REGISTERED NUMBER 03126731

FIRST MOTORWAY SERVICES LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 DECEMBER 2018

FIRST MOTORWAY SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	M Fox S Turl I McKay R Tindale J Muirhead
SECRETARY	M Hedditch
REGISTERED OFFICE	Roadchef House Norton Canes MSA Betty's Lane Norton Canes Cannock Staffordshire WS11 9UX
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Cornwall Court 19 Cornwall Street Birmingham B3 2DT

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FIRST MOTORWAY SERVICES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 30 DECEMBER 2018

The directors present their Strategic Report for the year ended 30 December 2018. The comparative period was the year ended 31 December 2017.

Review of the business

Principal activities
First Motorway Services Limited ("the Company") operated two Motorway Service Areas on two sides of the motorway in the United Kingdom for the year ended 30 December 2018. The Company also operated a two sided Service Area at Sutton Scotney on the A34. We do not anticipate the principal activities of the business to change in the foreseeable future.

The results for the Company show an operating profit of £1,083,000 (31 December 2017: £740,000) and a profit before taxation of £937,000 (31 December 2017: £601,000). The board are satisfied with the results for the year.

Business environment and strategy
The following narrative relates to the underlying trade of the Roadchef Limited Group ("the Group") which the directors consider to be the primary drivers of the business.

The UK Motorway Service Area market is concentrated in the hands of three major operators and several smaller operators. With an annual turnover of more than £191m, the Group operates roadside service areas at 30 key locations across the UK. The Group's sites are located at strategic positions on the UK motorway network.

There are approximately 50 million visits to the Group's sites in a year and 75% of these visits result in the visitor being converted to a customer. Recent investment in the catering offering at key sites has proven to improve the level of conversion.

The Group's business strategies are as follows:

- Service our customers in as friendly and efficient a manner as possible;
- Ensure that the brand and services that the Group offers are what our customers want and that the standards are what they expect or better;
- Ensure that products, staff and tills are available to serve customers;
- Close management of key performance indicators, such as growth in amenity building sales; and
- Competitively priced within the motorway service industry.

Investina in brands and services alianed to customer wants
Management believes that the consistency and quality offered by well-known high street brands drives sales growth.

Since a change in ownership in 2014, the Group has progressed through a multi-million pound development plan of the Motorway Service Areas. Management has been committed to increasing the variety of offerings to its customers with new catering outlets, as well as enhancing the quality of experience for customers through the refurbishment of existing outlets. Alongside this, management have invested in enhancing the general amenity building space and facilities throughout the estate.

The Group's drive to add variety and choice of quality brands for customers has been at the forefront of efforts in recent years, and management were excited to announce a new partnership with Pret A Manger during 2017. Following the Group's first Pret A Manger opening in 2017, another unit has since been opened at Clacket Lane Westbound during 2018.

Management were also delighted to introduce the first Leon on the UK's motorway network at Strensham Southbound in 2017, shortly followed by a further unit at Norton Canes. Leon has an emphasis on bringing customers good tasting, healthy fast food and adds an exciting diversity to the Group's portfolio of catering outlets.

Following the success of the Group's opening of the first Costa Drive Thru on the UK's motorway network in 2016, the Group has continued a roll out of new units throughout 2017 and 2018.

Management continually assess the suitability and success of the Group's offerings and look forward to making further investments to enhance the estate during 2019.

