

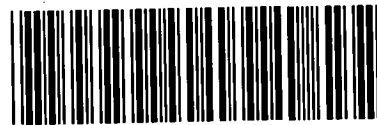
**Westmorland Limited**

**Annual report and consolidated  
financial statements**

Registered number 5357857

1 July 2018

TUESDAY



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## Strategic report

The directors have pleasure in presenting their annual report and financial statements of the Company for the period ended 1 July 2018.

### Principal activities

The principal activity of the Group during the period was the operation of Tebay Services, Gloucester Services, J38 Truck Stop, Cairn Lodge Services, Tebay Services Hotel and the Rheged Centre.

The principal activity of the Company during the period was the operation of Tebay Services, J38 Truck Stop, Cairn Lodge Services, Tebay Services Hotel and the Rheged Centre.

### Financial performance

The business has demonstrated continued growth over the last year, with growth in turnover to £100.8m (2017: £96.4m). The business planned for further investment in its management team, in colleague pay by investing ahead of the National Living Wage and in its local communities through charitable donations of £175k to Cumbria Community Foundation and £478k to Gloucestershire Gateway Trust. The business' operating margin has declined as a result of these investments and profit on ordinary activities before taxation fell to £5.1m (2017: £5.8m), which, given the above, was in line with its expectations.

Fixed assets grew slightly to £65.4m (2017: £64.3m), with the most significant capital addition being the redevelopment of Cairn Lodge Services. A total of £3.1m was invested in the estate in the year. £1.7m of borrowing was repaid, with net debt decreasing to £26.0m (2017: £29.1m) and the benefit of reduced interest charges versus the prior year. Financial management remains strong with high liquidity, very competitive debt margins and a strong bank covenant cover. Cash balances were strong at £10.9m (2017: £9.5m). Net assets grew to £31.8m (2017: £27.8m).

In the calendar year 2018 the business has undertaken and completed the redevelopment of Cairn Lodge Services on the M74 in Scotland, which was acquired at the end of 2014. This sees the transformation of the business to one more similar to Tebay and Gloucester Services, albeit on a smaller scale. A new Farmshop has been introduced which supports over 50 Scottish small producers and a new Kitchen, which serves homemade food, as well as a new filling station and deli. In addition, it includes a Changing Place toilet, for those with more profound disabilities, which was the first to open on a Scottish motorway.

Elsewhere, the business has continued to grow and develop. A new Changing Places facility was installed at Gloucester Services Southbound and improvements were made in Tebay Services Southbound Farmshop. The business continues to work closely with its producers, and particular progress has been made with our lifestyle ranges, with partnerships forged with Pure Lakes Skincare, an extended range of sheepskin products as well as launching a new coffee offer, with a bespoke Westmorland blend.

Work has continued with the business' 1,100 colleagues, with a new leadership programme launched and colleague retention increasing, particularly at Gloucester Services. Progress has also been made in the business' work in the community. It is working towards building an endowment fund of £1m with Cumbria Community Foundation and has been able to give out a number of grants in its neighbouring communities. It has set up a Surplus Food Hub at Rheged for community use, in conjunction with Recycling Lives in Preston and it is now in year 2 of its Food for Life Programme with local primary schools. In Gloucestershire, the business' charity partner Gloucestershire Gateway Trust has received royalties of £478k from the business, which has been able to fund 7 beneficiary charities which are supporting the business' local communities. In addition, the businesses raised £40k through customer donations.

During the period the dissolution of the M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner, was finalized. This crystallized profit of £448k in the year and resulted in a decrease in negative goodwill as associated assets were disposed of as well as a reduction in other debtors as balances were settled.

## Strategic report (*continued*)

### Key Performance Indicators

The business uses a range of KPIs including financial measures, colleague measures and customer satisfaction measures. Together, these enable the business to adopt a balanced approach to the business.

KPIs used in the motorway and roadside services businesses are vehicle turn-in rates, transactions, average spends and gross margin including staffing costs. 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. KPIs used in the hotel business are revenue per available room, occupancy, diner/sleeper ratios and average spends.

The Group primarily operates in the travel and hospitality industry. The motorway services business is a regulated and capital intensive business with high barriers to entry and is dependent on passing traffic.

