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Chapel Beck Limited
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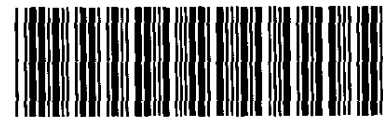
Chapel Beck Limited

**Annual report and consolidated
financial statements**

Registered number 11418553

30 June 2019

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Contents

Strategic report	1
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Chapel Beck Limited	6
Consolidated profit and loss account and other comprehensive income	9
Consolidated balance sheet	10
Company balance sheet	11
Consolidated statement of changes in equity	12
Company statement of changes in equity	13
Consolidated cash flow statement	14
Notes	15

Strategic report

The directors have pleasure in presenting their annual report and financial statements of the Group for the period ended 30 June 2019.

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, the Rheged Centre. During the period the Group acquired Westmorland Chapel Farm Limited whose principal activity was the operation of Low Chapel Farm.

The principal activity of the Company during the period was providing management services for the Group activities.

The Company was incorporated on 15 June 2018 and on 1 July 2018, through a share for share exchange, the Company acquired 100% of the Ordinary share capital of Westmorland Limited. As a result, from an accounting perspective, the principles of merger accounting have been applied and the results of the Group are presented with comparatives akin to a group re-organisation. Further details of the mechanics of the transaction are disclosed in note 1.

Financial performance

The business has demonstrated continued turnover growth over the last year, with growth in turnover to £105.2m (2018: £100.8m) which included £0.5m resulting from the acquisition of Westmorland Chapel Farm Limited. However, the decision to invest in colleague pay ahead of the National Living Wage has contributed to increasing costs this year. The business made further investment in its leadership team which incurred additional cost, and in its local communities through charitable donations of £345k (2018: £175k) to Cumbria Community Foundation and £509k (2018: £478k) to Gloucestershire Gateway Trust. The prior year also included dissolution of the M6 Diesel Services Partnership, in which Tebay Gorge Services Limited was a partner, resulting in a one off gain on dissolution of £609k and associated release of negative goodwill of £879k. Profit on ordinary activities before taxation fell to £3.3m (2018: £5.1m), which, given the above, was in line with expectations.

Fixed assets grew slightly to £71.2m (2018: £65.4m), with the most significant capital addition being £4.3m in fixed assets and £2.0m in investment properties from the acquisition of Westmorland Chapel Farm Limited along with the completion of the redevelopment of Cairn Lodge Services. A total of £3.8m (2018: £3.1m) was invested in the estate in the year. £1.5m (2018: £1.7m) of borrowing was repaid, with net debt decreasing to £23.6m (2018: £26.0m) although an increase in the base rate in August 2018 increased interest charges on 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 £11.8m (2018: £10.9m). Net assets grew to £40.3m (2018: £31.8m).

In December 2018 we completed a £3.0m investment in Cairn Lodge Services which has been welcomed by our customers. This gave Cairn Lodge a Farmshop supporting over 50 Scottish producers and a Kitchen serving homemade food, and also included the introduction of a Changing Place toilet, for those with more profound disabilities, which was the first to open on a Scottish motorway.

We also invested in the refurbishment of our Quick Kitchens at Tebay Services and Gloucester Services to allow for quick service, a better colleague experience and new products. In Gloucester we also opened two new outside Kitchens reflecting our offer inside but meaning customers are served quickly and able to enjoy our outside space, which are also great for dog owners.

Development of Rheged in Penrith started early in 2019, bringing together a new gallery, indoor play area and making space which opened later in 2019. During 2020 we are continuing to invest in Rheged with the refurbishment of our meeting rooms to open in May and the relocation of our Westmorland Family Support Office to Rheged of around 60 people.

During 2019 planning permission was submitted for a new Hotel in Gloucester, at the Southbound Services, with planning granted in 2020.

Strategic report *(continued)*

We have continued to strengthen the leadership team with experience throughout the year, including the appointment of new Chief Operating Officer. We have also continued to work with our 1,000 colleagues, delivering continued growth and ensuring the business remains a great place to work. Our third year of colleague survey saw both engagement and enablement scores, our chosen measures, increasing across the business. Colleague turnover has also continued to fall. We launched a new recruitment website and overhauled our applicant tracking systems to improve the experience for new colleagues and internal processes for our People team and Managers across the business.

