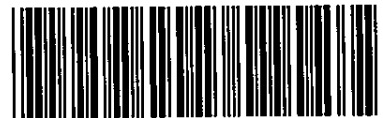


# **Eddie Stobart Limited**

## **Directors' Report and Financial Statements**

For the year ended 28 February 2013

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COMPANIES HOUSE

**Company Information**

**Directors**

W A Tinkler  
W Stobart  
R E C Butcher  
D K Meir  
B M Whawell

**Secretary**

R E C Butcher

**Bankers**

Royal Bank of Scotland Plc  
Waterloo Street  
Bolton BL1 8FH

**Auditors**

KPMG Audit Plc  
St James' Square  
Manchester  
M2 6DS

**Registered Office**

Stretton Green Distribution Park  
Appleton  
Warrington  
Cheshire WA4 4TQ

**Registered Number**

995045

## Directors' report

The directors present their report and financial statements for the year ended 28 February 2013

### Results and proposed dividend

The profit for the year, after taxation, amounted to £223,000 (2012 £13,632,000) The directors have made a dividend payment during the year of £Nil (2012 £18,000,000)

### Principal activity and review of the business

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

The company's key performance indicators during the year were as follows

	2013 £	2012 £
Business revenue	449.5m	473.9m
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	13.5m	33.1m
Profit before tax	1.7m	16.5m
Average number of employees	4,437	4,845

Within the core operating units, operational performance continues to improve through our 'Time-Based Planning' system and the subsequent business decisions that this data enables us to make. At the heart of these operations, we continuously work in close collaboration and partnership with our customers to improve the service levels and through this have achieved more incentive payments than we had anticipated.

We have achieved fuel savings, not only as a consequence of our planning systems, but also through updating the vehicle fleet and applying fuel monitoring technology. We were also awarded funding from the Technology Strategy Board to further explore dual fuel for our trucks, this being an acknowledgement from Government of our success in the commercial exploitation of innovation. We will also be focussing attention on vehicle maintenance costs as we believe we can achieve further improvements in this area.

In March 2013 we were delighted to formally announce the signing of a three year contract with Tesco. This provides us with an unrivalled opportunity to continue to grow and improve this business relationship within a structured and secure partnership. In addition to this, we renewed and extended some key parts of our Tesco operations and also secured a number of new contracts with other food and non-food suppliers and retailers.

In last year's report, reference was made to a restructuring of the Chilled transport network. The objective of the restructuring exercise was to enhance the profitability of this business by responding to our customers' demand for a full load service. To enable this, the depots at Alcester and Corby were closed in May 2012 and the business was restructured. However, through our robust and on-going analysis that was a key feature of this process, it became clear that even with restructuring, the business would not be viable. We therefore made the decision to discontinue these operations. Discontinuation meant the closure of both Heywood and Newark cross dock operation sites. We have retained, where appropriate, a modest volume of specific and self-contained chilled traffic operating on the full load basis. The loss in the year including closure costs was £13.4m.

### Eddie Stobart – UK Ambient Operations

Following the restructure, these operations are separated into eight fleets with General Managers responsible for their own profit and loss. This is where the new Time Based Planning software was launched and has resulted in improvements in profit of over 20% in the second half of the year compared to the first six months.

## **Directors' report** *(continued)*

### **Principal activity and review of the business** *(continued)*

#### **Eddie Stobart** – *Environmental Transport*

These operations were established to support the growing biomass market. The foundations are in place to support the huge growth expected in this sector.

#### **Eddie Stobart** – *International*

This division is performing largely in line with prior year. In continental Europe our niche service offering F1 and motorsport have performed well but remain seasonal.

#### **Eddie Stobart** – *Warehousing*

Warehousing continues to perform well, expanding the customer base with the inclusion of new contracts for Dobbies Garden Centres and Greencore. The Lutterworth warehouse, opened in early 2012, has now been successfully and fully integrated into the network.

#### **Eddie Stobart** – *Rail Freight*

We now have a second container terminal at the Tesco Daventry site which handles over half of its grocery volume. Our rail freight business is working with its customers on a number of innovative pilot projects to deliver affordable road to rail modal shift thereby reducing emissions and providing smart delivery solutions, particularly in highly congested areas.

