

First Motorway Services Limited

**Annual report
for the year ended 31 March 2006**

Registered no: 3126731

WEDNESDAY



A18ESMHS

A21

24/01/2007

148

COMPANIES HOUSE

First Motorway Services Limited

Annual report for the year ended 31 March 2006

	Pages
Directors and advisers	1
Directors' report	2 - 5
Independent auditors' report	6
Profit and loss account	7
Reconciliation of movements in shareholders' funds	8
Statement of total recognised gains and losses	8
Balance sheet	9
Cash flow statement	10 - 11
Notes to the financial statements	12 - 23

First Motorway Services Limited

1

Directors and advisers

Directors

P J Twamley (Chairman) – resigned 31 March 2006
R Millar
N Richards
G Ward
J Barbour-Smith – resigned 31 March 2006

Secretary and registered office

G Ward
Magor Motorway Services
Junction 23a
M4 Motorway
Magor
Newport
Gwent
NP26 3YL

Registered Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Solicitors

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

Bankers

Lloyds TSB
42 Commercial Street
Newport
NP20 1WX

First Motorway Services Limited

2

Directors' report for the year ended 31 March 2006

The directors have pleasure in presenting their report and the financial statements of First Motorway Services Ltd ("the company") for the year ended 31 March 2006.

Business review and principal activities

The company operates a chain of Motorway and Trunk Road Service Areas.

The results for the company show a pre-tax loss of £341,978 (2005: profit £932,054) for the year and sales of £7.6 million (2005: £8.0 million). The loss for the year is after an impairment charge on fixed assets of £457,642 and after the costs associated with the redemption and repurchase of shares.

The company has net debt of £6.3 million (2005: £3.8 million).

Dividends have been paid in the year as follows:-

	2006 pence per share	2005 As restated pence per share
Dividends on Ordinary shares		
Ordinary - prior year final paid	-	100.0
"A" Ordinary - interim paid	5.0	5.0
"A" Ordinary - final proposed	-	26.6
Dividends on Preference shares		
Preference - interim paid	19.79	5.0
Preference - final proposed	-	5.0

Interim dividends paid in respect of the preference shares include £155,227 (10.0 pence per share) of special dividends which became payable upon the redemption of the preference shares in the year (see below).

On 24 March 2006, the company redeemed all preference shares in issue and repurchased all 'A' ordinary shares in issue as follows:

	Number	Nominal Value £	Percentage of called up capital %	Consideration £
Ordinary "A1" shares of 1p each	304,545	3,045	2.6	925,576
"A1" Cumulative Redeemable Preference Shares of 1p each	1,552,273	15,523	13.0	1,552,273
	<u>1,582,818</u>	<u>18,568</u>	<u>15.6</u>	<u>2,477,849</u>

The repurchase was made to allow some of the company's investors to exit the business.

Future outlook

The external commercial environment is expected to remain competitive in 2007 as the large national chains that dominate the market continue to invest in their service areas.

However, we remain confident that we will maintain our current level of trading in the future.

Principal risks and uncertainties

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

The key business risks and uncertainties affecting the company are considered to relate to competition and employee retention.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Financial risk management

The company's operations expose it to a variety of financial risks primarily related to the funding of the company. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company uses swap agreements to manage interest rate costs.

The directors are responsible for monitoring financial risk management. The policies set by the board of directors are implemented by the company's finance department.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

First Motorway Services Limited

4

Directors and their interests in shares of the company

All directors served throughout the year, although P J Twamley and J Barbour-Smith resigned on 31 March 2006.

The directors' beneficial interests in the shares of the company, at 31 March 2006 and 31 March 2005 were as follows:

	Ordinary shares of £1 each Number	'B' Ordinary shares of 1p each Number
R Millar	46,000	23,000
N Richards	25,000	12,500
G Ward	25,000	12,500
	<hr/>	<hr/>

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 their 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.

Political and charitable donations

The company made charitable donations of £nil during the year (2005: £665).

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. They 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.

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware.