We have continued to focus on our partnerships with local and regional producers across our business and we increased the number of buyers within our team to further support innovation. We launched a new sustainable range of clothing in our Farmshops, which marked a significant step change in our approach to sourcing. We support a movement of slow fashion and are working with likeminded partners for our range of clothing, who share our values as a business.

Progress has also been made in the business' work in the community. We launched a volunteer day for all 1,000 colleagues, which is a paid day to give back to the community. In this, the first year, over 5% of colleagues volunteered and our aim is to grow this to 10% of colleagues in the year ahead.

In Gloucestershire, the business' charity partner Gloucestershire Gateway Trust (the Trust) has received royalties of £509k from the business, which has been able to fund 8 (2018:7) beneficiary charities which are supporting the business' local communities. During the year the Trust invested in a new Community Food Cupboard Project, which includes daily collections from Gloucester Services, making food available free of charge 5 days a week to residents in need across the target community.

The business continues to build an endowment fund of £1m with Cumbria Community Foundation and is working closely with them on a strategic, multi-year programme enabling positive change in our direct communities. In the financial year to 30 June 2019 12 grants totalling £74k were made to a range of local projects. Five Cumbrian primary schools are being funded to take part in the Soil Association Food for Life Programme, learning to grow, cook and love good food. The schools work with their own cooks and local food providers to work through a system of certification of bronze, silver and gold. We are currently working to bronze status.

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 spend.

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.

Strategic report (continued)

Principal risks and uncertainties

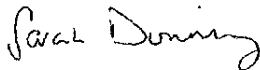
The business continues to monitor and mitigate its key risks and uncertainties:

- 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

3 February 2020

Directors' report

The directors have pleasure in presenting their directors' report and financial statements of the Group and Company for the period ended 30 June 2019.

Results and dividends

The profit for the period, after taxation, amounted to £2,413,000 (2018: £3,998,000). No dividends have been paid in the current period (2018: £nil).

Directors

The directors who served the Company during the period and up to the date of signing this report were as follows:

Mrs SB Dunning (appointed 15 June 2018)

Mrs JM Lane (appointed 15 June 2018)

Mr BM Gray (appointed 15 June 2018)

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

3 February 2020

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 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), 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Chapel Beck Limited

We have audited the financial statements of Chapel Beck Limited ("the Company") for the period ended 30 June 2019 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 Cash flow 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 30 June 2019 and of the group's profit for the year 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 the UK 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.

Independent auditor's report to the members of Chapel Beck Limited *(continued)*

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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 year 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.

Independent auditor's report to the members of Chapel Beck Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

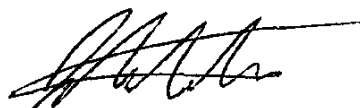
Auditor's responsibilities

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.

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.



David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

7 February 2020

Consolidated profit and loss account and other comprehensive income
for the period ended 30 June 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Turnover (including equity accounted investments)	2		105,218		100,780
Less: Turnover of equity accounted investments			(9,298)		(8,606)
			<hr/>		<hr/>
Turnover			95,920		92,174
Cost of sales			(72,963)		(70,142)
			<hr/>		<hr/>
Gross profit			22,957		22,032
Administrative expenses			(19,669)		(17,481)
Other operating income			391		657
Group's share of profit in Joint Ventures			577		821
			<hr/>		<hr/>
Operating profit	3		4,256		6,029
Interest receivable			26		17
Interest payable and similar charges	6		(979)		(922)
			<hr/>		<hr/>
Profit on ordinary activities before taxation			3,303		5,124
Tax on profit on ordinary activities	7	(776)		(1,015)	
Group's share of tax from Joint Ventures	7	(114)		(111)	
			<hr/>		<hr/>
			(890)		(1,126)
			<hr/>		<hr/>
Profit for the financial period			2,413		3,998
Other comprehensive income			-		-
			<hr/>		<hr/>
Total comprehensive income for the financial period			2,413		3,998
			<hr/>		<hr/>

