

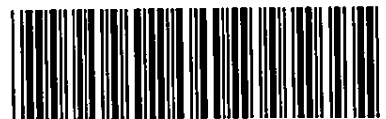
**Westmorland Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 5357857**

**1 July 2012**

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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 1 July 2012

### Principal activities

The principal activity of the Company during the period was the operation of Tebay Motorway Service Area (MSA), J38 Truck stop, Westmorland Hotel and the Rheged Centre

We are very pleased with the business performance over the last year in spite of the continuing flat and uncertain economic environment. We maintained operating profit after adjusting for current year additional refurbishment costs of £0.25m and last year's credits arising from fixed asset disposals of £0.44m. Adjusting for these amounts shows a maintained operating profit. Turnover excluding equity accounted investments grew by 1% to £39.3m and operating profit was £0.95m (2011: £1.67m).

Consolidated net assets now stand at £15.5m (2011: £14.8m). Net debt reduced by £0.2m (2011: £0.8m) demonstrating the strong cash flow generation in spite of significant investment. Net debt stands at £3.8m (2011: £4.0m).

We are also pleased that our longer term strategic objectives moved forward in the second half of the year when a Judicial Review upheld the planning decision that we had gained in 2010 for a new MSA on the M5 at Gloucester. It is anticipated that building will start on site in Spring 2013. The costs incurred for this project to date of £2.9m (2011: £2.0m) have been included within tangible fixed assets.

We have continued with planned investment in our existing businesses but principally on our Tebay MSA Northbound site. The new catering facilities and disabled and family rooms completed a major redevelopment of the amenity building over the last three years. The Northbound Petrol Filling Station including the retail shop was also renewed. The Westmorland Hotel refurbished its restaurant and the Rheged Centre commenced the installation of a Biomass heating solution.

Over the last 8 years we have invested significantly in capital and revenue refurbishment costs and we feel that this has been well received by our customers. Indeed in the last year we were delighted to be the first UK Motorway to be awarded 5 star status by Visit England for our Tebay Southbound MSA.

The MSA business had a very good year. Unlike our competitors, we do not have any franchises within our MSA business model and continually strive to provide an excellent offer to our customers. We have also enhanced both management and controls within our operations resulting in an improved performance. We look forward to building on this strong performance in 2012/13.

Junction 38 truck stop performed well. The forecourt shop was refurbished and is performing strongly. We continue to enhance our offer and service levels to our Truck stop customers.

KPIs used in the MSA and J38 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 had a satisfactory year. Hotel accommodation performed well and was underpinned by a new web site. In the year, the restaurant was refurbished and plans are in place to refurbish executive rooms. Conference business and functions remains a challenging environment.

KPIs used in the hotel business are revenue per available room, 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 hotel room price competition in a very competitive market.

We have continued to upgrade many of our offers at the Rheged Centre. Our refurbished retail shops have performed well and we continue with the refurbishment programme in 2012/13. Catering performed well and further investment was made in our Rheged restaurant to improve customer experience and efficiency. Our forecourt business performed strongly in spite of sometimes volatile and high fuel prices and the general trend of reduced volumes and increased competition.

## Directors' report (continued)

### Principal activities (continued)

Our conference business experienced some shrinkage as did this market generally but we have established a high quality gallery that has been well received

KPIs 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 dependent on passing traffic Our Hotel and Rheged business is dependent on UK travel and tourism levels, together with conference and function business

### Principal uncertainties are:

- Fuel prices – high and volatile fuel prices have an adverse impact on both fuel volumes sold and footfall in our forecourts
- Competition risk – in our MSA business there is reduced competition risk as the industry is regulated and requires high capital investment
- Credit risk – the majority of sales are cash or credit card therefore the Group is not exposed to any significant credit risk The Group's credit risk is primarily attributable to external trade debtors Where credit is given the Group perform appropriate credit checks and enforces credit control procedures
- Liquidity risk – the group monitors its cash flows carefully and has traded within its facilities throughout the year
- Supplier risk – contracts are in place with all our key suppliers along with regular supplier meetings and reviews

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 £724,000 (2011 £1,301,000) Particulars of dividends paid are detailed in note 8 to the financial statements

