19.00% (2017 – 19.25%)	(2,875)	(9,828)	5,979	(3,849)
Effect of:				
Trading losses carried forward / (utilised)	10,452	306	7,120	7,426
Difference between capital allowances and depreciation	2,654	-	-	-
Non taxable gains	(769)	2,415	-	2,415
Expenses not deductible for tax purposes including amortisation of goodwill	2,025	5,776	(22,005)	(16,229)
Other timing differences	574	(687)	-	(687)
Adjustment in respect of prior year	(8,189)	(498)	3,615	3,117
Difference in tonnage tax rate to weighted average tax rate	6	76	2,054	2,130
Different rate of overseas tax	408	387	(24)	363
Change in deferred tax rate	166	152	156	308
Group relief not paid for	-	(3,180)	3,180	-
Total tax charge/(credit) for the year	4,452	(5,081)	75	(5,006)

8. Intangible assets

	Goodwill	Intangible assets	Total
	£000	£000	£000
Cost			
At 1 January 2018	140,012	38,963	178,975
Additions	-	16,757	16,757
Disposals	-	(756)	(756)
At 31 December 2018	140,012	54,964	194,976
Amortisation			
At 1 January 2018	135,695	10,404	146,099
Charge for the year	2,443	3,674	6,117
Disposals	-	(408)	(408)
Exchange differences	-	122	122
At 31 December 2018	138,138	13,792	151,930
Net book amount at 31 December 2018	1,874	41,172	43,046
Net book amount at 31 December 2017	4,317	28,559	32,876

The intangible total includes £3.9m of leased assets (software) with secured funding within 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 2018	149,278	111,123	3,331	6,055	1,029	270,816
Additions	15,124	19,009	-	834	-	34,967
Disposals	(39,040)	(8,730)	-	(253)	-	(48,023)
Disposal on sale of subsidiary	-	(7,933)	-	-	-	(7,933)
Transfers	(133)	1,544	708	(1,202)	-	917
Exchange differences	1,344	139	-	-	-	1,483
At 31 December 2018	126,573	115,152	4,039	5,434	1,029	252,227
Depreciation						
At 1 January 2018	82,377	49,110	1,182	3,509	817	136,995
Charge for the year	4,971	12,612	110	249	33	17,975
Impairment	1,019	-	-	-	-	1,019
Disposals	(29,860)	(6,204)	-	(253)	-	(36,317)
Disposal on sale of subsidiary	-	(4,450)	-	-	-	(4,450)
Transfers	(54)	892	97	(18)	-	917
Exchange differences	559	103	-	-	-	662
At 31 December 2018	59,012	52,063	1,389	3,487	850	116,801
Net book amount at 31 December 2018	67,561	63,089	2,650	1,947	179	135,426
Net book amount at 31 December 2017	66,901	62,013	2,149	2,546	212	133,821
Net book value of leased assets included above:						
At 31 December 2018	-	7,730	-	-	-	7,730
At 31 December 2017	-	8,097	-	-	-	8,097

10. Investments

	2018 £000
At 1 January 2018 and at 31 December 2018	149

11. Stock

	2018 £000	2017 £000
Raw materials	1,072	666
Work in progress	35	224
Retail goods	1,834	1,604
Consumables	1,335	1,450
	4,276	3,944

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

12. Debtors

	2018 £000	2017 £000
Trade debtors – financial services	1,021,051	1,021,917
Trade debtors – other	68,486	63,535
Derivative financial instruments held at fair value	632	-
Taxation and social security	25	84
Deferred taxation asset – other timing differences (see note 16)	8,850	8,118
Net investment in finance leases	69,286	70,221
Other debtors	17,152	40,219
Corporation tax	2,436	5,805
Prepayments and accrued income	46,907	40,439
	1,234,825	1,250,338

Included within net investment in finance leases is £30,536,000 (2017: £31,639,000) which is due after more than one year. Included within other debtors is an amount of £nil (2017: £nil) which is due after more than one year.

The cost of assets acquired for the purpose of leasing under finance lease was £27,042,000 (2017: £23,546,000).

