

First Motorway Services Limited

**Annual report
for the year ended 31 March 2001**

Registered no: 3126731



First Motorway Services Limited

Annual report for the year ended 31 March 2001

	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 - 9
Notes to the financial statements	10 - 18

First Motorway Services Limited

1

Directors and advisers

Directors

D Fisher (Resigned 12 December 2000)
P J Twanley (Appointed 12 December 2000)
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 2001**

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2001.

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 propose an interim and final dividend of £69,746 (2000: £60,023) in respect of ordinary share capital and £382,500 (2000: £306,000) in respect of preference share capital.

Directors and their interests in shares of the Company

The names of the directors, who unless otherwise indicated served throughout the year, are shown on page 1.

The directors' beneficial interests in the shares of the Company, at 31 March 2001 and 31 March 2000 (or, in respect of P J Twamley, at the date of appointment), were as follows:

	Ordinary shares Of £1 each Number	'B' Ordinary shares of 1p each Number
P J Twamley	-	-
R Millar	46,000	23,000
N Richards	25,000	12,500
G Ward	25,000	12,500

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities 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 the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole.

**Directors' report
for the year ended 31 March 2001 (Continued)**

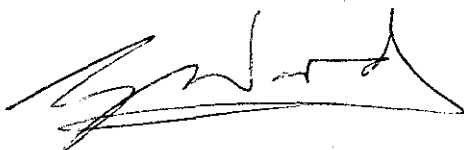
Directors' responsibilities statement

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 2001. 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. Smith', written over a horizontal line.

Company secretary

27 November 2001

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, in accordance with accounting standards applicable in the United Kingdom. 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.

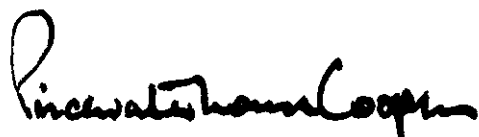
Basis of opinion

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 2001 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,

27 November 2001

**Profit and loss account
for the year ended 31 March 2001**

	Notes	2001 £	2000 £
Turnover	2	8,123,455	7,493,425
Cost of sales		(5,267,822)	(4,878,787)
		<hr/>	<hr/>
Gross profit		2,855,633	2,614,638
Operating expenses		(2,537,387)	(2,170,522)
Other operating income		679,891	658,152
		<hr/>	<hr/>
Operating profit		998,137	1,102,268
Interest receivable and similar income		17,568	12,776
Interest payable and similar charges	5	(787,268)	(683,512)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	228,437	431,532
Tax on profit on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		228,437	431,532
Dividends and appropriation	8	(414,738)	(405,434)
		<hr/>	<hr/>
Retained (loss)/profit for the financial year	18	(186,301)	26,098
		<hr/> <hr/>	<hr/> <hr/>

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 loss for the period stated above, and their historical cost equivalents.

Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit on ordinary activities after taxation	228,437	431,532
Dividends and appropriation	(414,738)	(405,434)
Net proceeds from issue of shares	-	47,500
	<hr/>	<hr/>
	(186,301)	73,598
Reversal of non-equity appropriation	(37,508)	39,411
	<hr/>	<hr/>
	(223,809)	113,009
Opening shareholders' funds	4,812,685	4,699,676
	<hr/>	<hr/>
Closing shareholders' funds	4,588,876	4,812,685
	<hr/> <hr/>	<hr/> <hr/>


First Motorway Services Limited


7

Balance sheet at 31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Intangible assets	9	21,796	113,042
Tangible assets	10	14,434,913	14,669,976
		<u>14,456,709</u>	<u>14,783,018</u>
Current assets			
Stocks	11	521,781	482,261
Debtors	12	656,636	558,215
Cash at bank and in hand		64,122	419,970
		<u>1,242,539</u>	<u>1,460,446</u>
Creditors: amounts falling due within one year	13	<u>(3,269,043)</u>	<u>(2,502,352)</u>
Net current liabilities		<u>(2,026,504)</u>	<u>(1,041,906)</u>
Total assets less current liabilities		<u>12,430,205</u>	<u>13,741,112</u>
Creditors: amounts falling due after more than one year	14	<u>(6,791,329)</u>	<u>(7,578,427)</u>
Accruals and deferred income	15	<u>(1,050,000)</u>	<u>(1,350,000)</u>
Net assets		<u>4,588,876</u>	<u>4,812,685</u>
Capital and reserves			
Called up share capital	17	145,725	145,725
Share premium account	18	3,994,775	3,994,775
Profit and loss account	18	319,672	543,481
Capital reserve	18	128,704	128,704
Shareholders' funds		<u>4,588,876</u>	<u>4,812,685</u>
Apportioned:			
Equity shareholders' funds		335,878	522,179
Non-equity shareholders' funds		4,252,998	4,290,506
		<u>4,588,876</u>	<u>4,812,685</u>

