

MOTORWAY SERVICES LIMITED
DIRECTORS REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 OCTOBER 1983



MOTORWAY SERVICES LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1983

DIRECTORS' REPORT

The Directors present herewith their Annual Report and Statement of Accounts for the year ended 31 October 1983.

ACTIVITIES

The main activity of the company was the operation of Travelodge Motels and motorway service areas.

ACCOUNTS AND REVIEW OF THE YEARS RESULTS

The profit before taxation for the year ended 31 October 1983 was £937,356.

The year to October 1983 showed an increase in profitability on ordinary activities before taxation amounting to £241,854 and the year's results were further enhanced by a tax credit of £498,984. All branches contributed to the favourable trading position. This trend should continue in the forthcoming year.

DIVIDEND

The Directors recommend that a dividend of £287,268 be paid in respect of the year ended 31 October 1983.

SHARE CAPITAL

On 27 October 1983 Trusthouse Forte Catering Limited transferred its entire holding of 55,000 ordinary shares of £1 each in the share capital of the company to Trusthouse Forte Service Areas Limited. Trusthouse Forte Catering Limited remains a wholly owned subsidiary of Trusthouse Forte PLC and owns, either directly or beneficially, the entire ordinary share capital of Trusthouse Forte Service Areas Limited.

HOLDING COMPANY

The company's ultimate holding company is Trusthouse Forte PLC which is incorporated in England.

MOTORWAY SERVICES LIMITED

DIRECTORS' REPORT

DIRECTORS

The following were directors of the company during the year ended 31 October 1983:

Mr RJV Forte	(appointed 20 April 1983)
Mr GB Chiandetti	
Mr AJ Hearn	
Mr E Leyton	(resigned 6 February 1984)
Mr DF Mills	
Mr E Hartwell	(resigned 6 April 1983)

DIRECTORS' INTERESTS

Those directors who are not also directors of Trusthouse Forte PLC had interests in that company's share and loan capital as follows:

<u>Ordinary shares of</u> <u>25p each</u>	<u>As at 1 November 1982 or</u> <u>date of appointment</u>	<u>As at 31 October 1983</u>
Mr AJ Hearn	Nil	Nil
Mr E Leyton	19,080	13,080
Mr DF Mills	Nil	Nil

The undermentioned directors are also directors of Trusthouse Forte PLC and as such their interests in that company are not required to be recorded in this company's Register of Directors' Interests:

Mr GB Chiandetti
Mr RJV Forte

AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution for their re-appointment as auditors will be proposed at the Annual General Meeting.

By Order of the Board

PJ Wilson
Secretary

12 Sherwood Street
London
W1

16 July 1984

AUDITORS' REPORT TO THE MEMBERS OF
MOTORWAY SERVICES LIMITED

We have audited the financial statements on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold properties, give under that convention a true and fair view of the state of the company's affairs at 31 October 1983 and of its profit for the year then ended and comply with the Companies Acts 1948 to 1981.

The financial statements do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No 10.

Price Waterhouse

Chartered Accountants

16 July 1984

Southwark Towers
32 London Bridge Street
London SE1 9SY

MOTORWAY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 1983

	<u>Notes</u>	<u>1983</u>	<u>1982</u>
TURNOVER	1(a),2	26,870,733	21,900,185
OPERATING COSTS	3	(25,585,092)	(20,975,691)
GROSS TRADING PROFIT		1,285,641	924,494
DEPRECIATION	8	341,477	(274,879)
TRADING PROFIT	4	944,164	649,615
INTEREST (PAYABLE)/RECEIVABLE	6	(6,808)	45,887
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		937,356	695,502
TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES	7	498,984	(97,319)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,436,340	598,183
DIVIDENDS		(287,268)	(119,637)
RETAINED PROFIT FOR THE YEAR		£1,149,072	£478,546

MOTORWAY SERVICES LIMITED

BALANCE SHEET AT 31 OCTOBER 1983

	Notes	1983	1982
FIXED ASSETS			
Tangible assets	8	7,896,112	7,553,824
CURRENT ASSETS			
Stocks	9	825,332	953,113
Debtors	10	1,864,215	358,210
Investments	11	1,353,000	1,150,000
Cash at bank and in hand		286,616	2,930
		4,329,163	2,464,253
CREDITORS - amounts falling due within one year			
Creditors	12	2,672,227	1,879,213
Proposed dividends		287,268	119,637
		2,959,495	1,998,850
NET CURRENT ASSETS			
		1,369,668	465,403
TOTAL ASSETS LESS CURRENT LIABILITIES			
		9,265,780	8,019,227
CREDITORS - amounts falling due after more than one year			
	13	800,000	800,000
PROVISION FOR LIABILITIES AND CHARGES			
	14	-	20,332
		£8,465,780	£7,198,895
CAPITAL AND RESERVES			
Called up share capital	15	60,000	60,000
Share premium account	16	280,000	280,000
Revaluation reserve	16	3,619,001	3,501,188
Profit and loss account	16	4,506,779	3,357,707
		£8,465,780	£7,198,895

Q.B. Chowdhury -
DIRECTOR

A. S. M. U. S. -
DIRECTOR

Approved by the Board of directors on 16 July 1984.

