

First Motorway Services Limited
Annual report
for the year ended 31 March 2000

Registered no: 3126731



First Motorway Services Limited

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Directors and advisers

Directors

D Fisher
R Millar
N Richards
G Ward

Registered Auditors

PricewaterhouseCoopers
One Kingsway
Cardiff
CF10 3PW

Secretary and registered office

G Ward
Magor Motorway Services
Junction 23a
M4 Motorway
Magor
Newport
Gwent
NP6 3YL

Solicitors

Eversheds
Fitzalan House
Fitzalan Place
Cardiff
CF2 1XZ

Bankers

Bank of Scotland
21 Prince Street
Bristol
BS99 7JG

**Directors' report
for the year ended 31 March 2000**

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2000.

Principal activities

The principal activity of the Company during the period was the operation of Motorway Service Areas.

Review of business

The profit and loss account for the year is set out on page 5. Both the level of business and the year end financial position of the Company were satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

The directors recommend the payment of an interim and final dividend of £60,023 (1999: £24,000) in respect of ordinary share capital and £306,000 (1999: £310,883) in respect of preference share capital.

The directors and their interests in shares of the Company

The names of all the directors, all of whom served throughout the year, are shown on page 1.

The directors' beneficial interests in the shares of the Company were as follows:

	31 March 2000 Ordinary shares of £1 each Number	31 March 2000 'B' Ordinary shares of 1p each Number	31 March 1999 Ordinary shares of £1 each Number
D Fisher	-	-	-
R Millar	46,000	23,000	46,000
N Richards	25,000	12,500	25,000
G Ward	25,000	12,500	25,000
N Palmizzi	4,000	2,000	4,000

Year 2000 and the Euro

The Company developed plans to address the impact of the Year 2000 on the Company's operations. The cost associated with the implementation of the plans was immaterial.

As a result of these preparations the transition to Year 2000 did not adversely affect the Company's operations. The directors continue to monitor the situation but do not foresee any adverse impact in the future.

The Directors have also reviewed the impact of the introduction of the Euro in certain countries from 1 January 1999 and are of the opinion that there has been and will be no significant impact upon the operation of the Company.

Directors' responsibilities statement

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

By order of the board



Company secretary
28 September 2000

Report of the auditors to the members of First Motorway Services Limited

We have audited the financial statements on pages 5 to 18, which have been prepared in accordance with the historical cost convention.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3 this includes responsibility for preparing the financial statements. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

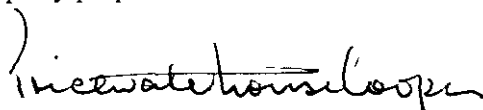
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Cardiff,
28 September 2000

**Profit and loss account
for the year ended 31 March 2000**

	Notes	2000 £	1999 £
Turnover			
Turnover	2	7,493,425	6,084,658
Cost of sales		(4,878,787)	(3,935,904)
Gross profit		<u>2,614,638</u>	<u>2,148,754</u>
Operating expenses		(2,170,522)	(1,589,794)
Other operating income		658,152	440,252
Operating profit		<u>1,102,268</u>	<u>999,212</u>
Interest receivable and similar income		12,776	10,251
Interest payable and similar charges	5	(683,512)	(431,795)
Profit on ordinary activities before taxation	6	<u>431,532</u>	<u>577,668</u>
Tax on profit on ordinary activities	7	-	72,187
Profit on ordinary activities after taxation		<u>431,532</u>	<u>649,855</u>
Dividends and appropriations	8	(405,434)	(374,294)
Retained profit for the financial year	18	<u>26,098</u>	<u>275,561</u>

All operations are continuing.

The Company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and retained profit for the period stated above, and their historical cost equivalents.

Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit on ordinary activities after taxation	431,532	649,855
Dividends and appropriations	(405,434)	(374,294)
Net proceeds from issue of shares	47,500	-
	<u>73,598</u>	<u>275,561</u>
Reversal of non-equity appropriation	39,411	39,411
	<u>113,009</u>	<u>314,972</u>
Opening shareholders' funds	4,699,676	4,384,704
Closing shareholders' funds	<u>4,812,685</u>	<u>4,699,676</u>