The notes on page 15 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 30 June 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	8	71,242	65,388
Goodwill	9	17	57
Negative goodwill	9	(119)	(119)
Investment properties	10	1,970	-
Investments in joint ventures	10	1,502	1,409
		74,612	66,735
Current assets			
Stocks	11	2,864	2,555
Debtors	12	1,526	1,598
Cash at bank and in hand	13	11,841	10,933
		16,231	15,086
Creditors: amounts falling due within one year	14	(15,339)	(13,169)
Net current assets		892	1,917
Total assets less current liabilities		75,504	68,652
Creditors: amounts falling due after more than one year	15	(34,023)	(35,558)
Provisions for liabilities			
Deferred taxation	18	(1,160)	(1,260)
Government grants	19	-	-
Net assets		40,321	31,834
Capital and reserves			
Called up share capital	22	1	-
Consolidation reserve	24	4,047	4,048
Merger reserve	24	6,074	-
Profit and loss account		30,199	27,786
Shareholders' funds		40,321	31,834

The notes on page 15 to 31 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 3 February 2020 and were signed on its behalf by:



Mrs SB Dunning
Director

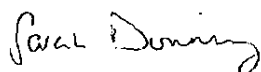
Company registered number: 11418553

Company balance sheet
at 30 June 2019

	<i>Note</i>	2019 £000	£000
Fixed assets			
Investments in subsidiaries	<i>10</i>		1
Current assets			1
Debtors	<i>12</i>	292	
Cash at bank and in hand	<i>13</i>	118	
		410	
Creditors: amounts falling due within one year	<i>14</i>	(409)	
Net current assets			1
Total assets less current liabilities			2
Net assets			2
Capital and reserves			
Called up share capital	<i>22</i>		1
Profit and loss account			1
Shareholders' funds			2

The notes on page 15 to 31 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 3 February 2020 and were signed on its behalf by:



Mrs SB Dunning
Director

Company registered number: 11418553

Consolidated statement of changes in equity

	Called up share capital	Consolidation reserve	Merger reserve	Profit and loss account	Total shareholders' equity
	£000	£000	£000	£000	£000
Balance at 3 July 2017	-	4,048	-	23,788	27,836
Total comprehensive income					
Profit for the period	-	-	-	3,998	3,998
Total comprehensive income	-	-	-	3,998	3,998
Balance at 1 July 2018	-	4,048	-	27,786	31,834
Total comprehensive income					
Profit for the period	-	-	-	2,413	2,413
Total comprehensive income	-	-	-	2,413	2,413
Total transactions with owners					
Issue of share capital	1	(1)	-	-	-
Acquisition of subsidiary with merger relief applied	-	-	6,074	-	6,074
Total transactions with owners	1	(1)	6,074	-	6,074
Balance at 30 June 2019	1	4,047	6,074	30,199	40,321

The notes on page 15 to 31 form an integral part of the financial statements.

Company statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total shareholders' equity £000
Balance on incorporation	-	-	-
Total comprehensive income			
Profit for the period	-	1	1
Total comprehensive income	-	1	1
Total transactions with owners recorded directly in equity			
Share capital issued on incorporation	1	-	1
Total transactions with owners	1	-	1
Balance at 30 June 2019	1	1	2

The notes on page 15 to 31 form an integral part of the financial statements.

Consolidated cash flow statement
for the period ended 30 June 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the period		2,413	3,998
Adjustments for:			
Depreciation, amortisation and impairment		2,245	1,882
Net share of income from equity accounted investments		(577)	(821)
Interest receivable and similar income		(26)	(17)
Interest payable and similar charges	6	979	922
Profit on sale of tangible fixed assets		(25)	(440)
Taxation	7	890	1,126
		<hr/> 5,899	<hr/> 6,650
Decrease in trade and other debtors		51	1,541
Decrease/(increase) in stocks		82	(433)
Increase/(decrease) in trade and other creditors		<hr/> 1,180	<hr/> (1,653)
		<hr/> 7,212	<hr/> 6,105
Interest paid		(652)	(593)
Tax paid		<hr/> (689)	<hr/> (896)
Net cash from operating activities		<hr/> <hr/> 5,871	<hr/> <hr/> 4,616
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		60	537
Interest received		26	17
Dividends received		423	370
Acquisition of tangible fixed assets		<hr/> (3,937)	<hr/> (2,463)
Net cash from investing activities		<hr/> (3,428)	<hr/> (2,289)
Cash flows from financing activities			
Repayment of borrowings		<hr/> (1,535)	<hr/> (1,685)
Net cash from financing activities		<hr/> (1,535)	<hr/> (1,685)
Net increase in cash and cash equivalents		<hr/> 908	<hr/> 1,392
Cash and cash equivalents at the beginning of the period		<hr/> 10,933	<hr/> 9,541
Cash and cash equivalents at the end of the period	13	<hr/> <hr/> 11,841	<hr/> <hr/> 10,933

The notes on page 15 to 31 form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

Chapel Beck 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")*. 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 30 June 2019 (2018: 52-week period ending 2 July 2018) within seven days of the end of the accounting reference period of 30 June 2019 as permitted by the Companies Act 2006.

