WELCOME BREAK GROUP LIMITED

(Registered Number: 3147949)

REPORT AND ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

WELCOME BREAK GROUP LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

WELCOME BREAK GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 2002.

PRINCIPAL ACTIVITIES

The Company is a motorway service area operator.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

RESULTS AND DIVIDENDS

The Group's profit for the year is £12,423,000 (2001: £16,949,000). The directors do not recommend the payment of a dividend on the ordinary shares (2001: nil).

PROPERTY VALUES

In the opinion of the directors there were no significant differences in aggregate between the market value and book value of the Group's freehold and leasehold property interests at 30 September 2002.

The directors have, however, reviewed the value of the Group's freehold and leasehold property interests at 30 September 2002 on a site by site basis.

As a result of this exercise, the directors have made a provision for impairment of £16.2m in respect of certain sites. In determining the amount of the impairment, the carrying amounts of each of the sites have been compared to their recoverable amount based on the higher of net realisable value and value in use. In determining recoverable amounts the directors have considered a number of factors including the current and prospective revenues, earnings and cashflows from each of the sites.

In accordance with the Group's accounting policies the provision for impairment has been recognised in the accounts whilst the surpluses on other sites have not been reflected.

DIRECTORS

The directors of the Company as at 30 September 2002 were as follows:

Ian Harris	
Michael Guthrie	
Gary Barr	
Philip Yea	(appointed 20 November 2001)
Felipe Merry del Val	(appointed 4 January 2002)
Rod McKie	(appointed 14 March 2002)
Ian McKay	(appointed 11 September 2002)

Nicholas Bryan, Richard Pennycook and Richard Warner resigned as directors on 14 November 2001, 22 May 2002 and 13 June 2002 respectively. Gary Barr resigned as a director on 29 October 2002. George Charters was appointed as a director on 1 October 2002.

WELCOME BREAK GROUP LIMITED

DIRECTORS' INTERESTS

None of the directors held a beneficial interest in the issued share capital of the Company at 30 September 2002 or 30 September 2001.

The directors' interests in the ultimate holding company, Welcome Break Holdings Limited, are disclosed in that company's accounts.

CHARITABLE AND POLITICAL DONATIONS

The Group made no donations for either political or charitable purposes during the year (2001: nil).

EMPLOYMENT POLICIES

The employment policies of Welcome Break Group Limited and its subsidiary companies embody the principles of equal opportunity. This includes suitable procedures to support the Group's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

The Group recognises the value of employee involvement in effective communications and the need for their contribution to decision making on matters affecting their jobs. To achieve employee involvement at the most relevant level there is a framework for consultation and information, having regard to the mix and locations of the employee population. Management and employees have joint responsibility for maintaining a regular dialogue on matters of local significance that affect them. It is the Group's policy to communicate information on corporate issues at least twice a year via the management of the business and through employee reports and a monthly company newsletter.

SUPPLIER PAYMENT POLICY

The Group does not impose standard payment terms on its suppliers but agrees specific terms with each. It is the Group's policy to pay its suppliers in accordance with the terms that have been agreed. The Group's trade creditors days are 13 days (2001: 12 days).

ENVIRONMENT

The Group is committed to conducting its business in a manner, which shows responsibility towards the environment, and in ensuring high standards of health and safety for its employees, visitors and the general public. The Group is further committed to taking into account the effect of its working practices upon the environment and in minimising potential negative effects. The Group complies with all statutory and mandatory requirements.

WELCOME BREAK GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 30 September 2002. The directors also confirm that applicable accounting standards have been followed and that the 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 of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ELECTIVE RESOLUTIONS

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of general meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

AUDITORS

As disclosed above the Company has passed an elective resolution dispensing with the requirement to appoint auditors annually. PricewaterhouseCoopers therefore will continue in office.

