

Company Registration No. 1563200

**BDM Logistics and Management
Limited
(formerly Bridgewater Distribution and
Management Limited)**

Annual Report and Financial Statements

31 December 2006



BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Annual report and financial statements 2006

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the cash flow statement	9
Notes to the accounts	10

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Annual report and financial statements 2006

Officers and professional advisers

Directors

A E Watson
G B Kessler
C J Kessler
J S Anderson
R Glatter

Secretary

W A Cochrane

Registered office

International Business Park
11 Rick Roberts Way
London
E15 2NF

Bankers

National Westminster PLC
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Solicitors

Pritchard Englefield
14 New Street
London
EC2M 4HE

Independent auditors

Deloitte & Touche LLP
Chartered Accountants
Crawley

BDM Logistics and Management Limited **(formerly Bridgewater Distribution and Management Limited)**

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Business Review and Principal Activities

The company's principal activities are the provision of warehousing, order processing and delivery services. There have been no significant changes in the activities during the year.

The company changed its name on 5.1.07 to BDM Logistics and Management.

The directors are not aware at the date of this report of any likely major changes in the company's activities in the next year.

Research and Development

The development of systems to meet the needs of our clients is a continuing process. The company has committed additional resources to the development of IT and systems to enhance the company's services to existing clients whilst also enhancing the possibility of organic growth and new business.

Results

As shown in the company's profit and loss account on page 5, the company's income has improved by 6% over the previous year, and operating profit has increased from £48,007 to £66,332. During the year, the company disposed of its leasehold interest in a property and commenced construction of a new purpose-built facility in East London. The company also acquired further land and buildings which it uses for its business from an associated company, Kesslers Investment Ltd.

Financial Management

The company monitors the financial performance of its operation monthly compared to detailed budgets and forecast. Given the nature of the business, the company's directors are of the opinion that further analysis is not necessary for an understanding of the development, performance or position of the business.

Margins in this industry sector are extremely tight, and achieving budgeted income and adherence to tight budgetary control of costs is essential.

Principal Risks and Uncertainties

Competitive pressure is a feature of this sector.

The company manages this risk by giving a high level of customer service aimed at exceeding client expectations.

Financial Risk

The group's principal financial assets are debtors and bank balances. The group's credit risk is primarily attributable to its trade debtors. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit risk agencies. Management regularly reviews trade debtor balances and continually monitors its clients' credit ratings with Dun and Bradstreet.

Environment

BDM Logistics and Management Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by activities. Initiatives designed to minimise the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

BDM Logistics and Management Limited **(formerly Bridgewater Distribution and Management Limited)**

Directors' report (continued)

Employees

Applications for employment for disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company keeps employees informed on matters relevant to them as employees through regular meetings.

The Directors take this opportunity to thank all staff for their contribution during the year under review and look forward to their continued support in the forthcoming year.

Directors

The directors who served throughout the period, except as noted below, were as follows:

A E Watson
G B Kessler
C J Kessler
J S Anderson
R Glatter
A McDonald

Independent auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Pursuant to Section 386 of the Companies Act 1985, as inserted by Section 119 of the Companies Act 1989, an elective resolution was passed dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

Approved by the Board of Directors and signed on behalf of the Board



W A Cochrane

Secretary

315

October 2007

BDM Logistics and Management Limited

(formerly Bridgewater Distribution and Management Limited)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records that 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 1985. 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.

Independent auditors' report to the members of BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited)

We have audited the financial statements of BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited) for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and its related notes and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of
BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited) (continued)**

Qualified opinion arising from disagreement about accounting treatment

The company follows the policy of not depreciating freehold buildings. This is not in accordance with Financial Reporting Standard 15 *Tangible fixed assets*, and Companies Act 1985, which requires any fixed asset with a limited useful economic life to be reduced by provisions for depreciation calculated to write off the difference between its purchase price and its residual amount at the end of its economic life systematically after the period of the asset's useful economic life.

Any depreciation charge would decrease the amounts shown in the balance sheet for freehold buildings and the profit for the financial year.

In the absence of a clear split of the purchase price between land and buildings, it is not practicable to quantify the effects of the departure.