### Directors

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

Mr JC Dunning  
Mrs SB Dunning  
Mrs JME Lane  
Mr L King (appointed 26/3/2012)  
Mr B Gray (appointed 26/3/2012)  
Mrs BJ Dunning (resigned 26/3/2012)

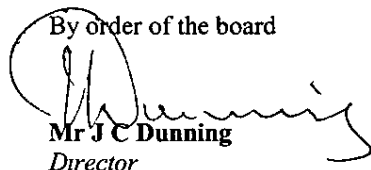
### Disclosure of information to auditors

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

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  
18/3/13

2013

## **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 auditor's report to the members of Westmorland Limited**

We have audited the financial statements of Westmorland Limited for the period ended 1 July 2012 set out on pages 6 to 24. 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

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 and express an opinion on 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/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### **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 1 July 2012 and of the group's profit for the period 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 auditor's 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

21-3-2013

**Consolidated Profit and Loss Account**  
*for the period ended 1 July 2012*

	<i>Note</i>	<b>2012</b>	<b>2012</b>	2011	2011
		<b>£000</b>	<b>£000</b>	Restated £000	Restated £000
Turnover (including equity accounting investments)	2		<b>46,686</b>		46,761
Less Turnover of equity accounted investments			<b>(7,392)</b>		(8,027)
			<hr/>		<hr/>
Turnover			<b>39,294</b>		38,734
Cost of sales			<b>(26,840)</b>		(26,081)
			<hr/>		<hr/>
<b>Gross profit</b>			<b>12,454</b>		12,653
Administrative expenses			<b>(11,654)</b>		(11,515)
(Charges)/credits arising from fixed asset disposals			<b>(4)</b>		443
Other operating income			<b>33</b>		63
Share of income from equity accounted investments			<b>123</b>		29
			<hr/>		<hr/>
<b>Operating profit</b>	3		<b>952</b>		1,673
Interest receivable			<b>-</b>		5
Interest payable and similar charges	6		<b>(95)</b>		(123)
			<hr/>		<hr/>
<b>Profit on ordinary activities before taxation</b>			<b>857</b>		1,555
Tax on profit on ordinary activities	7	<b>(124)</b>		(243)	
Share of tax from equity accounted investments	7	<b>(9)</b>		(11)	
			<hr/>		<hr/>
			<b>(133)</b>		(254)
			<hr/>		<hr/>
<b>Profit for the financial period</b>			<b>724</b>		1,301
			<hr/> <hr/>		<hr/> <hr/>

All of the activities of the company are classed as continuing

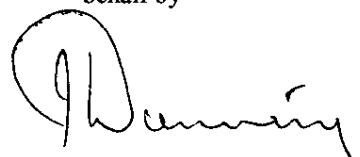
The company has no recognised gains or losses other than the results for the period as set out above




**Consolidated Balance Sheet**  
*at 1 July 2012*

	<i>Note</i>	2012		2011	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	9		22,484		21,911
Negative goodwill	10		(998)		(998)
Equity accounted investments	11		646		632
			<hr/>		<hr/>
			22,132		21,545
<b>Current assets</b>					
Stocks	12	1,317		1,358	
Debtors	13	1,881		2,187	
Cash at bank and in hand		554		558	
			<hr/>		<hr/>
		3,752		4,103	
<b>Creditors' amounts falling due within one year</b>	14	(7,591)		(5,525)	
			<hr/>		<hr/>
<b>Net current liabilities</b>			(3,839)		(1,422)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			18,293		20,123
<b>Creditors' amounts falling due after more than one year</b>	15		(681)		(2,927)
<b>Provisions for liabilities</b>					
Deferred taxation	17		(287)		(466)
Government grants	18		(1,850)		(1,961)
			<hr/>		<hr/>
<b>Net assets</b>			15,475		14,769
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	21		-		-
Share premium account	22		4,048		4,046
Profit and loss account	23		11,427		10,723
			<hr/>		<hr/>
<b>Shareholders' funds</b>	24		15,475		14,769
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 18/3/2013 and were signed on its behalf by

