

Eddie Stobart Limited

Financial statements

For the year ended 28 February 2005



Company information

Company registration number :	995045
Registered office :	Brunthill Road Kingstown Industrial Estate Carlisle Cumbria CA3 0EH
Directors :	W A Tinkler W Stobart R E C Butcher
Secretary :	R E C Butcher
Bankers :	HSBC Bank plc 100 King Street Manchester M60 2HD
Solicitors :	Addleshaw Goddard 100 Barbirolli Square Manchester M2 3AB Hammonds Trinity Court 16 John Dalton Street Manchester M60 8HS Burnetts 6 Victoria Place Carlisle CA1 1ES
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Chairman's statement	3
Report of the directors	4 – 5
Report of the independent auditors	6 – 7
Principal accounting policies	8 – 9
Profit and loss account	10
Note of historical cost profits and losses	10
Balance sheet	11
Notes to the financial statements	12 – 20

Chairman's statement

The year ended 28 February 2005 has proved to be a successful year for Eddie Stobart Limited ("the company") in light of its recent history.

As reported in my statement in last year's accounts, following the acquisition of the company on 6 February 2004 by W A Developments International Limited, the management team has been and will continue to be strengthened. In addition operational procedures have been and continue to be enhanced, management information systems improved and the business de-risked. These changes along with a more rigorous approach to trading have and are continuing to improve the operating performance of the business units within the company. The improvements have enhanced customer confidence which in turn has led to significant new contract wins.

A significant investment programme in new vehicles and equipment has been and continues to be undertaken which has simultaneously provided an opportunity to update the Eddie Stobart livery. The new livery builds on the old identity to present a powerful new and fresh image.

This year's performance and the changes made and future planned changes together will provide a firm foundation for future years. I would like to thank all employees for their diligent work and support to date.



W A Tinkler
Chairman

14 September 2005

Report of the directors

The directors present their report together with the audited financial statements for the year ended 28 February 2005.

Principal activities

The company provides haulage and distribution services, and warehousing facilities and services throughout the United Kingdom and Europe.

Business review

The profit for the year after taxation amounted to £1,989,000 (2004 : loss £8,632,000). The directors do not recommend the payment of a dividend (2004 : £Nil) and the profit has been transferred to reserves.

Directors

The directors who served on the Board during the year are listed below. All directors served throughout the year unless otherwise indicated.

W A Tinkler
W Stobart
R E C Butcher
M R Stewart (resigned 29 October 2004)

The directors have no interest in the share capital of the company. The interests of the directors in the share capital of the ultimate parent undertaking, W A Developments International Limited, are disclosed in the financial statements of that company.

Donations

Charitable donations totalling £2,051 (2004 : £511) were made during the year. There were no political donations during the year.

Disabled persons

The company's policy is that any vacancy which arises is open to disabled persons, provided that they are able to fulfil the functions required by that job. Employees who have been injured or become disabled in the course of their employment are considered for other suitable vacancies.

Employee involvement

Employees are kept informed about the progress and position of the company by means of regular departmental meetings and newsletters.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those 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 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 company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



R E C Butcher
Secretary

14 September 2005

Report of the independent auditors to the members of Eddie Stobart Limited

We have audited the financial statements of Eddie Stobart Limited for the year ended 28 February 2005 which comprise the principal accounting policies, the profit and loss account, the note of historical cost profits and losses, the balance sheet and notes 1 to 23. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Chairman's statement and the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Grant Thornton 

Report of the independent auditors to the members of Eddie Stobart Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

14 September 2005

Principal accounting policies

Basis of preparation

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

The company is exempt from preparing consolidated financial statements on the grounds that it qualifies under Section 229 of the Companies Act 1985 as a wholly owned subsidiary of a company registered in England and Wales for which consolidated financial statements are prepared. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year, and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18, and consider them to be the most appropriate to the company's circumstances.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost or valuation less estimated residual value of all tangible fixed assets in equal annual instalments over their expected useful economic lives.

The rates generally applicable are :

Freehold property	2% straight line
Leasehold property	1% straight line, or period of lease if shorter
Vehicles and trailers	12%–20% straight line
Plant and machinery	15%–20% straight line
Fixtures and fittings	20%–33% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Deferred income

Deferred income is deferred profit attributable to the sale and lease back of properties formerly owned by the company. The balance is to be released to the profit and loss account over the relevant period of the lease.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Contributions to pension schemes

The group operates a defined contribution pension scheme for the benefit of the directors and employees, and a self-administered defined contribution scheme for the benefit of certain directors. The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with FRS 1 (Revised) on the basis that the ultimate parent undertaking has prepared a consolidated cash flow statement.