By order of the Board

Ian Harris
Secretary

Registered Office:

2 Vantage Court
Tickford Street
Newport Pagnell
Bucks MK16 9EZ

WELCOME BREAK GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELCOME BREAK GROUP LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the statement of total recognised gains and losses and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members 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 in to 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 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. The other information comprises only the directors' report.

BASIS OF AUDIT 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.

WELCOME BREAK GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELCOME BREAK GROUP LIMITED (continued)

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

28/1/03

WELCOME BREAK GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2002

	Notes	2002 £'000	2001 as restated see note 2 £'000
TURNOVER	1(c)	**536,672**	539,244
Operating costs	4	**(500,291)**	(490,783)
		36,381	48,461
Depreciation	1(e)	**(14,650)**	(14,333)
OPERATING PROFIT	5	**21,731**	34,128
Interest receivable and similar income	8	**22,496**	24,618
Interest payable and similar charges	9	**(26,839)**	(30,608)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**17,388**	28,138
Tax on profit on ordinary activities	10	**(4,546)**	(10,367)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**12,842**	17,771
Equity minority interests	24	**5**	(398)
PROFIT FOR THE FINANCIAL YEAR		**12,847**	17,373
Dividends on non-equity shares	12	**(424)**	(424)
Retained profit for the financial year		**12,423**	16,949

All the above items relate to continuing activities.

WELCOME BREAK GROUP LIMITED

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2002

		2002	2001 as restated see note 2
		£'000	£'000
Profit for the financial year		**12,847**	17,373
Impairment of previously revalued assets (see note 13)		**(16,240)**	(3,390)
Total recognised gains and losses for the financial year		**(3,393)**	13,983
Prior period adjustment	2	**(10,952)**	
Total gains recognised since last annual report		**(14,345)**	

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2002

	2002	2001 as restated see note 2
	£'000	£'000
Reported profit on ordinary activities before taxation	**17,388**	28,138
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	**154**	154
Historical cost profit on ordinary activities before taxation	**17,542**	28,292
Historical cost profit for the year retained after taxation, minority interests and dividends	**12,577**	17,103

WELCOME BREAK GROUP LIMITED

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2002

	Notes	2002 £'000	2001 as restated see note 2 £'000
FIXED ASSETS			
Tangible assets	13	**556,387**	578,989
CURRENT ASSETS			
Stocks	15	**7,672**	8,135
Debtors: amounts falling due after one year	16	**324,990**	324,990
Debtors: amounts falling due within one year	16	**94,136**	74,658
Cash at bank and in hand	17	**2,354**	7,726
		429,152	415,509
CREDITORS: amounts falling due within one year	18	**(55,369)**	(59,964)
NET CURRENT ASSETS		**373,783**	355,545
TOTAL ASSETS LESS CURRENT LIABILITIES		**930,170**	934,534
CREDITORS: amounts falling due after more than one year	19	**(376,000)**	(376,000)
PROVISIONS FOR LIABILITIES AND CHARGES	20	**(10,658)**	(11,351)
NET ASSETS		**543,512**	547,183
CAPITAL AND RESERVES			
Called-up share capital	21	**29,741**	29,741
Share premium account	22	**41,772**	41,772
Merger reserve	22	**223,578**	223,578
Revaluation reserve	22	**132,881**	148,956
Profit and loss account	22	**108,111**	95,534
Equity shareholder's funds		**528,350**	531,848
Non-equity shareholder's funds	23	**7,733**	7,733
TOTAL SHAREHOLDER'S FUNDS	22	**536,083**	539,581
EQUITY MINORITY INTERESTS	24	**7,429**	7,602
		543,512	547,183

The financial statements on pages 7 to 26 were approved by the Board of Directors on 28 January 2003 and were signed on its behalf by:

Ian Harris
Director

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

1. Principal accounting policies

A summary of the more important accounting policies, which have been consistently applied, is set out below.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and investments, and in accordance with the Companies Act 1985, as amended by the Companies Act 1989, and applicable United Kingdom Accounting Standards.