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board



G Ward
Company secretary
12 January 2007

Independent auditor's report to the members of First Motorway Services Limited

6

We have audited the financial statements of First Motorway Services Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

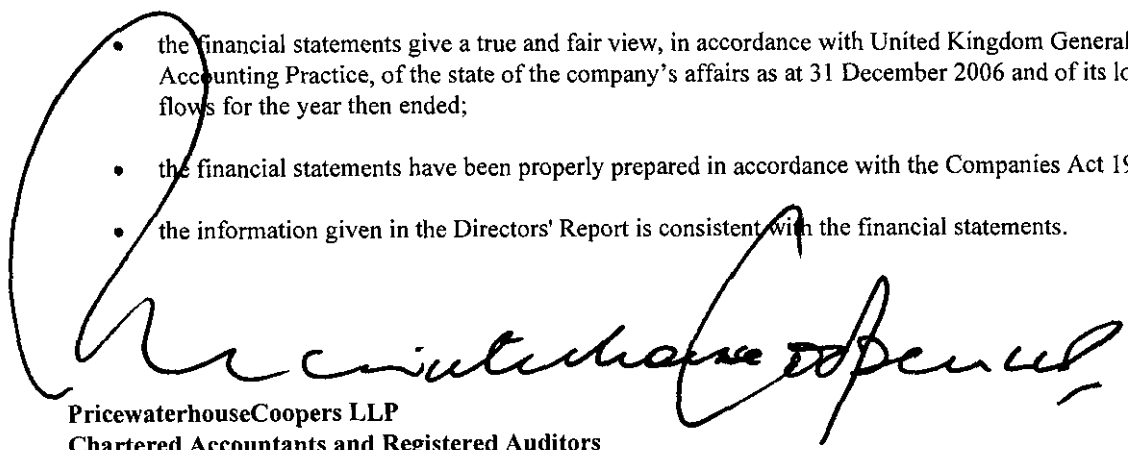
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

15 Jan 2007

First Motorway Services Limited

7

Profit and loss account for the year ended 31 March 2006

	Notes	2006 £	2005 As restated £
Turnover	2	7,566,572	7,992,624
Cost of sales		(4,837,239)	(5,069,837)
Gross profit		2,729,333	2,922,787
Net operating expenses		(2,894,830)	(2,141,243)
Other operating income		436,977	466,505
Operating profit		271,480	1,248,049
Interest receivable and similar income		26,598	23,035
Interest payable and similar charges	5	(640,056)	(339,030)
(Loss) / profit on ordinary activities before taxation	6	(341,978)	932,054
Tax on (loss) / profit on ordinary activities	7	(123,537)	(266,904)
(Loss)/profit on ordinary activities after taxation		(465,515)	665,150
Dividends and appropriation	8	-	(340,419)
(Loss)/profit for the financial year	16	(465,515)	324,731

All operations are continuing.

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

The comparative information for the year ended 31 March 2005 has been restated to reflect the implementation of new accounting standards.

Reconciliation of movements in shareholders' funds

	Note	2006 £	2005 As restated £
(Loss) / profit on ordinary activities after taxation		(465,515)	665,150
Dividends and appropriation		-	(340,419)
		<u>(465,515)</u>	<u>324,731</u>
Purchase of own shares		(2,477,849)	-
Reversal of non equity appropriation	8	-	(8,013)
Unrealised surplus on revaluation of properties	9	3,708,654	-
		<u>765,290</u>	<u>316,718</u>
Movement in shareholders' funds for the year			
Opening shareholders' funds as previously reported		2,330,614	1,913,896
Prior year adjustment – FRS 21	1	-	100,000
		<u>2,330,614</u>	<u>2,013,896</u>
Opening shareholders' funds as restated			
Closing shareholders' funds		<u>3,095,904</u>	<u>2,330,614</u>

Statement of total recognised gains and losses

	Note	2006 £	2005 £
(Loss)/profit for the financial year		(465,515)	324,731
Unrealised surplus on revaluation of properties	9	3,708,654	-
		<u>3,243,139</u>	<u>324,731</u>
Total gains and losses recognised relating to the year			

The prior year adjustment relating to FRS 21 has no impact on the statement of total recognised gains and losses