Review of the business (continued)

The board monitors progress on the Company strategy and the individual strategic elements by reference to the following key performance indicators:

	30 December 2018	31 December 2017	Definition, method of calculation and analysis
Growth in amenity building sales (%)	**5.2%**	2.7%	Year-on-year sales growth expressed as a percentage. Sales growth is attributable to the introduction of a new Cornish Bakery at Annandale, as well as excellent year-on-year growth in McDonald's.
Gross margin in the amenity building (%)	**59.7%**	60.4%	The amenity building gross margin is the ratio of gross profit to sales expressed as a percentage. The gross margin is comparable year-on-year and is judged to be at a satisfactory level.
Amenity building transactions (m)	**3.3**	3.2	This is the actual number of transactions recorded in the Company's retail and catering outlets. Transactions this year have increased by 0.1m and are being driven by the strength in popularity of the offerings in place.
Spend per transaction (£)	**£5.18**	£5.06	This is the sale of goods (as given in note 3) divided by the number of transactions. The average spend per transaction has increased during the year, which the directors take as a key indicator of customer satisfaction with offerings and products available.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks:

Competition: Currently a government programme of new road building is not in focus, with government policy leaning towards road widening and the use of the hard shoulder. As this policy will not result in additional motorway service stations being built, there is not the competition risk associated with new roads.

UK withdrawal from the EU: Following the 2016 referendum decision for the UK to leave the EU, there has been increased uncertainty in markets related to the Group's activities. The majority of the Group's direct suppliers are based in the UK and management work closely with these to secure competitive pricing. The Group's customer base is the travelling public in the UK. Whilst there is uncertainty in the impact that a UK exit from the EU will have on the economy, management are confident that the Group's operations are robust enough to deal with the challenges that this could bring.

Principal risks and uncertainties (continued)

Financial risk management policies
The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, and equity instruments.

The Company is exposed to a number of risks associated with these financial instruments. In particular the Company is exposed to credit risk and liquidity risk. The Company operates solely within the United Kingdom and has minimal exposure to foreign currency transactions, which eliminates exposure to foreign exchange risk. The Company's management team oversees the management of these risks and is supported on a day-to-day basis by the treasury function.

The treasury function is provided centrally for the Group as a whole. The treasury objective is to ensure that risks are reduced to a minimum. The Group does not use complex financial instruments in the management of these exposures. The exposures and measures taken by the Group to mitigate them are reviewed by the board of the Group on a regular basis. The Group does not enter into transactions of a speculative nature, nor trades in financial instruments.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's principal financial assets are trade receivables of £380,000 (31 December 2017: £245,000), which represent the Company's maximum exposure to credit risk in relation to financial assets.

Trade receivables are made up of credit card receivables and invoiced sales not yet collected. Credit card receivables are held with blue-chip companies and are collected in 3-5 days after a sale being recorded; card receivables represent a low level of credit risk to the business. Invoiced sales are generally on 30 day terms from point of billing. Customers who do not pay within their terms of credit are individually assessed by management and a provision for impairment made as necessary. Historic experience of invoiced sales would indicate a low level of credit risk to the business. No collateral or other credit enhancements are held.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Group's objective is to manage maturity of its borrowing arrangements to ensure sufficient cash is available to meet liabilities as they fall due. The Group uses forecasts and projections by way of a detailed 12 month cash flow forecast as well as a five year business plan to identify future cash requirements. The Group also seeks to reduce liquidity risk by fixing a proportion of its borrowings to bring more certainty over future cash flows.

Capital management
Capital consists of equity attributable to the equity holders of the Company. The Company does not have a complex capital structure and the directors do not anticipate any changes to capital in the foreseeable future.

On behalf of the board

J Muirhead
Director

Date: 22 May 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 30 December 2018.

The Company is a private limited company and is incorporated and domiciled in the UK.

Directors

Details of all the directors who have held office since 31 December 2017 are given below:

M Fox (appointed 3 September 2018)
S Turl
I McKay
R Tindale
J Muirhead

Results and dividends

The results for the year are set out on page 9. The directors do not recommend the payment of a dividend (31 December 2017: £nil).

Future developments

The principal activities, organisational structure and debt structure of the Company are not anticipated to change in the foreseeable future. Management plans to develop the existing portfolio of Motorway Service Areas, as described in the Strategic Report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Equal opportunities

The Company is an equal opportunities employer. Its policy is to ensure that recruitment, selection, training, development and promotion procedures result in no applicant or employee receiving less favourable and discriminatory treatment on the grounds of sex, age, race, nationality, creed, ethnic origin, disability, sexual orientation, marital status or by conditions or requirements which cannot be shown to be justifiable.