The aggregate rentals receivable during the year in respect of finance leases was £25,240,000 (2017: £23,351,000).

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 £43,415,000 (2017: £14,500,000) 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)

	2018 £000	2017 £000
Bank loans (see note 15)	121,287	72,342
Bank overdrafts	4,842	1,880
Hire purchase and finance leases (see note 15)	3,357	2,837
Trade creditors – financial services	135,678	197,583
Trade creditors – other	57,258	26,064
Taxation and social security	12,440	11,560
Other creditors	3,440	30,435
Corporation tax creditor	2,586	3
Accruals and deferred income	38,777	52,226
Derivative financial instruments	437	136
	380,102	395,066

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

	2018 £000	2017 £000
Bank loans (see note 15)	868,020	804,603
Hire purchase and finance leases (see note 15)	23,200	17,318
9.75% Preference shares of £100 each (see note 18)	154	154
Other creditors	433	481
	891,807	822,556

15. Debt instruments

	2018 £000	2017 £000
Bank loans are repayable:		
Within one year	129,305	72,342
Between one and two years	132,791	38,633
Between two and five years	715,549	744,473
After five years	11,662	21,497
	989,307	876,945
Hire purchase and finance leases are repayable:		
Within one year	3,357	2,837
Between one and two years	2,720	2,358
Between two and five years	20,350	14,950
After five years	130	10
	26,557	20,155

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.

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

16. Provisions for liabilities

	Other	Vacant Property	Deferred Taxation	Total
	£000	£000	£000	£000
At 1 January 2018	2,300	3,548	-	5,848
Profit and loss account	1,012	1,085	(542)	1,555
Utilised	(1,800)	(1,029)	-	(2,829)
Reclassification to debtors	-	-	733	733
Disposal of subsidiary	-	(58)	(50)	(108)
Exchange differences	-	43	(81)	(38)
Statement of comprehensive income	-	-	(60)	(60)
At 31 December 2018	1,512	3,589	-	5,101

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 and provision for warranty claims.

Deferred taxation is provided at the rates substantively enacted at the year end being 19% (to April 2019), 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:

	2018	2017
	£000	£000
Accelerated capital allowances	(4,855)	(3,814)
Pensions	(808)	(858)
Other timing differences	(2,348)	(1,717)
Trading Losses	(839)	(1,729)
	(8,850)	(8,118)

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	2018	2017
	£000	£000
Performing	1,050,404	1,064,730
Impaired	67,172	54,091
Impairment provision	(27,239)	(26,547)
	1,090,337	1,092,274

17. Financial instruments and risk management (continued)

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

	2018	2017
	£000	£000
At 1 January	26,547	25,738
Charged to the Profit and Loss Account	8,834	7,840
Amounts written off	(8,298)	(7,770)
Recoveries	111	899
Exchange differences	45	(160)
At 31 December	27,239	26,547

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 – 5 years	Total
	£000	£000	£000
Financial liabilities			
Bank overdrafts	4,842	-	4,842
Trading and other payables	157,253	-	157,253
Senior and junior funding notes	-	523,032	523,032
Bank loans	93,920	287,529	381,449
Derivative financial instruments	437	-	437
Finance Leases	1,495	3,802	5,297
	257,947	814,363	1,072,310

Exchange rate risk

With global operation the Group is exposed to translation risk on its overseas subsidiaries. No specific financial instruments are used to protect against the risk. At 31 December, if Sterling weakened 10% against the world's major currencies, shareholder's funds would be £7,500,000 (2017: £7,200,000) higher. Conversely, if Sterling strengthened 10% against the world's major currencies, shareholder's funds would be £4,700,000 (2017: £5,900,000) lower.