First Motorway Services Limited

9

Balance sheet at 31 March 2006

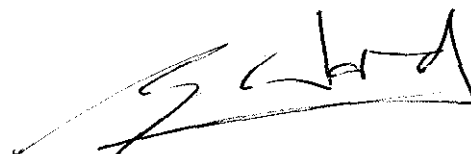
	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	9	11,064,403	8,055,909
Current assets			
Stocks	10	465,581	595,937
Debtors	11	584,190	588,131
Cash at bank and in hand		463,734	1,081,367
		<u>1,513,505</u>	<u>2,265,435</u>
Creditors: amounts falling due within one year	12	<u>(1,933,278)</u>	<u>(2,257,294)</u>
Net current (liabilities) / assets		<u>(419,773)</u>	<u>8,141</u>
Total assets less current liabilities		<u>10,644,630</u>	<u>8,064,050</u>
Creditors: amounts falling due after more than one year	13	<u>(6,314,366)</u>	<u>(4,486,794)</u>
Provisions for liabilities and charges	14	<u>(1,234,358)</u>	<u>(1,246,642)</u>
Net assets		<u>3,095,906</u>	<u>2,330,614</u>
Capital and reserves			
Called up share capital	15	100,502	119,068
Share premium account	16	-	1,565,911
Revaluation reserve	16	2,995,404	-
Profit and loss account	16	-	516,931
Capital reserve	16	-	128,704
Shareholders' funds		<u>3,095,906</u>	<u>2,330,614</u>
Apportioned:			
Equity shareholders' funds		3,095,906	725,206
Non-equity shareholders' funds		-	1,605,408
		<u>3,095,906</u>	<u>2,330,614</u>

These financial statements were approved by the board of directors on 12 January 2007 and signed on their behalf by:

R Millar
Director



G Ward
Director



First Motorway Services Limited

10

Cash flow statement for the year ended 31 March 2006

	2006 £	2005 £
Net cash inflow from operating activities (see page 11)	1,129,878	1,283,647
Returns on investments and servicing of finance		
Interest received	26,598	23,035
Interest paid	(317,564)	(339,030)
Dividends paid on shares classified as debt	(322,492)	-
Non equity dividends paid	-	(256,411)
Net cash outflow from returns on investments and servicing of finance	(613,458)	(572,406)
Taxation	(165,821)	-
Capital expenditure		
Payments to acquire tangible fixed assets	(33,638)	(113,296)
Net cash outflow from capital expenditure	(33,638)	(113,296)
Equity dividends paid (see below)	(155,591)	(150,904)
Net cash inflow before financing	161,370	447,041
Financing:		
Net inflow/(outflow) from long term bank loans	1,698,846	(389,846)
Redemption of preference shares	(1,552,273)	-
Purchase of own shares	(925,576)	-
Net cash (outflow) from financing	(779,003)	(389,846)
(Decrease) / increase in cash (see page 11)	(617,633)	57,195

Equity dividends paid in the year ended 31 March 2006 comprise the accrued dividend on the "A" ordinary shares at 31 March 2005.

**Cash flow statement for
the year ended 31 March 2006**

Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
(Decrease)/increase in cash in the period	(617,633)	57,195
Cash movement on bank loans	(1,698,846)	389,846
Redemption of preference shares	1,552,273	-
Repurchase of shares	925,576	-
Change in net debt arising from cash flows	161,370	447,041
Shares classified as debt under FRS 25	(2,477,849)	-
Movement in net debt	(2,316,479)	447,041
Net debt at 1 April 2005	(3,819,787)	(4,266,828)
Net debt at 31 March 2006	(6,136,266)	(3,819,787)

Analysis of net debt

	At 31 March 2005 £	Cash Flows £	Non cash Movement £	At 31 March 2006 £
Cash at bank and in hand	1,081,367	(617,633)	-	463,734
Debt due within 1 year	(414,360)	128,726	-	(285,634)
Debt due after 1 year:				
Bank debt	(4,486,794)	(1,827,572)	-	(6,314,366)
Shares classified as debt	-	2,477,849	(2,477,849)	-
Total	(3,819,787)	161,370	(2,477,849)	(6,136,266)

Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	271,480	1,248,049
Depreciation and impairment charges	733,798	272,784
Decrease / (increase) in stocks	130,356	(122,431)
Decrease in debtors	3,943	54,043
(Decrease) in creditors	(9,699)	(168,798)
Net cash inflow from operating activities	1,129,878	1,283,647

**Notes to the financial statements
for the year ended 31 March 2006**

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 unless otherwise stated, 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.