### **Future developments**

The Company expects to continue to grow its operational businesses over the next year.

### **Principal risks and uncertainties**

The company uses various instruments which include cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are currency risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

#### **Currency risk**

The company has limited exposure to translation and transaction foreign exchange risk. Approximately 1% of the company's sales are to customers outside the UK. These sales are priced in sterling but invoiced in the currencies of the customers involved.

#### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft facilities.

The company finances its investment in tangible fixed assets primarily through finance lease and hire purchase contracts. The maturity of these obligations is set out in note 17 to the financial statements.

## **Directors' report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

#### **Interest rate risk**

The company finances its operations through a combination of retained profits, finance lease contracts and overdraft facilities. The company manages its exposure to interest rate fluctuations on its finance leases by entering into fixed rate agreements.

#### **Credit risk**

The company's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

### **Directors**

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

W A Tinkler  
W Stobart  
R E C Butcher  
D K Meir  
B M Whawell

### **Donations**

Charitable donations totalling £9,058 were made during the year (2012 £30,509). There were no political donations during the year (2012 £nil).

### **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' report (*continued*)

### Disclosure of information to the auditor

The directors who held office at the date of approval of this director's 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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

By order of the Board



B M Whawell  
Director

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

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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, and
- 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **Independent auditor's report**

## **to the members of Eddie Stobart Limited**

We have audited the financial statements of Eddie Stobart Limited for the year ended 28 February 2013 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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



## **Independent auditor's report (continued)**

**to the members of Eddie Stobart Limited**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

*Nicola Quayle*

Nicola Quayle (Senior Statutory Auditor)  
For and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
St James' Square  
Manchester  
M2 6DS

*29 October 2013*

## Profit and loss account

for the year ended 28 February 2013

		2013	Restated 2012
	Notes	£000	£000
<b>Turnover</b>			
Continuing operations	2	404,437	413,617
Discontinued operations	2	45,019	60,248
		<u>449,456</u>	<u>473,865</u>
Cost of sales	3	(382,164)	(397,177)
Cost of sales – exceptional		-	(1,734)
		<u>67,292</u>	<u>74,954</u>
<b>Gross profit</b>			
Administration expenses – other	3	(64,033)	(55,275)
Administration expenses – exceptional		(126)	(349)
		<u>20,374</u>	<u>19,605</u>
<b>Operating profit- continuing</b>	4		
<b>Operating loss- discontinued</b>	4	(17,241)	(275)
Interest receivable and similar income	7	364	114
Interest payable and similar charges	8	(1,826)	(2,986)
		<u>1,671</u>	<u>16,458</u>
<b>Profit on ordinary activities before taxation</b>			
Taxation	9	(1,448)	(2,826)
		<u>223</u>	<u>13,632</u>
<b>Profit for the financial year</b>	19		
		<u>223</u>	<u>13,632</u>

The notes on pages 11 to 27 form part of the financial statements

## Statement of total recognised gains and losses

for the year ended 28 February 2013

		2013	2012
	Note	£000	£000
Profit for the financial year		223	13,632
Share-based payments credit	23	546	123
		<u>769</u>	<u>13,755</u>
<b>Total recognised gains and losses for the year</b>			
		<u>769</u>	<u>13,755</u>

**Balance sheet**

at 28 February 2013

	<i>Notes</i>	<i>2013</i> <i>£000</i>	<i>2012</i> <i>£000</i>
<b>Fixed assets</b>			
Goodwill	11	162	628
Tangible assets	12	38,949	47,065
Investments	13	10	359
		<u>39,121</u>	<u>48,052</u>
<b>Current assets</b>			
Stocks	14	1,528	2,068
Debtors	15	109,097	92,482
Cash at bank and in hand		131	10,874
		<u>110,756</u>	<u>105,424</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(101,166)</u>	<u>(105,072)</u>
<b>Net current assets</b>		<u>9,590</u>	<u>352</u>
<b>Total assets less current liabilities</b>		<u>48,711</u>	<u>48,404</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(23,683)</u>	<u>(24,145)</u>
<b>Net Assets</b>		<u>25,028</u>	<u>24,259</u>
<b>Capital and reserves</b>			
Called up share capital	18	1,000	1,000
Profit and loss account	19	24,028	23,259
<b>Shareholders' funds</b>	20	<u>25,028</u>	<u>24,259</u>