Except for the failure to account for depreciation in the manner described above, in our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Black & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Crawley, United Kingdom

21 October 2007

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Profit and loss account
Year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	1	3,596,048	3,397,139
Operating expenses		(3,614,590)	(3,349,132)
Other operating income		84,874	-
Operating profit and profit on ordinary activities before taxation	4	66,332	48,007
Tax credit/(charge) on profit on ordinary activities	5	2,700	(50,230)
Profit/(loss) on ordinary activities after taxation for the financial year	12	69,032	(2,223)
Retained profit brought forward		1,107,176	1,109,399
Retained profit carried forward		<u>1,176,208</u>	<u>1,107,176</u>

All amounts derived from continuing operations in the current and prior year. There are no recognised gains or losses other than the profit in the current and preceding financial year. Accordingly, no separate statement of total recognised gains and losses is presented.

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Balance sheet
31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	6	12,427,524	3,206,583
Current assets			
Debtors			
Debtors due within one year	7	1,006,739	566,268
Debtors due after more than one year	7	3,356,433	2,211,684
Total debtors		4,363,172	2,777,684
Cash at bank		2,332,015	-
		6,695,187	2,777,684
Creditors: amounts falling due within one year	8	(570,664)	(291,515)
Net current assets		6,124,523	2,486,437
Total assets less current liabilities		18,552,047	5,693,020
Creditors: amounts falling due after more than one year	9	(14,165,829)	(1,375,834)
Net assets		4,386,218	4,317,186
Capital and reserves share premium			
Called up share capital	11	100	100
Share premium account	12	3,209,910	3,209,910
Profit and loss account	12	1,176,208	1,107,176
Total shareholders' funds	12	4,386,218	4,317,186

These financial statements were approved by the Board of Directors on 31st October 2007.

Signed on behalf of the Board of Directors



G B Kessler CBE
Director

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Cash flow statement
Year ended 31 December 2006

	Note	2006 £	2005 £
Net cash inflow from operating activities	I	11,574,344	32,145
Taxation			
Corporation tax paid		(68,500)	(28,215)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(612,383,829)	(3,930)
Receipts from sales of tangible fixed assets		3,120,000	-
Net cash outflow from capital expenditure and financial investment		(9,173,829)	(3,930)
Increase in cash		<u>2,332,015</u>	<u>-</u>

I. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	66,332	48,007
Depreciation charges	37,362	123,307
Profit on sale of tangible fixed assets	(84,474)	-
Increase in debtors	(1,572,894)	(377,231)
Increase in creditors	13,128,018	238,062
Net cash inflow from operating activities	<u>11,574,344</u>	<u>32,145</u>

II. Analysis of net debt

	At 1 January 2006 £	Cash flows £	At 31 December 2006 £
Cash at bank and in hand	<u>-</u>	<u>2,332,015</u>	<u>2,332,015</u>

BDM Logistics and Management Limited

(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts

Year ended 31 December 2006

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below, and have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced value of services, all of which are provided in the United Kingdom, after deduction of value added tax. Turnover is recognised as the services are delivered.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation of fixed assets is provided at the following annual rates on a straight line basis:

Long leasehold property	- remaining term of lease
Motor vehicles	- 20%
Fixtures, fittings, plant and office equipment	- between 15% and 20%

A full year's depreciation is charged in the year of addition and none in the year of disposal.

Freehold land and buildings and assets in the course of construction are not depreciated.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

The cost of operating leases is charged directly to the profit and loss account over the period of the leases on a straight line basis, even if the payments are not made on such a basis.

Pension costs

Pension costs are recharged as part of an allocation from Kesslers International Limited, an affiliated company. The company is a participating employer in the related company's defined benefit funded pension scheme covering full time employees.

This scheme is considered to be a multi-employer scheme as permitted by FRS17 Retirement Benefits paragraph 9(b). Consequently the amounts charged in the statement of financial activities in respect of staff pension costs are the contributions payable in the year.