Changes in accounting policies

The company has, as required by the relevant standards, adopted FRS 21 "Events after the balance sheet date", FRS 25 "Financial instruments, disclosure and presentation" and FRS 28 "Corresponding Amounts" in these financial statements. The adoption of these standards represents a change in accounting policy and the effects are as follows.

The changes in accounting policy to adopt the requirements of FRS 21 did not have an impact on the financial statements for the current year. However, the equity dividends paid in 2005 have increased by £100,000 following the restatement of dividends payable as at 31 March 2004 which resulted in an increase in the opening reserves as at 1 April 2004 of £100,000.

The changes in accounting policy to adopt the presentation requirements of FRS 25 resulted in certain elements of the share capital of the company being classified as either debt or a "Compound Financial Instrument". As a result, dividends accruing on the shares of the company under the provisions of the articles of £322,492 for the year to 31 March 2006 have been reclassified as an interest cost in the profit and loss account. No restatement of the balance sheet is required as the instruments to which this relates were either redeemed or repurchased prior 31 March 2006.

No restatement of comparative information has been made as the company has taken advantage of the transitional exemption afforded by FRS 25. The comparative information given in the financial statements is based upon the requirements of FRS 4. Had the comparative information been restated, it would have required the preference shares and debt element of the "A" ordinary shares to have been fair valued and reclassified as debt in the balance sheet. Also, all dividends relating to these shares that were declared in the period would have been reclassified as interest costs in the profit and loss account.

The changes in accounting policy to adopt the requirements of FRS 28 did not have an impact on the financial statements for the current year nor on the comparatives provided for the prior year.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition, except for leasehold properties that are held at their depreciated re-valued amounts.

Revaluations are conducted on an open market basis and in accordance with the RICS Appraisal and Valuation manual every 5 years.

Depreciation is calculated, commencing in the quarter after purchase, so as to write off the cost of tangible fixed assets, less their estimated residual values over the useful economic lives of the assets concerned.

The principal annual rates and bases used for this purpose are 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.

Pension scheme arrangements

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

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and/or from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Notes to the financial statements
for the year ended 31 March 2006 (continued)****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:

	2006	2005
	Number	Number
By activity:		
Retail and services	192	187
Administration	16	18
	<hr/>	<hr/>
	208	205
	<hr/>	<hr/>

Staff costs (for the above persons)

	2006	2005
	£	£
Wages and salaries	1,876,052	1,946,403
Social security costs	145,023	150,063
Pension costs	72,146	32,898
	<hr/>	<hr/>
	2,093,221	2,129,364
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

4 Directors' emoluments

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

	2006 £	2005 £
Aggregate emoluments and other benefits	288,920	277,473
Company pension contributions	61,133	28,838
	<u> </u>	<u> </u>

Retirement benefits are accruing to three (2005: three) directors under a defined contribution scheme.

Highest paid director

	2006 £	2005 £
Aggregate emoluments and other benefits	153,018	134,608
Company pension contributions	49,089	18,871
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2006 £	2005 £
Interest payable on bank loans	317,564	339,030
Dividends on shares classified as debt under FRS 25 (note 8)	322,492	-
	<u>640,056</u>	<u>339,030</u>

6 (Loss) / profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):-

	2006 £	2005 £
Depreciation	276,336	272,784
Impairment of fixed assets (note 9)	457,462	-
Exceptional item	-	(174,000)
Auditors' remuneration		
As auditor	13,250	12,500
For other services	19,250	4,700
Operating leases:		
Land and buildings	177,160	177,587
	<u> </u>	<u> </u>

The exceptional item relates to a rates rebate negotiated during the year ended 31 March 2005 in relation to prior years.

