

Charles Kendall Freight Limited
Directors' report and financial
statements for the year ended
31 December 2006

Company number 540121

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COMPANIES HOUSE

DIRECTORS

JM Kendall
MM Kendall
D Pook
GP Mitchell
IG Jenkins
P Sunderland
S Harris

SECRETARY

GP Mitchell

REGISTERED OFFICE

7 Albert Court
Prince Consort Road
London
SW7 2BJ

AUDITORS

Roffe Swayne

Directors' Report

For the year ended 31 December 2006

Financial statements

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

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 those 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, 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.

Principal activities, review of the business and future developments

This Business Review presents an assessment of the development and performance of the Company's business during 2006 and its position at the year end. The Review takes account of the non-complex nature of the business and the risks and uncertainties that the Company faces.

As an international freight forwarder with branch offices in the UK, the Middle East, and the Far East, the Company achieves its income by charging its customers a fee for arranging the movement of goods around the world by either sea, air or road. The Directors consider that the Company's key financial indicators are those that communicate the financial performance and strengths of the Company as a whole, these being the level of turnover, gross profit, gross profit percentage and net assets/shareholders' funds. The table below gives a summary of these key financial indicators for 2005 and 2006.

	2006	2005	% increase / (decrease)
	£	£	
Turnover	25,358,583	25,730,142	(1.4%)
Gross profit	5,514,966	5,268,448	4.7%
Gross profit percentage	21.7%	20.5%	5.9%
Net assets/ shareholders' funds	798,557	798,749	Negligible

The above table shows that turnover declined a little year on year, but the 2006 results reflect a branch in the Far East being converted to a stand alone legal subsidiary undertaking, whereas in 2005 they were included as branch activities within the Company's results. If the turnover for that subsidiary undertaking was aggregated with the Company's turnover for 2006, the combined result would have been an increase of 1.2% compared with 2005's turnover. One of the main contributors to the aggregated increased turnover was a greater level of air and sea import work undertaken.

Directors' Report

For the year ended 31 December 2006

Principal activities, review of the business and future developments *continued*

The increase in the level of the gross profit percentage (up by 5.9% year-on-year) was a significant achievement and this improved performance followed from a greater focus on customers where the Company can add value to the services that it offers, for example by providing logistics support

The level of net assets/shareholders' funds was static year on year reflecting the breakeven trading for the year. This is important as it is this measure that is often focussed on by customers as a sign of financial strength when the Company tenders for new assignments. This, together with the substantial net cash resources at its disposal, helped the Company end 2006 in a strong financial position.

Looking forward to 2007, the business environment in which the Company operates continues to be challenging with increasing competition coming from both larger corporates and from smaller independent freight forwarders and customers ever more focused on their own operational costs. Notwithstanding these concerns, there continue to be many opportunities for the Company to offer added value and to win new customers and assignments, for both import and export movements. Accordingly, the Directors remain firmly focused on positioning the Company so as to capitalise on these opportunities, but at the same time ensuring that existing customers are retained through the provision of a thoroughly professional first class service. Subject to unforeseen events outside of the control of the Directors and accounting for all the business factors commented on in this Review, the Directors consider that 2007 should show further improvement for the Company.

Results and dividend	2006	2005
	£	£
Loss for the year transferred from reserves	(192)	(233,168)

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 - £nil)

Directors

Directors, who served throughout the year and subsequently, except as noted, were as follows

JM Kendall
MM Kendall (appointed 10 January 2006)
D Pook
GF Cecil (resigned 19 October 2006)
GP Mitchell
IG Jenkins
P Sunderland
S Harris (appointed 2 January 2007)

Disclosure of information to Auditors

The Directors have discussed with the Auditors, as part of the clearance and review process, 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 circumstances of the Company, consistently applied and adequately disclosed.

The discussion with the Auditors also covered points arising from the work the Auditors performed during their audit, and explanations were given where the Auditors considered them necessary in order to provide them 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.

Directors' Report

For the year ended 31 December 2006

Disclosure of information to Auditors *continued*

As a result of these discussions, as far as each of the Directors who held office at 12 June 2007 are aware

- there is no relevant audit information (as defined by section 234ZA of the Companies Act 1985) of which the Company's Auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information

Political and charitable donations

During the year, the Company made no political donations but made charitable donations totalling £503 (2005 - £1,558) principally to local charities serving the communities in which the Company operates

This report was approved by the Board on 12 June 2007.



