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MOTORWAY SERVICES LIMITED

31 OCTOBER 1978



TRUST HOUSES FORTE LIMITED

OF ONE OF THE DIRECTORS TO BE PRESENTED AT
THE ANNUAL GENERAL MEETING OF THE COMPANY
TO BE HELD ON 20 MARCH 1979

The directors present herewith their Annual Report and Statement of Accounts for the year ended 31 October 1978.

ACTIVITIES

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

ACCOUNTS

The profit before taxation for the year ended 31 October 1978 was £847,988.

DIVIDEND

The directors do not recommend payment of a dividend in respect of the year ended 31 October 1978.

HOLDING COMPANY

The company's ultimate holding company is Trust Houses Forte Limited, which is incorporated in England.

DIRECTORS

The following persons were directors of the company during the year ended 31 October 1978.

Mr E Martwell
Mr E Leyton
Mr LH Bond (resigned 2 November 1977)
Mr RB Colomb
Mr GB Chiandetti (appointed 2 November 1977)

DIRECTORS' INTERESTS

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

Ordinary shares of 25p each	As at 1 November 1977 or date of appointment	As at 31 October 1978
Mr RB Colomb	Nil	Nil
Mr E Leyton	16,438	16,438

TRUST HOUSES LIMITED

DIRECTORS' INTERESTS (CONTINUED)

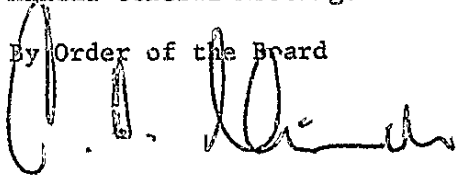
The undermentioned directors are also directors of Trust Houses Forte Limited and as such their interests in that company are not required to be recorded in this company's register of directors' interests:

Mr E Hartwell
Mr GB Chiandetti

AUDITORS

Price Waterhouse & Co 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



RD CLINCH
Secretary

1 February 1979

1 Jermyn Street
London SW1Y 4UH



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AUDITORS' REPORT TO THE MEMBERS OF
MOTORWAY SERVICES LIMITED

We have examined the annexed accounts and notes which have been prepared under the historical cost convention as modified by the revaluation of properties. In our opinion these accounts give, under the convention stated, a true and fair view of the state of the affairs of the company at 31 October 1978 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

Price Waterhouse & Co
Chartered Accountants

1 February 1979

JOY SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1978

	<u>1978</u>	<u>1977</u>
TURNOVER (Note 2)	<u>£11,984,831</u>	<u>£11,948,165</u>
PROFIT BEFORE TAXATION (Note 3)	847,988	618,530
TAXATION (Note 4)	<u>366,450</u>	<u>333,430</u>
PROFIT AFTER TAXATION	481,538	285,100
BALANCE BROUGHT FORWARD		
Profit retained at beginning of year	473,723	183,847
Change in basis of deferred taxation	<u>-</u>	<u>4,776</u>
	<u>473,723</u>	<u>188,623</u>
BALANCE CARRIED FORWARD	<u>£955,261</u>	<u>£473,723</u>

