

Westmorland Limited

**Directors' report and financial
statements**

Registered number 5357857

4 July 2010

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Directors' report

The directors have pleasure in presenting their directors' report and financial statements of the company for the period ended 4 July 2010

Principal activities

The principal activity of the Company during the period was the operation of Motorway Service Areas (MSA), the Westmorland Hotel and the Rheged Centre

In an uncertain and difficult economic environment, we are pleased with the business performance and with progress in developing our business for the longer term. Turnover excluding acquisitions was £38.3m (2009 £38.1m) and operating profit was £1.79m (2009 £1.64m). Operating profit from our acquisition of Tebay Gorge Services Limited (TGSL) amounted to £0.67m. TGSL was acquired to consolidate our activities and give potential for future site development in the future.

We continued to invest heavily in our existing business with the extension of our Northbound MSA retail space, but in line with our strategic objectives, we also invested significantly in achieving a planning permission for a new MSA on the M5 at Gloucester.

After a very strong 2009 performance, our MSA business performed very well again. The first half of the year was very buoyant followed by a weaker second half. We invested in new retail management and recorded an improved retail performance in our expanded retail space. As well as our retail extension we also started the phased replacement of our retail IT systems to enhance our customer service and key business information. Future investment will include the refurbishment of our catering and fuel facilities in our northbound site.

Our Junction 38 truck stop performed well ahead of last year benefiting from the new motorway signage installed in the first half of 2009.

KPI's used in the businesses are vehicle turn-in rates, transactions, average spends, gross margin and labour efficiency. Principal risks include the impact on travel and spending in an economic downturn together with prolonged periods of bad weather which also affect travel patterns.

The Westmorland Hotel recorded yet another improved result. Our continuing investment in improving the standard of all rooms paid off with good occupancy across the year. Conference business did however start to weaken in the second half. KPI's include RevPar, occupancy, diner/sleeper ratios and average spends. Principal risks include the impact of a poor economy through reduced occupancy and expenditure on conference business, and also price competition in a very competitive market.

The Rheged Centre also had an improved financial result for 2010. The fuel forecourt benefited from new IT systems and new fuel pumps to enhance customer service. TIC information stations were installed during the year and have been well received. Our conference business bucked the economic trends with the year ending 2010 outperforming 2009, but the second half of 2010 is proving more challenging in this area. Retail performance was slightly down but new retail management are already having an impact. We intend to undertake a full strategic review of our cinema and retail activities at Rheged. Future investment will feature retail refurbishment and HVAC replacement.

KPI's for Rheged include footfall, transactions, average spends, conference business, gross margin and labour efficiency. Principal risks are as for our MSA business.

The company primarily operates in the travel and tourism industry. Motorway Service Area business is a regulated and capital intensive business with high barriers to entry and is dependant on passing traffic. Our Hotel and Rheged business is dependent on UK travel and tourism levels, together with conference and function business.

Directors' report (*continued*)

Principal uncertainties are:

- Fuel prices – fuel prices have risen significantly over the last eighteen months due to oil prices and exchange rate movements. High prices have an adverse impact on fuel volumes sold.
- Competition risk – in our MSA business there is reduced competition risk as the industry is regulated and requires high capital investment.
- Global food prices – we make all our own food within our business and therefore raw material prices are a significant part of our total expenditure. This is mitigated through term contracts and strong negotiation.
- Economic downturn – we are reliant on average spend per visitor in our businesses and also corporate expenditure through conference and accommodation bookings. Whilst the recession is technically over, its impact is likely to continue for some time yet.

The Group monitors its cash flow regularly to ensure that it works within its facilities. Its operations are financed through bank facilities, term loans and retained profits.

Results and dividends

The profit for the period, after taxation, amounted to £1,573,000. Particulars of dividends paid are details in note 8 to the financial statements.