Profit and loss account

	Note	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Turnover – continuing operations	1	119,273	134,198
Cost of sales		<u>(103,703)</u>	<u>(121,683)</u>
Gross profit		15,570	12,515
Other operating income	2	1,541	–
Administrative expenses:			
– exceptional operating expenses	3	–	(4,413)
– other		<u>(14,277)</u>	<u>(16,157)</u>
Total administrative expenses		<u>(14,277)</u>	<u>(20,570)</u>
Operating profit/(loss) – continuing operations		<u>2,834</u>	<u>(8,055)</u>
Net interest	5	<u>(1,387)</u>	<u>(1,822)</u>
Profit/(loss) on ordinary activities before taxation	1	1,447	(9,877)
Tax on profit/(loss) on ordinary activities	6	542	1,245
Profit/(loss) for the financial year	16	<u>1,989</u>	<u>(8,632)</u>

There were no recognised gains or losses for the year other than the results disclosed above.

Note of historical cost profits and losses

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Profit/(loss) on ordinary activities before taxation	1,447	(9,877)
Realisation of property revaluation gains of previous years	–	1,700
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	–	21
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,447</u>	<u>(8,156)</u>
Historical cost profit/(loss) for the financial year	<u>1,989</u>	<u>(6,911)</u>

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2005 £000	2004 £000
Fixed assets			
Tangible assets	7	17,101	17,838
Investments	8	200	200
		<u>17,301</u>	<u>18,038</u>
Current assets			
Stocks	9	402	419
Debtors	10	26,145	24,375
Cash at bank and in hand		1,580	1,205
		<u>28,127</u>	<u>25,999</u>
Creditors : amounts falling due within one year	11	<u>(27,186)</u>	<u>(28,984)</u>
Net current assets/(liabilities)		941	(2,985)
Total assets less current liabilities		<u>18,242</u>	<u>15,053</u>
Creditors : amounts falling due after more than one year	12	(8,417)	(6,721)
Deferred income	14	(105)	(601)
Net assets		<u><u>9,720</u></u>	<u><u>7,731</u></u>
Capital and reserves			
Called up share capital	15	1,000	1,000
Profit and loss account	16	8,720	6,731
Equity shareholders' funds	17	<u><u>9,720</u></u>	<u><u>7,731</u></u>

The financial statements were approved by the Board of Directors on 14 September 2005.

W A Tinkler



Director

Notes to the financial statements

1 Turnover and profit/(loss) on ordinary activities before taxation

The turnover and profit/(loss) on ordinary activities before taxation are attributable to the principal activity of the company.

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
An analysis of turnover by geographical market is set out below.		
United Kingdom	118,231	133,044
Europe	1,042	1,154
	<u>119,273</u>	<u>134,198</u>

The profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Depreciation:		
– owned assets	1,846	3,034
– assets held under finance lease	2,578	2,848
Auditors' remuneration:		
– audit services	28	25
– non audit services	20	4
Operating lease payments:		
– land and buildings	9,143	9,802
– other	7,841	9,207
Profit on sale of fixed assets	(476)	(375)
Release of deferred income (note 14)	(496)	(577)

2 Other operating income

During the year the company received a refund of surplus from the Eddie Stobart Limited Pension Scheme of £1,541,000 before a tax deduction of £539,000 (see note 6).

3 Exceptional operating expenses

The exceptional operating expenses in the previous period related to various fair value adjustments made following the acquisition of the company by W A Developments International Limited, specifically in relation to impairment of certain fixed assets and provisions for onerous leasing contracts.

4 Directors and employees

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Staff costs during the year were as follows :		
Wages and salaries	38,712	44,878
Social security costs	3,499	4,057
Other pension costs	301	393
	42,512	49,328

	Year ended 28 February 2005 Number	Period ended 29 February 2004 Number
The average number of employees during the year was as follows :		
Drivers	967	857
Warehousing and garage	283	319
Administration and support staff	267	304
	1,517	1,480

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Remuneration in respect of directors during the year was as follows :		
Emoluments and benefits in kind	255	1,049
Compensation for loss of office	—	30
Pension contributions	24	46
	279	1,125

During the year 3 (2004: 3) directors participated in money purchase pension schemes.