Going concern

These financial statements have been prepared on a going concern basis notwithstanding the fact that bank loans, with an outstanding balance of £24,493,000 as at 30 June 2019, mature on 1 July 2020.

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 forward forecasts for the period ending at least twelve months from the date of their approval of these financial statements 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 due on 1 July 2020 and based upon the discussions held to date the directors are confident the bank loans will be successfully renewed.

Based on the above factors, 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 30 June 2019. 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 £1,066 (2018: £nil).

The company acquired Westmorland Limited on 1 July 2018 by way of a share for share exchange. Westmorland Limited was the previous Topco of the group. The shareholdings of the new Topco were identical to those of the old Topco following the share for share exchange. Accordingly, the principles of merger accounting have been applied. The results of the consolidated group are presented as if the old group has continued throughout the period and therefore comparative results for the period ended 30 June 2018 are shown. Although Chapel Beck Limited was the legal acquirer of Westmorland Limited, FRS102 dictates that in the circumstances of a group reconstruction and the insertion of a new Topco, the underlying group has not changed as a result of that reconstruction. The result of merger accounting is that the comparative results are identical to the comparative results previously reported for the group headed by Westmorland Limited, save for the fact that the capital related reserves balances are replaced with those of the new Topco. This creates a balancing reserve, called 'consolidation reserve'.

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 33%, 25% and 15% reducing balance p.a.
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.

Financial instruments

The Group, through Westmorland Chapel Farm Limited has issued Preference Shares which are redeemable at the Holder's option and so there is no set redemption date. As there is a cumulative right to a dividend the shares are treated as a financial liability under UK GAAP (with no element treated as equity based on fair value apportionment). The value of £519,906 is therefore within current liabilities falling due under one year rather than within reserves and dividends are shown within interest payable and similar expenses.

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.

Farm sales: the Group operates a farm selling sheep and cattle. Sales of goods are recognised on sales to the customer at the point of sales and are usually settled by cash, credit or payment card.

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.

	2019 £000	2018 £000
Sale of goods	92,963	89,306
Rendering of services	2,481	2,536
Commissions	476	332
Total turnover	95,920	92,174

	Turnover including equity accounted investments		Turnover excluding equity accounted investments	
	2019 £000	2018 £000	2019 £000	2018 £000
United Kingdom	105,218	100,780	95,920	92,174

Notes (continued)

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2019 £000	2018 £000
Auditor's remuneration – audit of the company financial statements	6	-
Auditor's remuneration – audit of subsidiaries and group financial statements	47	46
Auditor's remuneration – other fees, taxation services	16	5
	<u>69</u>	<u>51</u>

4 Staff numbers and costs

	2019 No	2018 No
Number of administrative staff	151	149
Number of operational staff	850	798
	<u>1,001</u>	<u>947</u>

The aggregate payroll costs of the above were:

	£000	£000
Wages and salaries	16,546	14,796
Social security costs	1,104	994
Other pension costs	359	293
	<u>18,009</u>	<u>16,083</u>

5 Remuneration of directors

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

	2019 £000	2018 £000
Directors' remuneration	873	467
Pension contributions to money purchase schemes	4	26
	<u>877</u>	<u>493</u>

The aggregate of remuneration of the highest paid director was £333,000 (2018: £171,000).