Directors

The directors who served the company during the year were as follows:

Mr J C Dunning
Mrs B J Dunning
Mrs S B Dunning
Mrs JME Lane

Disclosure of information to auditors

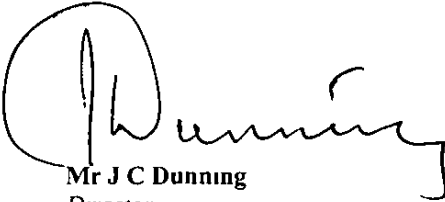
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

During the year, Armstrong Watson resigned as auditors of the Company and KPMG LLP were appointed.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board


Mr J C Dunning
Director

Westmorland Place
Orton
Penrith
Cumbria
CA10 3SB

31/1/11

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditors' report to the members of Westmorland Limited

We have audited the financial statements of Westmorland Limited for the period ended 4 July 2010 set out on pages 6 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 4 July 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

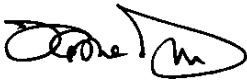
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Westmorland Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept 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



Stephen Dunn
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Edward VII Quay
Navigation Way
Ashton on Ribble
Preston
PR2 2YF

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Consolidated Profit and Loss Account
for the period ended 4 July 2010

	<i>Note</i>	2010 £000	2010 £000	2009 £000	2009 £000
Turnover (including equity accounting investments)					
Continuing operation		38,347		38,128	
Acquisition		5,931		-	
		<hr/>		<hr/>	
Less Turnover of equity accounted investments	2		44,278 (5,369)		38,128 -
			<hr/>		<hr/>
Turnover			38,909		38,128
Cost of sales			(25,632)		(25,414)
			<hr/>		<hr/>
Gross profit			13,277		12,714
Administrative expenses			(11,103)		(11,230)
Other operating income			271		151
Share of income from equity accounted investments			21		-
			<hr/>		<hr/>
Operating profit	3				
Continuing operation		1,790		1,635	
Acquisition		676		-	
		<hr/>		<hr/>	
			2,466		1,635
Interest receivable			9		4
Interest payable and similar charges	6		(133)		(278)
			<hr/>		<hr/>
Profit on ordinary activities before taxation			2,342		1,361
Tax on profit on ordinary activities	7	(760)		(492)	
Share of tax from equity accounted investments	7	(9)		-	
		<hr/>		<hr/>	
			(769)		(492)
			<hr/>		<hr/>
Profit for the financial period			1,573		869
			<hr/> <hr/>		<hr/> <hr/>

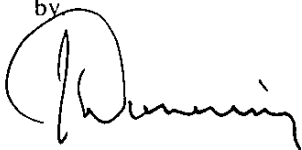
All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the period as set out above

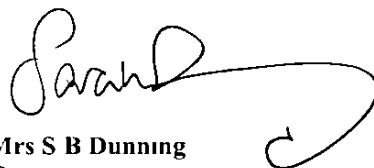
Consolidated Balance Sheet
at 4 July 2010

	<i>Note</i>	2010		2009	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	9		22,260		19,897
Negative goodwill	10		(1,370)		-
Equity accounted investments	11		614		-
			<hr/>		<hr/>
			21,504		19,897
Current assets					
Stocks	12	1,470		1,380	
Debtors	13	2,788		875	
Cash at bank and in hand		1,384		714	
			<hr/>		<hr/>
		5,642		2,969	
Creditors amounts falling due within one year	14	(8,735)		(7,436)	
			<hr/>		<hr/>
Net current liabilities			(3,093)		(4,467)
			<hr/>		<hr/>
Total assets less current liabilities			18,411		15,430
			<hr/>		<hr/>
Creditors amounts falling due after more than one year	15		(2,201)		(4,489)
			<hr/>		<hr/>
Provisions for liabilities					
Deferred taxation	17		(663)		(692)
Government grants	18		(2,056)		(2,071)
			<hr/>		<hr/>
Net assets			13,491		8,178
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	21		-		-
Share premium account	22		4,046		256
Profit and loss account	23		9,445		7,922
			<hr/>		<hr/>
Shareholders' funds	24		13,491		8,178
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 21.01.11 and were signed on its behalf by