Balance sheet at 31 March 2000

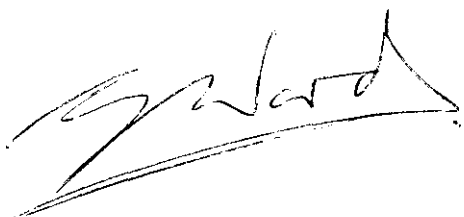
	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	9	113,042	36,546
Tangible assets	10	14,669,976	10,354,663
		<u>14,783,018</u>	<u>10,391,209</u>
Current assets			
Stocks	11	482,261	282,848
Debtors	12	558,215	463,950
Cash at bank and in hand		419,970	356,389
		<u>1,460,446</u>	<u>1,103,187</u>
Creditors: amounts falling due within one year	13	<u>(2,502,352)</u>	<u>(2,228,053)</u>
Net current liabilities		<u>(1,041,906)</u>	<u>(1,124,866)</u>
Total assets less current liabilities		<u>13,741,112</u>	<u>9,266,343</u>
Creditors: amounts falling due after more than one year	14	<u>(7,578,427)</u>	<u>(3,066,667)</u>
Accruals and deferred income	15	<u>(1,350,000)</u>	<u>(1,500,000)</u>
Net assets		<u>4,812,685</u>	<u>4,699,676</u>
Capital and reserves			
Called up share capital	17	145,725	141,250
Share premium account	18	3,994,775	3,951,750
Profit and loss account	18	543,481	477,972
Capital reserve	18	128,704	128,704
Shareholders' funds		<u>4,812,685</u>	<u>4,699,676</u>
Apportioned:			
Equity shareholders' funds		522,179	495,581
Non-equity shareholders' funds		4,290,506	4,204,095
		<u>4,812,685</u>	<u>4,699,676</u>

These financial statements were approved by the directors on 28 September 2000 and were signed on their behalf by:

Director



Director



**Cash flow statement
for the year ended 31 March 2000**

	2000 £	1999 £
Net cash inflow from operating activities (see page 9)	1,492,886	2,670,393
Returns on investments and servicing of finance		
Interest received	12,776	10,251
Interest paid	(683,512)	(431,795)
Non equity dividends	(756,833)	-
Net cash outflow from returns on investments and servicing of finance	(1,427,569)	(421,544)
Taxation	-	-
Capital expenditure		
Payments to acquire tangible fixed assets	(4,613,389)	(1,494,761)
Payments to acquire intangible fixed assets	(127,608)	-
Net cash outflow from capital expenditure	(4,740,997)	(1,494,761)
Equity dividends paid	(44,999)	-
Net cash (outflow)/inflow before financing	(4,720,679)	754,088
Financing:		
Issue of shares	47,500	-
Net inflow/(outflow) from long term bank loans	4,736,760	(925,910)
Net cash inflow/(outflow) from financing	4,784,260	(925,910)
Increase/(decrease) in cash (see page 9)	63,581	(171,822)

**Cashflow statement for
the year ended 31 March 2000**

Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	1,102,268	999,211
Depreciation	298,076	194,337
Intangible amortisation	51,112	7,032
Release of deferred income	(150,000)	-
Increase in stocks	(199,413)	(3,204)
Increase in debtors	(94,265)	(59,760)
Increase in creditors	485,108	1,532,777
Net cash inflow from operating activities	<u>1,492,886</u>	<u>2,670,393</u>

Analysis of changes in net debt

	At 1 April 1999 £	Cash Flows £	At 31 March 2000 £
Cash at bank and in hand	356,389	63,581	419,970
Debt due within 1 year	(675,000)	(225,000)	(900,000)
Debt due after 1 year	(3,066,667)	(4,511,760)	(7,578,427)
Total	<u>(3,385,278)</u>	<u>(4,673,179)</u>	<u>(8,057,457)</u>

**Notes to the financial statements
for the year ended 31 March 2000****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which has been applied consistently, is set out below.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Depreciation and amortisation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset, commencing in the quarter after purchase, as follows:

Freehold & long leasehold property	2% straight line
Computer equipment	20% straight line
Fixtures and fittings	10% straight line

All leasehold properties subject to leases of fifty years or less are amortised over the unexpired term on a straight line basis.

Included within leasehold property are employee costs of £5,794 (1999: £10,750) which relate to the construction of certain buildings. These costs are to be written off over 5 years commencing 1 April 1997.

Included within freehold property are employee costs of £40,825 (1999: £24,825) which relate to the design and construction of certain buildings. These costs are to be written off over 5 years commencing 1 October 1999.