### Principal risks and uncertainties

The business continues to monitor and mitigate its key risks and uncertainties:

- Economic risk – the broader economic outlook and specifically Brexit presents some key risks including:
  - Reduced spending power of consumers if inflation increases and/or confidence declines
  - Increased input prices due to a fall in the value of Sterling
  - Increased fuel prices due to both a fall in the value of Sterling and agreed reductions in crude oil production
  - Cost headwinds including National Living Wages and Energy prices
- Competition risk – in our motorway services 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.
- Liquidity risk – the group monitors its cash flows carefully and has traded within its facilities throughout the period. Operations are financed through bank facilities, term loans and retained profits.
- Supplier risk – contracts are in place with all our key suppliers along with regular supplier meetings and reviews.
- Regulatory & Compliance risk – compliance with legislation/regulation is critical to protect our customers and colleagues and uphold our strong values led culture and reputation. These include health & safety, food safety and cyber.

### Future outlook

Supported by a strong strategic plan the business will continue to develop its offer, its colleagues and its relationships with both its producers and its local communities with a commitment to continued development in all these areas. It will continue to invest in its core businesses, as well as to look for new opportunities which enable it to strengthen its identity.

By order of the board



**Mrs SB Dunning**  
Director

Westmorland Place,  
Orton,  
Penrith  
CA10 3SB

17 January 2019

## Directors' report

The directors have pleasure in presenting their directors' report and financial statements of the Group and Company for the period ended 1 July 2018.

### Results and dividends

The profit for the period, after taxation, amounted to £3,998,000 (2017: £4,621,000). No dividends have been paid in the current period (2017: £nil).

### Directors

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

Mrs SB Dunning

Mrs JM Lane

Mr L King

Mr BM Gray (Resigned 4 January 2019)

Mr JC Dunning (Resigned 4 January 2019)

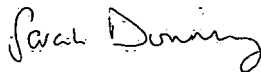
### Disclosure of information to auditor

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

### Auditor

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

By order of the board



**Mrs SB Dunning**  
Director

Westmorland Place  
Orton  
Penrith  
CA10 3SB

17 January 2019

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial period. 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

One St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

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

### **Opinion**

We have audited the financial statements of Westmorland Limited ("the company") for the period ended 1 July 2018 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Cashflow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 July 2018 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of assets and liabilities, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Independent auditor's report to the members of Westmorland Limited (continued)**

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

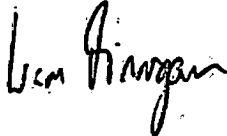
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **Independent auditor's report to the members of Westmorland Limited (continued)**

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Liam Finnigan (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP**  
**Statutory Auditor**  
*Chartered Accountants*  
One St Peter's Square  
Manchester  
M2 3AE

18 January 2019

## Consolidated Profit and Loss Account and Other Comprehensive Income for the period ended 1 July 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Turnover (including equity accounted investments)	2		100,780		96,373
Less: Turnover of equity accounted investments			(8,606)		(8,080)
			<hr/>		<hr/>
Turnover			92,174		88,293
Cost of sales			(70,142)		(66,864)
			<hr/>		<hr/>
<b>Gross profit</b>			22,032		21,429
Administrative expenses			(17,481)		(15,392)
Other operating income			657		130
Group's share of profit in Joint Ventures			821		599
			<hr/>		<hr/>
<b>Operating profit</b>	3		6,029		6,766
Interest receivable			17		33
Interest payable and similar charges	6		(922)		(986)
			<hr/>		<hr/>
<b>Profit on ordinary activities before taxation</b>			5,124		5,813
Tax on profit on ordinary activities	7	(1,015)		(1,073)	
Group's share of tax from Joint Ventures	7	(111)		(119)	
			<hr/>		<hr/>
			(1,126)		(1,192)
			<hr/>		<hr/>
<b>Profit for the financial period</b>			3,998		4,621
<b>Other comprehensive income</b>			-		-
			<hr/>		<hr/>
<b>Total comprehensive income for the financial period</b>			3,998		4,621
			<hr/> <hr/>		<hr/> <hr/>

The notes on page 14 to 31 form an integral part of the financial statements.

All of the activities of the Group are classed as continuing.


There are no recognised gains or losses outside of those recognised in the profit and loss account for both the current and the preceding period.

