

First Motorway Services Limited
Annual report
for the year ended 31 March 1999

Registered no: 3126731



First Motorway Services Limited

Annual report for the year ended 31 March 1999

	Pages
Directors and advisers	1
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 18

Directors and advisers

Directors

D Fisher
R Millar
N Richards
G Ward

Registered Auditors

PricewaterhouseCoopers
Churchill House
Churchill Way
Cardiff
CF10 2XQ

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 1999

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 1999.

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 £24,000 (1998: £20,999) in respect of ordinary share capital and £310,883 (1998: £267,748) 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 at 31 March 1999 and 31 March 1998 were as follows:

	Ordinary shares of £1 each Number
D Fisher	-
R Millar	46,000
N Richards	25,000
G Ward	25,000

Year 2000 and the Euro

The Directors have assessed the risks to the Company arising as a result of the Year 2000 problem and have concluded that there is likely to be limited impact upon the Company's operations. The Company has developed plans to address the issues and the Directors are of the view that the cost associated with the implementation of the plans will be immaterial.

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.

Post balance sheet events

As part of the Company's expansion programme on 23 July 1999, our third Motorway Services Area was opened at Bridgewater, Junction 24 on the M5. The site is a £6 million development incorporating a lodge and a Burger King facility.

We have also entered into an agreement with Burger King to operate on our existing sites and the first Burger King opened at the Bolton West site on the M61 at the end of May 1999.

These developments were substantially financed by Bank of Scotland, 3i plc and Gresham Trust plc (see note 21).

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 1999. 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

15 September 1999

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, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established 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 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

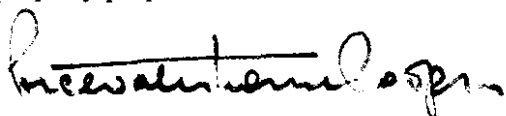
Basis of opinion

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 1999 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,
15 September 1999

Profit and loss account for the year ended 31 March 1999

	Notes	1999 £	1998 £
Turnover			
Turnover	2	6,084,658	6,015,455
Cost of sales		(3,935,904)	(3,897,136)
Gross profit		<u>2,148,754</u>	<u>2,118,319</u>
Operating expenses		(1,589,794)	(1,574,942)
Other operating income		440,252	417,986
Operating profit		<u>999,212</u>	<u>961,363</u>
Interest receivable and similar income		10,251	11,324
Interest payable and similar charges	5	(431,795)	(482,180)
Profit on ordinary activities before taxation	6	<u>577,668</u>	<u>490,507</u>
Tax on profit on ordinary activities	7	72,187	(72,187)
Profit on ordinary activities after taxation		<u>649,855</u>	<u>418,320</u>
Dividends and appropriations	8	(374,294)	(359,844)
Retained profit for the financial year	18	<u>275,561</u>	<u>58,476</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


	1999 £	1998 £
Profit on ordinary activities after taxation	649,855	418,320
Dividends and appropriations	(374,294)	(359,844)
	<u>275,561</u>	<u>58,476</u>
Reversal of non-equity appropriation	39,411	71,097
	<u>314,972</u>	<u>129,573</u>
Opening shareholders' funds	<u>4,384,704</u>	<u>4,255,131</u>
Closing shareholders' funds	<u>4,699,676</u>	<u>4,384,704</u>

Balance sheet at 31 March 1999

	Notes	1999 £	1998 £
Fixed assets			
Intangible assets	9	36,546	43,578
Tangible assets	10	10,354,663	9,054,239
		<u>10,391,209</u>	<u>9,097,817</u>
Current assets			
Stocks	11	282,848	279,644
Debtors	12	463,950	404,190
Cash at bank and in hand		356,389	528,211
		<u>1,103,187</u>	<u>1,212,045</u>
Creditors: amounts falling due within one year	13	<u>(2,228,053)</u>	<u>(1,886,402)</u>
Net current liabilities		<u>(1,124,866)</u>	<u>(674,357)</u>
Total assets less current liabilities		<u>9,266,343</u>	<u>8,423,460</u>
Creditors: amounts falling due after more than one year	14	<u>(3,066,667)</u>	<u>(4,038,756)</u>
Accruals and deferred income	15	(1,500,000)	-
Deferred taxation	16	-	-
		<u>4,699,676</u>	<u>4,384,704</u>
Net assets			
Capital and reserves			
Called up share capital	17	141,250	141,250
Share premium account	18	3,951,750	3,951,750
Profit and loss account	18	477,972	163,000
Capital reserve	18	128,704	128,704
		<u>4,699,676</u>	<u>4,384,704</u>
Shareholders' funds			
Apportioned:			
Equity shareholders' funds		495,581	220,020
Non-equity shareholders' funds		4,204,095	4,164,684
		<u>4,699,676</u>	<u>4,384,704</u>

These financial statements were approved by the directors on 15 September 1999 and were signed on their behalf by:

Director 

Director 

Cash flow statement for the year ended 31 March 1999

	1999 £	1998 £
Net cash inflow from operating activities (see page 9)	2,670,393	1,694,435
Returns on investments and servicing of finance		
Interest received	10,251	11,324
Interest paid	(431,795)	(482,180)
Non equity dividends	-	(85,830)
Net cash outflow from returns on investments and servicing of finance	(421,544)	(556,686)
Taxation	-	(23,055)
Capital expenditure		
Payments to acquire tangible fixed assets	(1,494,761)	(99,015)
Equity dividends paid	-	(6,707)
Net cash inflow before financing	754,088	1,008,972
Financing:		
Net outflow from long term bank loans	(925,910)	(605,241)
(Decrease)/increase in cash (see page 9)	(171,822)	403,731

**Cashflow statement for
the year ended 31 March 1999**

Reconciliation of operating profit to net cash inflow from operating activities

	1999 £	1998 £
Operating profit	999,211	961,363
Depreciation	194,337	187,865
Goodwill amortisation	7,032	6,638
(Increase)/decrease in stocks	(3,204)	71,070
(Increase)/decrease in debtors	(59,760)	151,354
Increase in creditors	1,532,777	316,145
Net cash inflow from operating activities	<u>2,670,393</u>	<u>1,694,435</u>

Analysis of changes in net debt

	At 1 April 1998 £	Cash flows £	At 31 March 1999 £
Cash at bank and in hand	528,211	(171,822)	356,389
Debt due within 1 year	(628,821)	(46,179)	(675,000)
Debt due after 1 year	(4,038,756)	972,089	(3,066,667)
Total	<u>(4,139,366)</u>	<u>754,088</u>	<u>(3,385,278)</u>

**Notes to the financial statements
for the year ended 31 March 1999****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	see below
Computer equipment	20% straight line
Fixtures and fittings	10% straight line

No depreciation is provided on properties subject to leases with twenty years or more to run at the balance sheet date or on integral fixed plant. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time. Accordingly the directors consider that the lives of these assets and residual values (based on prices prevailing at the time of acquisition and subsequent valuation) are such that their depreciation is insignificant. If this departure from the Act had not been made the profit for the financial year would have been reduced by depreciation on the leasehold properties of £150,591 (1998: £158,000) and the net book value of leasehold property would be £7,126,785 (1998: £7,277,376). All leasehold properties subject to leases of twenty years or less are amortised over the unexpired term on a straight line basis.

Included within leasehold property are employee costs of £10,750 (1998: £19,840) 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 £24,825 (1998: £nil) 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:

	1999 Number	1998 Number
By activity:		
Retail and services	170	171
Administration	19	17
	<u>189</u>	<u>188</u>

Staff costs (for the above persons)

	1999 £	1998 £
Wages and salaries	1,393,451	1,378,142
Social security costs	96,366	87,368
Pension costs	26,939	28,128
	<u>1,516,756</u>	<u>1,493,638</u>

4 Directors' emoluments

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

	1999 £	1998 £
Aggregate emoluments and other benefits	<u>153,606</u>	<u>138,288</u>

5 Interest payable and similar charges

	1999 £	1998 £
Interest payable on bank loans and overdrafts	<u>431,795</u>	<u>482,180</u>

6 Profit on ordinary activities before taxation

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

	1999 £	1998 £
Intangible amortisation	7,032	6,638
Depreciation	194,337	187,865
Auditors' remuneration		
As auditor	12,100	17,667
For other services	2,350	8,600
Operating leases:		
Land and buildings	63,967	101,464
Hire of plant and machinery	<u>34,362</u>	<u>31,939</u>

In addition to the above £25,049 was paid to the company's auditors in relation to the refinancing of bank borrowings (see Note 21).

7 Tax on profit on ordinary activities

	1999 £	1998 £
(Release)/provision for irrecoverable ACT	<u>(72,187)</u>	<u>72,187</u>

8 Dividends and appropriations

The following dividends have been proposed during the year:

	1999 £	1998 £
Dividends on Ordinary shares		
Ordinary interim proposed	12,000	10,528
Ordinary final proposed	12,000	10,471
	<u>24,000</u>	<u>20,999</u>
Dividends on Preference shares		
Preference - interim proposed	153,000	134,241
Preference - final proposed	157,883	133,507
Preference appropriation	39,411	71,097
	<u>350,294</u>	<u>338,845</u>
	<u>374,294</u>	<u>359,844</u>

9 Intangible fixed assets

	Pretrading Costs £
Cost	
At 1 April 1998 and 31 March 1999	<u>54,743</u>
Depreciation	
At 1 April 1998	11,165
Charge for the year	<u>7,032</u>
At 31 March 1999	<u>18,197</u>
Net book value	
At 31 March 1999	<u>36,546</u>
At 31 March 1998	<u>43,578</u>

10 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Computer Equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 1998	1	7,554,336	38,766	1,771,617	9,364,720
Additions	1,483,195	6,604	192	4,770	1,494,761
At 31 March 1999	1,483,196	7,560,940	38,958	1,776,387	10,859,481
Depreciation					
At 1 April 1998	-	4,960	11,745	293,776	310,481
Charge for the year	-	9,090	7,770	177,477	194,337
At 31 March 1999	-	14,050	19,515	471,253	504,818
Net book value					
At 31 March 1999	1,483,196	7,546,890	19,443	1,305,134	10,354,663
At 31 March 1998	1	7,549,376	27,021	1,477,841	9,054,239

Freehold property additions of £1,483,195 during the year relate to various costs associated with the acquisition of a site for development as a motorway service area (see note 21).