These financial statements were approved by the directors on 27 November 2001 and were signed on their behalf by:

Director 

Director 

**Cash flow statement
for the year ended 31 March 2001**

	2001 £	2000 £
Net cash inflow from operating activities (see page 9)	1,312,974	1,492,886
Returns on investments and servicing of finance		
Interest received	17,568	12,776
Interest paid	(787,268)	(683,512)
Non equity dividends	-	(756,833)
Net cash outflow from returns on investments and servicing of finance	(769,700)	(1,427,569)
Taxation	-	-
Capital expenditure		
Payments to acquire tangible fixed assets	(112,024)	(4,613,389)
Payments to acquire intangible fixed assets	-	(127,608)
Net cash outflow from capital expenditure	(112,024)	(4,740,997)
Equity dividends paid	-	(44,999)
Net cash inflow/(outflow) before financing	431,250	(4,720,679)
Financing:		
Issue of shares	-	47,500
Net (outflow)/inflow from long term bank loans	(787,098)	4,736,760
Net cash (outflow)/inflow from financing	(787,098)	4,784,260
(Decrease)/increase in cash (see page 9)	(355,848)	63,581

**Cashflow statement for
the year ended 31 March 2001**

Reconciliation of operating profit to net cash inflow from operating activities

	2001 £	2000 £
Operating profit	1,074,356	1,102,268
Depreciation	347,087	298,076
Intangible amortisation and write off of pretrading costs	91,246	51,112
Release of deferred income	(150,000)	(150,000)
Increase in stocks	(39,520)	(199,413)
Increase in debtors	(98,421)	(94,265)
Increase in creditors	164,445	485,108
	<hr/>	<hr/>
Net cash inflow from operating activities	1,312,974	1,492,886
	<hr/> <hr/>	<hr/> <hr/>

Analysis of changes in net debt

	At 1 April 2000 £	Cash Flows £	At 31 March 2001 £
Cash at bank and in hand	419,970	(355,848)	64,122
Debt due within 1 year	(900,000)	-	(900,000)
Debt due after 1 year	(7,578,427)	787,098	(6,791,329)
	<hr/>	<hr/>	<hr/>
Total	(8,058,457)	431,250	(7,627,207)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 March 2001****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 have 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 £432 (2000: £5,794) 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 £35,693 (2000: £40,825) which relate to the design and construction of certain buildings. These costs are to be written off over 5 years commencing 1 October 1999.

Franchise fees

Franchise fees 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.

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

1 Principal accounting policies

Pension scheme arrangements (continued)

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:

	2001 Number	2000 Number
By activity:		
Retail and services	250	233
Administration	19	21
	<hr/>	<hr/>
	269	254
	<hr/>	<hr/>

Staff costs (for the above persons)

	2001 £	2000 £
Wages and salaries	1,964,934	1,882,557
Social security costs	124,537	107,244
Pension costs	37,936	36,525
	<hr/>	<hr/>
	2,127,407	2,026,326
	<hr/>	<hr/>

4 Directors' emoluments

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

	2001 £	2000 £
Aggregate emoluments and other benefits	208,169	194,106
	<hr/>	<hr/>

Retirement benefits are accruing to three (2000: three) directors under a defined contribution scheme.

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

5 Interest payable and similar charges

	2001 £	2000 £
Interest payable on: Bank loans	642,180	573,805
Other loans	145,088	109,707
	<hr/>	<hr/>
	787,268	683,512
	<hr/>	<hr/>

6 Profit on ordinary activities before taxation

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

	2001 £	2000 £
Intangible amortisation	18,900	51,112
Write off of other intangible assets (see below)	65,717	-
Depreciation	347,087	298,076
Auditors' remuneration		
As auditor	13,750	12,750
For other services	6,250	61,550
Operating leases:		
Land and buildings	98,041	85,370
Hire of plant and machinery	52,963	45,599
	<hr/>	<hr/>

Pre-trading costs with a net book value of £65,717 have been written off in accordance with the requirements of UTIF 24, which restricts the circumstances in which start up costs can be deferred.