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

	2019 No.	2018 No.
Money purchase schemes	1	1

Notes (continued)

6 Interest payable and similar charges

	2019 £000	2018 £000
Interest payable on bank borrowing	647	594
Interest payable on loans from related parties	327	328
Interest payable on preference shares	5	-
	<u>979</u>	<u>922</u>

7 Taxation

	2019 £000	2018 £000
Current tax		
<i>In respect of the period:</i>		
UK Corporation tax based on the results for the period at 19% (2018: 19%)	588	790
Adjustments in respect of prior periods	288	-
On share of income from equity accounted investments	114	111
	<u>990</u>	<u>901</u>
Deferred tax		
Origination and reversal of timing differences (note 18)	(100)	225
	<u>890</u>	<u>1,126</u>
Total tax		
	<u>890</u>	<u>1,126</u>
	<u>2019 £000</u>	<u>2018 £000</u>
Profit for the year	2,413	3,998
Total tax expense	890	1,126
	<u>3,303</u>	<u>5,124</u>
Profit excluding taxation		
Tax using the UK Corporation tax rate of 19% (2018: 19%)	627	974
Non-deductible expenses	-	9
Adjustments in respect of prior periods	288	29
Reduction in rate of deferred tax balances	(259)	(20)
Permanent differences	234	134
	<u>890</u>	<u>1,126</u>

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 2019) 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 2018. This will reduce the company's future current tax charge accordingly. Any deferred tax at 30 June 2019 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

Group	Freehold land & buildings £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Total £000
Cost				
At beginning of period	70,512	15,057	79	85,648
Additions	4,454	3,564	80	8,098
Disposals	-	(24)	(33)	(57)
At end of period	74,966	18,597	126	93,689
Depreciation				
At beginning of period	10,357	9,870	33	20,260
Charge for period	1,095	1,092	19	2,206
Disposals	-	(19)	-	(19)
At end of period	11,452	10,943	52	22,447
Net book value				
At 30 June 2019	63,514	7,654	74	71,242
At 1 July 2018	60,155	5,187	46	65,388

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.

9 Goodwill

Group	Goodwill £000	Negative goodwill £000	Total £000
Cost			
At beginning and end of period	200	(998)	(798)
Amortisation			
At beginning of period	143	(879)	(736)
Amortisation charge for the period	40	-	40
At end of period	183	(879)	(696)
Goodwill at 30 June 2019	17	(119)	(102)
Goodwill at 1 July 2018	57	(119)	(62)

Notes (continued)

10 Investments

	Investment properties £000
Group Fair value	
Additions	1,970
	<hr/>
At 30 June 2019	1,970
	<hr/>
Net book value	
At 30 June 2019	1,970
	<hr/>
	Interests in joint ventures £000
Group	
At 1 July 2018	1,409
Share of results	463
Dividends received	(370)
	<hr/>
At 30 June 2019	1,502
	<hr/>
Share of turnover of joint ventures	
Share of assets	
Share of fixed assets	535
Share of current assets	2,083
	<hr/>
	2,618
Share of liabilities	
Liabilities due within one year or less	(771)
Liabilities due in more than one year	(10)
Fair value adjustments made at acquisition	(335)
	<hr/>
Share of net assets	1,502
	<hr/>

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
Subsidiary undertakings					
Westmorland Limited Westmorland Place, Orton, Penrith, Cumbria, CA10 3SB	England & Wales	05357857	Motorway services	Ordinary £1 & 100%	Ordinary £1 & 100%
Westmorland Chapel Farm Limited Westmorland Place, Orton, Penrith, Cumbria, CA10 3SB	England & Wales	11426945	Farming	Ordinary £1 & 100%	Ordinary £1 & 100%
Tebay Gorge Services Limited * Westmorland Place, Orton, Penrith, Cumbria, CA10 3SB	England & Wales	01039443	Holding company	Ordinary £1 & 100%	Ordinary £1 & 100%
Westmorland Motorway Services Limited * Westmorland Place, Orton, Penrith, Cumbria, CA10 3SB	England & Wales	01027246	Dormant	Ordinary £1 & 100%	Ordinary £1 & 100%
Gloucestershire Gateway Limited * Westmorland Place, Orton, Penrith, Cumbria, CA10 3SB	England & Wales	07002304	Motorway services	Ordinary £1 & 100%	Ordinary £1 & 100%
Joint ventures					
M6 Diesel Services Limited * Watling Street Filling Station, London Road, Flamstead, St. Albans, AL3 8HA	England & Wales	01261050	HGV Truckstop	Ordinary £1 & 50%	
M.6. Diesel Limited * Saredon Filling Station, Shareshill, Cannock Road, Wolverhampton, WV10 7LZ	England & Wales	01871115	HGV Truckstop	Ordinary £1 & 50%	
Dieselbank Limited * Tebay Interchange Service Station, Tebay, Penrith, CA10 3SS	England & Wales	01653502	HGV Truckstop	Ordinary £1 & 50%	
Watling Street Filling Station Limited * Flamstead Filling Station, London Road, Flamstead, St. Albans, AL3 8HA	England & Wales	01786358	Petrol filling station	Ordinary £1 & 50%	

*Held indirectly through Westmorland Limited

Westmorland Chapel Farm Limited was acquired by the Company on 1 July 2018.
Westmorland Limited was acquired by the Company on 1 July 2018.