The notes on pages 11 to 27 form part of the financial statements

The financial statements of Eddie Stobart Limited were approved and authorised by the Board of Directors on 17 October 2013



B M Whawell  
Director

## Notes to the financial statements

at 28 February 2013

### 1. Accounting policies

#### ***Basis of preparation***

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

#### ***Going Concern***

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 5

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### ***Group financial statements***

The company and all of its subsidiary undertakings are included in group financial statements for a larger group, Stobart Group Limited, registered in Guernsey, drawn up to the same date in the same financial year and those financial statements are drawn up in accordance with the provisions of the Seventh Directive (83/349/EEC) or in a manner equivalent to group financial statements and group annual reports so drawn up. Accordingly the company, in accordance with the exemption in section 401 of the Companies Act 2006, has not prepared the group financial statements. The accounts of Eddie Stobart Limited present information about it 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.

#### ***Statement of cash flows***

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

#### ***Revenue recognition***

Revenue from the provision of services is recognised in the income statement as the fair value of consideration receivable when the significant risks and rewards of ownership have been transferred to the buyer.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 buildings	–	2% per annum straight line
Leasehold property	–	1% straight line, or period of lease if shorter
Vehicles and trailers	–	3 to 7 years straight line
Plant and machinery	–	7 years straight line
Fixtures and fittings	–	5 years straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements *(continued)*

at 28 February 2013

### 1. Accounting policies *(continued)*

#### **Goodwill**

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the identifiable assets and liabilities of the acquired business at the date of acquisition. Goodwill is capitalised and classified as an asset on the balance sheet and amortised over its estimated useful life up to a maximum of 20 years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that the carrying value may not be recoverable.

#### **Investments**

Investments are stated at cost less amounts written off.

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Stocks**

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

#### **Current tax**

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Provisions for liabilities**

Provisions (other than provisions for post retirement benefits and deferred taxation) are recognised when the company has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. If the effect of discounting is material, provisions are determined by discounting the expected value of future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability. The unwinding of any discount is recognised as a finance charge in the profit and loss account.

A contingent liability arises where the company has a possible obligation as a result of past events, or where the company has a present obligation as a result of past events, but where the transfer of economic benefit to settle the obligation is not probable, or the amount of the liability cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## Notes to the financial statements *(continued)*

at 28 February 2013

### 1. Accounting policies *(continued)*

#### **Leasing**

Assets held under finance leases 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.

#### **Pensions**

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting year.

#### **Exceptional items**

Certain items have been classified as exceptional items due to their size and incidence. See note 3.

#### **Share based payments policy**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted, as long as all other vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

The group headed by Stobart Group Limited (the ultimate parent undertaking) has a share-based long-term incentive plan relating to options over its shares. Where these options are granted to directors and employees in the company they are accounted for as set out above.

#### **Government grants**

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful economic lives of the relevant assets.

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

## Notes to the financial statements (*continued*)

at 28 February 2013

### 2. Turnover

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company. An analysis of turnover by geographical market is set out below.

	2013	2012
		<i>Restated</i>
	£000	£000
United Kingdom	443,166	463,843
Europe	6,290	10,022
	<u>449,456</u>	<u>473,865</u>

### 3. Discontinued operations

During the year, as part of a major restructuring of the Chilled pallet network, it was decided to discontinue the business.

The business has been treated as a discontinued operation in the accounts and the related results have been reported separately.