The group makes contributions to a personal pension scheme on behalf of the employees. The pension costs are charged to the profit and loss account as they are payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

2. Information regarding employees

	2006	2005
	No.	No
The average number of persons, including directors, employed by the company during the year was		
Distribution	53	56
Administration	12	15
	<u>65</u>	<u>71</u>
	£	£
The costs, including directors, incurred in respect of these employees were		
Wages and salaries	1,667,089	1,245,960
Social security costs	160,943	98,554
Other pension costs	43,521	27,353
	<u>1,871,553</u>	<u>1,371,867</u>

3. Information regarding directors

	2006	2005
	£	£
Directors' emoluments		
Remuneration	<u>624,498</u>	<u>72,483</u>

No directors (2005 – nil) are accruing benefits under the pension scheme

	2006	2005
	£	£
Remuneration of the highest paid director	<u>350,000</u>	<u>137,451</u>

During the year, the company was recharged £624,498 (2005 £60,262) by Kesslers International Limited for the services of the directors

4. Operating profit

	2006	2005
	£	£
Operating profit is stated after charging		
Auditors' remuneration - audit fees	42,000	13,808
Operating lease rentals - land and buildings	-	485,184
Depreciation - owned assets	37,362	123,307
Profit on sale of fixed assets	<u>84,474</u>	<u>-</u>

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

4. Operating profit (continued)

The analysis of auditors' remuneration is as follows

	2006 £	2005 £
Fees payable to the company's auditors for the audit of the company's annual accounts		
Audit fees	<u>5,000</u>	<u>11,000</u>
Fees payable to the company's auditors for other services to the group		
Tax services	<u>37,000</u>	<u>2,308</u>
Non-audit fees	<u>37,000</u>	<u>2,308</u>

5. Tax (credit)/charge on profit on ordinary activities

	2006 £	2005 £
Current taxation		
UK corporation tax at 30% (2005 - 30%)	-	55,552
Adjustment in respect of prior years	<u>326</u>	<u>(3,256)</u>
	326	52,296
Deferred taxation		
Timing differences	<u>(3,026)</u>	<u>(2,066)</u>
	<u>(2,700)</u>	<u>50,230</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>66,332</u>	<u>48,007</u>
Tax on profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2005 - 30%)	19,900	14,402
Effects of		
Expenses not deductible for tax purposes	15,719	25,387
Capital allowances in excess of depreciation	3,026	2,066
Non taxable profit on sale of assets	(25,462)	-
Group relief surrendered for nil consideration	77,276	-
Transfer pricing adjustment	(90,459)	13,697
Prior period adjustment	326	(3,256)
	<u>326</u>	<u>52,296</u>

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

6. Tangible fixed assets

	Freehold land and buildings £	Long term leasehold property £	Motor vehicles £	Fixtures, fittings and office equipment £	Total £
Cost.					
At 1 January 2006	-	3,210,000	62,870	555,331	3,828,201
Additions	8,300,000	4,073,575	-	10,254	12,383,829
Disposal	-	(3,210,000)	(19,015)	-	(3,229,015)
At 31 December 2006	8,300,000	4,073,575	43,855	565,585	12,983,015
Accumulated depreciation:					
At 1 January 2006	-	84,474	54,129	483,015	621,618
Charge for the year	-	-	8,772	28,590	37,362
Disposal	-	(84,474)	(19,015)	-	(103,489)
At 31 December 2006	-	-	43,886	511,605	555,491
Net book value:					
At 31 December 2006	8,300,000	4,073,575	(31)	53,980	12,427,524
At 31 December 2005	3,125,526	8,741	72,316	3,206,583	3,206,583

The long term leasehold property category includes assets in the course of construction of £4,073,575 (2005 £nil)

7. Debtors

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	379,747	181,406
Prepayments and other debtors	439,980	64,024
Accrued income	187,012	320,838
	<u>1,006,739</u>	<u>566,268</u>
Amounts falling due after more than one year		
Amounts owed by affiliated companies (note 13)	3,356,433	2,175,262
Amounts owed by parent company (note 13)	-	36,422
	<u>3,356,433</u>	<u>2,211,684</u>

Included within prepayments and other debtors is a deferred tax asset of £9,402 (2005 – £6,376)

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

8. Creditors: amounts falling due within one year

	2006 £	2005 £
Corporation tax	-	58,874
Taxation and social security	24,953	222,534
Other creditors	343	1,262
Accruals and deferred income	45,368	8,845
	<u>70,664</u>	<u>291,515</u>