Employee involvement

The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. The Company makes use of an annual employee engagement survey to collect the views and opinions of its employees. The Company also encourages all levels of staff to fulfil their own potential and offers internal training, secondment and promotion opportunities to enable this. The Group is one of the few hospitality businesses with a Gold Investors in People accreditation, demonstrating the exceptional standards and commitment that the business maintains as an employer.

Going concern

The Company's business activities, financial risk policies and exposures, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The key sensitivity is the level of trading it achieves which is dependent on a number of factors outside the Company's control, including fuel prices and the wider economy. Trading is actively monitored by the board of directors through the use of daily and weekly sales statistics. This level and frequency of information ensures that the board is able to make quick short-term decisions to drive volume growth or to formulate more long-term strategic decisions.

The Group meets its day-to-day working capital requirements through an overdraft facility. In addition the Group has bank debt and intercompany borrowings which it uses to finance the activities. The Company is party to the Group arrangements or the recipient of the on-lending of these borrowings.

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group expects to operate within the level of its current facilities and to meet minimum covenant requirements in respect of these facilities.

The Company has net assets of £7,224,000 (31 December 2017: £5,279,000) and net current liabilities of £15,081,000 (31 December 2017: £14,620,000). The Company has received confirmation of support from intermediate parent companies to assist in meeting liabilities as and when they fall due. The directors are of the opinion that, having regard to the funding available from Roadchef Bidco Limited and other Group companies, the Company has sufficient funds to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' liability insurance and indemnity

Roadchef Limited, a parent company in the United Kingdom, has granted an indemnity to one or more of its directors against its liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains the same as at the date of approving the Directors' Report.

Directors' statement as to disclosure of information to the auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 4. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and

- Each director had taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors were aware of that information.

Independent auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed auditors of the Company will be put to the Annual General Meeting.

On behalf of the board

J Muirhead
Director

Date: 22 May 2019

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate 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.

On behalf of the board

J Muirhead
Director

Date: 22 May 2019

Independent auditors' report to the members of First Motorway Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, First Motorway Services Limited's financial statements:

• give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its profit for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
• have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 December 2018; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Independent auditors' report to the members of First Motorway Services Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Steven Kentish (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 23 May 2019

FIRST MOTORWAY SERVICES LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 30 DECEMBER 2018

	Note	**Year ended 30 December 2018 £'000**	Year ended 31 December 2017 £'000
Revenue	3	**19,999**	19,060
Cost of sales		**(7,537)**	(7,087)
Gross profit		**12,462**	11,973
Administrative expenses:			
Before exceptional items		**(11,225)**	(10,676)
Other exceptional items	6	**(154)**	(557)
		(11,379)	(11,233)
Operating profit		**1,083**	740
Loss on disposal of property, plant and equipment	12	**(2)**	(2)
Finance costs	9	**(144)**	(137)
Profit before taxation		**937**	601
Taxation	10	**72**	102
Profit for the financial year	18	**1,009**	703

The income statement has been prepared on the basis that all operations are continuing operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 DECEMBER 2018

	Note	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the financial year	18	**1,009**	703
Items that will not be reclassified to the income statement:			
Reversal of property impairments	12	**1,128**	-
Taxation on components of other comprehensive income	10	**(192)**	-
Other comprehensive income for the year		**936**	-
Total comprehensive income for the year		**1,945**	703