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983

1 ACCOUNTING POLICIES

(a) Turnover

Turnover represent the amount for goods sold and services provided and includes rents receivable.

(b) Properties

Freehold and long leasehold properties are revalued at intervals of not more than seven years and the resultant valuation is included in the balance sheet unless the surplus or deficit is immaterial. Short leasehold properties are included in the balance sheet at cost or revaluation prior to 31 October 1978 plus subsequent additions at cost.

(c) Depreciation

No depreciation is provided on freehold hotel properties. It is the company's practice to maintain the hotels in a continual state of sound repair and to extend and improve selected hotels from time to time and accordingly the directors consider that the lives of hotel buildings are so long and their residual values so high that their depreciation is insignificant. All properties held on leases of less than fifty years are amortised over the unexpired term.

Depreciation is provided on all other fixed assets, on a straight line basis, over the estimated useful lives of the assets at the following rates:

Plant	6.66 - 10%
Furniture and Equipment	10 - 25%

(d) Interest, internal professional fees and pre-opening expenses

Interest on capital employed on land awaiting development and on the construction and major redevelopment of hotels and restaurants and also internal professional costs incurred until these enterprises start to trade, are capitalised as part of the costs of construction. In addition pre-opening and development expenses incurred up to the date of opening are deferred and written off over five years.

(e) Stocks

Stocks and work in progress are stated at the lower of cost including motor fuel duty, and estimated net realisable value.

(f) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts except to the extent that the liability is not expected to be payable in the foreseeable future. Timing differences are due primarily to the excess of tax allowances on fixed assets over the corresponding depreciation charge in the accounts.

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

2 SEGMENT INFORMATION

The turnover and trading profit are attributable to the company's business of operating Motorway Services areas and hotels in the United Kingdom. Turnover includes rents receivable of £782,404 (1982 - £749,000).

3 OPERATING COSTS

	<u>1983</u>	<u>1982</u>
Raw materials and consumables	20,578,959	16,497,245
Other external charges	2,482,711	2,213,011
Staff costs		
- Wages & Salaries	2,262,453	2,010,524
- Social security costs	251,160	243,828
- Other pension costs	9,809	11,093
	<u>£25,585,092</u>	<u>£20,975,691</u>

4 TRADING PROFIT

Trading profit is stated after charging/(crediting):

	<u>1983</u>	<u>1982</u>
	£	£
Net gain on disposal of fixed assets	(200)	-
Directors' remuneration	-	-
Auditors' remuneration	-	-
Hire of plant and machinery	13,804	18,093
Concession and other rents payable	959,145	759,389
	<u></u>	<u></u>

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

5 EMOLUMENTS OF DIRECTORS AND HIGHER PAID EMPLOYEES

The salaries of the chairman and other directors were paid by other group companies and no remuneration was paid or is payable to them by Motorway Services Limited. No employees received emoluments over £30,000.

6 INTEREST (PAYABLE)/RECEIVABLE

	<u>1983</u>	<u>1982</u>
Interest on bank and other loans repayable within five years	(1,193)	(4,647)
Interest on mortgage debenture	(81,000)	(81,000)
Interest receivable	<u>75,385</u>	<u>131,534</u>
	<u>£(6,808)</u>	<u>£45,887</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation (credit)/charge based on the profit on ordinary activities is made up as follows:

	<u>1983</u>	<u>1982</u>
Corporation tax at 52% (1982 52%)	495,427	402,380
Relief for capital allowances in excess of depreciation and stock relief	(49,934)	(140,124)
Previous year's provision no longer required	(417,363)	(164,937)
Return of prior year payment for group relief	<u>(527,114)</u>	<u>-</u>
	<u>£(498,984)</u>	<u>£97,319</u>
Comprising		
Current taxation	(478,652)	98,899
Deferred taxation	<u>(20,332)</u>	<u>(1,580)</u>
	<u>£(498,984)</u>	<u>£97,319</u>

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

8 TANGIBLE ASSETS

	<u>Freehold</u>	<u>Land and buildings</u>		<u>Fixtures fittings tools and equipment</u>	<u>Total</u>
		<u>Over 50 years</u>	<u>Leasehold Under 50 years</u>		
<u>Cost or Valuation</u>					
At 1 November 1982	2,248,165	4,518,277	47,071	2,127,445	8,940,958
Additions	2,225	153,218	-	397,875	553,318
Additions inter group	-	-	-	30,187	30,187
Revaluation surplus	117,813	-	-	-	117,813
At 31 October 1983	2,368,203	4,671,495	47,071	2,555,507	9,642,276
<u>Depreciation</u>					
At 1 November 1982	-	754,689	16,837	615,608	1,387,134
Charge for year	-	79,148	7,815	254,514	341,477
Additions inter group	-	-	-	17,553	17,553
At 31 October 1983	-	833,837	24,652	887,675	1,746,164
<u>Net book values</u>					
At 31 October 1983	£2,368,203	£3,837,658	£22,419	£1,667,832	£7,896,112
At 31 October 1982	£2,248,165	£3,763,588	£30,234	£1,511,837	£7,553,824