**Consolidated Balance Sheet**  
*at 1 July 2018*

	<i>Note</i>	2018		2017	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	8		65,388		64,260
Goodwill	9		57		97
Negative goodwill	9		(119)		(998)
Investments in Joint Ventures	10		1,409		1,069
			<hr/>		<hr/>
			66,735		64,428
<b>Current assets</b>					
Stocks	11	2,555		2,122	
Debtors	12	1,598		3,139	
Cash at bank and in hand	13	10,933		9,541	
			<hr/>		
		15,086		14,802	
<b>Creditors: amounts falling due within one year</b>	14	<b>(13,169)</b>		<b>(12,939)</b>	
			<hr/>		
<b>Net current assets</b>			<b>1,917</b>		<b>1,863</b>
			<hr/>		
<b>Total assets less current liabilities</b>			<b>68,652</b>		<b>66,291</b>
			<hr/>		
<b>Creditors: amounts falling due after more than one year</b>	15		<b>(35,558)</b>		<b>(37,420)</b>
			<hr/>		
<b>Provisions for liabilities</b>					
Deferred taxation	18		(1,260)		(1,035)
Government grants	19				
			<hr/>		
<b>Net assets</b>			<b>31,834</b>		<b>27,836</b>
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Share premium account	23		4,048		4,048
Profit and loss account			27,786		23,788
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>31,834</b>		<b>27,836</b>
			<hr/> <hr/>		<hr/> <hr/>

The notes on page 14 to 31 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 17 January 2019 and were signed on its behalf by:



**Mrs SB Dunning**  
*Director*

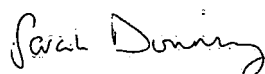
Company registered number: 5357857

**Company Balance Sheet**  
*at 1 July 2018*

	<i>Note</i>	2018		2017	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible fixed assets	8		22,864		20,304
Goodwill	9		57		97
Investments in subsidiaries	10		6,069		6,069
			<hr/>		<hr/>
<b>Current assets</b>			28,990		26,470
Stocks	11	1,630		1,319	
Debtors (including £41,122 (2017: £41,261) due after more than one year and £1,153 (2017: £1,197) due within one year)	12	42,275		42,458	
Cash at bank and in hand	13	2,613		3,813	
			<hr/>		<hr/>
<b>Creditors: amounts falling due within one year</b>	14	46,518 (12,739)		47,590 (10,820)	
			<hr/>		<hr/>
<b>Net current assets</b>			33,779		36,770
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			62,769		63,240
<b>Creditors: amounts falling due after more than one year</b>	15		(35,558)		(37,420)
<b>Provisions for liabilities</b>					
Deferred taxation	18		(132)		(133)
Government grants	19		-		-
			<hr/>		<hr/>
<b>Net assets</b>			27,079		25,687
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Share premium account	23		4,048		4,048
Profit and loss account			23,031		21,639
			<hr/>		<hr/>
<b>Shareholders' funds</b>			27,079		25,687
			<hr/> <hr/>		<hr/> <hr/>

The notes on page 14 to 31 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 17 January 2019 and were signed on its behalf by:



**Mrs SB Dunning**  
*Director*

Company registered number: 5357857

## Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
<b>Balance at 3 July 2016</b>	-	4,048	20,549	24,597
<b>Total comprehensive income</b>				
Profit for the period	-	-	4,621	4,621
<b>Total comprehensive income</b>	-	-	4,621	4,621
Share buyback	-	-	(1,382)	(1,382)
<b>Balance at 2 July 2017</b>	-	4,048	23,788	27,836
<b>Total comprehensive income</b>				
Profit for the period	-	-	3,998	3,998
<b>Total comprehensive income</b>	-	-	3,998	3,998
<b>Balance at 1 July 2018</b>	-	4,048	27,786	31,834

The notes on page 14 to 31 form an integral part of the financial statements.

## Company Statement of Changes in Equity

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000
<b>Balance at 3 July 2016</b>	-	4,048	20,900	24,948
<b>Total comprehensive income</b>				
Profit for the period	-	-	2,121	2,121
<b>Total comprehensive income</b>	-	-	2,121	2,121
Share buyback	-	-	(1,382)	(1,382)
<b>Balance at 2 July 2017</b>	-	4,048	21,639	25,687
<b>Total comprehensive income</b>				
Profit for the period	-	-	1,392	1,392
<b>Total comprehensive income</b>	-	-	1,392	1,392
<b>Balance at 1 July 2018</b>	-	4,048	23,031	27,079

The notes on page 14 to 31 form an integral part of the financial statements.