BALANCE SHEET
AS AT 30 DECEMBER 2018

	Note	30 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets	11	**15**	3
Property, plant and equipment	12	**24,361**	21,847
		24,376	21,850
Current assets			
Inventories	13	**329**	331
Debtors - amounts falling due within one year	14	**5,596**	1,904
Cash and cash equivalents	15	**679**	408
		6,604	2,643
Total assets		**30,980**	24,493
Liabilities			
Current liabilities			
Creditors - amounts falling due within one year	16	**(21,685)**	(17,263)
Non-current liabilities			
Deferred tax liabilities	10	**(2,071)**	(1,951)
Total liabilities		**(23,756)**	(19,214)
Net assets		**7,224**	5,279
Equity			
Ordinary shares	17	**101**	101
Revaluation reserve	18	**950**	14
Retained earnings	18	**6,173**	5,164
Total equity		**7,224**	5,279

The financial statements on pages 9 to 24 were approved by the board of directors and authorised for issue on 22 May 2019 and were signed on its behalf.

James Muirhead

J Muirhead
Director

Registered Number 03126731

The notes on pages 13 to 24 are an integral part of these financial statements.

FIRST MOTORWAY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 DECEMBER 2018

	Note	Ordinary shares £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 4 January 2017		101	14	4,461	4,576
Profit for the financial year		-	-	703	703
At 31 December 2017		**101**	**14**	**5,164**	**5,279**
Profit for the financial year	18	-	-	1,009	1,009
Other comprehensive income	18	-	936	-	936
At 30 December 2018		**101**	**950**	**6,173**	**7,224**

1 Accounting policies

Basis of preparation
The financial statements have been prepared for the year ended 30 December 2018. The comparative period was the year ended 31 December 2017.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standards 101 'Reduced Disclosure Framework' (FRS 101).

The principal accounting policies are set out below.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IFRS 7 *Financial Instruments: Disclosures;*

(b) the requirements of paragraphs 10 (d), 16, 38 A to D, 111, and 134 to 136 of IAS 1 *Presentation of Financial Statements;*

(c) the requirements of paragraphs 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;

(d) the requirements of IAS 7 *Statement of Cash Flows;*

(e) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

(f) the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(g) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors; and*

(h) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement.*

(i) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

Going concern
The Company's business activities, financial risk policies and exposures, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The key sensitivity is the level of trading it achieves which is dependent on a number of factors outside the Company's control, including fuel prices and the wider economy. Trading is actively monitored by the board of directors through the use of daily and weekly sales statistics. This level and frequency of information ensures that the board is able to make quick short-term decisions to drive volume growth or to formulate more long-term strategic decisions.

The Group meets its day-to-day working capital requirements through an overdraft facility. In addition the Group has bank debt and intercompany borrowings which it uses to finance the activities. The Company is party to the Group arrangements or the recipient of the on-lending of these borrowings.

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group expects to operate within the level of its current facilities and to meet minimum covenant requirements in respect of these facilities.

The Company has net assets of £7,224,000 (31 December 2017: £5,279,000) and net current liabilities of £15,081,000 (31 December 2017: £14,620,000). The Company has received confirmation of support from intermediate parent companies to assist in meeting liabilities as and when they fall due. The directors are of the opinion that, having regard to the funding available from Roadchef Bidco Limited and other Group companies, the Company has sufficient funds to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Cash and cash equivalents
Cash and cash equivalents comprise of cash at bank and in hand and bank overdrafts held.

Revenue
Revenue consists of the amounts received from customers in the UK from the Company's continuing activity, excluding Value Added Tax. As detailed in note 3, revenue on catering, grocery, retail and hotel sales is recognised when control of the goods or services are transferred to the customer.

Deferred revenue, being advances received from various third parties in respect of lease incentives, is amortised to revenue over the period of each agreement.

Interest and finance costs
Interest on loans drawn specifically for new developments, incurred up to the date of practical completion, is capitalised as part of the cost of construction. Financing costs associated with new borrowings are recognised in the income statement over the term of the borrowings at a constant rate on the carrying amount. Finance costs represent the difference between the total amount of the payments that will have to be made in respect of the borrowing instrument and the fair value of the consideration received on the issue of the instrument after deduction of costs that have been incurred and which are directly associated with the issue of that instrument and which would not have arisen had the instrument not been issued.