9. Creditors: amounts falling due after more than one year

	2006 £	2005 £
Amounts owed to affiliated companies (unsecured) (note 13)	<u>14,165,829</u>	<u>1,375,834</u>

There is no interest payable on the parent and affiliated company loans

The amount owed to affiliated companies has no set repayment date

10. Deferred taxation

The deferred tax asset included within other debtors (see note 7) consists of the following amounts

	2006 £	2005 £
Capital allowances in excess of depreciation	<u>9,402</u>	<u>6,376</u>
Movement on deferred tax in the year		
At 1 January	6,376	4,310
Current year credit	<u>3,026</u>	<u>2,066</u>
At 31 December	<u>9,402</u>	<u>6,376</u>

Deferred tax has not been provided in respect of chargeable gains realised that are expected to be rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are not acquired by 9th May 2009. The tax which would be payable in these circumstances is estimated to be £571,000 (2005 £550,000)

11. Called up share capital

	2006 £	2005 £
Authorised		
100 (2005 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
100 (2005 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

12. Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Profit/(loss) for the financial year	69,032	(2,223)
Share issue	-	90
Share premium issued	-	3,209,910
Net addition to shareholders' funds	<u>69,032</u>	<u>3,207,777</u>
Opening shareholders' funds	<u>4,317,186</u>	<u>1,109,409</u>
Closing shareholders' funds	<u><u>4,386,218</u></u>	<u><u>4,317,186</u></u>

13. Related party transactions

The company occupies premises which are leased from Kesslers International Limited, an affiliated company, the rent payable being at market value. Rent payable to Kesslers International Limited was £nil (2005 – £237,039).

The company occupies premises which are leased from Carpenters Road Properties Limited and from Kesslers Investment Limited, an affiliated company, the rent payable being at market value. Rent payable to Carpenters Road Properties Limited during the year was £77,384 (2005 – £210,000) and to Kesslers Investment Limited £58,333 (2005 – £nil).

The company receives management services in the ordinary course of business from Kesslers International Limited. During the year a reimbursement of management remuneration of £624,498 (2005 – £60,262) was paid for such services during the year.

In addition, the company receives services relating to maintenance, personnel, accounts, stores, transport, buying and data processing from Kesslers International Limited. Consideration of £74,546 (2005 – £76,975) was paid for such services.

As stated in note 7, there is £3,356,433 (2005 – £2,175,262) owed by Kesslers International Limited at the year end.

As stated in note 9, there is £14,165,829 (2005 – £1,375,837) owed to affiliated companies at the year end, this represents amounts due to Carpenters Road Properties Limited of £5,812,532 (2005 – £1,299,125), and £8,276,585 owed to the company by Kesslers Investment Limited (2005 – £36,422 owed to Kesslers Investment Limited by the company) and amounts due to Kesslers Properties North Limited, an affiliated company of £76,712 (2005 – £76,712).

The company is controlled by Kessler Investment Limited who hold 100% of the issued share capital of the company.

BDM Logistics and Management Limited **(formerly Bridgewater Distribution and Management Limited)**

Notes to the accounts **Year ended 31 December 2006**

14. Pension scheme

BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited and Kesslers International Limited, an affiliated company, operate a defined benefit pension scheme of which the company's employees are members. It is not possible for the company to ascertain its share of the assets and liabilities of the scheme. This is considered to be a multi-employer scheme as permitted by FRS 17 *Retirement Benefits* paragraph 9 (b). Consequently it accounts for contributions to the scheme as if it was a defined contribution scheme and the amount charged to the profit and loss account in respect of pension scheme costs are the contributions payable in the year. The charge to the profit and loss account for the year was £27,264 (2005 – £27,353), being the amount allocated to BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited) by Kesslers International Limited. However, the following disclosures are made regarding the group scheme as a whole.

Kesslers Group Pension Plan

Kesslers International Limited and BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited) operated a defined benefit scheme for all full time eligible employees of which the company is a participating employer. The assets of the scheme are held in a separate trustee administered fund.

The pension scheme was closed to future pension accrual on 6 April 2001 and at that date all active members of the scheme were provided with a preserved entitlement, which increases before retirement broadly in line with price inflation (subject to a maximum of 5% p a). The scheme continues to provide life insurance benefits to members.