	2013	2013	2013	2012	2012	2012
	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>	<i>Continuing</i>	<i>Discontinued</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
Cost of sales	337,472	44,293	381,765	341,403	55,774	397,177
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Administrative expenses	46,780	16,980	63,760	51,113	4,162	55,275
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4. Operating profit

This is stated after charging/(crediting)

	2013	2012
	£000	£000
Auditor's remuneration – audit of financial statements	73	43
	<u>          </u>	<u>          </u>
Goodwill amortisation	466	466
Depreciation – owned assets	4,653	4,913
– assets held under finance lease	5,209	8,371
Operating lease payments – land and buildings	19,107	15,483
– other	32,569	30,793
Rental income from property	(3,791)	(4,360)
Rental income from plant and machinery	(1,536)	(1,055)
Government grant income	(905)	(695)
Loss on sale of fixed assets	(896)	(2,528)
	<u>          </u>	<u>          </u>

## Notes to the financial statements *(continued)*

at 28 February 2013

### 4. Operating profit *(continued)*

Exceptional items comprise restructuring costs of £126,000 (2012 £1,734,000) and new territory set up costs £nil (2012 £349,000)

Restructuring costs comprise costs of major integration plans and other business reorganisation and restructuring undertaken by management. Costs include cost rationalisation, brand harmonisation, site closure costs, certain short term duplicated costs, directly related management time, asset write downs and other costs related to the reorganisation and integration of acquired and new businesses. These are principally expected to be one-off in nature.

### 5. Directors' emoluments

Remuneration in respect of directors was as follows

	2013 £000	2012 £000
Emoluments and benefits in kind	1,008	980
Pension contributions	77	73
	<u>1,085</u>	<u>1,053</u>

Included within these figures are amounts of £737,000 (2012 £788,000). These costs are borne by a fellow group company. The directors of the company are also directors of the holding company and fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

During the year 5 (2012 5) directors participated in money purchase pension schemes

Remuneration in respect of the highest paid director was as follows

	2013 £000	2012 £000
Emoluments and benefits in kind	260	254
Pension contributions	—	—
	<u>260</u>	<u>254</u>



**Notes to the financial statements (continued)**

at 28 February 2013

**6. Staff costs**

	2013 £000	2012 £000
Wages and salaries	130,519	140,043
Social security costs	11,287	12,227
Other pension costs	1,906	2,650
	<u>143,712</u>	<u>154,920</u>

Included in wages and salaries costs is a charge for share based payments of £545,898 (2012 £122,614) and included in social security costs is a charge in relation to National Insurance on options under the long term incentive plan that have vested of £0 (2012 £298,128). These charges arose from equity-settled share based payment transactions.

The average number of employees during the year was as follows

	2013 No	2012 No
Drivers	2,806	3,006
Warehousing and garage	555	843
Administration and support staff	1,076	996
	<u>4,437</u>	<u>4,845</u>

**7. Interest receivable and similar income**

	2013 £000	2012 £000
Bank interest receivable	3	3
Interest receivable from group company	361	111
	<u>364</u>	<u>114</u>

**8. Interest payable and similar charges**

	2013 £000	2012 £000
On bank loans and overdrafts	768	505
Finance lease interest	857	1,834
Other interest	83	75
Interest due to group company	118	572
	<u>1,826</u>	<u>2,986</u>

**Notes to the financial statements (continued)**

at 28 February 2013

**9. Tax****(a) Tax on profit on ordinary activities**

The tax charge is made up as follows

	2013 £000	2012 £000
<i>Current tax</i>		
UK corporation tax on the profit for the year	-	(3,015)
Adjustments in respect of previous year	(1,684)	1,922
Group relief payable	(971)	(1,833)
Total current tax (note 8(b))	(2,655)	(2,926)
<i>Deferred tax</i>		
Originating and reversal of timing differences	1,320	117
Change in tax rate	83	77
Adjustment in respect of previous years	(196)	(94)
Total deferred tax (note 8(c))	1,207	100
Tax charge on profit on ordinary activities	(1,448)	(2,826)

**(b) Factors affecting tax charge for the year**

The tax assessed for the year is higher (2012 lower) than the standard rate of corporation tax in the UK of 24 17% (2012 26 17%). The differences are explained below

	2013 £000	2012 £000
Profit on ordinary activities before taxation	1,671	16,458
The profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 17% (2012 26 17%)	404	4,307
<i>Effects of</i>		
Expenses not deductible for tax purposes	(777)	524
Difference between capital allowances and depreciation	1,052	232
Adjustment in respect of prior years	1,684	(1,922)
Other short term timing differences	269	13
Share based payments	23	(228)
Current tax for the year (note 8(a))	2,655	2,926

## Notes to the financial statements *(continued)*

at 28 February 2013

### 9. Tax *(continued)*

#### (c) Deferred tax

The movement on the deferred tax liability during the year was as follows

	<i>£000</i>
At 1 March 2012	842
Movement during the year	(1,207)
At 28 February 2013	<u>(365)</u>

Deferred taxation is calculated using a tax rate of 23% (2012 25%) and is set out below

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Unclaimed capital allowances	52	949
Short term timing difference	(417)	(107)
	<u>(365)</u>	<u>842</u>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at the balance sheet date (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date).