11 Stocks

	1999 £	1998 £
Raw materials	282,848	279,644

12 Debtors

	1999 £	1998 £
Trade debtors	340,747	281,615
Prepayments and accrued income	123,203	122,575
	463,950	404,190

Included above are prepayments of £33,870 (1998: £66,489) falling due after more than one year.

13 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank loans (secured) (see note 14)	675,000	628,821
Trade creditors	420,519	473,802
Taxation and social security	160,840	170,610
Advance Corporation Tax payable	-	72,188
Dividends payable	623,311	288,428
Other creditors, accruals and deferred income	348,383	252,553
	<u>2,228,053</u>	<u>1,886,402</u>

14 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Bank loans and overdraft (secured)	<u>3,066,667</u>	<u>4,038,756</u>
Bank loans and overdraft are repayable as follows:		
In one year or less	675,000	628,821
Between one and two years	775,000	657,500
Between two and five years	2,291,667	2,481,800
After five years	-	899,456
	<u>3,741,667</u>	<u>4,667,577</u>

The company has entered into an arrangement with its Bankers by means of which the Bankers have made available term loans of £5,375,000 which are repayable by instalment in more than five years as follows:

- (a) A term loan of £4,725,000 repayable in accordance with a predetermined schedule of repayment commencing 31 March 1997 and ending 31 March 2003. Interest is charged at LIBOR plus 1.5% to 2%.
- (b) A loan of £916,667 is repayable 31 March 2004. Interest is charged at LIBOR plus 2.75%.

The bank loans and overdraft are secured by fixed and floating charges on all the assets of the company and a legal charge over the freehold property.

The company has entered into an interest rate SWAP agreement with a notional principle of £4,252,500 (representing 90% of the original value of the term loan). The SWAP rate is fixed at 7.44% until it matures on 30 September 1999.

15 Accruals and deferred taxation

	1999 £	1998 £
Accruals and deferred income	<u>1,500,000</u>	<u>-</u>

16 Deferred taxation

No deferred tax provision arises in the year because the company does not depreciate integral plant and, therefore, no timing differences arise on these assets.

17 Share capital

	1999 £	1998 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
300,000 Ordinary "A1" shares of 1p each	<u>3,000</u>	<u>3,000</u>
142,500 Ordinary "A2" shares of 1p each	<u>1,425</u>	<u>1,425</u>
3,825,000 "A1" 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>
300,000 Ordinary "A1" shares of 1p each	<u>3,000</u>	<u>3,000</u>
3,825,000 "A1" Cumulative Redeemable Preference Shares of 1p each	<u>38,250</u>	<u>38,250</u>
	<u>141,250</u>	<u>141,250</u>

The "A1" ordinary shares have voting rights of one vote per share, restricted to 49% of the total votes.

The cumulative redeemable "A1" preference shares, which have no voting rights, are to be redeemed at a premium of 99p 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.

18 Reserves

	Share Premium Account £	Profit and loss account £	Capital Reserve £
At 1 April 1998	3,951,750	163,000	128,704
Retained profit for the financial year	-	275,561	-
Reversal of non-equity appropriation	-	39,411	-
At 31 March 1999	<u>3,951,750</u>	<u>477,972</u>	<u>128,704</u>

19 Financial commitments

Operating lease commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:-

	1999		1998	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Expiring within two to five years	-	30,444	-	24,791
Expiring after five years	<u>64,000</u>	<u>-</u>	<u>64,000</u>	<u>-</u>

Capital commitments

At 31 March 1999 the company has authorised and contracted capital commitments of £3.4 million (1998: £nil).

20 Related party transactions

Table of Voting Rights	%
3i Group Plc	25.70
R Millar	23.50
G Ward	12.75
N Richards	12.75
N Palmizi	2.00
Other	23.30
	<u>100.00</u>

During the year the company paid a monitoring fee of £15,000 (1998: £15,000) to 3i Group plc.

21 Post Balance Sheet Events

On 23 July 1999 the Company opened its third Motorway Services area at Bridgewater, Junction 24 on the M5. The site is a £6 million development incorporating a lodge and a Burger King facility.

The Company has also entered into an agreement with Burger King to operate at its other sites and the first Burger King opened at the Bolton West site on the M61 at the end of May 1999.

The above developments were substantially financed by Bank of Scotland, 3i plc and Gresham Trust plc. As a result, in June 1999 the Company's loan funding, the principal terms of which are outlined in note 14, was repaid and replaced by new loan agreements and the share capital of the Company was amended.