CHURCH OF ENGLAND LIMITED

BALANCE SHEET - 31 OCTOBER 1978

	<u>1978</u>	<u>1977</u>
ASSETS EMPLOYED:		
FIXED ASSETS (Note 6)	4,073,615	4,036,017
SINKING FUND POLICIES		
Premiums paid (surrender value £179,599 1977-£348,008)	167,687	316,775
DEFERRED TAXATION (Note 7)	3,000	6,000
CURRENT ASSETS		
Stocks (Note 1)	540,525	337,192
Debtors	414,506	2,818
Amount due from fellow subsidiary company	-	72,046
Short-term deposits	300,000	150,000
Cash at bank	<u>262,211</u>	<u>166,114</u>
	1,517,242	818,170
LESS: CURRENT LIABILITIES		
Taxation	468,144	522,847
Creditors	411,498	495,701
Amount due to fellow subsidiary company	<u>441,950</u>	-
	1,321,592	1,018,548
NET CURRENT ASSETS/(LIABILITIES)	<u>195,650</u>	<u>(200,378)</u>
	<u>£4,439,952</u>	<u>£4,158,414</u>
FINANCED BY		
SHARE CAPITAL		
Authorised, issued and fully paid 60,000 ordinary shares of £1 each	60,000	60,000
CAPITAL RESERVES (Note 8)	2,424,691	2,424,691
PROFIT RETAINED	<u>955,261</u>	<u>473,723</u>
	3,439,952	2,958,414
MORTGAGE DEBENTURES (Note 9)	1,000,000	1,200,000
DIRECTORS		
<i>[Signature]</i>		
<i>[Signature]</i>	<u>£4,439,952</u>	<u>£4,158,414</u>

STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 31 OCTOBER 1978

		<u>1978</u>	<u>1977</u>
FUNDS GENERATED FROM OPERATIONS			
Profit before taxation		847,988	618,530
Items not involving movement of funds			
Depreciation		144,073	134,997
Surplus on disposal of fixed assets		(1,599)	(3,588)
Surplus on redemption of mortgage debenture loan		<u>(28,260)</u>	<u>-</u>
FUNDS FROM OTHER SOURCES		962,202	749,939
Proceeds on sale of fixed assets	1,974		6,138
Proceeds from matured sinking fund policy	<u>200,000</u>		<u>-</u>
		<u>201,974</u>	<u>6,138</u>
		1,164,176	756,077
WORKING CAPITAL MOVEMENT			
(Increase)/decrease in stocks	(203,333)	27,019	
(Increase) in debtors	(321,688)	(72,342)	
(Decrease)/increase in creditors	(82,579)	96,448	
(Decrease) in amount owed to Blue Star Garages Limited	(1,624)	(218,561)	
Net change in inter-group current accounts	<u>513,996</u>	<u>119,539</u>	
		<u>(95,228)</u>	<u>(47,897)</u>
		1,068,948	708,180
APPLICATION OF FUNDS			
Purchase of fixed assets		182,046	195,756
Dividend paid		-	300,000
Taxation paid		418,153	129,000
Mortgage debenture repaid		200,000	-
Sinking fund policy premiums paid		<u>22,652</u>	<u>22,652</u>
		<u>822,851</u>	<u>647,408</u>
INCREASE IN LIQUID FUNDS			
Short-term deposits	150,000		-
Cash at bank	<u>96,097</u>	<u>60,772</u>	
		<u>£246,097</u>	<u>£60,772</u>

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978

1 ACCOUNTING POLICIES

(1) 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 will not be payable in the foreseeable future. Timing differences are due primarily to the excess of tax allowances on fixed assets over the corresponding depreciation charged in the accounts and stock appreciation relief.

(2) Internal professional fees and pre-opening expenses

Internal professional costs incurred during the construction of motorway service areas are capitalised. In addition pre-opening and development expenses incurred up to the date of opening are deferred and written off over five years.

(3) Depreciation

No depreciation is provided on freehold properties or properties held on leases with fifty years and over to run at the balance sheet date. Properties held on leases of less than fifty years are amortised over the unexpired term. All other assets are depreciated over their estimated useful lives except for plate, linen and utensils which are stated at directors' valuation, replacements being charged against profits.

(4) Stock valuation

Stocks are valued at the lower of cost, including motor fuel duty, and net realisable value.

2 TURNOVER

Turnover is the amount receivable for goods sold and services provided and includes motor fuel duty of £2,893,562.