### 10. Dividends

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Declared and paid during the year	-	18,000

## Notes to the financial statements (continued)

at 28 February 2013

### 11. Intangible fixed assets

	2013 £000
	Purchased goodwill
Cost at 1 March 2012 and 28 February 2013	2,330
Amortisation	
At 1 March 2012	1,702
Charge for the year	466
At 28 February 2013	2,168
Net book value	
At 28 February 2013	162
At 1 March 2012	628

### 12. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Leasehold property £000</i>	<i>Vehicles and trailers £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures and fittings £000</i>	<i>Total £000</i>
Cost						
At 1 March 2012	1,600	15,339	55,220	17,742	6,495	96,396
Additions	–	1,610	10,222	601	319	12,752
Disposals	–	–	(16,911)	(92)	(158)	(17,161)
At 28 February 2013	1,600	16,949	48,531	18,251	6,656	91,987
Depreciation						
At 1 March 2012	113	4,562	29,084	10,682	4,890	49,331
Provided during year	6	1,237	5,703	1,938	978	9,862
Disposals	–	–	(5,930)	(82)	(143)	(6,155)
At 28 February 2013	119	5,799	28,857	12,538	5,725	53,038
Net book value						
At 28 February 2013	1,481	11,150	19,674	5,713	931	38,949
29 February 2012	1,487	10,777	26,136	7,060	1,605	47,065

## Notes to the financial statements (continued)

at 28 February 2013

### 12. Tangible fixed assets (continued)

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

	<i>Leasehold</i>	<i>Vehicles</i>	<i>Plant and</i>	<i>Total</i>
	<i>£000</i>	<i>and trailers</i>	<i>machinery</i>	<i>£000</i>
		<i>£000</i>	<i>£000</i>	
Net book amounts at 28 February 2013	4,171	18,638	2,738	24,719
Net book amount at 29 February 2012	–	21,671	3,593	25,264
Depreciation provided in the year	213	4,218	778	5,209

### 13. Investments

	<i>Subsidiary</i>
	<i>undertakings</i>
	<i>£000</i>
Cost and book amount	
At 1 March 2012 and 28 February 2013	359
Additions during the year	3
Disposals during the year	(352)
At 28 February 2013	10

At 29 February 2012, the company owned 100% of the issued share capital of Eddie Stobart Insurance Limited, a non-trading company incorporated in the Isle of Man. This company was liquidated during the year.

### 14. Stocks

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Fuel and lubricants	1,528	2,000
Parts	–	68
	1,528	2,068

## Notes to the financial statements (*continued*)

at 28 February 2013

### 15. Debtors

	2013 £000	2012 £000
Trade debtors	49,076	54,952
Amounts due from group companies	30,471	8,180
Prepayments and accrued income	29,137	29,339
Amounts due from related companies	48	11
Deferred taxation (note 9c)	365	-
	<u>109,097</u>	<u>92,482</u>

### 16. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank overdraft	16,418	-
Trade creditors	27,080	30,460
Corporation tax	3,055	2,817
Amounts owed to group companies	7,766	24,347
Social security costs and other taxes	5,005	11,608
Deferred taxation (note 9(c))	-	842
Other creditors	1,702	1,704
Accruals and deferred income	31,420	23,664
Amounts due under finance leases (note 17)	8,711	9,623
Amounts owed to related companies	9	7
	<u>101,166</u>	<u>105,072</u>

The bank overdraft was secured by a fixed and floating charge over the assets of the company, and by cross guarantees with group and related undertakings (note 25)

### 17. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts due under finance leases	14,296	13,647
Deferred income	1,681	2,380
Other creditors	7,706	8,046
Interest free loan	-	72
	<u>23,683</u>	<u>24,145</u>

