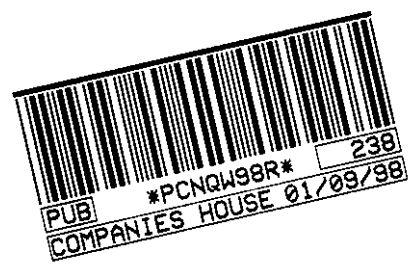


First Motorway Services Limited  
Annual report  
for the year ended 31 March 1998

Registered no: 3126731



# **First Motorway Services Limited**

## **Annual report for the year ended 31 March 1998**

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## Directors and advisers

### Executive directors

D Fisher  
R Millar  
N Richards  
G Ward

### Registered Auditors

Coopers & Lybrand  
Churchill House  
Churchill Way  
Cardiff  
CF1 4XQ

### 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

National Westminster Bank plc  
9 Belle Vue Way  
Swansea  
SA1 5BX

**Directors' report  
for the year ended 31 March 1998**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 1998.

**Principal activities**

The principal activity of the company during the period was the operation of Motorway Service Areas. The company was incorporated on 15 November 1995 and commenced trading on 24 April 1996. The comparative information provided in the financial statements covers the period from incorporation to 31 March 1997.

**Review of business**

The profit and loss account for the year is set out on page 5. Both the level of business and the period 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 £20,999 (1997: £16,840) in respect of ordinary share capital and £267,748 (1997: £214,708) 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 1998 and 31 March 1997 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 likely impact of the introduction of the Euro in certain countries from 1 January 1999 and are of the opinion that there will be no significant impact upon the operation of the company.

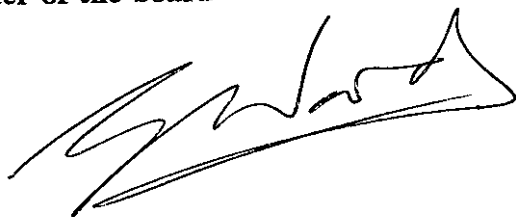
## Directors' responsibilities statement

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 1998. 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

A handwritten signature in black ink, appearing to be 'G. Ward', written over a horizontal line.

Company secretary

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

We have audited the financial statements on pages 5 to 17.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **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 1998 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,  
26 August 1998

## Profit and loss account for the year ended 31 March 1998

	Notes	1998 £	1997 £
Turnover			
Turnover	2	6,015,455	5,081,572
Cost of sales		(3,897,136)	(3,437,592)
		<u>2,118,319</u>	<u>1,643,980</u>
Gross profit			
Operating expenses		(1,574,942)	(1,207,580)
Other operating income		417,986	308,937
		<u>961,363</u>	<u>745,337</u>
Operating profit			
Interest receivable and similar income		11,324	15,227
Interest payable and similar charges	5	(482,180)	(437,702)
		<u>490,507</u>	<u>322,862</u>
Profit on ordinary activities before taxation	6		
Tax on profit on ordinary activities	7	(72,187)	(57,887)
		<u>418,320</u>	<u>264,975</u>
Profit on ordinary activities after taxation			
Dividends and appropriations	8	(359,844)	(332,135)
		<u>58,476</u>	<u>(67,160)</u>
Retained profit/(loss) for the financial year	17		

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

	1998 £	1997 £
Profit on ordinary activities after taxation	418,320	264,975
Dividends and appropriations	(359,844)	(332,135)
	<u>58,476</u>	<u>(67,160)</u>
Proceeds of issue of Ordinary shares	-	400,000
Costs of share issue written off to share premium account	-	(9,600)
Proceeds of issue of Preference shares	-	3,825,000
Costs of share issue written off to share premium account	-	(122,400)
Capital reserve arising on acquisition	-	128,704
Reversal of non-equity appropriation	71,097	100,587
	<u>129,573</u>	<u>4,255,131</u>
Opening shareholders' funds	4,255,131	-
	<u>4,384,704</u>	<u>4,255,131</u>
Closing shareholders' funds		



# First Motorway Services Limited

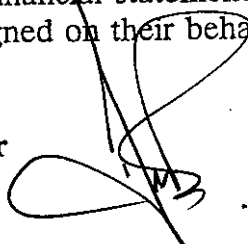
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## Balance sheet at 31 March 1998