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

7 Tax on (loss) / profit on ordinary activities

(a) Analysis of tax charge in the year

	2006 £	2005 £
The charge based on the (loss) / profit for the year comprises:		
UK corporation tax:		
Current year	140,000	170,000
Adjustments in respect of prior periods	(4,179)	-
Total current tax (Note 7b)	135,821	170,000
Deferred tax:		
Origination and reversal of timing differences	(12,284)	96,904
Tax on (loss) / profit on ordinary activities	123,537	266,904

(b) Factors affecting tax charge for the year

	2006 £	2005 £
(Loss) / profit before tax	(341,978)	932,054
Profit before tax at the UK standard rate of 30% (2005 : 30%)	(102,593)	279,616
Effects of:		
Net expenses not deductible	256,753	11,150
Capital allowances in excess of depreciation	12,284	(96,904)
Adjustment in respect of prior periods	(4,179)	-
Small companies rate of taxation relief	(26,444)	(23,862)
Total current tax charge for the year	135,821	170,000

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

8 Dividends and appropriations

	2006	2005
	£	As restated £
Dividends on Ordinary shares		
Ordinary - prior year final paid	-	100,000
"A" Ordinary - interim paid	15,227	15,227
"A" Ordinary - final proposed	-	77,978
	<hr/>	<hr/>
	15,227	193,205
	<hr/>	<hr/>
Dividends on Preference shares		
Preference - interim paid	307,265	77,614
Preference - final proposed	-	77,613
Preference appropriation	-	(8,013)
	<hr/>	<hr/>
	307,265	147,214
	<hr/>	<hr/>
	322,492	340,419
Less dividends on shares classified as debt under FRS 25 (note 5)	(322,492)	-
	<hr/>	<hr/>
	-	340,419
	<hr/>	<hr/>

Dividends payable in 2006 relate to the contractual entitlement of shareholders to receive specified dividends under the articles of association of the company. FRS 25 regards these charges as debt costs and accordingly the costs have been included within interest payable in the profit and loss account.

Interim dividends paid in respect of the preference shares include £155,227 of special dividends which became payable upon the redemption of the preference shares in the year (note 15).

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

9 Tangible fixed assets

	Freehold Property £	Short Leasehold Property £	Computer Equipment £	Fixtures and fittings £	Total £
Cost					
At 1 April 2005	1	7,693,163	67,247	2,319,606	10,080,017
Additions	-	-	1,448	32,190	33,638
Revaluations	-	3,494,352	-	-	3,494,352
At 31 March 2006	1	11,187,515	68,695	2,351,796	13,608,007
Depreciation					
At 1 April 2005	-	300,366	64,908	1,658,834	2,024,108
Charge for the year	-	43,993	2,442	229,901	276,336
Impairment charges	-	457,462	-	-	457,462
Revaluations	-	(214,302)	-	-	(214,302)
At 31 March 2006	-	587,519	67,350	1,888,735	2,543,604
Net book value					
At 31 March 2006	1	10,599,996	1,345	463,061	11,064,403
At 31 March 2005	1	7,392,797	2,339	660,772	8,055,909

The company has adopted a policy of revaluing its leasehold property. The company's leasehold properties were externally valued by Christie & Co, Chartered Surveyors on 15 March 2006 at £10.6 million. The valuation was prepared on the basis of Open Market Value on the basis of being fully equipped operational entities, having regard to their trading potential and was made in accordance with the RICS Appraisal and Valuation Manual.

In considering the valuation reports, it was noted that one property was held at a book value in excess of the valuation and accordingly an impairment charge has been booked to write down the property to the valuation.

If the leasehold properties had not been revalued, then they would have been included at the following amounts:

	£
Cost	7,693,166
Aggregate depreciation based on cost	(801,821)
Historical cost net book value	6,891,345

First Motorway Services Limited

19

Notes to the financial statements for the year ended 31 March 2006 (continued)

10 Stocks

	2006 £	2005 £
Goods for resale	465,581	595,937

11 Debtors

	2006 £	2005 £
Unpaid share capital	2	
Trade debtors	237,004	292,763
Prepayments and accrued income	347,184	295,368
	<u>584,190</u>	<u>588,131</u>

12 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank loans (secured) (see note 13)	285,634	414,360
Trade creditors	642,692	657,543
Other taxation and social security	238,937	204,173
Dividends payable	-	155,591
Corporation tax	140,000	170,000
Other creditors, accruals and deferred income	626,015	655,627
	<u>1,933,278</u>	<u>2,257,294</u>

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

13 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Bank loans (secured)	6,314,366	4,486,794
Bank loans are repayable as follows:		
In one year or less	285,634	414,360
Between one and two years	302,498	442,111
Between two and five years	1,018,932	1,512,051
After five years	4,992,936	2,532,632
	<u>6,600,000</u>	<u>4,901,154</u>

The company has entered into an agreement with its Bankers by means of which the Bankers have made available a term loan, which is repayable by means of a predetermined schedule of instalments. Interest is charged at 1.25% above base rate. The interest obligation has been partially hedged by means of a base rate cap agreement with an amortising notional principal commencing on 31 March 2006 at £4.0 million and amortising monthly over a 3 year period to £3.5m. The effect of the swap is to restrict the company's interest cost on the notional principal to a maximum of 4.75%.