Notes to the Financial Statements
for the year ended 31 December 2018 (continued)

18. Called-up share capital

	2018	2017
	£000	£000
Alloted and full paid:		
1,536 (2017: 1,536) 9.75% Preference Shares of £100 each	154	154
100 Ordinary A Shares of £1 each	-	-
18,005 (2017: 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

	2018	2017
	£000	£000
Equity dividends paid per Ordinary Share:		
Interim £59.83 (2017: £57.58)	1,078	1,037
Final £119.66 (2017: £115.16)	2,153	2,073
	3,231	3,110
Equity dividends paid per Ordinary A share:		
Interim £203.16 (2017: £195.52)	21	20
Final £406.31 (2017: £391.03)	41	39
	62	59
Total dividends paid	3,293	3,169

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

	2018	2017
	£000	£000
Group operating loss	(14,886)	(114,660)
Less operating profit of the financial services business	(14,973)	(22,703)
Operating profit of the non-financial services businesses	(29,859)	(137,363)
Depreciation	15,877	30,318
Impairment of fixed assets	1,019	28,700
Amortisation of intangible assets	2,512	8,276
UK taxation paid	426	2,600
Impairment of intangible assets	-	35,943
Exchange differences	71	-
Operating cash flow before movement in working capital	(9,951)	(31,526)
Movement in provisons	939	(7,612)
Movement in stock	(438)	(555)
Movement in debtors	17,237	29,025
Movement in creditors	(4,633)	(29,897)
Excess of pension scheme contributions paid over service cost	(1,504)	(1,300)
Cash inflow/(outflow) from non-financial services operating activities	1,650	(41,875)
Operating profit of the financial services business	14,973	22,703
Depreciation	2,098	1,815
Amortisation of intangible assets	3,605	2,779
UK taxation paid	-	(2,600)
Overseas taxation paid	(3,565)	(1,640)
Operating cash flow before movement in working capital	17,111	23,057
Movement in debtors	5,969	(129,161)
Movement in creditors	(61,230)	34,756
Cash outflow from financial services operating activities	(38,150)	(71,348)
Net cash outflow from operating activities	(36,500)	(113,223)

21. Reconciliation of net debt

	2018	2017
	£000	£000
Movement in cash and cash equivalents in the year	30,671	(66,139)
Movement in loans and lease finance in the year	(108,582)	(93,048)
Change in net debt from cash flows	(77,911)	(159,187)
Exchange movements	(9,032)	(849)
Non-cash movements	(121)	(893)
Finance lease non-cash additions/non cash early redemption	-	(463)
Net debt transferred	(99)	184,499
Movement in net debt in the year	(87,163)	23,107
Net debt at 1 January	(860,391)	(883,498)
Net debt at 31 December	(947,554)	(860,391)

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

22. Analysis of net debt

	1 January 2018	Cash flow	Non-cash movement	Exchange movements	31 December 2018
	£000	£000	£000	£000	£000
Cash at bank and in hand	38,589	33,747	(99)	915	73,152
Bank overdrafts	(1,880)	(3,076)	-	114	(4,842)
	36,709	30,671	(99)	1,029	68,310
Debt due after 1 year	(821,921)	(57,811)	(121)	(3,350)	(883,202)
Debt due within 1 year	(75,179)	(50,771)	-	(6,711)	(132,662)
	(897,100)	(108,582)	(121)	(10,061)	(1,015,864)
	(860,391)	(77,911)	(220)	(9,032)	(947,554)

23. Pension costs

Pension Liability	2018	2017
	£000	£000
Bibby Line Group Pension Scheme	(3,215)	(2,906)
Merchant Navy Officers' Pension Fund	(1,539)	(2,140)
	(4,754)	(5,046)

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 £4,169,000 (2017 – £4,283,000). 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 (2017 – £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 (2017 – 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 £2,912,000, of which £1,800,000 has been paid. The balance 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 2017 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.