1 Accounting policies (continued)

Vendor allowances
The Company receives various types of vendor allowances. These take the form of upfront payments such as lump sum payments or prepaid amounts, rebates, in the form of cash or credits, and other forms of payments. These amounts are shown as a reduction in the cost of sales as the Company becomes entitled to them.

Costs of development and pre-opening expenses
External costs of development are capitalised if the cost can be reliably measured and it is probable that future economic benefits associated with the item will flow to the entity. Otherwise they are written off to the income statement as incurred.

Pre-opening expenses incurred prior to the opening of new motorway service area outlets are written off in the period in which they arise. These are presented within exceptional items due to their non-recurring nature and material size.

Intangible assets
Intangible assets are stated at cost less any accumulated amortisation and any provision for impairment, and are written off over their expected useful lives on a straight line basis as follows:

Computer software	5 years
Licences and agreements	Over the period of the relevant agreement

Amortisation of intangible assets is charged to administrative expense in the income statement.

Property, plant and equipment
Property, plant and equipment is stated at cost (including capitalised interest) or deemed cost, net of depreciation and any provision for impairment, and are written off over their expected useful lives on a straight line basis as follows:

Freehold and long leasehold buildings	50 years
Long leasehold land	Over the term of the lease
Short leasehold land and buildings	Over the term of the lease

Plant and machinery, fixtures and fittings and computer equipment are all included within 'Fixtures, fittings and equipment' in note 12 and are written off over their expected useful lives on a straight line basis as follows:

Plant and machinery	5 - 25 years
Fixtures and fittings	5 - 7 years
Computer equipment	3 - 5 years

Assets in the course of construction are not depreciated until the date of completion.

At each reporting date, the Company reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment is calculated as the difference between the carrying value and the recoverable value of the asset, or cash-generating unit. Recoverable value is the higher of net realisable value and estimated value in use at the date the impairment loss is recognised. Value in use represents the present value of expected future discounted cash flows. Impairment losses are recognised through the income statement.

Impairment of financial assets
The Company considers at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Impairment is calculated subject to an expected credit loss model. Disclosures relating to the impairment of financial assets are given in the Strategic report.

Inventories
Inventories are stated at the lower of cost, on a standard costing basis, and net realisable value. There is no inclusion of overheads in inventories.

Loans and borrowings
Loans and borrowings are initially stated at fair value, net of directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Pensions
The amount charged to the income statement in respect of personal money purchase pension schemes is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Exceptional items
Exceptional items comprise events or transactions which by virtue of their size and incidence the directors consider to be exceptional in nature and have been disclosed separately, in order to improve a reader's understanding of the financial statements.

Leased assets: Lessee
Rentals paid under operating leases are charged to administrative expenses on a straight line basis over each lease term.

1 Accounting policies (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

• When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

• In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognised in correlation to the underlying transaction, either in the income statement or other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimates

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Judgements

Taxes
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on taxes are disclosed in note 10.

3 Revenue

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Sale of goods	**17,006**	16,268
Provision of services	**2,993**	2,792
	19,999	19,060

Revenue from the sale of goods and provision of services is recognised when control is transferred to the customer. Payment from customers is taken at the point in which performance obligations have been met, which is typically on transfer of goods or rendering of a service to customers.

The balance of contract assets and liabilities at 30 December 2018 is £nil (31 December 2017: £nil).

There are no outstanding performance obligations associated with contracts with customers at 30 December 2018 (31 December 2017: none).