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

8 TANGIBLE ASSETS (Continued)

	Land and buildings			Fixtures fittings tools and equipment	Total
	Freehold	Over 50 years	Leasehold Under 50 years		
Analysis of cost or valuation					
Year of valuation					
1983	2,368,203	4,671,495	-	-	7,039,698
At valuation	2,368,203	4,671,495	-	-	7,039,698
At cost	-	-	47,071	2,555,507	2,602,578
Total at 31 October 1983	£2,368,203	£4,671,495	£47,071	£2,555,507	£9,642,276
Historical cost of assets carried at valuation					
Cost	695,000	2,726,000			
Accumulated depreciation	-	833,837			
Historical net book value	£695,000	£1,892,163			

Certain of the company's freehold and long leasehold properties have been revalued in 1983 by the directors of the holding company on an open market existing use basis.

9 STOCKS

	1983	1982
Finished goods and goods for resale	£825,332	£953,113

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

10 DEBTORS - amounts falling due within one year

	<u>1983</u>	<u>1982</u>
Trade debtors	314,291	-
Taxation recoverable	-	88,202
Other debtors	123,266	270,008
Amounts owed by group companies	1,278,704	-
Prepayments	147,954	-
	<u>£1,864,215</u>	<u>£358,210</u>

11 CURRENT ASSETS - INVESTMENTS

	<u>1983</u>	<u>1982</u>
Short term deposits	£1,353,000	£1,150,000

12 CREDITORS - amounts falling due within one year

	<u>1983</u>	<u>1982</u>
Trade creditors	436,794	-
Amount owed to group companies	1,326,127	1,858,017
Other creditors including taxation and social security	852,908	21,196
Accruals	56,398	-
	<u>£2,672,227</u>	<u>£1,879,213</u>

13 CREDITORS - amounts falling due after more than one year

Secured mortgage debenture:

	<u>Interest rate</u>	<u>1983</u>	<u>1982</u>
Repayable 31 October 1992	10½%	£800,000	£800,000

No premium is payable on redemption unless the company exercises its right to redeem before the redemption date. The mortgage debenture is secured by way of charges on certain of the company's freehold properties.

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

14 PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

The deferred taxation balances and potential amount of deferred taxation for all timing differences are as follows:

	1983		1982	
	<u>Amount provided in the accounts</u>	<u>Potential liability</u>	<u>Amount provided in the accounts</u>	<u>Potential liability</u>
Timing difference due to:				
Excess of capital allowances over depreciation	-	874,082	-	819,601
Other	-	-	20,332	20,332
	£N11	£874,082	£20,332	£839,933

The estimated potential taxation if properties were disposed of at their net book amounts is £1,085,700 (1982 £1,050,000). However, there is no present intention of selling any of the properties and capital gains on disposals are likely to be deferred by rollover relief.

The movement for the year was as follows:

Balance at 1 November 1982	20,332
Credit for year	(20,332)
Balance at 31 October 1983	£N11

15 CALLED UP SHARE CAPITAL

60,000 shares of £1 each		
Authorised, issued and fully paid	£60,000	£60,000

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1983 (Continued)

16 RESERVES

	Share premium account	Revaluation reserve	Profit and loss account
At 1 November 1982	280,000	3,501,188	3,357,707
Profit retained for year	-	-	-
Surplus on revaluation of properties	-	117,813	1,149,072
	<u>£280,000</u>	<u>£3,619,001</u>	<u>£4,506,779</u>

17 EMPLOYEES

The average number of employees employed by the company during the year was:

	1983	1982
United Kingdom - Full time	542	478
- Part time	33	39
	<u>575</u>	<u>517</u>

18 PENSION COMMITMENTS

The Trusthouse Forte Group, of which this company is a member, operates pension schemes to the benefit of a large number of its employees. The funds of the schemes are administered by Trustees, are separate from the Group, and independent actuaries complete valuations every three years. In accordance with their recommendations annual contributions are paid to the scheme so as to secure the benefits set out in the rules, and the augmentation of current pensions from time to time. The cost of these are charged against profits when the contributions are made.

19 COMMITMENTS FOR CAPITAL EXPENDITURE

	1983	1982
Contracted	£93,520	£89,010
Authorised but not contracted	-	-
	<u>£93,520</u>	<u>£89,010</u>