Westmorland Limited

Directors' report and consolidated financial statements

Registered number 5357857

3 July 2011

Contents

Directors' report

The directors have pleasure in presenting their directors' report and financial statements of the company for the period ended 3 July 2011

Principal activities

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

In an uncertain and difficult economic environment, we are pleased with the business performance and with progress in developing our business for the longer term Turnover was £46 7m *(2010 £38 3m)* and operating profit was £1 67m (*2010 £1 79m*)

We invested in our existing business with a catering extension to our Northbound Motorway Service Area (MSA), improvements to our public facilities and enhanced office and retail IT systems Our longer term strategic objectives moved forward in December when we gained permission for a new MSA on the M5 at Gloucester We continue to seek funding for this project from a number of interested sources The costs incurred to date of £1 998m *(2010 £1 04m)* have been included within tangible fixed assets

The MSA business had a mixed year Our new farm shop extension at northbound proved a great success along with increased demand for take-away food in catering The business was however affected by prolonged cold weather in the run up to Christmas and the VAT increase in early January put pressure on our costs and pricing resulting in overall profit being modestly lower This business remains robust and resilient

As well as our catering extension we also completed the phased replacement of our retail IT systems to enhance our customer service and provide key business information Future capital investment will include the continued refurbishment of our catering and fuel facilities in our northbound site

Junction 38 truck stop suffered reduced footfall as high fuel prices affected our business and the businesses of our main customers As in the MSA business, reduced footfall reduces labour efficiency, which together with increases in rates and energy costs, put downward pressure on profitability

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

The Westmorland Hotel had a satisfactory year however profitability was reduced as conference business weakened during the year We continue to look for other sales opportunities Hotel accommodation outperformed 2010 through steady RevPar and increased occupancy KPI's are RevPar, occupancy, diner/sleeper ratios and average spends Principal risks include the impact of a poor economy through reduced occupancy and expenditure on conference business, and also price competition in a very competitive market

The Rheged Centre had a more challenging year after a strong previous year performance Visitor footfall fell slightly in a difficult economic environment We did however continue to upgrade and renew our retail offer with the new units performing very well An expanded retail offer will continue in 2012 Catering performed well and further investment in our catering offers will be made to enhance the visitor experience whilst improving operational efficiency Our forecourt business performed satisfactorily in spite of high fuel prices Our conference events and exhibitions business experienced a substantial shrinkage in the market but we continue to convert our share of a much smaller market We have established a high quality gallery that has been well received Early exhibitions included the Natural History Museum Photographer of the Year and WOW wool

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

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

Directors' report *(continued)*

Principal uncertainties are.

- Minimum wage and staff retention – many of our staff are employed at or close to the minimum wage Historically the Government has awarded above inflation pay increases Staff turnover can be high but training and competitive pay packages aim to mitigate this as far as possible
- Fuel prices – fuel prices have once again, risen significantly over the past year High fuel prices have an adverse impact on both fuel volumes sold and footfall
- 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 £1,301,000 (*2010 £1,573,000*) Particulars of dividends paid are details in note 8 to the financial statements

Directors

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

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

Disclosure of information to auditors

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

Auditors

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

7/2 2012

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 3 July 2011 set out on pages 6 to 27 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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

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 3 July 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent 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

14/2/ 2012

Consolidated Profit and Loss Account

for the period ended 3 July 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
Turnover (including equity accounting investments)					
Continuing operation		**46,761**		38,347	
Acquisition		**-**		5,931	
	2		**46,761**		44 278
Less Turnover of equity accounted investments			**(8,027)**		(5,369)
Turnover			**38,734**		38,909
Cost of sales			**(26,081)**		(25 632)
Gross profit			**12,653**		13,277
Administrative expenses			**(11,072)**		(11,103)
Other operating income			**63**		271
Share of income from equity accounted investments			**29**		21
Operating profit	*3*				
Continuing operation		**1,673**		1 790	
Acquisition		**-**		676	
			1,673		2,466
Interest receivable			**5**		9
Interest payable and similar charges	*6*		**(123)**		(133)
Profit on ordinary activities before taxation			**1,555**		2 342
Tax on profit on ordinary activities	*7*	**(243)**		(760)	
Share of tax from equity accounted investments	*7*	**(11)**		(9)	
			(254)		(769)
Profit for the financial period			**1,301**		1 573