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Remuneration in respect of the highest paid director was as follows:		
Emoluments and benefits in kind	81	395
Pension contributions	12	—
	93	395

5 Net interest

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
On bank loans and overdrafts	593	1,163
Finance lease interest	698	601
Other interest	96	58
	1,387	1,822

6 Tax on profit/(loss) on ordinary activities

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
The tax credit represents:		
UK Corporation tax at 30% (2004 : 30%)	—	(42)
UK Corporation tax at 35% on pension contribution refund (note 2)	539	—
Adjustment in respect of prior years	(128)	(12)
	411	(54)
Deferred tax (note 13)	(953)	(1,191)
	(542)	(1,245)

Factors affecting the tax credit for the year

The difference between the actual tax assessed for the year and the expected tax based on the standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%) is explained as follows :

	Year ended 28 February 2005 £000	Period ended 29 February 2004 £000
Profit/(loss) on ordinary activities before taxation	1,447	(9,877)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	434	(2,963)
Effect of:		
Expenses not deductible for tax purposes	84	21
Capital allowances for the year in excess of depreciation	(276)	1,510
Group relief	766	—
Difference in tax rate for pension refund	77	—
Other timing differences	(546)	1,390
Adjustment in respect of prior years	(128)	(12)
Current tax charge/(credit) for the year	411	(54)

7 Tangible fixed assets

	Freehold property £000	Leasehold property £000	Vehicles and trailers £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost						
At 1 March 2004	2,756	3,418	29,399	4,174	1,823	41,570
Additions	–	17	7,119	365	245	7,746
Transfers	(82)	82	–	–	–	–
Disposals	(2,674)	–	(6,362)	(71)	–	(9,107)
At 28 February 2005	<u>–</u>	<u>3,517</u>	<u>30,156</u>	<u>4,468</u>	<u>2,068</u>	<u>40,209</u>
Depreciation						
At 1 March 2004	43	1,720	17,508	3,148	1,313	23,732
Provided in the year	19	346	3,282	498	279	4,424
Transfers	(22)	22	–	–	–	–
Disposals	(40)	–	(5,007)	(1)	–	(5,048)
At 28 February 2005	<u>–</u>	<u>2,088</u>	<u>15,783</u>	<u>3,645</u>	<u>1,592</u>	<u>23,108</u>
Net book amount						
At 28 February 2005	<u>–</u>	<u>1,429</u>	<u>14,373</u>	<u>823</u>	<u>476</u>	<u>17,101</u>
At 29 February 2004	<u>2,713</u>	<u>1,698</u>	<u>11,891</u>	<u>1,026</u>	<u>510</u>	<u>17,838</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows :

	Vehicles and trailers £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Net book amount at 28 February 2005	<u>13,402</u>	<u>283</u>	<u>66</u>	<u>13,751</u>
Net book amount at 29 February 2004	<u>9,976</u>	<u>554</u>	<u>42</u>	<u>10,572</u>
Depreciation provided in the year	<u>2,371</u>	<u>159</u>	<u>48</u>	<u>2,578</u>

8 Fixed asset investments

	Subsidiary undertakings £000
Cost and net book amount	
At 1 March 2004 and 28 February 2005	<u>200</u>

Fixed asset investments (continued)

At 28 February 2005 the company owned 100% of the issued share capital of the following subsidiary undertakings :

Name of subsidiary	Class of share capital held	Nature of business	Country of incorporation
TVFB Limited	Ordinary	Dormant	England and Wales
Eddie Stobart Insurance Limited	Ordinary	Insurance	Isle of Man

9 Stocks

	2005	2004
	£000	£000
Fuel and lubricants	402	389
Other	—	30
	402	419

10 Debtors

	2005	2004
	£000	£000
Trade debtors	12,599	12,160
Amounts due from group companies	6,936	6,761
Amounts due from related companies (note 22)	167	109
Corporation tax recoverable	51	—
Deferred taxation (note 13)	1,130	177
Prepayments and accrued income	5,239	5,146
Directors' loan accounts (note 22)	23	22
	26,145	24,375

11 Creditors : amounts falling due within one year

	2005	2004
	£000	£000
Bank overdraft	7,077	5,770
Bank loans	—	135
Trade creditors	2,719	3,250
Corporation tax	—	12
Amounts due to group companies	2,027	1,132
Amounts owed to related companies	—	900
Social security and other taxes	2,541	2,293
Other creditors	799	816
Accruals and deferred income	8,995	11,416
Amounts due under finance leases (note 12)	3,028	3,260
	27,186	28,984

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

12 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Bank loans	—	1,526
Amounts due under finance leases	8,417	5,195
	<u>8,417</u>	<u>6,721</u>

Following the disposal of the freehold property, the company repaid the outstanding bank loans during the year. Amounts due under finance leases are secured on the assets to which they relate and are repayable as follows :

	2005 £000	2004 £000
Within one year	3,028	3,260
Between one and two years	2,358	2,183
Between two and five years	4,875	2,410
In five years or more	1,184	602
	<u>11,445</u>	<u>8,455</u>

13 Deferred taxation

The movement on the deferred tax asset during the year was as follows :

	£000
At 1 March 2004	177
Credited to profit and loss account	953
At 28 February 2005	<u>1,130</u>

Deferred taxation is calculated using a tax rate of 30% and is set out below.