Mr J C Dunning
Director



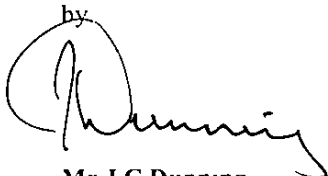
Mrs S B Dunning
Director

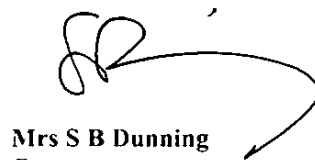
Company registered number 5357857

Company Balance Sheet
at 4 July 2010

	<i>Note</i>	2010		2009	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	<i>9</i>		20,576		19,897
Investments	<i>11</i>		6,059		-
			<hr/>		<hr/>
Current assets			26,635		19,897
Stocks	<i>12</i>	1,470		1,380	
Debtors	<i>13</i>	802		875	
Cash at bank and in hand		1,067		714	
			<hr/>		<hr/>
Creditors amounts falling due within one year	<i>14</i>	3,339 (8,408)		2,969 (7,446)	
			<hr/>		<hr/>
Net current liabilities			(5,069)		(4,477)
			<hr/>		<hr/>
Total assets less current liabilities			21,566		15,420
Creditors amounts falling due after more than one year	<i>15</i>		(2,201)		(4,489)
			<hr/>		<hr/>
Provisions for liabilities					
Deferred taxation	<i>17</i>		(663)		(692)
Government grants	<i>18</i>		(2,056)		(2,071)
			<hr/>		<hr/>
Net assets			16,646		8,168
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	<i>21</i>		-		-
Share premium account	<i>22</i>		4,046		256
Profit and loss account	<i>23</i>		12,600		7,912
			<hr/>		<hr/>
Shareholders' funds	<i>24</i>		16,646		8,168
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on **21.01.11** and were signed on its behalf by


Mr J C Dunning
Director


Mrs S B Dunning
Director

Company registered number 5357857

Consolidated Cash Flow Statement
for the period ended 4 July 2010

	<i>Note</i>	2010	2009
		£000	£000
Net cash inflow from operating activities	25	2,463	2,381
Returns on investments and servicing of finance	25	(98)	(274)
Taxation	25	(1,012)	(426)
Capital expenditure and financial investment	25	(1,682)	(552)
Acquisitions	25	(89)	-
Equity dividends paid		(50)	(50)
		<hr/>	<hr/>
Cash (outflows)/inflow before financing		(468)	1,079
Financing	25	1,138	(902)
		<hr/>	<hr/>
Increase in cash	25	670	177
		<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Going concern

These accounts have been prepared on a going concern basis which the directors believe to be appropriate since the business is strongly asset backed with a good record of profit and cash generation and is forecast to remain so

The Group monitors its cash flow regularly to ensure that it works within its facilities. Its operations are financed through bank facilities, term loans and retained profits

Financial forecasts show the group will continue to trade profitably, generate cash and trade within its banking facilities through out the forecast period

The forecasts indicate all bank covenants will be complied with for the foreseeable future

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 4 July 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

Goodwill and negative goodwill

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill)

Notes (continued)

1 Accounting policies (continued)

Investments

In the Company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold Property	-	2% straight line per annum
Leasehold Property	-	Straight line over the life of lease
Fixtures & Fittings	-	10% straight line / 25% reducing balance per annum
Motor Vehicles	-	25% reducing balance per annum
Film	-	8 years straight line

No depreciation is provided on freehold land

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by latest supplier invoice price which, due to the nature of the stock, represents a first in first out basis

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period

Dividends on shares presented within equity

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 the notes to the financial statements

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below

	Turnover including equity accounted investments		Turnover excluding equity accounted investments	
	2010 £000	2009 £000	2010 £000	2009 £000
United Kingdom	44,278	38,128	38,909	38,128
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>

Notes (continued)

3 Operating profit

Operating profit is stated after charging/(crediting)

	2010	2009
	£000	£000
Amortisation of government grants re fixed assets	(96)	(117)
Release of negative goodwill	(14)	-
Depreciation of owned fixed assets	1,037	1,004
Loss on disposal of fixed assets	3	9
Operating lease costs – other	247	247
Auditor's remuneration – audit of the company financial statements	17	17
Auditor's remuneration – audit of subsidiaries and group financial statements	13	-
Auditor's remuneration – other fees, taxation services	-	9
	-	9

During the year the company made an exceptional pension contribution of £nil (2009 £320,000)

4 Particulars of employees

	2010	2009
	No	No
Number of administrative staff	75	48
Number of operational staff	464	470
	539	518