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 3 July 2011

	Note	2011		2010	
		£000	**£000**	£000	£000
Fixed assets					
Tangible fixed assets	*9*		**21,911**		22,260
Negative goodwill	*10*		**(998)**		(1 370)
Equity accounted investments	*11*		**632**		614
			21,545		21,504
Current assets					
Stocks	*12*	**1,358**		1,470	
Debtors	*13*	**2,187**		2,788	
Cash at bank and in hand		**558**		1,384	
		4,103		5,642	
Creditors amounts falling due within one year	*14*	**(5,525)**		(8 735)	
Net current liabilities			**(1,422)**		(3,093)
Total assets less current liabilities			**20,123**		18,411
Creditors amounts falling due after more than one year	*15*		**(2,927)**		(2 201)
Provisions for liabilities					
Deferred taxation	*17*		**(466)**		(663)
Government grants	*18*		**(1,961)**		(2 056)
Net assets			**14,769**		13,491
Capital and reserves					
Called up share capital	*21*		**-**		-
Share premium account	*22*		**4,046**		4,046
Profit and loss account	*23*		**10,723**		9,445
Shareholders funds	*24*		**14,769**		13 491

These financial statements were approved by the board of directors on 7/2/ 2012 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 3 July 2011

	Note	2011		2010	
		£000	**£000**	£000	£000
Fixed assets					
Tangible fixed assets	*9*		**21,154**		20,576
Investments	*11*		**6,059**		6,059
			27,213		26 635
Current assets					
Stocks	*12*	**1,358**		1,470	
Debtors	*13*	**705**		802	
Cash at bank and in hand		**55**		1,067	
		2,118		3,339	
Creditors amounts falling due within one year	*14*	**(6,813)**		(8,408)	
Net current liabilities			**(4,695)**		(5 069)
Total assets less current liabilities			**22,518**		21,566
Creditors amounts falling due after more than one year	*15*		**(2,927)**		(2,201)
Provisions for liabilities					
Deferred taxation	*17*		**(466)**		(663)
Government grants	*18*		**(1,961)**		(2 056)
Net assets			**17,164**		16,646
Capital and reserves					
Called up share capital	*21*		**-**		-
Share premium account	*22*		**4,046**		4,046
Profit and loss account	*23*		**13,118**		12,600
Shareholders' funds	*24*		**17,164**		16,646

These financial statements were approved by the board of directors on 7/2/ 2012 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 3 July 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	*25*	**2,008**	2,463
Returns on investments and servicing of finance	*25*	**(116)**	(98)
Taxation	*25*	**(898)**	(1 012)
Capital expenditure and financial investment	*25*	**(1,589)**	(1,682)
Acquisitions	*25*	**-**	(89)
Equity dividends paid		**(23)**	(50)
Cash inflow/(outflows) before financing		**(618)**	(468)
Financing	*25*	**(1,023)**	1 138
(Decrease)/increase in cash	*25*	**(1,641)**	670

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Going concern

These accounts have been prepared on a going concern basis which the directors believe to be appropriate

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

Included within creditors due in more than one year is the Group's term loan which is due for repayment in September 2012 The repayment of this loan would cause a breach of the Group's existing overdraft facility if not renewed or replaced Negotiations to refinance the Group's facilities are encompassed within the negotiations to finance the building of the proposed new services on the M5 which is currently on-going and well advanced Irrespective of whether the M5 project continues, the Directors are of the opinion that the Group's facilities could be extended to cover the short term cash requirement and informal comfort has been obtained from the Group s banks

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 3 July 2011 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**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
United Kingdom	**46,761**	44,278	**38,734**	38 909