(b) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2002. The results of subsidiaries acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales, interest and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

(c) Turnover

Turnover which excludes value added tax, sales between group companies and trade discounts, represents the amounts receivable for goods sold and services provided and includes rents receivable.

(d) Valuation of properties and impairments

As permitted by FRS15, the Company changed its accounting policy in respect of property valuations to one of not revaluing its properties. For periods prior to the year ending 30 September 2000, properties were regularly revalued. In accordance with the transitional rules of FRS15, all properties are now shown at cost or, where a valuation has been applied prior to 1 October 1999 at that valuation.

It is the Group's accounting policy to review its tangible fixed assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of an asset exceeds its recoverable amount, being the higher of value in use and net realisable value.

(e) Depreciation

No depreciation is provided on freehold land or leasehold land with an unexpired term of over twenty years. All other assets are depreciated, on a straight line basis as follows:-

Freehold buildings and integral plant	35 years
Leasehold buildings and integral plant	over unexpired term (maximum 50 years)
Plant and machinery	5 years
Furniture and equipment	3-10 years

(f) Stocks

Stocks are stated at the lower of cost, including motor fuel duty, and net realisable value.

(g) Pensions

The Welcome Break Group operates schemes for the benefit of all staff. All members receive benefits of a defined contribution type. Some members, however, hold benefits which are a combination of defined benefits and defined contribution. The funds of the schemes, which are administered by Trustees, are separate from the Group and independent actuaries complete valuations every three years using the projected unit cost method. In accordance with their recommendations, monthly contributions are paid to the schemes so as to secure the benefits set out in the rules. Employer contributions are charged to the profit and loss account in the period in which they become payable. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

(h) Leases

The costs of operating leases are charged to the profit and loss account as incurred.

(i) Cash flow statement

The Company is a wholly-owned subsidiary of Welcome Break Holdings Limited and is included in the consolidated financial statements of Welcome Break Holdings Limited, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

(j) Debt issue costs

The costs of issue of capital instruments such as loan notes are charged to the profit and loss account on an annual basis over the life of the instrument. A corresponding amount is subsequently transferred from the profit and loss reserve to the share premium account.

(k) Deferred taxation

This year the Group has fully adopted FRS19 Deferred Tax, which was issued by the UK Accounting Standards Board. The impact is explained further in note 2 to the financial statements. The group now provides fully for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred tax assets are only recognised where it is more likely than not that they will be recovered and deferred tax assets and liabilities are not discounted.

2. Prior year adjustment

The comparative figures have been restated to reflect adoption of FRS19. The Group previously provided for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts only to the extent that the liability would become payable in the foreseeable future. The Group now provides fully for the deferred tax arising on these timing differences.

As a result of the change in accounting policy prior periods have been adjusted to reflect the full provision of deferred taxation. The effect of the restatement is as follows:

	Profit for the year £'000	**Net Assets £'000**
As previously reported	17,827	558,135
Effect of fully providing for deferred taxation	(878)	(10,952)
As restated	**16,949**	**547,183**

The effect on the current year is to increase profit for the financial year and net assets by £538,000.

3. Segmental analysis

Turnover and operating profit are derived from one class of business and arise entirely in the United Kingdom.

4. Operating costs

	2002 £'000	2001 £'000
Raw materials and consumables	**418,608**	413,544
Other external charges	**34,880**	34,756
Staff costs:		
Wages and salaries	**43,342**	39,179
Social security costs	**2,740**	2,609
Other pension costs	**721**	695
	500,291	490,783

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

5. Operating profit

	2002	2001
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Rent receivable	**(10,794)**	(10,068)
Auditors' remuneration (Company: £25,000 (2001: £25,000))	**85**	85
Management fees	**380**	435
Operating lease charges		
- land and buildings	**967**	807
- plant and machinery	**570**	508
Depreciation of tangible fixed assets		
- owned assets	**10,554**	9,497
- leased assets	**4,096**	4,836
Loss on disposal of fixed assets	**7**	-

The auditors' remuneration disclosed above covers the audit of all companies within the Welcome Break Holdings Limited group, except for Welcome Break Finance plc. The auditors' remuneration for non-audit services to the Group is disclosed in the accounts of its ultimate UK parent company, Welcome Break Holdings Limited.