The aggregate payroll costs of the above were

	2010	2009
	£000	£000
Wages and salaries	5,912	5,801
Social security costs	399	406
Other pension costs	101	412
	6,412	6,619

5 Remuneration of directors

The directors' aggregate remuneration in respect of qualifying services was

	2010	2009
	£000	£000
Remuneration receivable	129	114
	129	114

Notes (continued)

6 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on bank borrowing	78	68
Interest payable on loans to related parties	50	210
Other interest payable	5	-
	133	278
	133	278

7 Taxation on ordinary activities

(a) Analysis of charge in the period

	2010 £000	2009 £000
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 28% (2009 28%)	778	530
Under/(over) provision in prior year	11	(5)
On share of income from equity accounted investments	9	-
	798	525
Deferred tax		
Origination and reversal of timing differences (note 17)		
Capital allowances	(29)	(33)
Other	-	-
	(29)	(33)
Total deferred tax (note 17)	(29)	(33)
	769	492
Tax on profit on ordinary activities	769	492

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28% (2009 28%)

	2010 £000	2009 £000
Profit on ordinary activities before taxation	2,342	1,362
	2,342	1,362
Profit on ordinary activities by rate of tax	656	381
Expenses not deductible for tax purposes	15	28
Depreciation for period in excess of capital allowances	146	154
Adjustments to tax charge in respect of previous periods	11	(5)
Other non taxable income	(30)	(33)
	798	525
	798	525

Notes (continued)

8 Dividends

Equity dividends	2010 £000	2009 £000
Paid		
Equity dividends on ordinary shares	50	50
	<u> </u>	<u> </u>
Proposed after the year end (not recognised as a liability)		
Equity dividends on ordinary shares	23	50
	<u> </u>	<u> </u>

9 Tangible fixed assets

Group	Freehold Land & Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Film £000	Long Term Project Costs £000	Total £000
Cost						
At beginning of period	19,823	7,798	66	1,981	98	29,766
On acquisition of subsidiary	1,721	56	-	-	-	1,777
Additions	210	552	20	-	941	1,723
Disposals	(35)	(35)	-	(1,981)	-	(2,051)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of period	21,719	8,371	86	-	1,039	31,215
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation						
At beginning of period	1,802	6,051	35	1,981	-	9,869
On acquisition of subsidiary	2	54	-	-	-	56
Charge for year	434	594	9	-	-	1,037
On disposals	-	(26)	-	(1,981)	-	(2,007)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of period	2,238	6,673	44	-	-	8,955
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value						
At 4 July 2010	19,481	1,698	42	-	1,039	22,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 5 July 2009	18,021	1,747	31	-	98	19,897
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

9 Tangible fixed assets (continued)

Company	Freehold Land & Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Film £000	Long Term Project Costs £000	Total £000
Cost						
At beginning of period	19,823	7,798	66	1,981	98	29,766
Additions	210	552	20	-	941	1,723
Disposals	-	(35)	-	(1,981)	-	(2,016)
At end of period	<u>20,033</u>	<u>8,315</u>	<u>86</u>	<u>-</u>	<u>1,039</u>	<u>29,473</u>
Depreciation						
At beginning of period	1,802	6,051	35	1,981	-	9,869
Charge for year	433	593	9	-	-	1,035
On disposals	-	(26)	-	(1,981)	-	(2,007)
At end of period	<u>2,235</u>	<u>6,618</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>8,897</u>
Net book value						
At 4 July 2010	<u>17,798</u>	<u>1,697</u>	<u>42</u>	<u>-</u>	<u>1,039</u>	<u>20,576</u>
At 5 July 2009	<u>18,021</u>	<u>1,747</u>	<u>31</u>	<u>-</u>	<u>98</u>	<u>19,897</u>

The Tebay Services Stations, North and South, together with the caravan park were valued in August 2009 by Sanderson Weatherall LLP on an open market value for existing use basis at £25,000,000 (book value £15,139,000) This valuation has not been incorporated into the financial statements at 4 July 2010

Barclays Bank Plc has a legal mortgage, dated 1 July 2005, over the property at Tebay North Service Station and Tebay South Service Station and a fixed and floating charge dated 1 July 2005 over all other company assets