The contributions made by the employer over the financial year to the Bibby Line Group Pension Scheme have been £1,762,000 (2017 – £1,714,000). 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:

	2018	2017
Annual inflation (RPI)	3.20%	3.20%
Annual salary increases	n/a	n/a
Annual rate of discount	2.95%	2.55%
Pension in payment increases	As guaranteed	As guaranteed
Annual revaluation rate for deferred members	2.20%	2.20%
Allowance for commutation of pension for cash at retirement	Yes	Yes

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

	2018	2017
Male retiring at age 65 at the year end	21.1	21.4
Male retiring at age 65 in twenty years time	22.4	22.7

23. Pension costs (continued)

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

	2018	2017
	£000	£000
Total market value of assets	83,241	92,219
Present value of Scheme liabilities	(86,456)	(95,125)
Net pension liability	(3,215)	(2,906)

Fair value of assets comprise:

	2018	2017
	£000	£000
Equities	44,582	52,629
Bonds	34,473	39,329
Cash	3,474	261
Other	712	-
Total	83,241	92,219

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

	2018	2017
	£000	£000
Scheme liabilities at 1 January	95,125	112,140
Past service cost	1,400	-
Interest cost	2,384	2,953
Actuarial losses/(gains)	(8,656)	(6,429)
Experience gains	-	(8,024)
Benefits paid and expenses	(3,797)	(5,515)
Scheme liabilities at 31 December	86,456	95,125

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

	2018	2017
	£000	£000
Fair value of the Scheme assets at 1 January	92,219	88,141
Interest income	2,323	2,325
Actuarial (losses)/gains	(9,008)	5,836
Contributions by employer	1,762	1,714
Administration expenses	(258)	(282)
Benefits paid and expenses	(3,797)	(5,515)
Fair value of the Scheme assets at 31 December	83,241	92,219

23. Pension costs (continued)

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

	2018	2017
	£000	£000
Net interest cost on defined benefit liability	61	629
Past service cost	1,400	-
Administration expenses	258	282
Total charge to the profit and loss account	1,719	911

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

	2018	2017
	£000	£000
Actuarial gains arising from changes in demographic and financial assumptions	(8,656)	(6,429)
Experience losses/(gains)	9,008	(13,861)
Actuarial gains recognised in the statement of comprehensive income	(352)	(20,290)

The best estimate of contributions to be paid by the employer to the Scheme for the year beginning after 31 December 2018 is £1,700,000 less scheme administration expenses in the year and the charge to the profit and loss acccount will be £331,000.

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	Effect on Liabilities
Discount rate +/- 0.5%	-8.2%/+9.2%
Inflation assumptions +/- 0.5%	+4.9%/-4.7%
Life expectancy +/- 1 year	+3.9%/-3.9%

Company only: the company pension liability is £54,000 less than the Group pension liability (2017 – £82,000 less) as part of the MNOPF liability is attributable to a subsidiary company.

24. Operating lease commitments

	2018		2017	
	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	12,951	7,985	13,830	8,637
Between two and five years	43,438	11,352	46,569	7,302
After five years	36,974	1,263	44,574	1,180

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

	2018	2017
	£000	£000
Property, plant and equipment expenditure for which contracts have been placed but which are not otherwise provided for in these financial statements	2,734	2,715

27. Post balance sheet events

An interim dividend of £61.15 per share to the holders of the £1,000 Ordinary shares was paid on 2 January 2019. An interim dividend of £207.64 per share to the holders of the £1 Ordinary A shares was paid on 2 January 2019.

On 9 September 2019 the group entered into an agreement to sell its Headquarters in Liverpool to a third party and also entered into lease agreements for new premises in Liverpool city centre. The proceeds from the sale will be in excess of the carrying value of the property.

On 23 September 2019 the group exchanged contracts to refinance Bibby Wavemaster Horizon through a sale and leaseback arrangement. The refinancing secures a higher loan to value ratio for the vessel and reduces the group's equity funding requirement.