**Consolidated Cash Flow Statement**  
*for the period ended 1 July 2018*

	<i>Note</i>	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Profit for the period		3,998	4,621
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		1,882	1,682
Net share of income from equity accounted investments		(821)	(480)
Interest receivable and similar income		(17)	(33)
Interest payable and similar charges	6	922	986
Profit on sale of tangible fixed assets		(440)	(9)
Taxation	7	1,126	1,192
		6,650	7,959
Decrease in trade and other debtors		1,541	1,332
(Increase)/decrease in stocks		(433)	116
Decrease in trade and other creditors		(1,653)	(515)
		6,105	8,892
Interest paid		(593)	(986)
Tax paid		(896)	(1,122)
		4,616	6,784
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		537	17
Interest received		17	33
Dividends received from equity accounted investments		370	270
Acquisition of tangible fixed assets		(2,463)	(1,589)
Share buyback		-	(1,382)
		(1,539)	(2,651)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,685)	(6,289)
New loans		-	-
		(1,685)	(6,289)
Net increase/(decrease) in cash and cash equivalents		1,392	(2,156)
Cash and cash equivalents at the beginning of the period		9,541	11,697
<b>Cash and cash equivalents at the end of the period</b>	<i>13</i>	10,933	9,541

The notes on page 14 to 31 form an integral part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

Westmorland Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The financial statements have been prepared based upon the Group's trading cycle of a 52 week period ending 1 July 2018 (*2017: 52 week period ending 2 July 2017*) within seven days of the end of the accounting reference period of 30 June 2018 as permitted by the Companies Act 2006.

#### *Going concern*

These accounts have been prepared on a going concern basis notwithstanding the fact that bank loans, with an outstanding balance of £25,928,000 as at 1 July 2018, mature on 31 July 2019. The directors believe this to be appropriate for the following reasons: the business has a strong tangible asset position, its trading in the current period to date is in line with forecast and those forecasts show that the Group will continue to trade profitably and be cash generative.

The Group has commenced discussions with its bankers to renew the bank loans and the directors are confident the loans will be successfully renewed.

Based on the above the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 1 July 2018. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture 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.



## Notes (continued)

### 1 Accounting policies (continued)

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company profit for the period was £1,392,000 (2017: £2,121,000).

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### *Business combinations*

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

#### *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).

Goodwill arising on acquisitions are amortised over 5 years on a straight line basis.

## 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 Land and Buildings	-	2%, 5%, 20% straight line
Fixtures, Fittings & Equipment	-	5%, 10% straight line and 25% reducing balance per annum
Motor Vehicles	-	25% reducing balance per annum

No depreciation is provided on freehold land or a fixed element of regularly maintained buildings which are not considered to depreciate in value. Full period depreciation is charged on capital additions.

#### *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.

#### *Expenses*

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *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. Cost includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

##### *Taxation*

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment excluding stocks and deferred tax assets*

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment, is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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)

#### Turnover

Turnover, which excludes value added tax, represents the amounts receivable for goods sold and services provided and includes rents receivable under operating leases. The Group recognise turnover for goods and services when, and to the extent that, the Group obtain the right to consideration in exchange for its performance and specifically for the following:

Retail sales: the Group operate retail shops, forecourts, parking facilities and catering units for the sale of a range of products and services. Sales of goods and services are recognised on sale to the customer at the point of sale. Retail sales are usually settled by cash, credit or payment card. Refunds are not provided for as the value of these is insignificant.

Hotel and room hire income: the Group operates a hotel and a visitor attraction with conference facilities. Sales of hotel rooms and room hire are recognised on their sale to the customer at the point of sale. Where turnover is invoiced in advance it is deferred on the balance sheet and is recognised as turnover in the period to which it relates.

#### 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 Group. 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.

#### Employee benefits

##### Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### 2 Turnover

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

	2018 £000	2017 £000
Sale of goods	89,306	85,677
Rendering of services	2,536	2,290
Commissions	332	326
	<hr/>	<hr/>
Total turnover	92,174	88,293
	<hr/> <hr/>	<hr/> <hr/>

	Turnover including equity accounted investments		Turnover excluding equity accounted investments	
	2018 £000	2017 £000	2018 £000	2017 £000
United Kingdom	100,780	96,373	92,174	88,293
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**3 Expenses and auditor's remuneration**

*Auditor's remuneration:*

	2018 £000	2017 £000
Auditor's remuneration – audit of the company financial statements	20	17
Auditor's remuneration – audit of subsidiaries and group financial statements	26	23
Auditor's remuneration – other fees, taxation services	5	10
	20	50