Cumbria County Council has a legal charge, dated 1 July 2005, over land at Tebay South Service Station

Total UK Limited has a legal mortgage, dated 13 March 2006, over the property at Rheged and a fixed and floating charge over other assets at Rheged

10 Goodwill

	£000
Goodwill at 5 July 2009	-
Negative goodwill arising on acquisition of subsidiaries	(1,384)
Release on disposals	14
Goodwill at 4 July 2010	<u>(1,370)</u>

Notes (continued)

11 Investments

	Equity accounted investments £000
Group	
At 5 July 2009	-
Acquisitions	602
Share of results	12
	614
At 4 July 2010	614
	£000
Share of turnover of equity accounted investments	5,369
	£000
Share of assets	
Share of fixed assets	636
Share of current assets	812
	1,448
Share of liabilities	
Liabilities due within one year or less	(446)
Liabilities due in more than one year	(53)
	(500)
Share of net assets	949

On 15 September 2009 the company acquired all of the issued share capital of Tebay Gorge Services Limited. Consideration consisted of 3,299 ordinary shares of £0.01 each, £1,961,000 of loan stock and a cash payment of £250,000. Transaction fees of £58,000 are included in the cost of investment. The acquisition resulted in the generation of £1,384,000 of negative goodwill. Tebay Gorge Services Limited holds 100% of the share capital of Tebay Garage Services Limited and 50% of the share capital of M6 Diesel Limited, M6 Diesel Services Limited, Watling Street Filling Station Limited and Dieselbank Limited.

The transaction was accounted for under the acquisition method of accounting. The assets and liabilities of the company at the date of acquisition are summarised below. Fair values have been applied to land and buildings and investments in subsidiaries based on external valuations for the acquisition.

	Book value £000	Fair Value £000
Fixed assets		
Tangible fixed assets	634	1,721
Investments	2	602
	636	2,323
Current assets		
Debtors	4,598	5,467
Cash	219	219
	4,817	5,686
Total assets	5,453	8,009

Notes (continued)

11 Investments (continued)

	Book value £000	Fair Value £000
Liabilities		
Creditors	(566)	(566)
	(566)	(566)
Net assets	4,887	7,443
Purchase consideration		6,059
Negative goodwill		(1,384)

For the 15 month period to 4 July 2010 Tebay Gorge Services Limited made a profit of £727,000 (12 months to 5 April 2009 £566,000), of which £431,000 has been included in the group profit for the 12 month period ended 4 July 2010

Group subsidiaries included in the consolidated financial statements are detailed below

Subsidiary undertakings	Nature of business	Country of incorporation	Financial period end	Class of shares	Holdings
Tebay Gorge Services Limited	HGV Roadside Services	England and Wales	4 July	Ordinary £1	100%
Tebay Garage Services Limited	Dormant	England and Wales	5 April	Ordinary £1	100%
JRB (Penrith) Limited	Dormant	England and Wales	31 March	Ordinary £1	100%
Crossco (855) Limited	Dormant	England and Wales	30 June	Ordinary £1	100%
Westmorland Motorway Services Limited	Dormant	England and Wales	30 June	Ordinary £1	100%
Gloucestershire Gateway Limited	Dormant	England and Wales	30 June	Ordinary A £1	80%
Westmorland Film Limited	Film Production	England and Wales	30 June	Ordinary £1	75%
M6 Diesel Limited	HGV Roadside Services	England and Wales	31 March	Ordinary £1	50%
M6 Diesel Services Limited	HGV Roadside Services	England and Wales	31 March	Ordinary £1	50%
Watling Street Filling Station Limited	HGV Roadside Services	England and Wales	31 March	Ordinary £1	50%
Dieselbank Limited	HGV Roadside Services	England and Wales	31 March	Ordinary £1	50%

Notes (continued)

11 Investments (continued)

Company

	£000
Company Cost	
At 5 July 2009	-
Acquisitions	6,059
	6,059
At 4 July 2010	6,059

The company owns the following issued share capital of the companies listed below