Pretrading

Pretrading costs are amortised over their useful economic life, which has been assessed by the directors to be 5 years.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Deferred taxation

Provision is made for deferred taxation, under the liability method, to take account of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

The Company operates a defined contribution pension scheme. Pension contributions are charged to the profit and loss account when due.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the financial year was:

	2000 Number	1999 Number
By activity:		
Retail and services	233	170
Administration	21	19
	<u>254</u>	<u>189</u>

Staff costs (for the above persons)

	2000 £	1999 £
Wages and salaries	1,882,557	1,393,451
Social security costs	107,244	96,366
Pension costs	36,525	26,939
	<u>2,026,326</u>	<u>1,516,756</u>

4 Directors' emoluments

The combined remuneration of the directors for their services as directors of the Company is set out below:

	2000 £	1999 £
Aggregate emoluments and other benefits	<u>194,106</u>	<u>153,606</u>

5 Interest payable and similar charges

	2000 £	1999 £
Interest payable on: Bank loans	573,805	431,795
Other loans	<u>109,707</u>	<u>-</u>
	<u>683,512</u>	<u>431,795</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:-

	2000 £	1999 £
Intangible amortisation	51,112	7,032
Depreciation	298,076	194,337
Auditors' remuneration		
As auditor	12,750	12,100
For other services	61,550	7,200
Operating leases:		
Land and buildings	85,370	63,967
Hire of plant and machinery	<u>45,599</u>	<u>34,362</u>

In addition to the above in 1999 £25,049 was paid to the Company's auditors in relation to the refinancing of bank borrowings.

7 Tax on profit on ordinary activities

	2000 £	1999 £
Release of irrecoverable ACT provision	<u>-</u>	<u>(72,187)</u>

8 Dividends and appropriations

The following dividends have been proposed during the year:

	2000 £	1999 £
Dividends on Ordinary shares		
Ordinary interim paid (1999: proposed)	25,301	12,000
Ordinary final proposed	34,722	12,000
	<u>60,023</u>	<u>24,000</u>
Dividends on Preference shares		
Preference - interim paid (1999: proposed)	153,220	153,000
Preference - final proposed	152,780	157,883
Preference appropriation	39,411	39,411
	<u>345,411</u>	<u>350,294</u>
	<u>405,434</u>	<u>374,294</u>

9 Intangible fixed assets

	Pretrading Costs £
Cost	
At 1 April 1999	54,743
Additions	127,608
At 31 March 2000	<u>182,351</u>
Amortisation	
At 1 April 1999	18,197
Charge for the year	51,112
At 31 March 2000	<u>69,309</u>
Net book value	
At 31 March 2000	<u>113,042</u>
At 31 March 1999	<u>36,546</u>

10 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Computer Equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 1999	1,483,196	7,560,940	38,958	1,776,387	10,859,481
Additions	3,646,816	131,608	22,118	812,847	4,613,389
At 31 March 2000	5,130,012	7,692,548	61,076	2,589,234	15,472,870
Depreciation					
At 1 April 1999	-	14,050	19,515	471,253	504,818
Charge for the year	11,153	48,954	10,050	227,919	298,076
At 31 March 2000	11,153	63,004	29,565	699,172	802,894
Net book value					
At 31 March 2000	5,118,859	7,629,544	31,511	1,890,062	14,669,976
At 31 March 1999	1,483,196	7,546,890	19,443	1,305,134	10,354,663

11 Stocks

	2000 £	1999 £
Raw materials	482,261	282,848

12 Debtors

	2000 £	1999 £
Trade debtors	315,191	340,747
Prepayments and accrued income	243,024	123,203
	558,215	463,950

Included above are prepayments of £Nil (1999: £33,870) falling due after more than one year.

13 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans (secured) (see note 14)	900,000	675,000
Trade creditors	480,632	420,519
Taxation and social security	282,746	160,840
Dividends payable	187,502	623,311
Other creditors, accruals and deferred income	651,472	348,383
	<u>2,502,352</u>	<u>2,228,053</u>

14 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Bank loans (secured)	6,022,139	3,066,667
Other loans	1,556,288	-
	<u>7,578,427</u>	<u>3,066,667</u>
Bank loans are repayable as follows:		
In one year or less	900,000	675,000
Between one and two years	900,000	775,000
Between two and five years	3,300,000	2,291,667
After five years	1,822,139	-
	<u>6,922,139</u>	<u>3,741,667</u>

The Company has entered into an agreement with its Bankers by means of which the Bankers have made available term loans of £7,500,000, which are repayable by instalments, some of which are due in more than five years, as follows:

- (a) A term loan of £6,000,000 repayable in accordance with a predetermined schedule of repayments commencing 30 September 1999 and ending 30 September 2005. Interest is charged at LIBOR plus 1.75% to 2%.
- (b) A term loan of £1,500,000, which is repayable in equal instalments on 31 March 2006, 30 September 2006 and 31 March 2007. Interest is charged as the term loan in (a) above plus 2.5%.