The management fees relate to a consulting service agreement dated 6 March 1997, renewed on 6 March 2001, between Welcome Break Group Limited and Investcorp Securities Limited ("ISL"), whereby ISL advises and assists in connection with the business of the Welcome Break Group of Companies on behalf of the shareholders.

6. Directors' emoluments

	2002	2001
	£'000	£'000
Aggregate emoluments	**1,012**	1,008
Company pension contributions to money purchase scheme	**44**	18
Compensation for loss of office	**495**	160

Compensation for loss of office was paid in cash and represents salary paid in lieu of notice.

At the year end retirement benefits are accruing to two directors under a defined benefit scheme with a defined contribution underpin and one director under a defined contribution scheme.

	2002	2001
	£'000	£'000
Highest paid director		
Aggregate emoluments	**363**	353

There were no pension arrangements in place during the year for the highest paid director.

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

7. Employee information

The average weekly number of persons (including executive directors) employed by the Group during the period was:

	2002 Number	2001 Number
United Kingdom - full time	**3,242**	3,010
- part time	**1,355**	1,444
	4,597	4,454

8. Interest receivable and similar income

	2002 £'000	2001 £'000
Loan to immediate parent company	**22,438**	24,506
Bank and other interest	**58**	112
	22,496	24,618

9. Interest payable and similar charges

	2002 £'000	2001 £'000
Loans from fellow group undertaking	**26,261**	30,224
Other interest and similar charges payable	**578**	384
	26,839	30,608

10. Tax on profit on ordinary activities

The taxation charge based on the profit on ordinary activities is made up as follows:

	2002 £'000	2001 £'000
Current tax charge:		
Corporation tax at 30% (2001: 30%)	**-**	-
Group relief payable	**7,632**	9,148
Under accrual in prior year	**(2,548)**	329
Deferred taxation on timing differences	**(538)**	890
	4,546	10,367

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

10. Tax on profit on ordinary activities (continued)

The tax assessed for the current period varies from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002	2001
	£'000	£'000
Profit on ordinary activities before tax	**17,388**	28,138
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	**5,216**	8,441
Excess capital allowances over depreciation	**538**	(890)
Expenses not deductible for tax (primarily depreciation)	**1,878**	4,623
Utilisation of losses		(3,026)
Current tax charge for year	**7,632**	9,148

11. Profit on ordinary activities after taxation for the Company

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss on ordinary activities after taxation was £3,633,000 (2001: £5,571,000).

12. Dividends

	2002	2001
	£'000	£'000
Dividends on non-equity shares:		
Preference shares (5.4873% p.a. payable)	**424**	424

WELCOME BREAK GROUP LIMITED

13. Tangible assets

	Land & buildings Freehold	Land & buildings Leasehold	Plant & machinery	Fixtures & fittings	Total
Group	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
1 October 2001	207,614	350,266	9,196	67,012	634,088
Additions	846	1,497	323	5,640	8,306
Disposals	-	-	-	(22)	(22)
At 30 September 2002	**208,460**	**351,763**	**9,519**	**72,630**	**642,372**
Depreciation					
1 October 2001	5,056	10,238	625	39,180	55,099
Charge for the year	2,281	4,096	583	7,690	14,650
Impairment	-	16,240	-	-	16,240
Disposals	-	-	-	(4)	(4)
At 30 September 2002	**7,337**	**30,574**	**1,208**	**46,866**	**85,985**
Net book value					
At 30 September 2002	**201,123**	**321,189**	**8,311**	**25,764**	**556,387**
At 30 September 2001	202,558	340,028	8,571	27,832	578,989
Group					
Cost or valuation at 30 September 2002 is represented by:					
Valuation	68,800	245,725	-	-	314,525
Cost	139,660	106,038	9,519	72,630	327,847
	208,460	**351,763**	**9,519**	**72,630**	**642,372**
Cost or valuation at 30 September 2001 is represented by:					
Valuation	68,800	245,725	-	-	314,525
Cost	138,814	104,541	9,196	67,012	319,563
	207,614	350,266	9,196	67,012	634,088