Subsidiary undertakings	Nature of business	Country of incorporation	Financial period end	Class of shares	Holdings
Tebay Gorge Services Limited	HGV Roadside Services	England and Wales	4 July	Ordinary £1	100%
Tebay Garage Services Limited	Dormant	England and Wales	5 April	Ordinary £1	100%
JRB (Penrith) Limited	Dormant	England and Wales	31 March	Ordinary £1	50%
Gloucestershire Gateway Limited	Dormant	England and Wales	30 June	Ordinary A £1	80%
Westmorland Film Limited	Dormant	England and Wales	30 June	Ordinary £1	75%

12 Stocks

	Group	2009	Company	2009
	2010	2009	2010	2009
	£000	£000	£000	£000
Finished goods	1,470	1,380	1,470	1,380
	1,470	1,380	1,470	1,380
	1,470	1,380	1,470	1,380

13 Debtors

	Group	2009	Company	2009
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	611	608	482	608
Other debtors	1,940	103	87	103
Prepayments and accrued income	237	164	233	164
	2,788	875	802	875
	2,788	875	802	875

Notes (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans	3,900	400	3,900	400
Trade creditors	3,108	2,822	3,105	2,822
Amounts owed to group undertakings	-	-	15	10
Other creditors including taxation				
Corporation tax	637	537	328	537
Other taxation	483	436	455	436
Shares classed as financial liabilities	-	1,483	-	1,483
Other creditors	176	154	176	154
Directors current accounts	-	750	-	750
Accruals and deferred income	431	854	429	854
	<u>8,735</u>	<u>7,436</u>	<u>8,408</u>	<u>7,446</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2010	2009
	£000	£000
Bank loans	3,900	400
Other creditors including taxation	-	50
	<u>3,900</u>	<u>450</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	-	900	-	900
Other creditors	2,201	3,589	2,201	3,589
	<u>2,201</u>	<u>4,489</u>	<u>2,201</u>	<u>4,489</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank loans and overdrafts	-	900	-	900

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Other creditors	1,961	3,349	1,961	3,349
	<u>1,961</u>	<u>3,349</u>	<u>1,961</u>	<u>3,349</u>

16 Pensions

The company contributes to staff personal pension schemes. The pension cost charge represents contributions payable by the company to the pension scheme and amounted to £101,000 (2009 412,000). There were accrued contributions to £nil (2009 £nil) in respect of these schemes as at the balance sheet date.

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the pension fund and amounted to £nil (2009 £nil). There were no prepaid or accrued contributions in respect of this scheme as at the balance sheet date.

17 Deferred taxation (Group and company)

The movement in the deferred taxation provision during the period was

	2010 £000	2009 £000
Provision brought forward	692	725
Profit and loss account movement arising during the period	(29)	(33)
	<u>663</u>	<u>692</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £000	2009 £000
Excess of taxation allowances over depreciation on fixed assets	663	692

Notes (continued)

18 Government grants (Group and company)

	2010 £000	2009 £000
Received and receivable.		
At beginning of the period	3,662	3,662
New grants received	81	-
	3,743	3,662
Amortisation		
At beginning of the period	1,591	1,474
Credit to profit and loss account	96	117
	1,687	1,591
At the end of the period	2,056	2,071

The company has received a European Regional Development Fund Grant in respect of the development of Rheged amounting to £2,000,000. This grant is repayable in full if any of the terms of the grant are breached within a period of 20 years from 11 December 1995. As at 4 July 2010 £1,218,000 (2009 £1,294,000) of this grant is included in deferred grants.

19 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	2010		2009	
	Land and buildings £000	Other items £000	Land and buildings £000	Other items £000
Operating leases which expire				
Within 2 to 5 years	3	3	3	3
After more than 5 years	240	-	240	-
	243	3	243	3
	243	3	243	3

Notes (continued)

20 Related party transactions

Westmorland Motorway Services (1987) Pension Fund

During the period Westmorland Limited paid Westmorland Motorway Services (1987) Pension Fund, the directors' pension scheme, £125,000 (2009 £125,000) in respect of the rent of the Westmorland Hotel and £70,000 (2009 £70,000) in respect of Junction 38, a property owned by the pension scheme. At the balance sheet date £57,000 (2009 £nil) has been prepaid in respect of these transactions.