The Company has entered into an agreement with its Institutional Investors by means of which the Institutional Investors have made available loans of £1,612,088.

The Company shall repay the loan consisting of one instalment of £422,418 due on 31 March 2007 and two instalments of £594,835 due on 31 March 2008 and 31 March 2009. Interest is charged at 9%.

15 Accruals and deferred taxation

	2000 £	1999 £
Accruals and deferred income	<u>1,350,000</u>	<u>1,500,000</u>

16 Deferred taxation

The total potential liability for deferred tax is as follows:

	Unprovided 2000 £	Unprovided 1999 £
Excess of tax allowances over depreciation	1,065,000	844,000
Losses	<u>(458,000)</u>	<u>(426,000)</u>
	<u>607,000</u>	<u>418,000</u>

17 Share capital

	2000 £	1999 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
697,457 (1999: 300,000) Ordinary "A1" shares of 1p each	<u>6,975</u>	<u>3,000</u>
142,500 Ordinary "A2" shares of 1p each	<u>-</u>	<u>1,425</u>
85,311 Ordinary "B" shares of 1p each	<u>853</u>	<u>-</u>
3,825,000 "A" Cumulative Redeemable Preference Shares of 1p each	<u>38,250</u>	<u>38,250</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
697,457 (1999: 300,000) Ordinary "A1" shares of 1p each	<u>6,975</u>	<u>3,000</u>
50,000 Ordinary "B" shares of 1p each	<u>500</u>	<u>-</u>
3,825,000 "A1" Cumulative Redeemable Preference Shares of 1p each	<u>38,250</u>	<u>38,250</u>
	<u>145,725</u>	<u>141,250</u>

The Ordinary shares have voting rights of one vote per share. The Ordinary shares carry no right to dividends and, on winding up, the holders are entitled to £1 per share.

The "A1" Ordinary shares have voting rights of one vote per share. The "A1" Ordinary shares carry a right to dividends of between 6p and 10p per share and, on winding up, the holders are entitled to £0.4975 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.

17 Share capital (continued)

The cumulative redeemable "A1" preference shares which have no voting rights, are to be redeemed as follows:

Date	Number of A1 Preference Shares
30 April 2002	620,000
30 April 2003	370,000
30 April 2004	1,400,000
30 April 2005	1,435,000

The cumulative redeemable "A1" preference shares carry a right to dividends of between 6p and 10p per share and, on winding up, the holders are entitled to £1 per share.

During the financial year 397,457 "A1" Ordinary shares were issued, with an aggregate nominal value of £3,975. The total consideration received by the Company due to the issue was £47,000.

During the financial year 50,000 "B" Ordinary shares were issued, with an aggregate nominal value of £500. The total consideration received by the Company due to the issue was £500.

The "A1" Ordinary shares and "B1" Ordinary shares were issued as part of a refinancing package which enabled the Company to build an additional motorway service area in Bridgewater.

18 Reserves

	Share Premium Account £	Profit and loss account £	Capital Reserve £
At 1 April 1999	3,951,750	477,972	128,704
Retained profit for the financial year	-	26,098	-
Reversal of non-equity appropriation	-	39,411	-
Issue of Ordinary "A1" shares	43,025	-	-
At 31 March 2000	<u>3,994,775</u>	<u>543,481</u>	<u>128,704</u>

19 Financial commitments

Operating lease commitments

At 31 March 2000 the Company had annual commitments under non-cancellable operating leases as follows:-

	2000		1999	
	Land and buildings £	Plant and Machinery £	Land and buildings £	Plant and Machinery £
Expiring within two to five years	-	32,908	-	30,444
Expiring after five years	97,830	-	64,000	-

Capital commitments

At 31 March 2000 the Company has authorised and contracted capital commitments of £Nil (1999: £3.4m).

20 Related party transactions

	%
Table of Voting Rights	
3i Group Plc	43.20
R Millar	8.14
G Ward	4.43
N Richards	4.43
N Palmizi	0.71
Barrington House Nominees Ltd	39.09
	<u>100.00</u>

During the year the Company paid a monitoring fee of £20,000 (1999: £15,000) to 3i Group plc.