GP Mitchell
Secretary

Report of the Independent Auditors to the Shareholders of Charles Kendall Freight Limited

We have audited the financial statements of Charles Kendall Freight Limited for the year ended 31 December 2006 on pages 7 to 14. These financial statements have been prepared with 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 the Directors and Auditors

The Directors' responsibilities for the preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 2. 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 transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement 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

For the year ended 31 December 2006

Opinion

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 at 31 December 2006 and of the profit for the year then
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information in the Directors' Report is consistent with the financial statements



Rofe Swayne

Chartered Accountants and Registered Auditors

Ashcombe Court

Woolsack Way

Godalming

Surrey

GU7 1LQ

13 June 2007

Charles Kendall Freight Limited

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Profit and Loss Account

For the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	25,358,583	25,730,142
Cost of sales		(19,843,617)	(20,461,694)
Gross profit		5,514,966	5,268,448
Administrative expenses		(5,787,916)	(5,828,231)
Other income		275,647	243,795
Operating profit/(loss)	3	2,697	(315,988)
Net interest receivable/ (payable)	4	3,950	(2,618)
Profit/(loss) on ordinary activities before taxation		6,647	(318,606)
Tax (charge)/credit on profit/(loss) on ordinary activities	5	(6,839)	85,438
Loss on ordinary activities after taxation and retained for the financial year	11	(192)	(233,168)

All the results above derive from continuing activities and there were no acquisitions in the year

The accompanying notes form an integral part of this profit and loss account

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2006

There were no recognised gains and losses other than the losses for the years ended 31 December 2006 and 2005 respectively

Balance Sheet

As at 31 December 2006

	Notes	2006	2005
		£	£
Current assets			
Debtors	6	7,570,155	4,991,746
Cash at bank and in hand		814,679	740,198
		8,384,834	5,731,944
Creditors: amounts falling due within one year	7	(6,978,097)	(4,318,808)
Net current assets		1,406,737	1,413,136
Total assets less current liabilities		1,406,737	1,413,136
Creditors: amounts falling due after more than one year	8	(608,180)	(614,387)
Net assets		798,557	798,749
Capital and reserves			
Called up share capital	10	700,000	700,000
Share premium	11	155,354	155,354
Profit and loss account	11	(56,797)	(56,605)
Equity shareholders' funds	12	798,557	798,749

The accompanying notes form an integral part of this balance sheet

The financial statements on pages 7 to 14 were approved by the Board on 12 June 2007 and signed on its behalf by.



MM Kendall

Director

12 June 2007

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The accounting policies have been applied consistently throughout the year and the preceding year.

Revenue recognition

Revenue is recognised in the financial statements based on the date of invoices. Invoices are raised once all contractual obligations have been fulfilled.

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 substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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.

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

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Profits or losses arising on foreign currencies are dealt with in the profit and loss account against the transactions to which they relate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Pensions

The Group, of which the Company is a subsidiary, operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the financial statements

For the year ended 31 December 2006

1 Accounting policies *continued**Related party*

The Company is a related party with Charles Kendall & Partners (Investments) Limited, its Ultimate Parent Undertaking. As a wholly owned subsidiary, the Company is taking advantage of the exemption, under FRS 8 Related Party Disclosure, from making further disclosure of transactions with Charles Kendall & Partners (Investments) Limited, and its fellow Subsidiary Undertakings.

Operating leases

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.

Cash flow exemption

As a wholly owned subsidiary, the Company is taking advantage of the exemption, under FRS 1 (revised) Cash Flow Statements, from preparing a cash flow statement since its results are included in the published consolidated financial statements of Charles Kendall & Partners (Investments) Limited, the Ultimate Parent Undertaking.

2 Turnover

Turnover represents the invoiced value of goods and services sold to third parties excluding import duty and value added tax and relates wholly to the principal activity. An analysis of turnover, all of which originates in the United Kingdom, by geographical market is as follows:

	2006 £	2005 £
United Kingdom	19,021,430	15,320,504
Middle East	2,261,253	3,622,257
North America	2,672,253	4,097,799
Europe	906,908	392,234
Rest of the world	496,739	2,297,348
	25,358,583	25,730,142

3 Operating profit/(loss)
is stated after charging/(crediting)

Auditors' remuneration - audit	19,500	21,581
Profit on foreign currency translation	(74,277)	(87,044)
Operating lease rentals		
- plant and equipment	238,536	257,496
- buildings	475,567	423,380

Notes to the financial statements

For the year ended 31 December 2006

4 Net interest receivable/ (payable)	2006 £	2005 £
Interest receivable on bank deposit accounts	4,610	1,665
Other interest receivable	821	549
	5,431	2,214
Less		
Interest payable		
Bank loans and overdrafts repayable within five years	(58)	(4,823)
Other interest payable	(1,423)	(9)
	3,950	(2,618)

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

Current tax

UK corporation tax at 23% (2005 - 30%)	6,839	(87,256)
Adjustments in respect of previous periods	-	1,818
Total tax charge/(credit) on profit/(loss) on ordinary activities	6,839	(85,438)

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/ (loss) before tax is as follows