Company Financial Statements

Company Balance Sheet	58
Company Statement of Changes in Equity	59
Notes to the Financial Statements	60
Accounting Policies	66

Company Balance Sheet

as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets:			
Tangible assets	28	1,618	1,682
Investments	29	77,000	78,777
		78,618	80,459
Current assets:			
Debtors	30	30,311	18,591
Cash and cash equivalents		7,275	7,449
		37,586	26,040
Creditors (amounts falling due within one year)	31	(33,649)	(37,417)
Net current assets/(liabilities)		3,937	(11,377)
Total assets less current liabilities		82,555	69,082
Creditors (amounts falling due after more than one year)	32	(400)	(418)
Provisions for liabilities and charges		(1,512)	(2,300)
Net pension liability	23	(4,700)	(4,964)
Net assets		75,943	61,400
Capital and reserves:			
Called-up share capital	18	18,005	18,005
Other reserves		275	275
Profit and loss account		57,663	43,120
Total shareholders funds		75,943	61,400

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 profit for the financial year of £18,128,000 (2017 – loss of £89,898,000).

The financial statements of Bibby Line Group Limited have been approved and authorised for issue by the board on 25 September 2019.

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 2018

	Called-up share capital	Capital redemption	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	18,005	275	43,120	61,400
Profit for the financial year	-	-	18,128	18,128
Remeasurement of net defined benefit pension liabilities	-	-	(352)	(352)
Tax relating to items of other comprehensive income	-	-	60	60
Total comprehensive income	-	-	17,836	17,836
Dividends paid on equity shares	-	-	(3,293)	(3,293)
At 31 December 2018	18,005	275	57,663	75,943

	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

28. Tangible assets

	Vehicles and equipment	Freehold land and buildings	Total
	£000	£000	£000
Cost			
At 1 January 2018	528	2,219	2,747
Additions	43	-	43
Disposals	(50)	-	(50)
At 31 December 2018	521	2,219	2,740
Depreciation			
At 1 January 2018	425	640	1,065
Charge for the year	37	70	107
Disposals	(50)	-	(50)
At 31 December 2018	412	710	1,122
Net book amount at 31 December 2018	109	1,509	1,618
Net book amount at 31 December 2017	103	1,579	1,682

29. Investments

	Total
	£000
At 1 January 2018	78,777
Impairment of investments	(1,777)
At 31 December 2018	77,000

See note 33 for details of subsidiary undertakings. The impairment relates to a reduction in investment value to net asset value of the relevant subsidiary.

The following subsidiaries have taken advantage of an exemption from audit under section 479A of the Companies Act 2006. As the ultimate parent, Bibby Line Group Limited, has provided a statutory guarantee for any outstanding liabilities of Bibby Line Limited and it subsidiaries below.

– Bibby Bulk Carriers limited
– Bibby Navigation Limited
– Bibby Pool Partner Limited
– Bibby Transport Limited

30. Debtors

	2018	2017
	£000	£000
Amounts owed by subsidiary undertakings	28,011	16,631
Deferred taxation asset	1,071	1,236
Corporation tax	11	636
Prepayments and accrued income	1,218	88
	30,311	18,591

The amounts owed by subsidiary undertakings relate to loans provided to support the relevant businesses. The loans bear interest at a rate of 8%.

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)

	2018	2017
	£000	£000
Amounts owed to subsidiary undertakings	30,725	31,377
Taxation and social security	238	4,260
Accruals and deferred income	2,686	1,780
	33,649	37,417

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)

	2018	2017
	£000	£000
9.75% Preference shares of £100 each	154	154
Other creditors	246	264
	400	418