Included within other creditors is a loan of £300,000 (2009 £360,000) from Westmorland Motorway Services (1987) Pension Fund.

Mr JC Dunning

Westmorland Limited paid M/S JC Dunning £45,000 (2009 £45,000) in respect of the rent of the Farm Shops, and £210,000 (2009 £nil) to purchase the Northbound farm shop on an arm's length basis. At the balance sheet date £25,000 (2009 £nil) remains outstanding in respect of these transactions. The group also made purchases of £284,000 (2009 £225,000) from M/S JC Dunning. At the balance sheet date £34,000 (2009 £nil) remains outstanding in respect of these transactions.

During the period Tebay Gorge Services Limited received £35,000 (2009 £nil) from Mr JC Dunning in respect of the sale of land on an arm's length basis. At the balance sheet date £41,000 (2009 £nil) remains outstanding in respect of this transaction.

Made By Us Limited

Mrs SB Dunning is also a director of Made By Us Limited. During the year the Westmorland Limited made purchases of £696,000 (2009 £502,000) from Made By Us Limited. At the balance sheet date £67,000 (2009 £57,000) remains outstanding in respect of these transactions.

Westmorland Limited supplied meat and related products to Made By Us Limited of the value of £91,000 (2009 £96,000) during the period. £61,000 (2009 £nil) remains outstanding at the period end.

Mrs J Lane

During the period loan notes of £1,961,000 were issued by Westmorland Limited to Mrs J Lane, a director. This is included within loans due after one year at the period end. Interest of £27,000 has been accrued in the period to 4 July 2010.

Included in other debtors is a loan of £400,000 (£nil) from Tebay Gorge Services Limited to Mrs J Lane. Interest of £6,000 has been accrued in the period to 4 July 2010.

Saxon Holdings

Included within other debtors is a loan of £69,000 (2009 £nil) due to Tebay Gorge Services Limited from Saxon Holdings Limited, a company under the control of Mr JC Dunning, a director of Tebay Gorge Services Limited.

UK Fuels Limited

During the period Tebay Gorge Services received management charges of £206,000 (2009 £nil) from UK Fuels Limited, a company in which Mr JC Dunning and Mrs BJ Dunning are trustees of Trusts that hold shares in the company. At the period end £88,000 (2009 £nil) remains outstanding in respect of these transactions.

M6 Diesel Services Limited

During the period the company received management charges of £60,000 (2009 £nil) from M6 Diesel Services Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is a £61,428 (2009 £1,428) outstanding at the period end.

Watling Street Filling Station Limited

During the period the company received management charges of £49,378 (2009 £nil) from Watling Street Filling Station Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is a £49,378 (2009 £nil) outstanding at the period end.

Notes (continued)

20 Related party transactions (continued)

Dieselbank Limited

During the period the company received management charges of £30,000 (2009 £nil) from Dieselbank Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is a £30,000 (2009 £nil) outstanding at the period end.

M6 Diesel Services Partnership

During the period the company received management charges of £224,000, (2009 £nil) from M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner. At the balance sheet date £326,000 (2009 £nil) remains outstanding.

Mr JC Dunning and Mrs B Dunning

Mr JC Dunning and Mrs B Dunning's director loan account was £nil (2009 £750,000) at the period end.

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

21 Share capital

	2010 No	2010 £000	2009 No	2009 £000
Authorised shares capital				
Ordinary shares of £0.01 each	20,000	-	10,500	-
Preference shares of £1 each	-	-	1,482,645	1,483
	<u>20,000</u>	<u>-</u>	<u>1,493,145</u>	<u>1,483</u>
	2010 No	2010 £000	2009 No	2009 £000
Allotted, called up and fully paid				
Ordinary shares of £0.01 each	13,745	-	10,446	-
Preference shares of £1 each	-	-	1,482,645	1,483
	<u>13,745</u>	<u>-</u>	<u>1,493,091</u>	<u>1,483</u>
			2010 £000	2009 £000
Amounts presented in equity:				
Ordinary shares of £0.01 each			-	-
			<u>-</u>	<u>-</u>
Amounts presented in liabilities				
Preference shares of £1 each			-	1,483
			<u>-</u>	<u>1,483</u>

On 15 September 2009 the company's preference share was repaid in full. The authorised share capital was reduced by the same amount. The authorised ordinary share capital was increased to £200 by the creation of an additional 9,500 ordinary shares of £0.01 each.