  
**Mr J C Dunning**  
*Director*

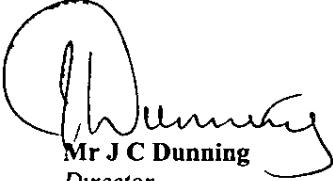
  
**Mrs S B Dunning**  
*Director*

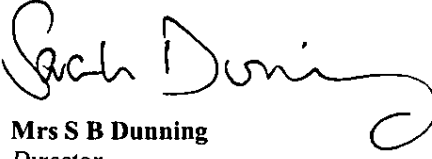
Company registered number 5357857

**Company Balance Sheet**  
*at 1 July 2012*

	<i>Note</i>	2012		2011	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	9		21,728		21,154
Investments	11		6,059		6,059
			<hr/>		<hr/>
<b>Current assets</b>			27,787		27,213
Stocks	12	1,286		1,358	
Debtors	13	576		705	
Cash at bank and in hand		58		55	
			<hr/>		<hr/>
<b>Creditors: amounts falling due within one year</b>	14	1,920 (8,661)		2,118 (6,813)	
			<hr/>		<hr/>
<b>Net current liabilities</b>			(6,741)		(4,695)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			21,046		22,518
<b>Creditors: amounts falling due after more than one year</b>	15		(681)		(2,927)
<b>Provisions for liabilities</b>					
Deferred taxation	17		(287)		(466)
Government grants	18		(1,850)		(1,961)
			<hr/>		<hr/>
<b>Net assets</b>			18,228		17,164
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	21		-		-
Share premium account	22		4,048		4,046
Profit and loss account	23		14,180		13,118
			<hr/>		<hr/>
<b>Shareholders' funds</b>	24		18,228		17,164
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved by the board of directors on 18 | 3 | 2013 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 1 July 2012*

	<i>Note</i>	<b>2012</b>	2011
		<b>£000</b>	£000
<b>Net cash inflow from operating activities</b>	25	<b>2,186</b>	2,008
<b>Dividends from associates and joint ventures</b>		<b>100</b>	-
<b>Returns on investments and servicing of finance</b>	25	<b>(95)</b>	(116)
<b>Taxation</b>	25	<b>(423)</b>	(898)
<b>Capital expenditure and financial investment</b>	25	<b>(1,546)</b>	(1,589)
<b>Equity dividends paid</b>	25	<b>(20)</b>	(23)
		<hr/>	<hr/>
<b>Cash inflow/(outflows) before financing</b>		<b>202</b>	(618)
<b>Financing</b>	25	<b>(1,208)</b>	(1,023)
		<hr/>	<hr/>
<b>Decrease in cash</b>	25	<b>(1,006)</b>	(1,641)
		<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

#### *Restatement of prior year profit and loss account*

The prior year profit and loss account has been restated to provide additional information regarding profit on disposal and associated release of negative goodwill following the disposal of property, which was previously classified within administrative expenses. There is no impact on profit for the period as a result of this amendment

#### *Going concern*

These accounts have been prepared on a going concern basis which the directors believe to be appropriate since the business is strongly assets 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

The Group refinanced its facilities in September 2012 and a new £5m, 10 year term loan was negotiated

Financial forecasts show the Group will continue to trade profitably, generate cash and trade within its banking facilities throughout the forecast period

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 1 July 2012. 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

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	
	2012 £000	2011 £000	2012 £000	2011 £000
United Kingdom	46,686	46,761	39,294	38,734
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Notes (continued)**

**3 Operating profit**

Operating profit is stated after charging/(crediting)

	<b>2012</b>		<b>2011</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amortisation of government grants re fixed assets		(111)		(95)
Release of negative goodwill	-		(372)	
Loss/(profit) on disposal of fixed assets	4		(71)	
	<hr/>	4	<hr/>	(443)
Depreciation of owned fixed assets		969		1,009
Operating lease costs – other		212		219
Auditor's remuneration – audit of the company financial statements		17		17
Auditor's remuneration – audit of subsidiaries and group financial statements		13		13
Auditor's remuneration – other fees, taxation services		102		-
		<hr/> <hr/>		<hr/> <hr/>