Notes *(continued)*

3 Operating profit

Operating profit is stated after charging/(crediting)

	2011 £000	2010 £000
Amortisation of government grants re fixed assets	(95)	(96)
Release of negative goodwill	(372)	(14)
(Profit)/loss on disposal of fixed assets	71	3
Depreciation of owned fixed assets	1,009	1,037
Operating lease costs – other	219	247
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	-	-

4 Particulars of employees

	2011 No	2010 No
Number of administrative staff	81	75
Number of operational staff	468	464
	549	539

The aggregate payroll costs of the above were

	2011 £000	2010 £000
Wages and salaries	6,111	5 912
Social security costs	406	399
Other pension costs	103	101
	6,620	6 412

5 Remuneration of directors

The directors aggregate remuneration in respect of qualifying services was

	2011 £000	2010 £000
Remuneration receivable	95	129

Notes *(continued)*

6 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable on bank borrowing	86	78
Interest payable on loans to related parties	37	50
Other interest payable	-	5
	123	133

7 Taxation on ordinary activities

(a) Analysis of charge in the period

	2011 £000	2010 £000
Current tax		
In respect of the period		
UK Corporation tax based on the results for the period at 27 5% (*2010 28%*)	430	778
Under provision in prior year	10	11
On share of income from equity accounted investments	11	9
	451	798
Deferred tax		
Origination and reversal of timing differences (note 17)		
Origination and reversal of timing differences	(161)	(29)
Change in applicable tax rate	(36)	-
Total deferred tax (note 17)	(197)	(29)
Tax on profit on ordinary activities	254	769

(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 27 5% (*2010 28%*)

	2011 £000	2010 £000
Profit on ordinary activities before taxation	1,555	2 342
Profit on ordinary activities by rate of tax of 27 5% (*2010 28%*)	428	656
Expenses not deductible for tax purposes	13	15
Depreciation for period in excess of capital allowances	152	146
Adjustments to tax charge in respect of previous periods	10	11
Other non taxable income	(147)	(30)
Marginal Relief	(5)	-
	451	798

Notes *(continued)*

8 Dividends

Equity dividends	2011 £000	2010 £000
Paid		
Equity dividends on ordinary shares	**23**	50
Proposed after the year end (not recognised as a liability)		
Equity dividends on ordinary shares	**20**	23

9 Tangible fixed assets

Group	Freehold Land & Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Long Term Project Costs £000	Total £000
Cost					
At beginning of period	21,719	8,371	86	1,039	31,215
Additions	-	614	16	959	1,589
Disposals	(925)	-	(29)	-	(954)
At end of period	20,794	8,985	73	1,998	31,850
Depreciation					
At beginning of period	2,238	6,673	44	-	8,955
Charge for year	441	556	12	-	1,009
On disposals	-	-	(25)	-	(25)
At end of period	2 679	7,229	31	-	9,939
Net book value					
At 3 July 2011	**18,115**	**1,756**	**42**	**1,998**	**21 911**
At 4 July 2010	19,481	1,698	42	1,039	22,260

Notes *(continued)*

9 Tangible fixed assets *(continued)*

	Freehold Land & Property £000	Fixtures & Fittings £000	Motor Vehicles £000	Long Term Project Costs £000	Total £000
Company					
Cost					
At beginning of period	20,033	8,315	86	1,039	29,473
Additions	-	614	16	959	1,589
Disposals	-	-	(29)	-	(29)
At end of period	20,033	8,929	73	1,998	31,033
Depreciation					
At beginning of period	2,235	6,618	44	-	8,897
Charge for year	440	555	12	-	1 007
On disposals	-	-	(25)	-	(25)
At end of period	2,675	7,173	31	-	9,879
Net book value					
At 3 July 2011	**17,358**	**1,756**	**42**	**1,998**	**21,154**
At 4 July 2010	17,798	1,697	42	1 039	20,576

The Tebay Services Stations, North and South, together with the caravan park were valued in August 2009 by Sanderson Weatherall LLP on an open market value for existing use basis at £25,000,000 (book value £15,139,000) This valuation has not been incorporated into the financial statements at 3 July 2011