The most recent full actuarial valuation of the scheme was carried out as at 6 April 2005. The liabilities of the scheme were valued using the assumptions that underlie the Minimum Funding Requirement. The assets of the scheme were taken in at market value. The following were the principal actuarial assumptions applied.

Investment returns	7.2% per annum
Inflation	3.0% per annum
Pension increases	2.7% per annum

The valuation as at 6 April 2005 showed that the market value of the scheme's assets was £9,030,000 and that the actuarial value of those assets represented 85% of the benefits that had accrued to members. Since the members do not accrue any further pension benefits in the scheme, the required contribution to secure such service was nil.

The contributions paid by Kesslers International Limited and employees before 1 April 2001 were 27% and 5% of scheme salary respectively. In 2006, company contributions paid by Kesslers International Limited were £220,000 (2005 - £192,000).

The actuarial valuation was updated to 31 December 2005 in accordance with the provision of FRS17.

Actuarial assumptions

	2006	2005
Discount rate	5.20%	4.80%
Inflation assumption	3.10%	3.00%
Pension increases (in excess of GMP)	3.10%	2.70%

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

14. Pension scheme (continued)

Fair value of assets and expected rates of return

	Expected rate of return at 2006	Fair value at 2006 £	Expected rate of return at 31 December	Fair value at 31 December 2005 £
Equities	7.40%	5,770,000	7.50%	5,480,000
Gilts	4.50%	2,177,000	4.10%	2,068,000
Corporate Bonds	5.20%	1,089,000	4.80%	1,034,000
Index Linked Bonds	4.50%	544,000	4.10%	517,000
Other assets	7.40%	1,307,000	7.50%	1,240,000
Total fair value of assets		<u>10,887,000</u>		<u>10,339,000</u>

	Expected rate of return at 1 January	Fair value at 1 January 2005 £	Expected rate of return at 2003	Fair value at 2003 £
Equities	7.70%	5,323,000	7.80%	4,442,000
Gilts	-	-	-	-
Corporate Bonds	5.30%	3,016,000	5.50%	3,150,000
Index Linked Bonds	4.60%	532,000	4.80%	485,000
Total fair value of assets		<u>8,871,000</u>		<u>8,077,000</u>

Reconciliation of scheme assets and liabilities

	2006 £	31 December 2005 £	1 January 2005 £	2003 £
Fair value of scheme assets	10,887,000	10,339,000	8,871,000	8,077,000
Present value of scheme liabilities	<u>(12,997,000)</u>	<u>(13,190,000)</u>	<u>(11,414,000)</u>	<u>(10,635,000)</u>
Deficit in scheme and net pension liability	<u>(2,110,000)</u>	<u>(2,851,000)</u>	<u>(2,543,000)</u>	<u>(2,558,000)</u>

BDM Logistics and Management Limited
(formerly Bridgewater Distribution and Management Limited)

Notes to the accounts
Year ended 31 December 2006

14. Pension scheme (continued)

Analysis of movement in the scheme deficit during the year

	2006	31 December	1 January
	£	2005	2005
		£	£
Opening deficit	2,851,000	(2,543,000)	(2,558,000)
Contributions	225,000	180,000	165,000
Other finance expenditure	21,000	(7,000)	(40,000)
Actuarial losses	495,000	(481,000)	(110,000)
Closing deficit in the scheme	<u>2,110,000</u>	<u>(2,851,000)</u>	<u>(2,543,000)</u>

BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited) is a participant in the scheme and as such the deficit has not been reconciled to the profit and loss reserve, and amounts that would have been included within operating profit as other finance costs and within the statement of total recognised gains and losses have not been shown

15. Parent company and controlling party

In the opinion of the directors at 31 December 2006 the immediate and ultimate parent company and controlling party is Kesslers Investments Limited, a company registered in England and Wales and incorporated in Great Britain

Consolidated accounts are not produced by Kesslers Investments Limited as the company has taken advantage of the exemption granted by s248 of the Companies Act from the obligation to prepare and deliver group accounts including BDM Logistics and Management Limited (formerly Bridgewater Distribution and Management Limited)