**4 Particulars of employees**

	<b>2012</b>		<b>2011</b>	
	<b>No</b>		<b>No</b>	
Number of administrative staff	82		81	
Number of operational staff	448		468	
	<hr/>	530	<hr/>	549
		<hr/> <hr/>		<hr/> <hr/>
The aggregate payroll costs of the above were		<b>2012</b>		<b>2011</b>
		<b>£000</b>		<b>£000</b>
Wages and salaries		6,015		6,111
Social security costs		369		406
Other pension costs		103		103
		<hr/>		<hr/>
		<b>6,487</b>		<b>6,620</b>
		<hr/> <hr/>		<hr/> <hr/>

**5 Remuneration of directors**

The directors' aggregate remuneration in respect of qualifying services was

	<b>2012</b>		<b>2011</b>	
	<b>£000</b>		<b>£000</b>	
Remuneration receivable		150		95
		<hr/> <hr/>		<hr/> <hr/>

**6 Interest payable and similar charges**

	<b>2012</b>		<b>2011</b>	
	<b>£000</b>		<b>£000</b>	
Interest payable on bank borrowing		76		86
Interest payable on loans to related parties		19		37
		<hr/>		<hr/>
		<b>95</b>		<b>123</b>
		<hr/> <hr/>		<hr/> <hr/>

**Notes (continued)**

**7 Taxation on ordinary activities**

**(a) Analysis of charge in the period**

	2012 £000	2011 £000
<b>Current tax</b>		
In respect of the period		
UK Corporation tax based on the results for the period at 25.5% (2011 27.5%)	332	430
Adjustments in respect of prior periods	(29)	10
On share of income from equity accounted investments	6	11
	309	451
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 17)		
Origination and reversal of timing differences	(142)	(161)
Change in applicable tax rate	(37)	(36)
	(179)	(197)
Adjustments to deferred tax in respect of associates	3	-
Total deferred tax (note 17)	(176)	(197)
Tax on profit on ordinary activities	133	254

**(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 25.5% (2011 27.5%)

	2012 £000	2011 £000
Profit on ordinary activities before taxation	857	1,555
Profit on ordinary activities by rate of tax of 25.5% (2011 27.5%)	219	428
Expenses not deductible for tax purposes	13	13
Depreciation for period in excess of capital allowances	144	152
Adjustments to tax charge in respect of previous periods	(29)	10
Other non taxable income	(28)	(147)
Marginal relief	(6)	(5)
Utilisation of losses brought forward	(4)	-
	309	451

**8 Dividends**

	2012 £000	2011 £000
<b>Equity dividends</b>		
<b>Paid</b>		
Equity dividends on ordinary shares	20	23
<b>Proposed after the year end (not recognised as a liability)</b>		
Equity dividends on ordinary shares	-	20



**Notes (continued)**

**9 Tangible fixed assets**

<b>Group</b>	<b>Freehold Land &amp; Property £000</b>	<b>Fixtures &amp; Fittings £000</b>	<b>Motor Vehicles £000</b>	<b>Long Term Project Costs £000</b>	<b>Total £000</b>
<b>Cost</b>					
At beginning of period	20,794	8,985	73	1,998	31,850
Additions	205	427	11	903	1,546
Disposals	-	-	(16)	-	(16)
At end of period	<u>20,999</u>	<u>9,412</u>	<u>68</u>	<u>2,901</u>	<u>33,380</u>
<b>Depreciation</b>					
At beginning of period	2,679	7,229	31	-	9,939
Charge for year	441	516	12	-	969
On disposals	-	-	(12)	-	(12)
At end of period	<u>3,120</u>	<u>7,745</u>	<u>31</u>	<u>-</u>	<u>10,896</u>
<b>Net book value</b>					
At 1 July 2012	<u>17,879</u>	<u>1,667</u>	<u>37</u>	<u>2,901</u>	<u>22,484</u>
At 3 July 2011	<u>18,115</u>	<u>1,756</u>	<u>42</u>	<u>1,998</u>	<u>21,911</u>
<b>Company</b>					
<b>Cost</b>					
At beginning of period	20,033	8,929	73	1,998	31,033
Additions	205	427	11	903	1,546
Disposals	-	-	(16)	-	(16)
At end of period	<u>20,238</u>	<u>9,356</u>	<u>68</u>	<u>2,901</u>	<u>32,563</u>
<b>Depreciation</b>					
At beginning of period	2,675	7,173	31	-	9,879
Charge for year	440	516	12	-	968
On disposals	-	-	(12)	-	(12)
At end of period	<u>3,115</u>	<u>7,689</u>	<u>31</u>	<u>-</u>	<u>10,835</u>
<b>Net book value</b>					
At 1 July 2012	<u>17,123</u>	<u>1,667</u>	<u>37</u>	<u>2,901</u>	<u>21,728</u>
At 3 July 2011	<u>17,358</u>	<u>1,756</u>	<u>42</u>	<u>1,998</u>	<u>21,154</u>