**4 Staff numbers and costs**

	2018 No	2017 No
Number of administrative staff	149	140
Number of operational staff	798	772
	947	912

The aggregate payroll costs of the above were:

	£000	£000
Wages and salaries	14,796	13,353
Social security costs	994	852
Other pension costs	293	268
	16,083	14,473

**5 Remuneration of directors**

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £000	2017 £000
Directors' remuneration	467	437
Pension contributions to money purchase schemes	26	30
Amounts paid to third parties in respect of directors' services	-	58
	493	525

The aggregate of remuneration of the highest paid director was £171,000 (2017: £197,000).

In the prior year financial statements the balance disclosed was £132,000 but was found to exclude some elements of remuneration.

Retirement benefits are accruing to the following number of directors under:

	2018 No.	2017 No.
Money purchase schemes	1	1
	1	1

**Notes (continued)**

**6 Interest payable and similar charges**

	2018 £000	2017 £000
Interest payable on bank borrowing	594	653
Interest payable on loans from related parties	328	333
	922	986
	922	986

**7 Taxation**

**(a) Total tax expense recognised in the profit and loss account, other comprehensive income and equity**

	2018 £000	2017 £000
<b>Current tax</b>		
In respect of the period:		
UK Corporation tax based on the results for the period at 19% (2017: 19.75%)	790	1,001
Adjustments in respect of prior periods	-	-
On share of income from equity accounted investments	111	119
	901	1,120
<b>Deferred tax</b>		
Origination and reversal of timing differences (note 18)	225	72
	1,126	1,192
	1,126	1,192
	3,998	4,621
Profit for the year	1,126	1,192
Total tax expense	1,126	1,192
	1,126	1,192
	5,124	5,813
Profit excluding taxation	974	1,148
Tax using the UK Corporation tax rate of 19% (2017: 19.75%)	9	24
Non-deductible expenses	29	-
Adjustments in respect of prior periods	(20)	(79)
Reduction in rate of deferred tax balances	134	99
Permanent differences	1,126	1,192
	1,126	1,192

Please note that from 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2018) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 March 2018 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

**Notes** *(continued)*

**8 Tangible fixed assets**

<b>Group</b>	<b>Freehold Land &amp; Buildings £000</b>	<b>Fixtures, Fittings &amp; Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
<i>Cost</i>				
At beginning of period	69,856	12,958	46	82,860
Additions	754	2,258	51	3,063
Disposals	(98)	(159)	(18)	(275)
At end of period	<u>70,512</u>	<u>15,057</u>	<u>79</u>	<u>85,648</u>
<i>Depreciation</i>				
At beginning of period	9,333	9,239	28	18,600
Charge for period	1,042	784	16	1,842
Disposals	(18)	(153)	(11)	(182)
At end of period	<u>10,357</u>	<u>9,870</u>	<u>33</u>	<u>20,260</u>
<i>Net book value</i>				
At 1 July 2018	<u>60,155</u>	<u>5,187</u>	<u>46</u>	<u>65,388</u>
At 2 July 2017	<u>60,523</u>	<u>3,719</u>	<u>18</u>	<u>64,260</u>

The Royal Bank of Scotland Plc has a legal charge, dated 12 June 2014, over the properties at Gloucester Services Northbound and Southbound, Upton, Gloucestershire.



**Notes (continued)**

**8 Tangible fixed assets (continued)**

Company	Freehold Land & Buildings £000	Fixtures, Fittings & Equipment £000	Motor Vehicles £000	Total £000
<i>Cost</i>				
At beginning of period	25,507	10,532	46	36,085
Additions	757	1,942	30	2,729
Inter-company transfer	704	-	-	704
Disposals	(42)	(103)	(18)	(163)
At end of period	<u>26,926</u>	<u>12,371</u>	<u>58</u>	<u>39,355</u>
<i>Depreciation</i>				
At beginning of period	7,354	8,399	28	15,781
Charge for period	316	500	10	826
Disposals	(8)	(97)	(11)	(116)
At end of period	<u>7,662</u>	<u>8,802</u>	<u>27</u>	<u>16,491</u>
<i>Net book value</i>				
At 1 July 2018	<u>19,264</u>	<u>3,569</u>	<u>31</u>	<u>22,864</u>
At 2 July 2017	<u>18,153</u>	<u>2,133</u>	<u>18</u>	<u>20,304</u>