4 Cost of sales

Cost of sales includes:

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Costs of inventories recognised as an expense	**5,385**	4,929
Franchise fees	**1,088**	1,030
Consumables, disposables and distribution costs	**594**	560

5 Administrative expenses

Administrative expenses include:

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Depreciation of property, plant and equipment (note 12):		
- owned assets	**1,534**	1,360
- leased assets	**563**	549
Amortisation of intangible assets (note 11)	**5**	7
Operating lease rentals:		
- land and buildings	**-**	20
- plant and machinery	**-**	23
Business rates	**716**	697
Repairs and maintenance	**399**	390
Utilities	**642**	570
Employee benefit expenses (note 7)	**5,562**	5,196
Auditors' remuneration - audit of the financial statements	**23**	20

The Company's audit fee of £23,000 (31 December 2017: £20,000) was borne by Roadchef Limited, a fellow group company in the United Kingdom, and recharged to the Company.

6 Other exceptional items

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Pre-opening expenses	**126**	103
Restructuring costs	**15**	-
Other	**13**	454
	154	557

Pre-opening expenses relate to costs associated with the opening of new units, which included the opening of a new format McDonald's unit at Magor and the new Cornish Bakery at Annandale Water.

Restructuring costs in the year relate to costs following an internal reorganisation.

Other costs include professional fees in relation to one-off activites which do not form part of the Company's operational activities.

The cash impact of exceptional items is materially consistent with the amounts as presented above.

The tax impact of the above items has been to reduce the current tax charge by £29,000 (31 December 2017: £107,000).

7 Employee benefit expenses

The average monthly number of employees during the year was made up as follows:

	Year ended 30 December 2018 Number	Year ended 31 December 2017 Number
Operational	355	332
Management and administration	47	47
	402	379

Their payroll costs comprised:

	£'000	£'000
Wages and salaries	5,224	4,891
Social security costs	283	262
Other pension costs (note 19)	55	43
	5,562	5,196

Employee numbers and costs included in the above include certain employees whose contracts of employment are held with other group companies and recharged to this entity.

8 Directors' remuneration

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Short-term employee benefits	296	223
Post-employment pension benefits	5	7
	Number	Number
Number of directors accruing benefits under money purchase schemes	3	2
	£'000	£'000
In respect of the highest paid director:		
Short-term employee benefits	112	90
Post-employment pension benefits	2	2

There were no directors (31 December 2017: none) who were members of a defined benefit pension scheme.

9 Finance costs

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Finance costs		
Finance costs of loans from another group company	109	118
Other interest	35	19
	144	137

10 Taxation

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Corporation tax		
Current tax on profit for the year	-	-
Deferred tax		
Origination and reversal of timing differences	(90)	(95)
Adjustments in respect of prior periods	8	(18)
Effect of changes in tax rates on deferred tax balance	10	11
Total tax credited to income statement	(72)	(102)

Taxation through statement of other comprehensive income:	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Deferred tax		
Deferred tax related to items recognised in other comprehensive income during the year:		
Reversal of property impairment	192	-
Total tax charged to other comprehensive income	192	-

The total tax credit is different to the standard rate of corporation tax in the United Kingdom of 19.00% (31 December 2017: 19.25%). The material differences are reconciled below:

	Year ended 30 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	937	601
Profit before taxation multiplied by the UK tax rate of 19.00% (31 December 2017: 19.25%)	178	116
Transfer pricing and WWDC adjustments	(10)	(27)
Adjustments in respect of prior periods	8	(18)
Effect of changes in tax rates on deferred tax balance	10	11
Group relief claimed not paid for	(367)	(258)
Expenses not deductible for tax purposes	109	74
Total tax credited to income statement	(72)	(102)

10 Taxation (continued)

Reconciliation of deferred taxes

	Balance sheet		Income statement	
	30 December 2018 £'000	31 December 2017 £'000	**Year ended 30 December 2018 £'000**	Year ended 31 December 2017 £'000
Property, plant and equipment	**(2,071)**	(1,951)	**72**	102
Deferred tax credit through income statement			**72**	102
Net deferred tax liability	**(2,071)**	(1,951)		
Reflected as:				
Deferred tax liabilities	**(2,071)**	(1,951)		
	(2,071)	(1,951)		

Movements in net deferred tax liability:	**30 December 2018 £'000**	31 December 2017 £'000
Net deferred tax liability		
Opening liability	**(1,951)**	(2,053)
Credit through income statement	**72**	102
Charge through other comprehensive income	**(192)**	-
Closing liability	**(2,071)**	(1,951)

The Company has chosen not to recognise a potential deferred tax asset of £41,000 in respect of brought forward tax losses (31 December 2017: £41,000) due to uncertainty over the recoverability of this asset.