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 7<sup>th</sup> February 2011, over the property at Rheged and a fixed and floating charge over other assets at Rheged

**Notes (continued)**

**10 Goodwill**

	<b>£000</b>
Goodwill at 3 July 2011 and 1 July 2012	(998)

**11 Investments**

	<b>Equity accounted investments £000</b>
<b>Group</b>	
At 3 July 2011	632
Share of results	114
Dividends received	(100)
	646
<b>At 1 July 2012</b>	646
<b>Share of turnover of equity accounted investments</b>	<b>£000</b> 7,171
<b>Share of assets</b>	
Share of fixed assets	680
Share of current assets	1,163
	1,843
<b>Share of liabilities</b>	
Liabilities due within one year or less	(658)
Liabilities due in more than one year	(6)
	(664)
Share of net assets	1,179

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	1 July	Ordinary £1	100%
Tebay Garage Services Limited	Dormant	England and Wales	5 April	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	100%
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

	<b>£000</b>
<b>Company</b>	
<i>Cost</i>	
At 3 July 2011 and 1 July 2012	<b>6,059</b>

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	1 July	Ordinary £1	100%
Westmorland Motorway Services Limited	Dormant	England and Wales	30 June	Ordinary £1	100%
Tebay Garage Services Limited	Dormant	England and Wales	5 April	Ordinary £1	100%
Gloucestershire Gateway Limited	Dormant	England and Wales	30 June	Ordinary A £1	100%

### 12 Stocks

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Finished goods	1,317	1,358	1,286	1,358

### 13 Debtors

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	354	455	299	455
Other debtors	1,372	1,498	70	16
Amounts owed to group undertakings	-	-	52	8
Prepayments and accrued income	155	234	155	226
	<b>1,881</b>	<b>2,187</b>	<b>576</b>	<b>705</b>

**Notes (continued)**

**14 Creditors: amounts falling due within one year**

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans and overdrafts	3,604	1,566	3,604	1,566
Trade creditors	2,794	2,652	2,585	2,652
Amounts owed to group undertakings	-	-	1,427	1,426
Corporation tax	79	190	-	69
Other taxation	473	517	468	505
Other creditors	215	248	181	248
Accruals and deferred income	426	352	396	347
	<u>7,591</u>	<u>5,525</u>	<u>8,661</u>	<u>6,813</u>

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

	2012 £000	2011 £000
Bank loans	<u>3,604</u>	<u>1,566</u>

**15 Creditors: amounts falling due after more than one year**

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans and overdrafts	-	2,186	-	2,186
Other creditors	681	741	681	741
	<u>681</u>	<u>2,927</u>	<u>681</u>	<u>2,927</u>

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

	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans and overdrafts	<u>-</u>	<u>2,186</u>	<u>-</u>	<u>2,186</u>

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

	2012 £000	2011 £000	2012 £000	2011 £000
Other creditors	<u>561</u>	<u>561</u>	<u>561</u>	<u>561</u>

## Notes (continued)

### 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 £103,000 (2011 £103,000). There were accrued contributions to £nil (2011 £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 (2011 £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

	2012 £000	2011 £000
Provision brought forward	466	663
Profit and loss account movement arising during the period	(179)	(197)
	287	466
Provision carried forward	287	466

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

	2012 £000	2011 £000
Excess of taxation allowances over depreciation on fixed assets	287	466
	287	466

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities accordingly.