## Notes to the financial statements (continued)

at 28 February 2013

### 17. Creditors: amounts falling due after more than one year (continued)

Amounts due under finance leases are secured on the assets to which they relate and are payable as follows

	2013 £000	2012 £000
Within one year	8,711	9,623
Between one and two years	4,921	9,155
Between two and five years	8,568	4,492
Over five years	807	-
	<u>23,007</u>	<u>23,270</u>

### 18. Issued share capital

		2013 £000		2012 £000
<i>Authorised, allotted, called up and fully paid</i>	<i>No</i>		<i>No</i>	
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000
		<u>1,000</u>		<u>1,000</u>

### 19. Reserves

	<i>Profit and loss account £000</i>
At 1 March 2012	23,259
Retained profit for the financial year	223
Share based payment credit	546
At 28 February 2013	<u>24,028</u>

### 20. Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Opening shareholders' funds	24,259	28,504
Retained profit for the financial year	223	13,632
Dividend paid	-	(18,000)
Share-based payment credit	546	123
Closing shareholders' funds	<u>25,028</u>	<u>24,259</u>

## Notes to the financial statements *(continued)*

at 28 February 2013

### 21. Capital commitments

	2013	2012
	£000	£000
Contracted for but not provided in these financial statements	285	773

### 22. Pension costs

The company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in funds independent from those of the group. The amount charged to the profit and loss account in the year represents the contributions payable to the scheme in respect of the accounting period.

### 23. Share based payments

Expenses arising from equity settled share based payment transactions

	2013	2012
	£000	£000
Stobart Executive Equity Incentive Plan	462	104
Long term incentive plan	84	19
Cash settled employer's National Insurance charge on options under the long term incentive plan that have vested	-	289
	546	421

#### ***Stobart Executive Incentive Plan (SEEIP)***

On 20 August 2009, 1.12m share options were granted to directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

On 10 March 2008, 1.84m share options were granted to directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.

On 3 July 2008, 0.45m share options were granted to directors and management under the Stobart Executive Equity Incentive Plan (SEEIP). The exercise price of the options is nil.



## Notes to the financial statements (*continued*)

at 28 February 2013

### 23. Share based payments (*continued*)

The SEEIP is designed to provide incentives to Executives and key employees of the group, headed by Stobart Group Limited the ultimate parent undertaking, who are selected to participate by the group's remuneration committee. Participants will be allocated units, each of which will represent one 10p ordinary share. Fifty, forty and forty per cent of the units granted 10 March 2008, 3 July 2008 and 20 August 2009 respectively vest subject to the total shareholder return ('TSR') of the group measured over a three year performance period from the date of the grant relative to a comparator group. Fifty, sixty and sixty per cent of the units granted 10 March 2008, 3 July 2008 and 20 August 2009 respectively will vest subject to the achievement of a specified increase in the Group's earnings per share ('EPS') for the year to 28 February 2010 (March 2008 options), 28 February 2011 (July 2008 options) and 28 February 2012 (August 2009 options).

#### Long Term Incentive Plan (LTIP)

On 7 December 2011, 6.7m share options were granted to Directors and management under a LTIP.

These nil cost share options vest subject to the total shareholder return (TSR) of the Group headed by Stobart Group Limited the ultimate parent undertaking, measured three years after the grant date and thereafter at the end of each month in the fourth year after the date of grant. No share options will vest unless the TSR performance of the Group exceeds that of the comparator group (the TSR of the FTSE 250) by at least 40%. For all the share options to vest the TSR performance must exceed that of the comparator group by at least 120%. The base price for the measurement of TSR is 155p.

#### Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2013 No. 000	2013 WAEP	2012 No. 000	2012 WAEP
Outstanding at 1 March	7,836	£nil	2,464	£nil
Granted during the year	-	£nil	6,717	£nil
Exercised during the year	(419)	£nil	(729)	£nil
Lapsed during the year	(700)	£nil	(616)	£nil
Outstanding at 28 February	6,717	£nil	7,836	£nil
Exercisable at 28 February	-		-	

No share options were granted in the year. The weighted average fair value of options granted during 2012 was £0.05.