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

10 Goodwill

	£000
Goodwill at 4 July 2010	(1,370)
Release on disposals	372
Goodwill at 3 July 2011	(998)

Notes *(continued)*

11 Investments

	Equity accounted investments £000
Group	
At 4 July 2010	614
Share of results	18
At 3 July 2011	632

	£000
Share of turnover of equity accounted investments	**8,027**
Share of assets	
Share of fixed assets	686
Share of current assets	1,126
Share of liabilities	1,812
Liabilities due within one year or less	(644)
Liabilities due in more than one year	(3)
Share of net assets	1,165

Notes *(continued)*

11 Investments *(continued)*

Group subsidiaries included in the consolidated financial statements are detailed below

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

Notes *(continued)*

11 Investments *(continued)*

Company

	£000
Company	
Cost	
At 4 July 2010 and 3 July 2011	6 059

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

Subsidiary undertakings	Nature of business	Country of incorporation	Financial period end	Class of shares	Holdings
Tebay Gorge Services Limited	HGV Roadside Services	England and Wales	4 July	Ordinary £1	100%
Tebay Garage Services Limited	Dormant	England and Wales	5 April	Ordinary £1	100%
Gloucestershire Gateway Limited	Dormant	England and Wales	30 June	Ordinary A £1	80%

12 Stocks

	Group 2011 £000	2010 £000	Company 2011 £000	2010 £000
Finished goods	**1,358**	1,470	**1,358**	1,470
	1,358	1,470	**1,358**	1 470

13 Debtors

	Group 2011 £000	2010 £000	Company 2011 £000	2010 £000
Trade debtors	**455**	611	**455**	482
Other debtors	**1,498**	1,940	**16**	87
Amounts owed to group undertakings	**-**	-	**8**	-
Prepayments and accrued income	**234**	237	**226**	233
	2,187	2,788	**705**	802

Notes *(continued)*

14 Creditors amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Bank loans and overdrafts	**1,566**	3,900	**1,566**	3,900
Trade creditors	**2,652**	3,108	**2,652**	3,105
Amounts owed to group undertakings	**-**	-	**1,426**	15
Corporation tax	**190**	637	**69**	328
Other taxation	**517**	483	**505**	455
Other creditors	**248**	176	**248**	176
Accruals and deferred income	**352**	431	**347**	429
	5,525	8,735	**6,813**	8,408

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

	2011	2010
	£000	£000
Bank loans	**1,566**	3 900
	1,566	3 900

15 Creditors amounts falling due after more than one year

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Bank loans and overdrafts	**2,186**	-	**2,186**	-
Other creditors	**741**	2,201	**741**	2,201
	2,927	2,201	**2,927**	2,201

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

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Bank loans and overdrafts	**2,186**	-	**2,186**	-

Notes *(continued)*

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

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

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Other creditors	**561**	1,961	**561**	1,961
	561	1 961	**561**	1 961

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 (*2010 £101,000*) There were accrued contributions to £nil (*2010 £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 (*2010 £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

	2011	2010
	£000	£000
Provision brought forward	**663**	692
Profit and loss account movement arising during the period	**(197)**	(29)
Provision carried forward	**466**	663

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

	2011	2010
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	**466**	663

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The reduction in the UK corporation tax rate from 28% to 26% was granted royal ascent on 23rd March 2011 and was effective from 1 April 2011 This will reduce the company's future current tax charge accordingly and therefore deferred tax has been provided at 26% 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

Notes *(continued)*

18 Government grants (Group and company)

	2011 £000	2010 £000
Received and receivable		
At beginning of the period	3,743	3,662
New grants received	-	81
	3,743	3,743
Amortisation		
At beginning of the period	1,687	1,591
Credit to profit and loss account	95	96
	1,782	1,687
At the end of the period	1,961	2,056

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 3 July 2011 £1,142,000 (*2010 £1,218,000*) of this grant is included in deferred grants