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2018. Changes to the UK corporation tax rates were substantively enacted on 6 September 2017 as part of the Finance Bill 2017. These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. The deferred tax balances above have been calculated with reference to the corporation tax rate due to be in effect on the date at which the balance is anticipated to reverse.

11 Intangible assets

	Computer Software £'000	Licences and agreements £'000	Total £'000
Cost			
At 1 January 2018	-	33	33
Additions	13	4	17
At 30 December 2018	13	37	50
Accumulated amortisation			
At 1 January 2018	-	30	30
Charge for year	2	3	5
At 30 December 2018	2	33	35
Net book value			
At 30 December 2018	**11**	**4**	**15**
At 31 December 2017	-	3	3

12 Property, plant and equipment

	Land and buildings			Fixtures, fittings and equipment	
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000	Total £'000
Cost or deemed cost					
At 1 January 2018	3,627	7,969	12,206	9,885	33,687
Additions	-	945	-	2,540	3,485
Disposals	-	-	-	(104)	(104)
At 30 December 2018	3,627	8,914	12,206	12,321	37,068
Accumulated depreciation or impairment					
At 1 January 2018	571	675	5,944	4,650	11,840
Charge for year	51	184	258	1,604	2,097
Disposals	-	-	-	(102)	(102)
Impairment reversal	-	-	(1,128)	-	(1,128)
At 30 December 2018	622	859	5,074	6,152	12,707
Net book value					
At 30 December 2018	**3,005**	**8,055**	**7,132**	**6,169**	**24,361**
At 31 December 2017	3,056	7,294	6,262	5,235	21,847

Fixtures, fittings and equipment includes assets with a cost of £970,000 (31 December 2017: £972,000) and net book value of £242,000 (31 December 2017: £363,000) subject to finance leases. The finance leases under which these amounts are leased are held in Roadchef Limited and Roadchef Motorways Limited.

The leasehold land and buildings were professionally valued by external valuers Cushman & Wakefield, as at 17 December 2018, on an open market for existing use basis, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual, and based upon a multiple of projected future earnings before interest, taxation, depreciation and amortisation ("EBITDA"). The recoverable amount calculated falls into level 3 of the fair value hierarchy. The market value of property, plant and equipment at 17 December 2018 was £29,550,000.

A review of individual site carrying values gave rise to a reversal of previously recognised impairments of £1,128,000 (31 December 2017: £nil), all of which has been recognised in revaluation reserves. The recoverable amount of assets assessed for impairment in the year was £29,550,000 against a carrying value of £23,181,000.

At 30 December 2018, the Company had unprovided capital commitments of £390,000 (31 December 2017: £nil).

13 Inventories

	30 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	**30**	28
Goods for resale	**299**	303
	329	331

The replacement value of stock is not materially different to its cost.

14 Debtors - amounts falling due within one year

	30 December 2018 £'000	31 December 2017 £'000
Trade receivables	**380**	245
Amounts owed by intermediate parent company	**5,138**	1,503
Prepayments and accrued income	**78**	156
	5,596	1,904

As at 30 December 2018, trade receivables of £1,000 (31 December 2017: £9,000) were past due. The ageing analysis of these receivables is as follows:

	30 December 2018 £'000	31 December 2017 £'000
Past due		
1-30 days	**-**	4
31-60 days	**-**	4
> 60 days	**1**	1
	1	9

There is provision for impairment against trade receivables at 30 December 2018 of £1,000 (31 December 2017: £1,000). There is no difference in the provision for impairment calculated under the expected credit loss model of IFRS 9 as previously recorded under IAS 39. Based upon historical experience in collecting from past due receivables, along with an assessment of individual customers abilities to make payments, the Company believes that the allowance for doubtful receivables is sufficient to cover the risk of default.