**9 Goodwill**

Group	Goodwill £000	Negative goodwill £000	Total £000
<i>Cost</i>			
At beginning and end of period	200	(998)	(798)
<i>Amortisation</i>			
At beginning of period	103	-	103
Amortisation charge for the period	40	-	40
Negative goodwill released in the period	-	(879)	(879)
At end of period	<u>143</u>	<u>(879)</u>	<u>(736)</u>
Goodwill at 1 July 2018	<u>57</u>	<u>(119)</u>	<u>(62)</u>
Goodwill at 2 July 2017	<u>97</u>	<u>(998)</u>	<u>(901)</u>

**Notes (continued)**

**9 Goodwill (continued)**

	<b>£000</b>
<b>Company</b>	
<i>Cost</i>	
At beginning and end of period	200
	<hr style="border-top: 3px double #000;"/>
<i>Amortisation</i>	
At beginning of period	103
Amortisation charge for the period	40
	<hr style="border-top: 3px double #000;"/>
At end of period	143
	<hr style="border-top: 3px double #000;"/>
<b>Goodwill at 1 July 2018</b>	<b>57</b>
	<hr style="border-top: 3px double #000;"/>
Goodwill at 2 July 2017	97
	<hr style="border-top: 3px double #000;"/>

**10 Investments**

	<b>Interests in Joint Ventures £000</b>
<b>Group</b>	
At 2 July 2017	1,069
Share of results	710
Dividends received	(370)
	<hr style="border-top: 3px double #000;"/>
<b>At 1 July 2018</b>	<b>1,409</b>
	<hr style="border-top: 3px double #000;"/>
<b>Share of turnover of Joint Ventures</b>	
<b>Share of assets</b>	
Share of fixed assets	545
Share of current assets	1,768
	<hr style="border-top: 3px double #000;"/>
	2,313
<b>Share of liabilities</b>	
Liabilities due within one year or less	(561)
Liabilities due in more than one year	(8)
Fair value adjustments made at acquisition	(335)
	<hr style="border-top: 3px double #000;"/>
Share of net assets	1,409
	<hr style="border-top: 3px double #000;"/>

## Notes (continued)

### 10 Investments (continued)

The undertakings in which the Group's and Company's interest at the period-end is more than 20% are as follows:

	Country of incorporation	Registered number	Principal activity	Group	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>					
Tebay Gorge Services Limited	England & Wales	1039443	Holding Company	Ordinary £1 & 100%	Ordinary £1 & 100%
Westmorland Motorway Services Limited	England & Wales	1027246	Dormant	Ordinary £1 & 100%	Ordinary £1 & 100%
Gloucestershire Gateway Limited	England & Wales	7002304	Motorway Services	Ordinary £1 & 100%	Ordinary £1 & 100%
<i>Joint ventures</i>					
M6 Diesel Services Limited	England & Wales	1261050	HGV Truckstop	Ordinary £1 & 50%	
M6 Diesel Limited	England & Wales	1871115	HGV Truckstop	Ordinary £1 & 50%	
Dieselbank Limited	England & Wales	1653502	HGV Truckstop	Ordinary £1 & 50%	
Watling Street Filling Station Limited	England & Wales	1786358	Petrol filling station	Ordinary £1 & 50%	
<b>Company</b>					<b>£000</b>
<i>Cost</i>					<b>6,069</b>
At 2 July 2017 and 1 July 2018					

### 11 Stocks

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Finished goods for resale	2,555	2,122	1,630	1,319

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £58,996,000 (2017: £54,968,000) for the Group and £39,760,000 (2017: £36,952,000) for the Company.

**Notes (continued)**

**12 Debtors**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	964	800	785	623
Other debtors	235	1,882	67	199
Amounts owed by group undertakings	-	-	41,122	41,261
Prepayments and accrued income	399	457	301	375
	<u>1,598</u>	<u>3,139</u>	<u>42,275</u>	<u>42,458</u>
Due within one year	1,598	3,139	1,153	1,197
Due after more than one year	-	-	41,122	41,261
	<u>1,598</u>	<u>3,139</u>	<u>42,275</u>	<u>42,458</u>

**13 Cash and cash equivalents**

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Cash at bank and in hand	10,933	9,541	2,613	3,813
	<u>10,933</u>	<u>9,541</u>	<u>2,613</u>	<u>3,813</u>