The weighted average share price at the date of share options exercised during the period was £1.074 (2012: £1.462).

The weighted average contractual life of options outstanding at the year-end is 26 months (2012: 36 months).

## Notes to the financial statements (continued)

at 28 February 2013

### 23. Share based payments (continued)

#### Valuation details

The fair value of the options granted without market based vesting conditions are estimated using a Black Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of the options granted with market based vesting conditions are estimated using a Monte Carlo model taking into account the terms and conditions upon which the options are granted.

The following table lists the inputs to the models used for the years ended 28 February 2013 and 29 February 2012.

#### 2011 Share options

	<i>Long term incentive plan</i>
Dividend yield (%)	4.7
Expected volatility (%)	25
Risk-free interest rate (%)	0.43
Expected life of options	3-4
Weighted average share price (£)	1.19
Model used	Monte Carlo

#### 2009 Share options

	<i>SEEIP options subject to TSR</i>	<i>SEEIP options subject to EPS</i>
Dividend yield (%)	5.7	5.7
Expected volatility (%)	23	23
Risk-free interest rate (%)	1.82	1.82
Expected life of options	3	3
Weighted average share price (£)	1.13	1.13
Model used	Monte Carlo	Black Scholes

#### 2008 Share options

	<i>SEEIP options subject to TSR</i>	<i>SEEIP options subject to EPS</i>
Dividend yield (%)	6.0	6.0
Expected volatility (%)	35	35
Risk-free interest rate (%)	4.0	4.0
Expected life of options	3	3
Weighted average share price (£)	1.21	1.17
Model used	Monte Carlo	Black Scholes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

## Notes to the financial statements (continued)

at 28 February 2013

### 24. Lease commitments

#### Company as Lessee

Operating lease payments amounting to £50,892,000 (2012 £45,015,000) are due within one year. The leases to which these amounts relate expire as follows

	2013		2012	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
In one year or less	1,985	6,009	781	1,507
Between one and five years	1,131	25,092	3,921	25,494
In five years or more	15,572	1,103	13,184	128
	<u>18,688</u>	<u>32,204</u>	<u>17,886</u>	<u>27,129</u>

#### Company as Lessor

The company has entered into commercial property leases on certain of its properties. These non-cancellable leases have remaining terms of between 1 and 5 years. Some leases include a clause to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows

	2013	2012
	£000	£000
Within 1 year	289	289
After 1 year, but not more than 5	16,835	18,553
	<u>17,124</u>	<u>18,842</u>

### 25. Contingent liabilities

There is an unlimited bank cross guarantee arrangement between the company and its fellow subsidiary undertakings. The maximum potential liability at 28 February 2013 was £119,365,643 (2012 £109,009,706).

## Notes to the financial statements (continued)

at 28 February 2013

### 26. Related party transactions

As a wholly owned subsidiary of Stobart Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Stobart Group Limited

During the year the company entered into the following transactions with companies of which W Stobart and/or W A Tinkler are directors and shareholders

	<i>Income</i>		<i>Expenditure</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
W A Developments International Limited	77	70	20	59
W A Developments GMBH	-	14	-	-
AstSigns Limited	-	-	260	-
VLL Limited	-	-	98	-
Oakfield Estates Manor Limited	26	-	85	-
Mega Pink Horse Limited	35	-	33	-
	<u>138</u>	<u>84</u>	<u>496</u>	<u>59</u>
	<i>Debtors</i>		<i>Creditors</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
W A Developments International Limited	48	-	-	7
W A Developments GMBH	-	11	-	-
AstSigns Limited	-	-	39	-
VLL Limited	-	-	25	-
Oakfield Estates Manor Limited	7	-	-	-
Mega Pink Horse Limited	11	-	17	-
	<u>66</u>	<u>11</u>	<u>81</u>	<u>7</u>

### 27. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Eddie Stobart Group Limited. The ultimate parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Stobart Group Limited, incorporated in Guernsey. Stobart Group Limited is deemed to be the controlling party.

Copies of the financial statements can be obtained from Stobart Group Limited, Stretton Green Distribution Park, Appleton, Warrington, Cheshire, WA4 4TQ.