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 Line Group Pension Trustee Limited	England & Wales	α	100%	Pension Trustee
2.	Bibby Supply Chain Services Limited	England & Wales	α	100%	Holding company
3.	Bibby Distribution Limited	England & Wales	α	100%*	Provider of logistics and warehousing services
4.	Bibby International Logistics Limited	England & Wales	α	100%*	International distribution and freight forwarding
5.	Bibby International Logistics (Singapore) Pte Ltd	Singapore	β	100%*	In liquidation
6.	Bibby Financial Services Limited	England & Wales	α	100%	Holding and management services company
7.	Bibby Debt Finance Limited	England & Wales	α	100%*	Non -trading
8.	Bibby Finance 1 Limited	England & Wales	α	100%*	Dormant
9.	Bibby Finance 2 Limited	England & Wales	α	100%*	Non-trading
10.	Bibby Financial Services (INS) Limited	England & Wales	α	100%	Insurance agents and brokers
11.	Bibby FS (Holdings) Limited	England & Wales	α	100%*	Holding and management services company
12.	Bibby Financial Services (UK) Limited	England & Wales	α	100%*	Holding and management services company
13.	Bibby Asset Finance Limited	England & Wales	α	100%*	Holding and management services company
14.	Bibby Leasing Limited	England & Wales	α	100%*	Asset financing
15.	Bibby Management Services Limited	England & Wales	α	100%*	Management services
16.	Bibby Trade Services Limited	England & Wales	α	100%*	Trade financing
17.	Factoring UK Group Limited	England & Wales	α	100%*	Holding and management services company
18.	Cashflow UK Limited	England & Wales	α	100%*	Brokerage
19.	Bibby Corporate Financial Solutions Limited	England & Wales	α	100%*	Inventory financing
20.	BFS Corporate Financial Solutions Limited	England & Wales	α	100%	Dormant
21.	Bibby Invoice Finance UK Limited	England & Wales	α	100%*	Controlling company for the factoring and invoice discounting activities of BFS

33. Subsidiary undertakings (continued)

	Company Name	Country of Incorporation	Regis-tered office	% Equity Share Capital Held	Type of Business
22.	Bibby ACF Limited	England & Wales	α	100%*	Debt factoring
23.	Bibby Factors Bedford Limited	England & Wales	α	100%*	Debt factoring
24.	Bibby Factors Borehamwood Limited	England & Wales	α	100%*	Debt factoring
25.	Bibby Factors Bristol Limited	England & Wales	α	100%*	Debt factoring
26.	Bibby Factors Leicester Limited	England & Wales	α	100%*	Debt factoring
27.	Bibby Factors Limited	England & Wales	α	100%*	Debt factoring
28.	Bibby Factors Manchester Limited	England & Wales	α	100%*	Debt factoring
29.	Bibby Factors Northeast Limited	England & Wales	α	100%*	Debt factoring
30.	Bibby Factors Northwest Limited	England & Wales	α	100%*	Debt factoring
31.	Bibby Factors Scotland Limited	Scotland	µ	100%*	Debt factoring
32.	Bibby Factors Slough Limited	England & Wales	α	100%*	Debt factoring
33.	Bibby Factors Sussex Limited	England & Wales	α	100%*	Debt factoring
34.	Bibby Factors Wessex Limited	England & Wales	α	100%*	Debt factoring
35.	Bibby Factors Yorkshire Limited	England & Wales	α	100%*	Debt factoring
36.	Bibby Factors International Limited	England & Wales	α	100%*	Debt factoring
37.	Bibby Invoice Discounting Limited	England & Wales	α	100%*	Invoice discounting
38.	Bibby Revolving Finance Limited	England & Wales	α	100%*	Trade financing
39.	Bibby Trade Factors Limited	England & Wales	α	100%*	Trade financing
40.	Bibby Transactional Finance Limited	England & Wales	α	100%*	Transactional financing
41.	Global Management Services Limited	England & Wales	α	100%*	Non-trading
42.	Bibby Financial Services (FX) Limited	England & Wales	α	100%*	Holding and management services company
43.	Bibby Foreign Exchange Limited	England & Wales	α	100%*	Foreign exchange services
44.	Bibby Foreign Exchange (Europe) Limited (inc 22-10-18)	Ireland	≤	100%*	Foreign exchange services
45.	Bibby Foreign Exchange (Solutions) Limited	England & Wales	α	100%*	Dormant
46.	Bibby Financial Services (Asia) Limited	Hong Kong	≠	100%*	Debt factoring
47.	Bibby Financial Services (India) Pvt Limited	India	¥	99.99%*	Debt factoring
48.	Bibby Financial Services (Singapore) Pte. Ltd.	Singapore	β	100%*	Debt factoring
49.	Bibby Factoring Services (Malaysia) Sdn Bhd	Malaysia	®	100%*	Debt factoring
50.	Bibby Financial Services (Europe) Limited	England & Wales	α	100%*	Holding and management services company
51.	Bibby Factor France S. A.	France	±	99.99%*	Debt factoring
52.	Bibby Factoring Slovakia a.s.	Slovak Republic	Ø	100%*	Debt factoring