### 18 Government grants (Group and company)

	2012 £000	2011 £000
<b>Received and receivable</b>		
At beginning and end of the period	3,743	3,743
	3,743	3,743
<b>Amortisation</b>		
At beginning of the period	1,782	1,687
Credit to profit and loss account	111	95
	1,893	1,782
At the end of the period	1,850	1,961

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 1 July 2012 £1,066,000 (2011 £1,142,000) of this grant is included in deferred grants.

## Notes (continued)

### 19 Commitments under operating leases

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

	2012		2011	
	Land and buildings £000	Other items £000	Land and buildings £000	Other items £000
Operating leases which expire				
Within 2 to 5 years	-	-	1	1
After more than 5 years	195	-	217	-
	<u>195</u>	<u>-</u>	<u>218</u>	<u>1</u>

### 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 (2011 £125,000) in respect of the rent of the Westmorland Hotel and £70,000 (2011 £70,000) in respect of Junction 38, a property owned by the pension scheme. At the balance sheet date £nil (2011 £49,000) has been prepaid in respect of these transactions

Included within other creditors is a loan of £180,000 (2011 £240,000) from Westmorland Motorway Services (1987) Pension Fund

#### Mr JC Dunning

Westmorland Limited paid M/S JC Dunning £18,000 (2011 £22,000) in respect of the rent of the Farm Shops, and £205,000 (2011 £nil) to purchase the Southbound farm shop on an arm's length basis. At the balance sheet date £25,000 (2011 £nil) remains outstanding in respect of these transactions. The group also made purchases of £303,000 (2011 £318,000) from M/S JC Dunning. At the balance sheet date £42,000 (2011 £59,000) remains outstanding in respect of these transactions

#### Made By Us Limited

Mrs SB Dunning is also a director of Made By Us Limited. During the year Westmorland Limited made purchases of £646,000 (2011 £803,000) from Made By Us Limited. At the balance sheet date £61,000 (2011 £68,000) remains outstanding in respect of these transactions

Westmorland Limited supplied meat and related products to Made By Us Limited of the value of £106,000 (2011 £113,000) during the period. £12,000 (2011 £9,000) remains outstanding at the period end

#### Mrs J Lane

Loan notes of £561,000 (2011 £561,000) remain outstanding at the balance sheet date and are presented within other creditors due after more than one year. Mrs J Lane is a director of Westmorland Limited

#### Saxon Holdings Limited

Included within other debtors is a loan of £43,000 (2011 £43,000) 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 Limited received management charges of £nil (2011 £25,000) 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 £nil (2011 £nil) remains outstanding in respect of these transactions

#### M6 Diesel Services Limited

During the period the company received management charges of £nil (2011 £80,000) from M6 Diesel Services Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. M6 Diesel Services Limited also supplied fuel of £125,000 (2011 £nil) to Tebay Gorge Service Limited. Included in other debtors is a £6,489 (2011 £81,000) outstanding at the period end

## Notes (continued)

### 20 Related party transactions (continued)

#### M6 Diesel Limited

During the period the company received dividends of £50,000 (2011 £nil) from M6 Diesel Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding

#### Watling Street Filling Station Limited

During the period the company received dividends of £25,000 (2011 £nil) and management charges of £nil (2011 £14,000) from Watling Street Filling Station Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is a £nil (2011 £14,000) outstanding at the period end

#### Dieselbank Limited

During the period the company received dividends of £25,000 (2011 £nil) and management charges of £nil (2011 £20,000) from Dieselbank Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is a £nil (2011 £20,000) outstanding at the period end

#### M6 Diesel Services Partnership

During the period the company received management charges of £160,699, (2011 £189,000) from M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner. At the balance sheet date £414,000 (2011 £429,000) remains outstanding

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

### 21 Share capital

	2012 No	2012 £000	2011 No	2011 £000
<b>Authorised shares capital:</b>				
Ordinary shares of £0.01 each	20,000	-	20,000	-
	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
	2012 No	2012 £000	2011 No	2011 £000
<b>Allotted, called up and fully paid:</b>				
Ordinary 'A' shares of £0.01 each	13,745	-	13,745	-
Ordinary 'B' shares of £0.01 each	860	-	-	-
	<u>13,745</u>	<u>-</u>	<u>13,745</u>	<u>-</u>