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Intangible assets	9	43,578	50,216
Tangible assets	10	9,054,239	9,255,770
		<u>9,097,817</u>	<u>9,305,986</u>
<b>Current assets</b>			
Stocks	11	279,644	350,714
Debtors	12	404,190	555,544
Cash at bank and in hand		528,211	459,392
		<u>1,212,045</u>	<u>1,365,650</u>
<b>Creditors: amounts falling due within one year</b>	13	1,886,402	1,835,353
<b>Net current liabilities</b>		<u>(674,357)</u>	<u>(469,703)</u>
<b>Total assets less current liabilities</b>		<u>8,423,460</u>	<u>8,836,283</u>
<b>Creditors: amounts falling due after more than one year</b>	14	4,038,756	4,581,152
<b>Provisions for liabilities and charges</b>			
Deferred taxation	15	-	-
<b>Net assets</b>		<u>4,384,704</u>	<u>4,255,131</u>
<b>Capital and reserves</b>			
Called up share capital	16	141,250	141,250
Share premium account	17	3,951,750	3,951,750
Profit and loss account	17	163,000	33,427
Capital reserve	17	128,704	128,704
<b>Shareholders' funds</b>		<u>4,384,704</u>	<u>4,255,131</u>
<b>Apportioned:</b>			
Equity shareholders' funds		220,020	161,544
Non-equity shareholders' funds		4,164,684	4,093,587
		<u>4,384,704</u>	<u>4,255,131</u>

These financial statements were approved by the directors on 26 August 1998 and were signed on their behalf by:

Director



Director



**Cash flow statement  
for the year ended 31 March 1998**

	1998 £	1997 £
Net cash inflow from operating activities (see page 9)	<u>1,694,435</u>	<u>659,723</u>
Returns on investments and servicing of finance		
Interest received	11,324	15,227
Interest paid	(482,180)	(437,702)
Non equity dividends	<u>(85,830)</u>	<u>(136,799)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(556,686)</u>	<u>(559,274)</u>
Taxation	<u>(23,055)</u>	<u>(34,832)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(99,015)	(9,249,682)
Payments to acquire intangible fixed assets	-	(54,743)
Net cash outflow from capital expenditure	<u>(99,015)</u>	<u>(9,304,425)</u>
Equity dividends paid	<u>(6,707)</u>	<u>(2,530)</u>
Net cash inflow/(outflow) before financing	<u>1,008,972</u>	<u>(9,241,338)</u>
Financing:		
Net (outflow)/inflow from long term bank loans	(605,241)	5,272,818
Net inflow from share issues	-	4,093,000
	<u>(605,241)</u>	<u>9,365,818</u>
Increase in cash (see page 9)	<u><u>403,731</u></u>	<u><u>124,480</u></u>

## Cashflow statement for the year ended 31 March 1998

### Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	961,363	745,337
Depreciation	194,503	127,143
Decrease in stocks	71,070	(350,714)
Decrease in debtors	151,354	(555,544)
Increase in creditors	316,145	693,501
	<u>1,694,435</u>	<u>659,723</u>
Net cash inflow from operating activities		

### Analysis of changes in net debt

	At 1 April 1997 £	Cash flows £	At 31 March 1998 £
Cash at bank and in hand	459,392	68,819	528,211
Bank overdraft	(334,912)	334,912	-
	<u>124,480</u>	<u>403,731</u>	<u>528,211</u>
Debt due within 1 year	(691,666)	62,845	(628,821)
Debt due after 1 year	(4,581,152)	542,396	(4,038,756)
	<u>(5,148,338)</u>	<u>1,008,972</u>	<u>(4,139,366)</u>
Total			

**Notes to the financial statements  
for the year ended 31 March 1998****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 & 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 £158,000 (1997: £114,000) and the net book value of leasehold property would be £7,277,376 (1997: £7,487,832). 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 £19,840 (1997: £24,800) which relate to the construction of certain buildings. These costs are to be written off over 5 years commencing 1 April 1997.

**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 period was:

	1998 Number	1997 Number
By activity:		
Retail and services	171	186
Administration	17	14
	<u>188</u>	<u>200</u>

### Staff costs (for the above persons)

	1998 £	1997 £
Wages and salaries	1,378,142	1,303,092
Social security costs	87,368	92,306
Pension costs	28,128	3,594
	<u>1,493,638</u>	<u>1,398,992</u>

## 4 Directors' emoluments

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

	1998 £	1997 £
Aggregate emoluments and other benefits	<u>138,288</u>	<u>114,923</u>

## 5 Interest payable and similar charges

	1998 £	1997 £
Interest payable on bank loans and overdrafts	<u>482,180</u>	<u>437,702</u>

## 6 Profit on ordinary activities before taxation

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

	1998 £	1997 £
Intangible amortisation	6,638	4,527
Depreciation	187,865	122,616
Auditors' remuneration		
As auditor	17,667	13,034
For other services	8,600	4,200
Operating leases:		
Land and buildings	101,464	51,963
Hire of plant and machinery	<u>31,939</u>	<u>21,369</u>

In addition to the above in 1997 £38,470 was paid to the company's auditors in relation to the acquisition of the service station business.