7 Tax on profit on ordinary activities

	2001 £	2000 £
UK Corporation tax at 30%	-	-
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

8 Dividends and appropriations

The following dividends have been proposed during the year:	2001	2000
	£	£
Dividends on Ordinary shares		
Ordinary interim proposed (2000: paid)	34,873	25,301
Ordinary final proposed	34,873	34,722
	<hr/>	<hr/>
	69,746	60,023
Dividends on Preference shares		
Preference - interim proposed (2000: paid)	191,250	153,220
Preference - final proposed	191,250	152,780
Preference appropriation	(37,508)	39,411
	<hr/>	<hr/>
	344,992	345,411
	<hr/>	<hr/>
	414,738	405,434
	<hr/>	<hr/>

9 Intangible fixed assets

	Franchise Fees	Other Intangible Assets	Total
	£	£	£
Cost			
At 1 April 2000	56,095	126,256	182,351
Disposals	(6,629)	-	(6,629)
Written off	-	(126,256)	(126,256)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	49,466	-	49,466
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 April 2000	8,770	60,539	69,309
Charge for the year	18,900	-	18,900
Written off	-	(60,539)	(60,539)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	27,670	-	27,670
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2001	21,796	-	21,796
	<hr/>	<hr/>	<hr/>
At 31 March 2000	47,325	65,717	113,042
	<hr/>	<hr/>	<hr/>

Other intangible assets comprise pre-trading costs which have been written off in accordance with the requirements of UITF 24 (see note 6).

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

10 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Computer Equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 2000	5,130,012	7,692,548	61,076	2,589,234	15,472,870
Additions	-	3,301	-	108,723	112,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	5,130,012	7,695,849	61,076	2,697,957	15,584,894
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2000	11,153	63,004	29,565	699,172	802,894
Charge for the year	20,831	49,113	12,228	264,915	347,087
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	31,984	112,117	41,793	964,087	1,149,981
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2001	5,098,028	7,583,732	19,283	1,733,870	14,434,913
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	5,118,859	7,629,544	31,511	1,890,062	14,669,976
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11 Stocks

	2001 £	2000 £
Raw materials	521,781	482,261
	<hr/>	<hr/>

12 Debtors

	2001 £	2000 £
Trade debtors	260,061	315,191
Prepayments and accrued income	396,575	243,024
	<hr/>	<hr/>
	656,636	558,215
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

13 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans (secured) (see note 14)	900,000	900,000
Trade creditors	650,152	480,632
Taxation and social security	220,995	282,746
Dividends payable	639,748	187,502
Other creditors, accruals and deferred income	858,148	651,472
	<hr/>	<hr/>
	3,269,043	2,502,352
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Bank loans (secured)	5,218,241	6,022,139
Other loans	1,573,088	1,556,288
	<hr/>	<hr/>
	6,791,329	7,578,427
	<hr/>	<hr/>
Bank loans are repayable as follows:		
In one year or less	900,000	900,000
Between one and two years	1,000,000	900,000
Between two and five years	2,300,000	3,300,000
After five years	1,918,241	1,822,139
	<hr/>	<hr/>
	6,118,241	6,922,139
	<hr/>	<hr/>

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 for 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%.

Notes to the financial statements
for the year ended 31 March 2001 (continued)

15 Accruals and deferred taxation

	2001 £	2000 £
Accruals and deferred income	1,050,000	1,350,000
	<u> </u>	<u> </u>

16 Deferred taxation

	Unprovided 2001 £	Unprovided 2000 £
The total potential liability for deferred tax is as follows:		
Excess of tax allowances over depreciation	1,267,000	1,065,000
Losses	(702,000)	(458,000)
	<u> </u>	<u> </u>
	565,000	607,000
	<u> </u>	<u> </u>

17 Share capital

	2001 £	2000 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
697,457 Ordinary "A1" shares of 1p each	6,975	6,975
85,311 Ordinary "B" shares of 1p each	853	853
3,825,000 "A" Cumulative Redeemable Preference Shares of 1p each	38,250	38,250
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
697,457 Ordinary "A1" shares of 1p each	6,975	6,975
50,000 Ordinary "B" shares of 1p each	500	500
3,825,000 "A1" Cumulative Redeemable Preference Shares of 1p each	38,250	38,250
	<u>145,725</u>	<u>145,725</u>

Notes to the financial statements for the year ended 31 March 2001 (continued)

17 Share capital (continued)

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.

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 2007	765,000
30 April 2008	1,530,000
30 April 2009	1,530,000

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 2000	3,994,775	543,481	128,704
Retained loss for the financial year	-	(186,301)	-
Reversal of non-equity appropriation	-	(37,508)	-
At 31 March 2001	3,994,775	319,672	128,704

**Notes to the financial statements
for the year ended 31 March 2001 (continued)**

19 Financial commitments

Operating lease commitments

At 31 March 2001 the Company had annual commitments under non-cancellable operating leases as follows:-

	Land and buildings £	2001 Plant and Machinery £	Land and Buildings £	2000 Plant and Machinery £
Expiring within less than one year	-	9,489	-	-
Expiring within two to five years	-	22,987	-	32,908
Expiring after five years	113,520	-	97,830	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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> </u>
	100.00
	<u> </u>

During the year the Company paid monitoring fees of £26,256 (2000: £20,000) to 3i Group plc and £15,000 (2000: £15,000) to Barrington House Nominees Ltd.