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

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loans	1,436	1,436	1,436	1,436
Trade creditors	5,668	5,139	3,784	3,207
Amounts owed to group undertakings	-	-	3,241	1,430
Corporation tax	278	383	128	299
Other taxation	1,460	1,557	1,381	1,483
Other creditors	1,862	2,257	782	1,322
Accruals and deferred income	2,465	2,167	1,987	1,643
	<u>13,169</u>	<u>12,939</u>	<u>12,739</u>	<u>10,820</u>

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

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Bank loans	24,492	25,928	24,492	25,928
Other creditors	11,066	11,492	11,066	11,492
	<u>35,558</u>	<u>37,420</u>	<u>35,558</u>	<u>37,420</u>

**Notes (continued)**

**16 Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
<b>Creditors falling due more after than one year</b>				
Secured bank loans	24,492	25,928	24,492	25,928
	<u>24,492</u>	<u>25,928</u>	<u>24,492</u>	<u>25,928</u>
<b>Creditors falling due in less than one year</b>				
Secured bank loans	1,436	1,436	1,436	1,436
	<u>1,436</u>	<u>1,436</u>	<u>1,436</u>	<u>1,436</u>

Included within secured bank loans are amounts repayable after five years by instalments of £17,317,000 (2017: £18,753,000). The Royal Bank of Scotland Plc has a legal charge, dated 12 June 2014, over the properties at Gloucester Services Northbound and Southbound, Upton, Gloucestershire.

*Terms and debt repayment schedule*

Group and company	Currency	Nominal interest rate	Year of maturity	2018 £000	2017 £000
Loan	GBP	3%	2036	28,700	28,700
				<u>28,700</u>	<u>28,700</u>

Whilst the loan reaches maturity in 2036 it is subject to a periodic renewal which, as explained in the basis of preparation, next falls on 31 July 2019. For the reasons explained in the basis of preparation the directors are confident that the loan will be successfully renewed.

The loans provided by the shareholders have no fixed repayment date. However the shareholders have granted the Company an unconditional right that these loans will not be recalled from at least twelve months from the date the balance sheet was signed.

**17 Pensions**

The Group contributes to staff personal pension schemes. The pension cost charge represents contributions payable by the Group to the pension scheme and amounted to £293,000 (2017: £268,000). There were accrued contributions of £53,000 (2017: £35,000) in respect of these schemes as at the balance sheet date.

**Notes (continued)**

**18 Deferred taxation**

**Group**

The movement in the deferred taxation provision during the period was:

	2018 £000	2017 £000
Provision brought forward	1,035	963
Profit and loss account movement arising during the period	225	72
	1,260	1,035
Provision carried forward	1,260	1,035

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

	2018 £000	2017 £000
Fixed asset timing differences	1,329	1,076
Short term timing differences	(69)	(41)
	1,260	1,035
	1,260	1,035

**Company**

The movement in the deferred taxation provision during the period was:

	2018 £000	2017 £000
Provision brought forward	133	145
Profit and loss account movement arising during the period	(1)	(12)
	132	133
Provision carried forward	132	133

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

	2018 £000	2017 £000
Fixed asset timing differences	173	173
Short term timing differences	(41)	(40)
	132	133
	132	133

**Notes (continued)**

**19 Government grants**

Group and company	2018 £000	2017 £000
<b>Received and receivable:</b>		
At beginning and end of the period	3,743	3,743
	<u>3,743</u>	<u>3,743</u>
<b>Amortisation:</b>		
At beginning of the period	3,743	3,743
	<u>3,743</u>	<u>3,743</u>
<b>At the end of the period</b>	<u>-</u>	<u>-</u>

The company has previously received a European Regional Development Fund Grant in respect of the development of Rheged amounting to £2,000,000. This grant was repayable in full if any of the terms of the grant are breached within a period of 20 years from 11 December 1995, a period which has now elapsed. As at 1 July 2018 £nil (2017: £nil) of this grant is included in deferred grants following the decision of the company to fully amortise the grants in the prior period.

**20 Operating leases**

Non-cancellable operating leases are payable as follows:

	2018		2017	
	Group £000	Company £000	Group £000	Company £000
Less than one year	215	215	215	215
Between one and five years	860	860	860	860
More than five years	1,666	1,666	1,881	1,881
	<u>2,741</u>	<u>2,741</u>	<u>2,956</u>	<u>2,956</u>

During the period £215,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £215,603).