The fair value of this cap agreement at 31 March 2006 approximates to £nil.

The bank loans are secured by 1st legal charges over the company's property assets.

14 Deferred taxation

The movement in the provision for deferred taxation is set out below:	2006 £	2005 £
At start of year	1,246,642	1,149,738
Profit and loss account (note 7)	(12,284)	96,904
	<u>1,234,358</u>	<u>1,246,642</u>
At end of year	1,234,358	1,246,642

The elements of the deferred taxation are as follows:

	2006		2005	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	1,234,358	-	1,246,642	-
Revaluation gains	-	1,112,596	-	-
	<u>1,234,358</u>	<u>1,112,596</u>	<u>1,246,642</u>	<u>-</u>

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

15 Share capital

	2006 £	2005 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
2 (2005: nil) Special ordinary shares of £1 each	2	-
Nil (2005: 697,457) Ordinary "A1" shares of 1p each	-	6,975
50,000 (2005: 85,311) Ordinary "B" shares of 1p each	500	853
Nil (2005: 3,825,000) "A" Cumulative Redeemable Preference Shares of 1p each	-	38,250
	<hr/>	<hr/>
Allotted and called up		
2 (2005: nil) Special ordinary shares of £1 each	2	-
	<hr/>	<hr/>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
Nil (2005: 304,545) Ordinary "A1" shares of 1p each	-	3,045
50,000 Ordinary "B" shares of 1p each	500	500
	<hr/>	<hr/>
	100,502	103,545
Nil (2005: 1,552,273) "A1" Cumulative Redeemable Preference Shares of 1p each	-	15,523
	<hr/>	<hr/>
	100,502	119,068
	<hr/>	<hr/>

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 Special ordinary shares are afforded certain rights contained in a non-embarrassment agreement entered into between the company and the holders of the special ordinary shares.

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 carry a right to dividends of between 6p and 10p per share and, on winding up, the holders are entitled to £1 per share.

On 24 March 2006, the company:

- Redeemed all the "A1" preference shares at £1 per share, totalling £1,552,273 which was settled in cash;
- Repurchased all the ordinary "A1" shares at £3.04 per share, totalling £925,576 which was settled in cash;
- Issued 2 special ordinary shares at par in connection with the redemption of shares.

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

16 Reserves

	Share Premium Account £	Revaluation reserve £	Profit and loss Account £	Capital Reserve £
At 1 April 2005	1,565,911	-	516,931	128,704
Retained loss for the financial year	-		(465,515)	-
Unrealised surplus arising on revaluation of properties	-	3,708,654	-	-
Redemption of preference shares	(1,485,334)	-	(51,416)	-
Repurchase of "A1" ordinary shares	(80,577)	(713,250)	-	(128,704)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	2,995,404	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Financial commitments

Operating lease commitments

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

	2006 Land and buildings £	2005 Land and Buildings £
Within one year		-
Within two to five years	50,000	50,000
After five years (term sheets)	123,860	139,850
	<hr/>	<hr/>
	173,860	189,850
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 March 2006 (continued)**

18 Related party transactions

During the year the company entered into the following material related party transactions

	3i Group plc		Gresham LLP	
	2006	2005	2006	2005
	£	£	£	£
Monitoring fees	20,000	20,000	15,000	15,000
Redemption of "A" Preference Shares	826,307	-	725,966	-
Repurchase of "A" Ordinary Shares	485,382	-	440,194	-
	<u>1,331,689</u>	<u>20,000</u>	<u>1,181,160</u>	<u>15,000</u>

Both organisations are considered to be related parties by virtue of the direct or indirect shareholdings that they held in the company during the year.

No amounts were outstanding to either party in respect of the above transactions at the year end (2005 £8,750).

No single individual or organisation has control over the company.