### 22 Share premium account

	2012 £000	2011 £000
Balance brought forward	4,046	4,046
Share Premium on shares issued in the period	2	-
	<u>4,048</u>	<u>4,046</u>
Balance carried forward	<u>4,048</u>	<u>4,046</u>

**Notes (continued)**

**23 Profit and loss account**

	2012 £000	2011 £000
<b>Group</b>		
Balance brought forward	10,723	9,445
Profit for the financial period	724	1,301
Equity dividends	(20)	(23)
	11,427	10,723
	11,427	10,723
	2012 £000	2011 £000
<b>Company</b>		
Balance brought forward	13,118	12,600
Profit for the financial period	1,082	541
Equity dividends	(20)	(23)
	14,180	13,118
	14,180	13,118

**24 Reconciliation of movements in shareholders' funds**

	2012 £000	2011 £000
<b>Group</b>		
Profit for the financial period	724	1,301
Equity dividends	(20)	(23)
Share premium on issue of new shares	2	-
	706	1,278
Net addition to shareholders' funds	706	1,278
Opening shareholders' funds	14,769	13,491
	15,475	14,769
	15,475	14,769

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

	2012 £000	2011 £000
<b>Company</b>		
Profit for the financial period	1,082	541
Equity dividends	(20)	(23)
Share premium on issue of new shares	2	-
	1,064	518
Net addition to shareholders' funds	1,064	518
Opening shareholders' funds	17,164	16,646
	18,228	17,164
	18,228	17,164



**Notes (continued)**

**25 Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

	2012 £000	2011 £000
Operating profit	952	1,673
Depreciation	969	1,009
Share of income from equity accounted investments	(114)	(18)
Loss/(profit) on disposal of fixed assets	4	(71)
Amortisation	(111)	(95)
Release of negative goodwill	-	(372)
Decrease in stocks	41	112
Decrease in debtors	306	201
Increase/(decrease) in creditors	139	(431)
	<b>2,186</b>	<b>2,008</b>

**Dividends from associates and joint ventures**

	2012 £000	2011 £000
Dividends from associates and joint ventures	100	-

**Returns on investments and servicing of finance**

	2012 £000	2011 £000
Interest received	-	5
Interest paid	(95)	(121)
Net cash outflow from returns on investments and servicing of finance	<b>(95)</b>	<b>(116)</b>

**Taxation**

	2012 £000	2011 £000
Taxation	(423)	(898)

**Capital expenditure and financial investment**

	2012 £000	2011 £000
Payments to acquire tangible fixed assets	(1,546)	(1,589)
Net cash outflow from capital expenditure	<b>(1,546)</b>	<b>(1,589)</b>

**Financing**

	2012 £000	2011 £000
Issue of new shares	2	-
Repayment of bank loans	(1,150)	(963)
Repayment of other loans	(60)	(60)
Net cash outflow from financing	<b>(1,208)</b>	<b>(1,023)</b>

**Notes (continued)**

**26 Reconciliation of net cash flow to movement in net debt**

	2012 £000	2011 £000
Decrease in cash in the period	(1,006)	(1,641)
Net cash outflow from bank loans	1,150	963
Repayment of other loans	60	60
	204	(618)
Change in net debt resulting from cash flows		
Non-cash settlement of other loans	-	1,400
	204	782
Total change in net debt	(3,995)	(4,777)
Opening net debt		
Closing net debt	(3,791)	(3,995)

**27 Analysis of changes in net debt**

	3 July 2011 £000	Cash flows £000	Other Movements £000	1 July 2012 £000
<b>Net cash</b>				
Cash in hand and at bank	558	(4)	-	554
Overdrafts	(815)	(1,002)	-	(1,817)
	(257)	(1,006)	-	(1,263)
<b>Debt</b>				
Debt due within 1 year	(811)	811	(1,847)	(1,847)
Debt due after 1 year	(2,927)	399	1,847	(681)
	(3,995)	204	-	(3,791)
Net debt	(3,995)	204	-	(3,791)