**21 Related party transactions**

**Westmorland Motorway Services (1987) Pension Fund**

During the period the Company paid Westmorland Motorway Services (1987) Pension Fund, the directors' pension scheme, £145,000 (2017: £145,603) in respect of the rent of the Westmorland Hotel and £70,000 (2017: £70,000) in respect of Junction 38, properties owned by the pension scheme. Included in trade creditors is £64,500 (2017: £nil) outstanding at the period end.

**Mr JC Dunning**

The Company made purchases of £326,590 (2017: £301,472) from Mr JC Dunning, a director. Included in trade creditors is £11,683 (2017: £40,741) outstanding at the period end. The Company recharged goods and services to Mr JC Dunning to the value of £3,542 (2017: £nil). Included in trade debtors is £1,843 (2017: £nil) outstanding at the period end.

**Made By Us Limited**

Mrs SB Dunning is also a director of Made By Us Limited. During the period the Company made purchases of £885,229 (2017: £771,000) from Made By Us Limited and was recharged for goods and services to the value of £205,780 (2017: £Nil). Included in trade creditors is £237,695 (2017: £93,000) outstanding at the period end.

During the period the Company supplied meat and other goods and services to Made By Us Limited to the value of £265,503 (2017: £254,000). Included in trade debtors is £24,255 (2017: £30,000) outstanding at the period end.

## Notes (continued)

### 21 Related party transactions (continued)

#### Mrs SB Dunning

Loans from Mrs SB Dunning of £5,378,000 (2017: £5,378,000) are owed by the Company at the year end and are presented within other creditors due after more than one year. Interest is charged at a nominal interest rate of 3%. Mrs SB Dunning is a director of Westmorland Limited.

#### Mrs JM Lane

Loans from Mrs JM Lane of £5,378,000 (2017: £5,378,000) are owed by the Company at the year end and are presented within other creditors falling due after more than one year. Interest is charged at a nominal interest rate of 3%.

During the year £250,000 (2017: £nil) was repaid to Mrs JM Lane in respect of outstanding loan notes. £310,000 (2017: £560,000) remain outstanding at the balance sheet date and are presented within other creditors due after more than one year. Interest is charged at a nominal interest rate of 2%. Mrs JM Lane is a director of Westmorland Limited.

#### Saxon Holdings (North West) Limited

Included within other debtors is a loan of £33,000 (2017: £33,000) due to Tebay Gorge Services Limited from Saxon Holdings (North West) Limited, a company under the control of Mr JC Dunning, a director of Tebay Gorge Services Limited.

#### M6 Diesel Services Limited

During the period the Company received dividends of £100,000 (2017: £nil) from M6 Diesel Services Limited a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is £nil (2017: £1,428) outstanding at the period end.

#### M6 Diesel Limited

During the period the Group received dividends of £200,000 (2017: £100,000) from M6 Diesel Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. The Company also received commissions of £14,694 (2017: £15,792) from M6 Diesel Limited. Included in trade debtors is £2,272 (2017: £3,642) outstanding at the period end.

#### Watling Street Filling Station Limited

During the period the Group received dividends of £nil (2017: £100,000) from Watling Street Filling Station Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding.

#### Dieselbank Limited

During the period the Group received dividends of £70,000 (2017: £70,000) from Dieselbank Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding.

#### M6 Diesel Services Partnership

During the period the dissolution of the M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner, was finalised. £1,068,431 was drawn by Tebay Gorge Services Limited from the partnership in full and final settlement of the dissolution. Included in other debtors is £nil (2017: £619,932) outstanding at the period end.

No other transactions with related parties were undertaken such as are required to be disclosed under FRS 102.

#### Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the period amounted to £915,000 (2017: £445,000)



**Notes** *(continued)*

**22 Share capital**

	2018 No	2018 £000	2017 No	2017 £000
<b>Allotted, called up and fully paid:</b>				
Ordinary 'A' shares of £0.01 each	13,745	-	13,745	-
	13,745	-	13,745	-
	13,745	-	13,745	-

**23 Share premium account**

	2018 £000	2017 £000
<b>Group and company</b>		
Balance brought forward and carried forward	4,048	4,048
	4,048	4,048

**24 Ultimate parent company and parent company of a larger group**

The largest group within which these consolidated results are included and are publically available are these financial statements and Westmorland Limited is the ultimate controlling party of the Group. The ultimate controlling party is the family interests of the Dunning family.