	2005 £000	2004 £000
Accelerated capital allowances	770	—
Short term timing differences	360	177
	<u>1,130</u>	<u>177</u>

Deferred taxation (continued)

In addition to the above, the company has a further potential deferred tax asset of £3,482,000 (2004 : £4,439,000) which has not been recognised in the financial statements, as set out below. This asset will be recoverable to the extent that sufficient trading profits arise in the future.

	2005 £000	2004 £000
Accelerated capital allowances	2,796	2,875
Other timing differences	21	810
Trade losses	916	1,005
Rolled over taxable gains	(251)	(251)
	<u>3,482</u>	<u>4,439</u>

The potential deferred tax liability in respect of rolled-over taxable gains has not been provided in accordance with FRS 19.

14 Deferred income

	£000
At 1 March 2004	601
Released during the year	(496)
At 28 February 2005	<u>105</u>

In previous years the company has entered into various sale and leaseback arrangements. In accordance with SSAP 21, the excess of sale proceeds over the vacant possession value of the properties is being released to the profit and loss account over the period to the first rent review.

15 Share capital

	2005 £000	2004 £000
Authorised		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 Profit and loss account

	£000
At 1 March 2004	6,731
Retained profit for the financial year	1,989
At 28 February 2005	<u>8,720</u>

17 Reconciliation of movement in equity shareholders' funds

	2005 £000	2004 £000
Retained profit/(loss) for the financial year	1,989	(8,632)
Opening equity shareholders' funds	7,731	16,363
Closing equity shareholders' funds	<u>9,720</u>	<u>7,731</u>

18 Capital commitments

	2005 £000	2004 £000
Contracted for but not provided in these financial statements	<u>—</u>	<u>21</u>

19 Pension costs

The group operates a defined contribution pension scheme for the benefit of the directors and employees, and a self-administered defined contribution scheme for the benefit of certain directors. The assets of the schemes are administered by trustees in funds independent from those of the group.

20 Contingent liabilities

There is an unlimited bank cross guarantee arrangement between the members of the sub-group headed by Eddie Stobart Group Limited. The maximum potential liability at 28 February 2005 was £2,297,973 (2004 : £2,544,126).

21 Leasing commitments

Operating lease payments amounting to £13,219,000 (2004 : £17,093,000) are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings £000	2005 Other £000	Land and buildings £000	2004 Other £000
In one year or less	—	724	17	1,465
Between one and five years	1,199	3,610	588	5,850
In five years or more	7,686	—	9,114	59
	<u>8,885</u>	<u>4,334</u>	<u>9,719</u>	<u>7,374</u>

22 Transactions with directors and related parties

	Amount outstanding		Maximum liability during year
	2005 £000	2004 £000	
Directors' loans			
W Stobart	–	22	27
A Tinkler	23	–	23
	23	22	50

No interest was charged on the loans during the year.

Other related party transactions

As a wholly owned subsidiary of W A Developments International Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by W A Developments International Limited.

Related party transactions during the year were as follows :

- i The company sold goods and services to, and purchased goods and services from, W A Developments Limited, a company of which W Stobart and W A Tinkler are directors and shareholders, to the values of £57,282 (2004 : £769,602) and £991,237 (2004 : £117,957) respectively. The balance owed by W A Developments Limited at 28 February 2005 amounted to £166,921 (2004 : £108,659) and is disclosed within debtors.
- ii During the year the company occupied various properties which were owned by the Eddie Stobart Limited Pension Scheme up to 1 December 2004. The total rent paid to the pension scheme during the year amounted to £188,044 (2004 : 550,777). In addition, during the year ended 28 February 2005, the company repaid the outstanding loan of £900,000 to the pension scheme.

23 Ultimate parent undertaking

The ultimate parent undertaking is W A Developments International Limited, a company incorporated in England and Wales. Copies of the group consolidated financial statements are available from Companies House.