The company purchased all of the issued share capital of Tebay Gorge Services Limited. This was financed by the issue of 3,299 ordinary shares of £0.01 each, the issue of £1,960,589 of loan stock and a cash payment of £250,000.

Notes (continued)

22 Share premium account

	2010 £000	2009 £000
Balance brought forward	256	256
Share Premium on shares issued in the period	3,790	-
	4,046	256
	4,046	256

23 Profit and loss account

	2010 £000	2009 £000
Group		
Balance brought forward	7,922	7,102
Profit for the financial period	1,573	870
Equity dividends	(50)	(50)
	9,445	7,922
	9,445	7,922

	2010 £000	2009 £000
Company		
Balance brought forward	7,912	7,092
Profit for the financial period	4,738	870
Equity dividends	(50)	(50)
	12,600	7,912
	12,600	7,912

24 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Group		
Profit for the financial period	1,573	869
Equity dividends	(50)	(50)
Share premium on issue of new shares	3,790	-
	5,313	819
Net addition to shareholders' funds	5,313	819
Opening shareholders' funds	8,178	7,359
	13,491	8,178
	13,491	8,178

Included in the profit and loss account are £6,832,182 of reserves which are not distributable

	2010 £000	2009 £000
Company		
Profit for the financial period	4,738	869
Equity dividends	(50)	(50)
Share premium on issue of new shares	3,790	-
	8,478	819
Net addition to shareholders' funds	8,478	819
Opening shareholders' funds	8,168	7,349
	16,646	8,168
	16,646	8,168

Notes (continued)

25 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2010 £000	2009 £000
Operating profit	2,466	1,635
Depreciation	1,037	1,004
Share of income from equity accounted investments	(21)	-
Loss on disposal of fixed assets	3	9
Amortisation	(110)	(117)
(Increase)/decrease in stocks	(90)	19
(Increase)/decrease in debtors	(116)	12
(Decrease) in creditors	(706)	(181)
	2,463	2,381
	2,463	2,381

Returns on investments and servicing of finance

	2010 £000	2009 £000
Interest received	9	4
Interest paid	(107)	(278)
	(98)	(274)
	(98)	(274)

Taxation

	2010 £000	2009 £000
Taxation	(1,012)	(426)
	(1,012)	(426)

Capital expenditure

	2010 £000	2009 £000
Payments to acquire tangible fixed assets	(1,723)	(555)
Receipts from sale of fixed assets	41	3
	(1,682)	(552)
	(1,682)	(552)

Acquisitions

	2010 £000	2009 £000
Payments to acquire subsidiaries	(308)	-
Cash acquired with subsidiaries	219	-
	(89)	-
	(89)	-

Notes (continued)

25 Notes to the statement of cash flows (continued)

Financing

	2010 £000	2009 £000
Repayment of bank loans	(400)	(900)
Repayment of other loans	(60)	(2)
Repurchase of shares classed as financial liabilities	(1,483)	-
Receipts from new bank loans	3,000	-
Receipts from new grants	81	-
Net cash inflow/(outflow) from financing	1,138	(902)

26 Reconciliation of net cash flow to movement in net debt

	2010 £000	2009 £000
Increase in cash in the period	670	177
Net cash outflow from bank loans	400	900
Repurchase of shares classified as financial liabilities	1,483	-
Repayment of other loans	60	120
Receipts from new bank loans	(3,000)	-
New other loans	(1,961)	(118)
Other loan movement	3,289	-
Change in net debt	941	1,079
Opening net debt	(5,718)	(6,797)
Closing net debt	(4,777)	(5,718)

27 Analysis of changes in net debt

	5 July 2009 £000	Cashflows £000	Other Movements £000	5 July 2010 £000
Net cash				
Cash in hand and at bank	714	670	-	1,384
Debt				
Debt due within 1 year	(1,943)	(1,057)	(960)	(3,960)
Debt due after 1 year	(4,489)	-	2,288	(2,201)
Net debt	(5,718)	(387)	1,328	(4,777)