Included in leasehold land and buildings are long leaseholds with a net book value of £12,952,800 (2001: £13,335,000).

WELCOME BREAK GROUP LIMITED

13. Tangible assets (continued)

The Group's freehold and leasehold property interests were valued as at 31 December 1996 prior to the acquisition of Welcome Break Group Limited and its subsidiaries by Welcome Break Holdings Limited. This valuation was carried out by Jones Lang Wootton, an independent firm of international real estate advisers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation model on the basis of open market value.

In accordance with FRS11 (Impairment of fixed assets and goodwill) the carrying values of the Group's freehold and leasehold property interests have been compared to their recoverable amounts on a site by site basis. Recoverable amounts have been based on the higher of net realisable value and value in use. In determining the recoverable amounts the directors have considered a number of factors including current and prospective revenues, earning and cashflows form each of the sites. In determining value in use a discount rate of 9% has been used. The directors do not believe that the impairment charge arising on previously revalued assets has been caused by a clear consumption of economic benefits and accordingly such impairment, to the extent they do not exceed previous revaluation surpluses have been recognised in the statement of total recognised gains and losses.

Historical costs of freehold, long lease and short lease assets

If land and buildings had not been revalued they would have been included at the following amounts:

	Freehold		**Leasehold**	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Cost	**139,660**	138,814	**106,038**	104,541
Accumulated depreciation	**(7,303)**	(5,033)	**(13,906)**	(9,953)
Historical cost net book amount	**132,357**	133,781	**92,132**	94,588

	Land & buildings		**Plant &**	**Fixtures**	
	Freehold	**Leasehold**	**machinery**	**& fittings**	**Total**
Company	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
1 October 2001	55,007	37,806	1,827	18,865	113,505
Additions	48	148	147	2,463	2,806
Disposals	-	-	-	(22)	(22)
At 30 September 2002	**55,055**	**37,954**	**1,974**	**21,306**	**116,289**
Depreciation					
1 October 2001	2,088	1,030	4	9,474	12,596
Charge for the year	905	548	119	2,666	4,238
Disposals	-	-	-	(4)	(4)
At 30 September 2002	**2,993**	**1,578**	**123**	**12,136**	**16,830**
Net book value					
At 30 September 2002	**52,062**	**36,376**	**1,851**	**9,170**	**99,459**
At 30 September 2001	52,919	36,776	1,823	9,391	100,909

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

14. Investments

	2002 £'000	2001 £'000
Company		
Shares at cost	**398,722**	398,722

Investments in subsidiaries include holdings of equity shares in the following entities which are incorporated in Great Britain and registered in England and Wales and all of which are operators of motorway service areas:

	% of equity held
Direct subsidiary undertaking	
Welcome Break Limited	100
Indirect subsidiary undertaking	
Motorway Services Limited	92
Partnerships	
Welcome Break BP Ross Spur Partnership	50
Welcome Break Gretna Green Partnership	100

Welcome Break Group Limited exercises management control over the Ross Spur partnership. It has therefore been included as a subsidiary in the consolidated accounts of Welcome Break Group Limited.