Westmorland Chapel Farm Limited, a wholly owned subsidiary of Chapel Beck Limited, is exempt from the requirements of the Act relating to the audit of individual accounts by virtue of s479A.

Company	£000
Cost	
Balance brought forward	-
Acquisition of Westmorland Chapel Farm Limited and Westmorland Limited	1
	<hr/>
At 30 June 2019	1
	<hr/>

Acquisitions in the Company have both been recorded at cost.

Notes (continued)

11 Stocks

	Group
	2019 £000
	2018 £000
Finished goods for resale	2,864
	2,555

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £61,256,000 (2018: £58,996,000) for the Group and £nil (2018: £nil) for the Company.

12 Debtors

	Group	Company
	2019 £000	2018 £000
	2019 £000	2018 £000
Trade debtors	1,002	964
Other debtors	198	235
Amounts owed by group undertakings	-	-
Prepayments and accrued income	326	399
	1,526	1,598
	1,526	1,598
Due within one year	1,526	1,598
Due after more than one year	-	-
	1,526	1,598

13 Cash and cash equivalents

	Group	Company
	2019 £000	2018 £000
	2019 £000	2018 £000
Cash at bank and in hand	11,841	10,933
	11,841	10,933

14 Creditors: amounts falling due within one year

	Group	Company
	2019 £000	2018 £000
	2019 £000	2018 £000
Bank loans	1,436	1,436
Preference shares	520	-
Trade creditors	5,881	5,668
Corporation tax	466	278
Other taxation	1,681	1,460
Other creditors	2,113	1,862
Accruals and deferred income	3,242	2,465
	15,339	13,169

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group	
	2019 £000	2018 £000
Bank loans	23,057	24,492
Other creditors	10,966	11,066
	<u>34,023</u>	<u>35,558</u>

16 Interest-bearing loans and borrowings

	Group	
	2019 £000	2018 £000
Creditors falling due after more than one year		
Secured bank loans	23,057	24,492
	<u>23,057</u>	<u>24,492</u>
Creditors falling due in less than one year		
Secured bank loans	1,436	1,436
	<u>1,436</u>	<u>1,436</u>

Included within secured bank loans are amounts repayable after five years by instalments of £17,313,000 (2018: £18,755,000). 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	2019 £000	2018 £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, which are included in other creditors falling due after more than one year, 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 £359,000 (2018: £293,000). There were accrued contributions of £80,000 (2018: £53,000) in respect of these schemes as at the balance sheet date.

Notes (continued)

18 Deferred taxation

	Group	
	2019 £000	2018 £000
The movement in the deferred taxation provision during the period was:		
Provision brought forward	1,260	1,035
Profit and loss account movement arising during the period	(100)	225
Provision carried forward	<u>1,160</u>	<u>1,260</u>

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

	2019 £000	2018 £000
Fixed asset timing differences	1,528	1,329
Short term timing differences	(368)	(69)
	<u>1,160</u>	<u>1,260</u>

19 Government grants

	Group	
	2019 £000	2018 £000
Received and receivable:		
At beginning and end of the period	<u>3,743</u>	<u>3,743</u>
Amortisation:		
At beginning of the period	<u>3,743</u>	<u>3,743</u>
	<u>3,743</u>	<u>3,743</u>
At the end of the period	<u>-</u>	<u>-</u>

The Group 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 30 June 2019 £nil (2018: £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:

	Group	
	2019 £000	2018 £000
Less than one year	215	215
Between one and five years	910	860
More than five years	1,451	1,666
	<u>2,598</u>	<u>2,741</u>

During the period £231,098 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £215,000).