19 Commitments under operating leases

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

	2011		2010	
	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	3	3
After more than 5 years	217	-	240	-
	218	1	243	3

Notes *(continued)*

20 Related party transactions

Westmorland Motorway Services (1987) Pension Fund

During the period Westmorland Limited paid Westmorland Motorway Services (1987) Pension Fund, the directors' pension scheme, £125,000 (*2010 £125,000*) in respect of the rent of the Westmorland Hotel and £70,000 (*2010 £70,000*) in respect of Junction 38, a property owned by the pension scheme At the balance sheet date £49,000 (*2010 £57,000*) has been prepaid in respect of these transactions

Included within other creditors is a loan of £240,000 (*2010 £300,000*) from Westmorland Motorway Services (1987) Pension Fund

Mr JC Dunning

Westmorland Limited paid M/S JC Dunning £22,000 (*2010 £45,000*) in respect of the rent of the Farm Shops, and £nil *(2010 £210,000)* to purchase the Northbound farm shop on an arm's length basis At the balance sheet date £nil (*2010 £25,000*) remains outstanding in respect of these transactions The group also made purchases of £318,000 (*2010 £284,000*) from M/S JC Dunning At the balance sheet date £59,000 (*2010 £34 000*) remains outstanding in respect of these transactions

During the period Tebay Gorge Services Limited received £nil *(2010 £35 000)* from Mr JC Dunning in respect of the sale of land on an arm's length basis At the balance sheet date £nil *(2010 £41 000)* remains outstanding in respect of this transaction

Made By Us Limited

Mrs SB Dunning is also a director of Made By Us Limited During the year Westmorland Limited made purchases of £803,000 (*2010 £696,000*) from Made By Us Limited At the balance sheet date £68,000 (*2010 £67 000*) remains outstanding in respect of these transactions

Westmorland Limited supplied meat and related products to Made By Us Limited of the value of £113,000 *(2010 £91 000)* during the period £9,000 *(2010 £61,000)* remains outstanding at the period end

Mrs J Lane

During the period land with a value of £1,000,000 was transferred by Tebay Gorge Services limited to Mrs J Lane, a director in partial settlement of loan notes issued in the prior year by Westmorland limited

During the period a loan balance of £400 000 from Tebay Gorge Services limited to Mrs J Lane, a director, was offset against the remaining loan notes in Westmorland Limited In the previous period this balance was presented within other debtors

£561,000 (2010 £1,961,000) of the loan notes remains outstanding at the balance sheet date and are presented within other creditors due after more than one year

Saxon Holdings

Included within other debtors is a loan of £43,000 *(2010 £69,000)* 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 received management charges of £25,000 *(2010 £206,000)* 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 *(2010 £88,000)* remains outstanding in respect of these transactions

M6 Diesel Services Limited

During the period the company received management charges of £80,000 *(2010 £60,000)* from M6 Diesel Services Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding Included in other debtors is a £81 000 (*2010 £61,000*) outstanding at the period end

Notes (continued)

20 Related party transactions *(continued)*

Watling Street Filling Station Limited

During the period the company received management charges of £14,000 *(2010 £49,000)* from Watling Street Filling Station Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding Included in other debtors is a £14 000 (*2010 £49,000*) outstanding at the period end

Dieselbank Limited

During the period the company received management charges of £20,000 *(2010 £30,000)* from Dieselbank Limited a company in which Tebay Gorge Services Limited has a 50% shareholding Included in other debtors is a £20,000 (*2010 £30,000)* outstanding at the period end

M6 Diesel Services Partnership

During the period the company received management charges of £189,000, (*2010 £224,000*) from M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner At the balance sheet date £429,000 (*2010 £326 000*) 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

	2011 No	**2011 £000**	2010 No	2010 £000
Authorised shares capital				
Ordinary shares of £0 01 each	**20,000**	-	20 000	-
	20,000	-	20,000	-

	2011 No	**2011 £000**	2010 No	2010 £000
Allotted, called up and fully paid				
Ordinary shares of £0 01 each	**13,745**	-	13 745	-
	13,745	-	13,745	-