15. Stocks

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Finished goods and goods for resale	**7,672**	8,135	**1,745**	1,722

16. Debtors

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Amounts falling due within one year				
Trade debtors	**9,537**	8,137	**9,466**	8,065
Amounts owed by group undertakings	**81,798**	64,215	**11,130**	33,213
Other debtors	**1,585**	2,029	**17,332**	1,498
Prepayments and accrued income	**1,216**	277	**1,773**	714
	94,136	74,658	**39,701**	43,490
Amounts falling due after more that one year				
Loans to group undertakings	**324,990**	324,990	**324,990**	324,990

17. Cash at bank and in hand

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**914**	2,326	**250**	-
Deposit in escrow	**1,440**	5,400	**-**	-
	2,354	7,726	**250**	-

During the year to 30 September 2001 the Group received £5,400,000 from the transfer to a fellow subsidiary undertaking of the land and buildings comprising the lodge at London Gateway. Under the Issuer/WBG Facility Agreement dated 12 August 1997 the cash received is held in escrow and may be withdrawn, with the consent of the Security Trustee, to be applied towards development or improvement of new or existing secured properties. Funds may also be used towards the prepayment of loan notes.

In the current year funds were withdrawn from escrow and applied towards permitted developments.

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

18. Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Trade creditors	**18,101**	17,010	**16,731**	16,059
Bank overdraft	**4,598**	-	**11,748**	4,376
Loans from other group undertakings	**12,000**	23,000	**64,000**	75,000
Corporation tax	**739**	459	**633**	350
Other tax and social security payable	**6,005**	6,464	**3,554**	3,952
Other creditors	**3,251**	3,909	**3,383**	1,728
Accruals and deferred income	**9,561**	8,008	**4,169**	4,010
Dividends on cumulative participating redeemable preference shares	**1,114**	1,114	**1,114**	1,114
	55,369	59,964	**105,332**	106,589

The Group's and Company's loan of £12,000,000 from a fellow group undertaking is repayable in line with the maturity and interest rate profiles shown in note 19.

The Company also has a loan of £52,000,000 from a fellow Group undertaking, which is repayable on demand. Prepayments may be made at any time and in any amount without penalty. Interest is payable at the rate of 8.284% p.a.

The Company has guaranteed the obligations of itself, Motorway Services Limited and Welcome Break Limited under the Welcome Break Finance plc/Welcome Break Group facility agreement and such obligations and guarantees are secured by fixed and floating charges over its property, assets and undertaking.

19. Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	**2002**	2001
	£'000	£'000	**£'000**	£'000
Loans from a fellow group undertaking	**376,000**	376,000	**324,000**	324,000

The loans from a fellow group undertaking are repayable at such times, in such amounts and on such terms as the Company may from time to time in its sole discretion determine. Prepayments may be made at any time and in any amount without penalty interest rates.

The loans are repayable by instalment commencing June 2004.

The Company has guaranteed the obligations of itself, Motorway Services Limited and Welcome Break Limited under the Welcome Break Finance plc/Welcome Break Group facility agreement and such obligations and guarantees are secured by fixed and floating charges over its property, assets and undertaking

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

20. Provisions for liabilities and charges

Group	**Deferred taxation £'000**	**Other provisions £'000**	**Total £'000**
At 1 October 2001 as previously stated	-	399	399
Prior year adjustment (see note 2)	10,952	-	10,952
At 1 October 2001as restated	10,952	399	11,351
Charge for the year	(538)	-	(538)
Utilised in the year	-	(155)	(155)
At 30 September 2002	**10,414**	**244**	**10,658**

Company	**Deferred taxation £'000**	**Other provisions £'000**	**Total £'000**
At 1 October 2001 as previously stated	-	399	399
Prior year adjustment (see note 2)	3,750	-	3,750
At 1 October 2001as restated	3,750	399	4,149
Charge for the year	129	-	129
Utilised in the year	-	(155)	(155)
Transferred to subsidiary undertaking	-	(50)	(50)
At 30 September 2002	**3,879**	**194**	**4,073**

Group – Deferred taxation

The deferred tax balances and potential amounts of deferred taxation for all timing differences at 30 September 2002 are as follows:

	2002 £'000	2001 £'000
Excess of capital allowances over depreciation	**10,414**	10,952
Losses	**(1,746)**	(1,746)
Other timing differences	**(10)**	(38)
	8,658	9,168

The amounts above exclude tax on capital gains which might arise on the disposal of properties as any material liability is likely to be deferred by rollover relief.