Notes (continued)

21 Related party transactions

Westmorland Motorway Services (1987) Pension Fund

During the period the Group paid Westmorland Motorway Services (1987) Pension Fund, the directors' pension scheme, £145,000 (2018: £145,000) in respect of the rent of the Westmorland Hotel and £70,000 (2018: £70,000) in respect of Junction 38, properties owned by the pension scheme. Included in trade creditors is £nil (2018: £64,500) outstanding at the period end.

Mr JC Dunning

The Group made purchases of £nil (2018: £326,590) from Mr JC Dunning, a director. Included in trade creditors is £nil (2018: £11,683) outstanding at the period end. The Group recharged goods and services to Mr JC Dunning to the value of £nil (2018: £3,542). Included in trade debtors is £nil (2018: £1,843) 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 Group made purchases of £995,949 (2018: £885,229) from Made By Us Limited and was recharged for goods and services to the value of £292,655 (2018: £205,780). Included in trade creditors is £97,423 (2018: £237,695) outstanding at the period end.

During the period the Group supplied meat and other goods and services to Made By Us Limited to the value of £268,913 (2018: £265,503). Included in trade debtors is £32,808 (2018: £24,255) outstanding at the period end.

Mrs SB Dunning

Loans from Mrs SB Dunning of £5,378,000 (2018: £5,378,000) are owed by the Group 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 (2018: £5,378,000) are owed by the Group 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 £100,000 (2018: £250,000) was repaid to Mrs JM Lane in respect of outstanding loan notes. £210,000 (2018: £310,000) 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.

M6 Diesel Services Limited

During the period the Group received dividends of £100,000 (2018: £100,000) from M6 Diesel Services Limited a company in which Tebay Gorge Services Limited has a 50% shareholding. Included in other debtors is £nil (2018: £nil) outstanding at the period end.

M. 6. Diesel Limited

During the period the Group received dividends of £200,000 (2018: £200,000) from M. 6. Diesel Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding. The Company also received commissions of £15,244 (2018: £14,694) from M. 6. Diesel Limited. Included in trade debtors is £nil (2018: £2,272) outstanding at the period end.

Watling Street Filling Station Limited

During the period the Group received dividends of £nil (2018: £nil) 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 (2018: £70,000) from Dieselbank Limited, a company in which Tebay Gorge Services Limited has a 50% shareholding.

M6 Diesel Services Partnership

During the prior year the dissolution of the M6 Diesel Services Partnership, in which Tebay Gorge Services Limited is a partner, was finalised. This year £nil (2018: £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 (2018: £nil) 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 £1,226,000 (2018: £915,000).

Notes (continued)

22 Share capital

	2019 No	2019 £000
Allotted, called up and fully paid:		
Ordinary 'A' shares of £0.01 each	96	-
Ordinary 'B' shares of £0.01 each	31,503	-
Ordinary 'C' shares of £0.01 each	43,172	-
Ordinary 'D' shares of £0.01 each	3,575	-
Ordinary 'E' shares of £0.01 each	3,575	-
Ordinary 'F' shares of £0.01 each	3,575	-
Ordinary 'G' shares of £0.01 each	7,252	-
Ordinary 'H' shares of £0.01 each	7,252	-
Ordinary 'Y' shares of £0.01 each	1	-
Ordinary 'Z' shares of £0.01 each	1	-
	100,002	1

The Company was incorporated on 15 June 2018 with 92 Ordinary 'A' shares, 31,182 Ordinary 'B' shares, 42,475 Ordinary 'C' shares, 3,539 Ordinary 'D' shares, 3,539 Ordinary 'E' shares, 3,539 Ordinary 'F' shares, 7,180 Ordinary 'G' shares, 7,180 Ordinary 'H' shares, 1 Ordinary 'Y' share and 1 Ordinary 'Z' share, all of £0.01 each settled in cash.

On 1 July 2018 a further 2 Ordinary 'A' shares, 161 Ordinary 'B' shares, 214 Ordinary 'C' shares, 18 Ordinary 'D' shares, 18 Ordinary 'E' shares, 18 Ordinary 'F' shares, 36 Ordinary 'G' shares and 36 Ordinary 'H' shares, all of £0.01 each, were issued in consideration for the acquisition of shares in Westmorland Limited.