3 PROFIT BEFORE TAXATION

	<u>1978</u>	<u>1977</u>
After charging:		
Interest payable:		
On bank and other loans repayable within five years	24,749	27,000
On other loans	<u>81,000</u>	<u>81,000</u>
	<u>105,749</u>	<u>108,000</u>
Auditors' remuneration	<u>-</u>	<u>2,500</u>

CONCRETE SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

PROFIT BEFORE TAXATION (CONTINUED)

	<u>1978</u>	<u>1977</u>
Amortisation and depreciation:		
Short leasehold	82,540	78,779
Plant and equipment	<u>59,934</u>	<u>55,955</u>
	<u>£142,474</u>	<u>£134,734</u>

4 TAXATION

Corporation tax at 52% (1977 - 52%)
based upon the profits for the year:

Current	363,450	344,616
Prior year adjustment	-	(5,186)
Deferred taxation	<u>3,000</u>	<u>(6,000)</u>
	<u>£366,450</u>	<u>£333,430</u>

5 DIRECTORS EMOLUMENTS

None of the directors has received any emoluments from the company.

6 FIXED ASSETS

	<u>Land and Buildings</u>		<u>Plant and</u>	<u>Total</u>
	<u>Freehold</u>	<u>Short Leasehold</u>	<u>equipment</u>	
Cost or valuation at 31 October 1977	878,626	3,163,015	539,109	4,580,750
Additions at cost	-	17,338	164,708	182,046
Reclassification	-	(14,770)	14,770	-
Disposals at cost	-	<u>(1,750)</u>	<u>(9,042)</u>	<u>(10,792)</u>
	878,626	3,163,833	729,545	4,772,004
Less accumulated depreciation at 31 October 1977	-	<u>(453,406)</u>	<u>(263,408)</u>	<u>(716,814)</u>
	<u>£878,626</u>	<u>£2,710,427</u>	<u>£466,137</u>	<u>£4,055,190</u>
Plate, linen and utensils				<u>18,425</u>
Net book value at 31 October 1978				<u>4,073,615</u>
Cost				1,157,704
Valuation 1972				<u>3,614,300</u>
				<u>£4,772,004</u>

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

FIXED ASSETS (CONTINUED)

Certain of the company's freehold and leasehold properties were revalued on a going concern basis as at 31 October 1972 by an independent firm of professional valuers. Subsequent additions are shown at cost.

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DEFERRED TAXATION

The composition of the deferred taxation balance at 31 October 1978 and of the total potential amount of deferred taxation for all timing differences is as follows:

	Amount provided in the accounts £	Total potential amount £
Tax on timing difference due to:		
Excess tax allowances over depreciation	-	235,480
Stock appreciation relief	-	34,530
Interest	3,000	(3,000)
	<u>3,000</u>	<u>267,010</u>
Long term differences:		
Revaluation surpluses on fixed assets for which a taxation charge does not arise until the gain is realised on disposal	-	500,000
There is no present intention of selling any of the properties and capital gains on disposals are likely to be deferred by roll over relief	<u>3,000</u>	<u>767,010</u>
The movement for the year was as follows:		
Balance at 31 October 1977	(6,000)	
Charge for the year	3,000	
Balance at 31 October 1978	<u>(£3,000)</u>	

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CAPITAL RESERVES

Share premium account	280,000
General reserve	<u>2,144,691</u>
Balance at 31 October 1978	<u>£2,424,691</u>

MOTORWAY SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

MORTGAGE DEBENTURES

	<u>Interest rate</u>	<u>1978</u>	<u>1977</u>
Repayable 4 November 1978	6½%	200,000	400,000
Repayable 31 October 1991	10 1/8%	<u>800,000</u>	<u>800,000</u>
		<u>£1,000,000</u>	<u>£1,200,000</u>

No premium is payable on redemption unless the company exercises its right to redeem before redemption date. The mortgage debentures are secured by way of charges on certain of the company's freehold properties together with the company's sinking fund policies.

10 COMMITMENTS FOR CAPITAL EXPENDITURE

	<u>1978</u>	<u>1977</u>
Committed at 31 October	<u>£95,000</u>	<u>£34,000</u>

11 TRADE DEBTORS AND TRADE CREDITORS

The company's trade debtor and creditor balances are maintained by a division of a fellow subsidiary, Forte & Co Limited, Popular and Motorways Division. The net amount is reflected in the intercompany balance and totalled £441,950.