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

20. Provisions for liabilities and charges (continued)

Company - Deferred taxation

The deferred tax balances and potential amounts of deferred taxation for all timing differences at 30 September 2002 are as follows:

	2002 £'000	2001 £'000
Excess of capital allowances over depreciation	**3,879**	3,879
Losses	**(1,746)**	(1,746)
Other timing differences	**(10)**	(38)
	2,123	2,095

The amounts above exclude tax on capital gains which might arise on the disposal of properties as any material liability is likely to be deferred by rollover relief.

The other provisions for liabilities and charges relate to the cost of dilapidations required to be put right under the terms of the lease at Gretna Green and operating leases for certain IT systems which are no longer in use. The latter lease contract expires in March 2005 and the utilisation represents the payments made during the year.

21. Called-up share capital

Authorised	2002 £'000	2001 £'000
104,000,000 ordinary shares of 25p each	**26,000**	26,000
36,000,000 cumulative participating redeemable preference shares of 25p each	**9,000**	9,000
	35,000	35,000
Allotted and fully paid		
88,032,398 ordinary shares of 25 p each	**22,008**	22,008
30,930,302 cumulative participating redeemable preference shares of 25p each	**7,733**	7,733
	29,741	29,741

The Company was incorporated on 18 January 1996 with allotted share capital of two ordinary £1 shares. On 29 August 1996 each £1 ordinary share was subdivided into four shares of 25p. On 5 September 1996 a further 88,032,390 ordinary 25p shares and 30,930,302 cumulative participating redeemable preference 25p shares ("CPRP shares") were allotted. CPRP shares are redeemable at par in whole or in part by the holders or the Company at any time after 14 August 1999. CPRP shares carry a fixed dividend of 5.4873% per annum and a participating dividend of 0.04% of the dividend paid on ordinary shares. On a winding up the holders are entitled to receive arrears and accruals of dividends, the nominal value of the shares and a further 0.04% of the assets of the Company available for distribution, subject to a maximum of 30p per share. CPRP shares only carry voting rights in the event that dividends remain unpaid, on a winding up or in relation to a resolution to vary the special rights attaching to the CPRP shares.

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

22. Reconciliation of movements in shareholder's funds

Group	Share capital £'000	Share premium account £'000	Merger & other reserves £'000	Profit & loss account £'000	Total £'000
At 1 October 2001					
As previously stated	29,741	41,772	372,534	106,341	550,388
Prior year adjustment (see note 2)				(10,807)	(10,807)
At 1 October 2001	29,741	41,772	372,534	95,534	539,581
Retained profit for the year	-	-	-	12,423	12,423
Other recognised gains and losses for the year	-	-	(15,921)	-	(15,921)
Reserves transfer	-	-	(154)	154	-
At 30 September 2002	**29,741**	**41,772**	**356,459**	**108,111**	**536,083**

Company	Share capital £'000	Share premium account £'000	Merger & other reserves £'000	Profit & loss account £'000	Total £'000
At 1 October 2001					
As previously stated	29,741	41,772	367,847	(515)	438,845
Prior year adjustment (see note 2)	-	-	-	(3,750)	(3,750)
At 1 October 2001	29,741	41,772	367,847		
Retained loss for the year	-	-	-	(3,633)	(3,633)
At 30 September 2002	**29,741**	**41,772**	**367,847**	**(7,898)**	**431,462**

Purchased goodwill of £145,033,000 (2001: £145,033,000) and negative goodwill of £764,000 (2001: £764,000) have been written off directly to reserves in respect of undertakings still within the Group.