On the same day a further 2 Ordinary 'A' shares, 160 Ordinary 'B' shares, 213 Ordinary 'C' shares, 18 Ordinary 'D' shares, 18 Ordinary 'E' shares, 18 Ordinary 'F' shares, 36 Ordinary 'G' shares and 36 Ordinary 'H' shares, all of £0.01 each, were issued in consideration for the acquisition of shares in Westmorland Chapel Farm Limited.

The Company has applied merger relief to both of the above acquisitions and consequently share premium has not been recognised.

The Ordinary 'A' shares are non-redeemable and entitle the holder to one vote on a show of hands and one vote for every share of which he/she is the holder on a poll vote. The Ordinary 'A' shares do not entitle the holder to:

- (a) receive dividends; or
- (b) receive a return on capital.

The Ordinary 'B', 'C', 'D', 'E', 'F', 'G', and 'H' shares do not entitle the holder to vote in any circumstances and are non-redeemable, but do entitle the holder to:

- (a) receive dividends; and
- (b) on a return of assets on liquidation or winding up, the surplus assets of the company remaining after the payment of or provision for its liabilities shall be distributed (to the extent that the company is lawfully able to do so):
 - (i) firstly, amongst the holders of capital shares the sum of £0.01 per capital share;
 - (ii) secondly, to the holders of 'Y' shares and 'Z' shares the sum of £0.01 per share;
 - (iii) thirdly, to the holders of 'A' shares, the sum of £0.01 per a share; and
 - (iv) finally, the balance of any such assets shall be distributed amongst the holders of the capital shares in proportion to the nominal amounts paid up or credited as paid up on the capital shares held by the holders respectively as if they all constituted the same class of share.

The Ordinary 'Y' and 'Z' shares do not entitle the holder to vote in any circumstances and are non-redeemable but do entitle the holder to:

- (a) receive dividends at the discretion of the board; and
- (b) on a return of assets on liquidation or winding up, the surplus assets of the company remaining after the payment of or provision for its liabilities shall be distributed (to the extent that the company is lawfully able to do so):
 - (i) firstly, amongst the holders of capital shares the sum of £0.01 per capital share;
 - (ii) secondly, to the holders of 'Y' shares and 'Z' shares the sum of £0.01 per share;
 - (iii) thirdly, to the holders of 'A' shares, the sum of £0.01 per a share; and
 - (iv) finally, the balance of any such assets shall be distributed amongst the holders of the capital shares in proportion to the nominal amounts paid up or credited as paid up on the capital shares held by the holders respectively as if they all constituted the same class of share.

Notes (continued)

23 Acquisition

On 1 July 2018 the Group acquired 100% of the share capital of Westmorland Chapel Farm Limited by means of a share for share exchange. 10,000 £0.01 shares were issued at a cost of £100. The acquisition has been recorded at cost in the financial statements of the Company, but as required under FRS102, at fair value in the consolidated accounts, that being £6.1m.

	£000
Consideration as at 1 July 2018	
Shares issued (at fair value)	6,074
	<hr/>
Total consideration	6,074
	<hr/>

Recognised amounts of identifiable assets acquired, and liabilities assumed

	Book value £000	Adjustments £000	Fair value £000
Assets			
Property, plant and equipment	6,181	-	6,181
Trade and other receivables	466	-	466
Cash and cash equivalents	177	-	177
	<hr/>	<hr/>	<hr/>
	6,824	-	6,824
Liabilities			
Trade and other payables	(231)	-	(231)
Borrowings	(519)	-	(519)
	<hr/>	<hr/>	<hr/>
	750	-	750
	<hr/>	<hr/>	<hr/>
Total identifiable assets	6,074	-	6,074
	<hr/>	<hr/>	<hr/>

£nil goodwill was recognised on the acquisition as the fair value of net assets acquired equated to the fair value of consideration.

Westmorland Chapel Farm Limited contributed £541k to revenue and £nil to profit before tax to consolidated results of the Group during the period.

24 Reserves

The consolidation reserve arises as a result of the treatment of merger accounting in respect of the acquisition of Westmorland Limited and Chapel Beck Limited.

The merger reserve arises on consolidation. This is in respect of the acquisition of Westmorland Chapel Farm Limited by Chapel Beck Limited which was accounted for at cost in the company only financial statements. The merger reserve on consolidation reflects the recording the consideration for that acquisition in the Group accounts at fair value as required under FRS102.

25 Ultimate parent company

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