Company Name		Country of Incorporation	Regis-tered office	% Equity Share Capital Held	Type of Business
53.	Bibby Financial Services a.s.	Czech Republic	Ħ	100%*	Debt factoring
54.	Bibby Financial Services B.V.	Netherlands	€	100%*	Debt factoring
55.	Bibby Financial Services GmbH	Germany	∑	100%*	Debt factoring
56.	Bibby Financial Services (Ireland) Limited	Ireland	≤	100%*	Debt factoring
57.	Bibby Financial Services Sp. z o. o.	Poland	▲	99.99%*	Debt factoring
58.	Bibby Financial Services AB	Sweden	♀	99.8%*	Debt factoring
59.	Bibby Financial Services (Holdings) Inc.	USA	♂	100%*	Debt factoring and asset based lending
60.	Bibby Financial Services (Canada) Inc.	Canada	☑	100%*	Debt factoring
61.	Bibby Financial Services, Inc.	USA	☻	100%*	Trade finance
62.	Bibby Transportation Finance, Inc.	USA	❍	100%*	Trade finance
63.	Verus360 Limited	England & Wales	✣	100%	In liquidation
64.	Bibby Holdings Limited	England & Wales	α	100%	Holding company
65.	Bibby Ship Management (Eastern Europe)	Russian Federation	✻	85.71%*	Dormant
66.	Bibby Taurus Limited	England & Wales	α	100%*	Holding company
67.	Garic Limited	England & Wales	α	100%*	Design, fabrication and purchase of plant and machinery for sale and hire
68.	Bibby Travel Limited	England & Wales	α	100%*	Struck off 12-02-19
69.	Bibby Marine Limited	England & Wales	α	100%*	Holding company for BLG marine niche assets and services division
70.	Bibby Marine Management Limited	England & Wales	α	100%*	Service activities incidental to water transportation
71.	Bibby Marine Services Limited	England & Wales	α	100%*	Holding company
72.	Bibby WaveMaster I Limited	England & Wales	α	100%*	Ownership and operation of a service operation vessel
73.	Bibby WaveMaster 2 Limited	England & Wales	α	100%*	Ownership and operation of a service operation vessel
74.	Bibby Marine Survey Services Limited	England & Wales	α	100%*	Dormant
75.	Bibby Renewables Limited	England & Wales	α	100%*	Dormant
76.	Bibby HydroMap Limited	England & Wales	✚	100%*	Provision of marine surveying services
77.	Hydromap Limited	England & Wales	✚	100%*	Dormant
78.	Bibby Athena Limited	England & Wales	α	100%*	Ownership and operation of hydrographic survey vessels
79.	Bibby Tethra Limited	England & Wales	α	100%*	Ownership and operation of hydrographic survey vessels
80.	Bibby Maritime Limited	England & Wales	α	100%*	Ownership and operation of floating accommodation vessels
81.	Bibby Bergen Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation vessel