23. Non-equity shareholder's funds

	2002 £'000	2001 £'000
Opening & closing non-equity shareholder's funds	**7,733**	7,733

WELCOME BREAK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002 (continued)

24. Minority interests

Group	Equity Minority Interests £'000
At 1 October 2001 as previously stated	7,747
Prior year adjustment (see note 2)	(145)
At 1 October 2001 as restated	7,602
Profit and loss account	(5)
Other recognised gains and losses for the year	(319)
Proposed dividends and appropriations	151
At 30 September 2002	**7,429**

25. Financial commitments

At 30 September 2002 the Group was committed to make payments during the following year under non-cancellable operating leases as follows:

Group	Land & Buildings		Other	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Expiring within one year	**-**	-	**151**	133
Expiring between 1 and 5 years inclusive	**-**	-	**7**	45
Expiring in over 5 years	**965**	675	**-**	-
	965	675	**158**	178

In addition to the above, other commitments under short term non-cancellable contracts existed at the year end amounting to £715,000 (2001: £695,000).

Company	Land & Buildings		Other	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Expiring within one year	**-**	-	**37**	33
Expiring between 1 and 5 years inclusive	**-**	-	**-**	10
Expiring in over 5 years	**125**	125	**-**	-
	125	125	**37**	43

In addition to the above, other commitments under short term non-cancellable contracts existed at the year end amounting to £209,000 (2001: £205,000).

WELCOME BREAK GROUP LIMITED

26. Pension commitments

The Company participates in the Welcome Break Pension Plan. This scheme is of the defined benefit type with a defined contribution underpin and the assets are held separately from the Company's assets. The total pension cost for the Group was £721,000 (2001: £677,000). The Company has taken advantage of the provisions of FRS17 to treat contributions to the pension scheme as if it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover a number of Welcome Break undertakings and cannot readily be split between each Group undertaking on a consistent and reliable basis. Further details of the Welcome Break Pension Plan are contained within the consolidated accounts of Welcome Break Holdings Limited.

27. Related party disclosures

The Company has taken advantage of the exemption provided by Financial Reporting Standard 8, where subsidiary undertakings (of which 90% or more of the voting rights are controlled within the group) are exempt from the need to disclose transactions with other group companies where the ultimate parent publishes its consolidated financial statements.

28. Ultimate parent company

The ultimate parent company and controlling party is Welcome Break Holdings Limited, a company registered in England and Wales. Copies of Welcome Break Holdings Limited's consolidated financial statements can be obtained from the Company Secretary at the address included in the Directors' Report.

33. Post balance sheet events

On 28 November 2002 the Company entered into a loan agreement with Welcome Break Holdings Limited. The maximum amount of the loan is £7,500,000 to be used for the general corporate purposes of the Company.

On 21 December 2002 Welcome Break Finance PLC issued a notice of a meeting of the holders of its class A notes to be convened on 14 January 2003 to consider and, if thought fit, pass an extraordinary resolution consenting to, inter alia, the following:

- An Investcorp group company making a £15,000,000 loan or other form of permitted investment available to Welcome Break Holdings Limited so that Welcome Break Holdings Limited may subscribe for £15,000,000 nominal amount of newly issued shares in the Company. The amount of such £15,000,000 loan being reduced by an amount equal to the loan made to the Company on 28 November 2002.

- The Company entering into a lease and leaseback in respect of its petrol filling stations located at Oxford and Hopwood Park.

- The Company making an offer for class A noteholders to tender their class A notes or the Company prepaying Welcome Break Finance PLC so that Welcome Break Finance PLC may redeem class A1 notes.

The meeting of the class A noteholders was duly held on the 14 January 2003 and the extraordinary resolution was duly passed. Prior to the Company entering into the transactions approved by the extraordinary resolution consents are required from certain other secured creditors of the Company and Welcome Break Finance PLC.