Notes *(continued)*

22 Share premium account

	2011 £000	2010 £000
Balance brought forward	**4,046**	256
Share Premium on shares issued in the period	**-**	3 790
Balance carried forward	**4,046**	4,046

23 Profit and loss account

	2011 £000	2010 £000
Group		
Balance brought forward	**9,445**	7,922
Profit for the financial period	**1,301**	1,573
Equity dividends	**(23)**	(50)
Balance carried forward	**10,723**	9 445

	2011 £000	2010 £000
Company		
Balance brought forward	**12,600**	7 912
Profit for the financial period	**541**	4,738
Equity dividends	**(23)**	(50)
Balance carried forward	**13,118**	12,600

24 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Group		
Profit for the financial period	**1,301**	1 573
Equity dividends	**(23)**	(50)
Share premium on issue of new shares	**-**	3 790
Net addition to shareholders' funds	**1,278**	5 313
Opening shareholders' funds	**13,491**	8 178
Closing shareholders funds	**14,769**	13 491

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

	2011 £000	2010 £000
Company		
Profit for the financial period	**541**	4,738
Equity dividends	**(23)**	(50)
Share premium on issue of new shares	**-**	3,790
Net addition to shareholders funds	**518**	8 478
Opening shareholders funds	**16,646**	8 168
Closing shareholders' funds	**17,164**	16,646

Notes *(continued)*

25 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2011 £000	2010 £000
Operating profit	1,673	2,466
Depreciation	1,009	1,037
Share of income from equity accounted investments	(18)	(21)
(Profit)/loss on disposal of fixed assets	(71)	3
Amortisation	(467)	(110)
Decrease/(increase) in stocks	112	(90)
Decrease/(increase) in debtors	201	(116)
(Decrease) in creditors	(431)	(706)
Net cash inflow from operating activities	2,008	2,463

Returns on investments and servicing of finance

	2011 £000	2010 £000
Interest received	5	9
Interest paid	(121)	(107)
Net cash outflow from returns on investments and servicing of finance	(116)	(98)

Taxation

	2011 £000	2010 £000
Taxation	(898)	(1,012)

Capital expenditure and financial investment

	2011 £000	2010 £000
Payments to acquire tangible fixed assets	(1,589)	(1 723)
Receipts from sale of fixed assets	-	41
Net cash outflow from capital expenditure	(1,589)	(1,682)

Acquisitions

	2011 £000	2010 £000
Payments to acquire subsidiaries	-	(308)
Cash acquired with subsidiaries	-	219
	-	(89)

Notes *(continued)*

25 Notes to the statement of cash flows *(continued)*

Financing

	2011 £000	2010 £000
Repayment of bank loans	(963)	(400)
Repayment of other loans	(60)	(60)
Repurchase of shares classed as financial liabilities	-	(1,483)
Receipts from new bank loans	-	3 000
Receipts from new grants	-	81
Net cash (outflow)/inflow from financing	(1 023)	1,138

26 Reconciliation of net cash flow to movement in net debt

	2011 £000	2010 £000
(Decrease)/increase in cash in the period	(1,641)	670
Net cash outflow from bank loans	963	400
Repurchase of shares classified as financial liabilities	-	1,483
Repayment of other loans	60	60
Receipts from new bank loans	-	(3 000)
New other loans	-	(1 961)
Other loan movement	-	3,289
Change in net debt	782	941
Opening net debt	(4,777)	(5 718)
Closing net debt	(3,995)	(4 777)

27 Analysis of changes in net debt

	4 July 2010 £000	Cash flows £000	Other Movements £000	3 July 2011 £000
Net cash				
Cash in hand and at bank	1 384	(826)	-	558
Overdrafts	-	(815)	-	(815)
Debt				
Debt due within 1 year	(3,960)	1,023	2,126	(811)
Debt due after 1 year	(2,201)	1,400	(2,126)	(2,927)
Net debt	(4,777)	782	-	(3,995)