33. Subsidiary undertakings (continued)

	Company Name	Country of Incorporation	Regis-tered office	% Equity Share Capital Held	Type of Business
82.	Bibby Challenge Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation vessel
83.	Bibby Maritime Crewing Services Limited	England & Wales	α	100%*	Provision of crew services
84.	Bibby Maritime Nigeria Limited	Nigeria	✻	100%*	In liquidation
85.	Bibby Progress Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation vessel
86.	Bibby Renaissance Limited	England & Wales	α	100%	Dormant
87.	Bibby Stockholm Limited	England & Wales	α	100%*	Ownership and operation of a floating accommodation vessel
88.	Bibby Line Limited	England & Wales	α	100%	Holding company of ship ownership and trading subsidiaries
89.	Bibby Bulk Carriers Limited	England & Wales	α	100%*	Ownership and management of marine assets
90.	Bibby Gas Carrier Limited	England & Wales	α	100%*	Dormant
91.	Bibby Navigation Limited	England & Wales	α	100%*	Ownership and management of marine assets
92.	Bibby Pool Partner Limited	England & Wales	α	100%*	Management of assets within Bibby Line Limited's central group treasury function
93.	Bibby Trader Limited	England & Wales	α	100%	Dormant
94.	Bibby Transport Limited	England & Wales	α	100%*	Ownership and management of marine assets
95.	Mumbai Singapore Pte. Ltd.	Singapore	✔	100%*	Ownership and operation of marine assets
96.	Bibby Retail Services Limited	England & Wales	α	100%	Dormant
97.	Costcutter Supermarkets Holdings Limited	England & Wales	α	100%	Holding company
98.	CSMF Limited	England & Wales	α	100%*	Holding company
99.	CSMB Limited	England & Wales	α	100%*	Holding company
100.	Costcutter Holdings Limited	England & Wales	α	100%*	Holding company
101.	Costcutter Supermarkets Group Limited	England & Wales	α	100%*	Holding company for Group which operates as a convenience symbol group in the UK
102.	Costcutter International Limited	England & Wales	α	100%*	Dormant
103.	Ebor Foodmarkets Limited	England & Wales	α	100%*	Retail
104.	PDQ Limited	England & Wales	α	100%*	Non-trading
105.	Primex UK Limited	England & Wales	α	100%*	Dormant
106.	The Local Independent Trading Company Limited	England & Wales	α	100%*	Dormant
107.	Fredk Ray Limited	England & Wales	α	100%	Struck off 12-02-2019

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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 10 to 25

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 10 to 21. The principle risks and uncertainties are set out on pages 22 and 23.

The holding company, Bibby Line Group Limited, is financed by dividends from the trading divisions, principally Bibby Financial Services. Each division has external financing and there are no banking guarantees in place between the divisions and Bibby Line Group Limited in respect of external financing. Bibby Line Group Limited does provide support to certain divisional businesses for capital expenditure, working capital, and, when appropriate, to fund losses. It has also provided contractual support for the financing of the Wavemaster Horizon vessel. In these cases formal loan agreements are put in place and draw-downs and repayments under those agreements are reflected in the holding company cash flow forecasts. There are no contractual obligations to provide divisional funding over and above the amounts defined within existing agreements. Requests for financial support from the divisions are considered on a case-by-case basis, subject to strict business case criteria and as a minimum requiring the approval of the Group Chief Executive.

In making their assessment of going concern the Directors have considered the cash flow forecast for the holding company for the next fifteen months. They have also considered the cash flow forecasts of the trading businesses for the same period. Given the current political and economic uncertainty the Directors have also considered downside projections, including the impact of a no deal Brexit on the cash flows from the trading divisions to the holding company, and considered the actions that could be taken to preserve liquidity. In particular, the Directors have given consideration to the actions which could be taken in order to preserve dividend payments from Bibby Financial Services in the event of a downturn in performance. Furthermore, there are additional actions available to management, such as constraining capital expenditure across the portfolio.

Based on this assessment the Directors consider that the Group maintains sufficient capital and liquidity to meet both the contractual requirements of the divisions and the requirements which might reasonably be expected to arise in a downside scenario.

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. 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 and Garic recognise income in the same period in which their assets or services are made available to customers.

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.

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.

Exceptional items

Exceptional items are material items of income and expense that, because of the unusual nature or frequency of the events giving rise to then, merit separate presentation to allow an understanding of the Company's underlying financial performance. Such items include impairment of assets, major reorganisations of business and costs associated with significant acquisitions or disposals.

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. 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 page 72.

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 27 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.

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.

Impairment of assets

The Group conducts annual impairment reviews and where appropriate, creates or adjusts 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 market conditions which 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.

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 assumptions relate to future earnings and the discount rate applied to the future cash flows. Rates currently in effect for the duration of existing contracts are used. For future periods not covered by an existing contract management estimate charter rates using a number of indicators, including management's view of the cyclicality of shipping markets.

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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