Amounts owed by other group companies are non-interest bearing and contractually repayable on demand. The likelihood of default on amounts owed by other group companies has been considered with no provision required at 30 December 2018 (31 December 2017: £nil).

15 Cash and cash equivalents

	30 December 2018 £'000	31 December 2017 £'000
Cash and cash equivalents	**679**	408

16 Creditors - amounts falling due within one year

	30 December 2018 £'000	31 December 2017 £'000
Trade payables	**1,050**	1,054
Amounts owed to group companies	**19,229**	14,978
Other taxes and social security	**604**	573
Other payables	**2**	-
Accruals	**800**	658
	21,685	17,263

Amounts owed to group companies are non-interest bearing and contractually repayable on demand.

17 Ordinary shares

	30 December 2018 £'000	31 December 2017 £'000
Authorised, issued and fully paid		
2 (31 December 2017: 2) special ordinary shares of £1 each	-	-
100,000 (31 December 2017: 100,000) ordinary shares of £1 each	100	100
50,000 (31 December 2017: 50,000) 'B' ordinary shares of £0.01 each	1	1
	101	101

The ordinary shares have voting rights of one vote per share and on winding up, the holders are entitled to £1 per share.

The special ordinary shares have no voting rights and carry no rights to dividends. On winding up, the holders are entitled to £1 per share.

The 'B' ordinary shares have voting rights of one vote per share. The 'B' ordinary shares carry no right to dividends and, on winding up, the holders are entitled to £0.01 per share.

18 Reserves

	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 31 December 2017	14	5,164	5,178
Profit for the financial year	-	1,009	1,009
Impairment reversal	1,128	-	1,128
Tax on components of other comprehensive income	(192)	-	(192)
At 30 December 2018	950	6,173	7,123

19 Pension schemes

Defined contribution schemes
The Company operates defined contribution pension schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension charge for the year for these schemes amounted to £55,000 (31 December 2017: £43,000). An amount of £nil (31 December 2017: £nil) is owed to the pension schemes at the year end.

20 Changes in accounting policies

The Company has applied the following standards for the first time in the year ending 30 December 2018:

IFRS 9 '*Financial Instruments*'; and
IFRS 15 '*Revenue from Contracts with Customers*'.

There has been no impact on amounts recognised in the current or prior year from adopting these standards and no significant impact is expected in future periods.

On adoption of IFRS 15 and the greater clarity provided in respect of the treatment of variable consideration, customer discounts have been recorded against revenue in the current year, having been recognised within cost of sales and administrative expenses in the previous year. Had management have not made this adjustment during the current year, revenue would have been £171,000 higher; cost of sales £116,000 higher; and administrative expenses £55,000 higher. There would have been no impact on profit before tax or EBITDA.

21 Financial commitments

The Company is a lessee with future minimum rentals payable under non-cancellable operating leases as follows:

	30 December 2018 Plant and machinery £'000	31 December 2017 Plant and machinery £'000
Expiry date:		
Within one year	**1**	1
Between one and five years	**-**	-
After more than five years	**-**	-
	1	1

22 Contingent liabilities

Along with other group companies, the Company has guaranteed the bank loans and overdrafts of certain fellow group companies. The aggregate amount outstanding as at 30 December 2018 was £219,000,000 (31 December 2017: £210,500,000). The directors consider the likelihood of any financial liability arising in respect of these to be remote.

23 Control

The immediate parent company is Roadchef Newco 1 Limited, a company registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Roadchef Topco Limited, the smallest is Roadchef Limited. Copies of both these financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

As at 30 December 2018, Antin Infrastructure Partners Luxembourg III S.a.r.l is considered to be the ultimate controlling party, a company registered in Luxembourg.