## 7 Tax on profit on ordinary activities

	1998 £	1997 £
UK Corporation tax at 31%	-	-
Irrecoverable ACT	<u>72,187</u>	<u>57,887</u>
	<u>72,187</u>	<u>57,887</u>

## 8 Dividends and appropriations

The following dividends have been paid or proposed during the period:

	1998 £	1997 £
<b>Dividends on Ordinary shares</b>		
Ordinary interim paid	-	10,133
Ordinary interim proposed	10,528	-
Ordinary final proposed	10,471	6,707
	<u>20,999</u>	<u>16,840</u>
<b>Dividends on Preference shares</b>		
Preference - interim paid	-	129,196
Preference - interim proposed	134,241	-
Preference - final proposed	133,507	85,512
Preference appropriation	71,097	100,587
	<u>338,845</u>	<u>315,295</u>
	<u>359,844</u>	<u>332,135</u>

## 9 Intangible fixed assets

	Pretrading costs £
<b>Cost</b>	
As at 1 April 1997 and 31 March 1998	<u>54,743</u>
<b>Depreciation</b>	
As at 1 April 1997	4,527
Charge for period	6,638
	<u>11,165</u>
<b>At 31 March 1998</b>	<u>43,578</u>
<b>Net book value</b>	
At 31 March 1998	<u>50,216</u>
As at 31 March 1997	<u>50,216</u>

## 10 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Computer Equipment £	Fixtures and fittings £	Total £
<b>Cost</b>					
As at 1 April 1997	1	7,601,832	33,418	1,743,135	9,378,386
Additions	-	63,435	5,348	30,232	99,015
Adjustments	-	(110,931)	-	(1,750)	(112,681)
<b>At 31 March 1998</b>	<b>1</b>	<b>7,554,336</b>	<b>38,766</b>	<b>1,771,617</b>	<b>9,364,720</b>
<b>Depreciation</b>					
At 1 April 1997	-	-	4,509	118,107	122,616
Charge for the period	-	4,960	7,236	175,669	187,865
<b>At 31 March 1998</b>	<b>-</b>	<b>4,960</b>	<b>11,745</b>	<b>293,776</b>	<b>310,481</b>
<b>Net book value at 31 March 1998</b>	<b>1</b>	<b>7,549,376</b>	<b>27,021</b>	<b>1,477,841</b>	<b>9,054,239</b>
<b>At 31 March 1997</b>	<b>1</b>	<b>7,601,832</b>	<b>28,909</b>	<b>1,625,028</b>	<b>9,255,770</b>

## 11 Stocks

	1998 £	1997 £
Raw materials	279,644	350,714

## 12 Debtors

	1998 £	1997 £
Trade debtors	281,615	269,001
Other debtors	-	29,715
Prepayments and accrued income	122,575	256,828
	<b>404,190</b>	<b>555,544</b>

Included above are prepayments of £66,489 (1997: £152,730) falling due after more than one year.



## 13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdraft (see note 14) (secured)	628,821	1,026,578
Trade creditors	473,802	337,635
Taxation and social security	170,610	53,619
Advance Corporation Tax payable	72,188	23,055
Dividends payable	288,428	92,219
Other creditors, accruals and deferred income	252,553	302,247
	<u>1,886,402</u>	<u>1,835,353</u>

## 14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Bank loans and overdraft (secured)	<u>4,038,756</u>	<u>4,581,152</u>
Bank loans and overdraft are repayable as follows:		
In one year or less	628,821	1,026,578
Between one and two years	657,500	766,666
Between two and five years	2,481,800	2,924,998
After five years	899,456	889,488
	<u>4,667,577</u>	<u>5,607,730</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 Deferred taxation

No deferred tax provision arises in the period due to level of capital expenditure incurred and the availability of tax losses.

## 16 Share capital

	1998 £	1997 £
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
300,000 Ordinary "A1" shares of 1p each	3,000	3,000
142,500 Ordinary "A2" shares of 1p each	1,425	1,425
3,825,000 "A1" Cumulative Redeemable Preference Shares of 1p each	38,250	38,250
<b>Allotted, called up and fully paid</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
300,000 Ordinary "A1" shares of 1p each	3,000	3,000
3,825,000 "A1" Cumulative Redeemable Preference Shares of 1p each	38,250	38,250
	141,250	141,250

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.

## 17 Reserves

	Share Premium Account £	Profit and loss account £	Capital Reserve £
As at 1 April 1997	3,951,750	33,427	128,704
Retained profit for the financial period	-	58,476	-
Reversal of non-equity appropriation	-	71,097	-
At 31 March 1998	<u>3,951,750</u>	<u>163,000</u>	<u>128,704</u>

## 18 Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:-

	1998		1997	
	Land and buildings £	Plant and machinery £	Land and buildings £	Plant and machinery £
Expiring within two to five years	-	24,791	-	27,434
Expiring after five years	<u>64,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>

## 19 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 1997 the company paid £132,000 to 3i Group plc as an arrangement fee in respect of shares issued in the period.

During 1997 G Ward was paid consultancy fees of £11,245 in relation to the company's incorporation and pre-trading activities.