	2006 £	2005 £
Profit/(loss) on ordinary activities before taxation	6,647	(318,606)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2005 - 30%)	1,994	(95,582)
Effects of		
Capital allowances in excess of depreciation	2,043	534
Expenses not deductible for tax purposes	4,747	7,792
Marginal rate of corporation tax	(1,945)	-
Adjustments in respect of previous periods	-	1,818
Current tax charge/(credit) for the year	6,839	(85,438)

Adjustment for a deferred tax asset of £6,254 (2005 - £4,211) relating to excess capital allowances and short term timing differences has not be made

6 Debtors	2006 £	2005 £
Trade debtors	6,476,900	4,627,189
Amounts owed by Group undertakings	723,272	202,572
Corporation tax	-	1,263
Other debtors	323,993	141,590
Prepayments and accrued income	45,990	19,132
	7,570,155	4,991,746

Notes to the financial statements

For the year ended 31 December 2006

7	Creditors: amounts falling due within one year	2006 £	2005 £
	Overdrafts	2,797	-
	Bank loan (note 9)	5,932	5,932
	Trade creditors	5,091,969	4,017,612
	Amounts owed to Group undertakings	1,844,159	158,669
	Corporation tax	6,839	-
	Other creditors	208	8,126
	Accruals	26,193	128,469
		6,978,097	4,318,808
8	Creditors: amounts falling due after more than one year		
	Bank loan (note 9)	8,180	14,387
	Amounts owed to group undertakings	600,000	600,000
		608,180	614,387
9	Loans and other borrowings		
	Bank loan	14,112	20,319
	<i>Maturity of debt</i>		
	In one year or less	5,932	5,932
	More than one year, but not more than two years	8,180	14,387
		14,112	20,319
10	Called up share capital	2006 Number £	2005 Number £
	Authorised ordinary shares of £1 each	700,000 700,000	700,000 700,000
	Allotted, issued and fully paid ordinary shares of £1 each	700,000 700,000	700,000 700,000
11	Reserves		Share Premium Profit and loss £ account £
	At 1 January 2006		155,354 (56,605)
	Retained loss for the financial year		- (192)
	At 31 December 2006		155,354 (56,797)

Notes to the financial statements

For the year ended 31 December 2006

12 Reconciliation of movements in equity shareholders' funds	2006 £	2005 £
Loss for the financial year	(192)	(233,168)
Movement in equity shareholders' funds	(192)	(233,168)
Opening equity shareholders' funds	798,749	1,031,917
Closing equity shareholders' funds	798,557	798,749

13 Financial commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases which expire as follows

	2006 £	2005 £
Buildings		
Within one year	93,745	82,488
Within two and five years	33,800	42,050
After five years	-	28,000
	127,545	152,538

Vehicles, plant and equipment:

Within two and five years	-	28,540
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14 Employees	2006 Number	2005 Number
<i>(1) Number of employees</i>		
The average weekly number of persons, including Directors, employed by the Company during the year was		
Freight Forwarding	121	121
<i>(2) Staff costs</i>	£	£
Wages and salaries	2,739,300	2,813,477
Social security	275,274	304,162
Other pension costs	123,474	112,375
	3,138,048	3,230,014

15 Directors' emoluments

Directors' remuneration	262,153	249,541
Directors' pension	21,830	21,100
	283,983	270,641

Notes to the financial statements

For the year ended 31 December 2006

15 Directors' emoluments <i>continued</i>	2006	2005
	£	£
The remuneration of the highest paid Director was as follows		
Salary and taxable benefits	106,794	97,509
Pension contributions	8,800	8,500
	115,594	106,009

Four of the Directors are employed by a fellow subsidiary undertaking in which the full cost of their remuneration is disclosed. It is not practicable to allocate the Directors' remuneration between Group companies.

16 Pensions

The Company is a member of the Charles Kendall Group personal pension plan, a defined contribution scheme. Contributions payable by the Company to the fund amounted to £123,474 (2005 - £112,375). There were no contributions payable to the plan at the year end.

The number of Directors to whom retirement benefits were accruing was as follows	2006	2005
	Number	Number
Money purchase schemes	5	3

17 Contingent liabilities

The Company has provided guarantees to its bank amounting to £506,000 (2005 - £506,000) in respect of performance bonds for duty deferment in the ordinary course of business.

The Company has provided an indemnity to its bank so that the bank could issue to a third party an indemnity in respect of incomplete shipping documentation to the value of £377,000 (2005 - £Nil).

18 Ultimate Parent Undertaking

The Directors regard Charles Kendall & Partners (Investments) Limited, a Company registered in England and Wales, as the Company's Ultimate Parent Undertaking and Ultimate Controlling Party.

Charles Kendall & Partners (Investments) Limited is the Parent Undertaking of the largest and smallest group of which the Company is a member and for which group financial statements are drawn up.

Copies of the group financial statements can be obtained from

The Company Secretary,
Charles Kendall & Partners (Investments) Limited
7 Albert Court
Prince Consort Road
London
SW7 2BJ