Motorway Services Limited

(Registered number: 637019)

Annual report and financial statements
For the year ended 31 December 2019

Motorway Services Limited

Annual report and financial statements for the year ended 31 December 2019

Contents

Motorway Services Limited

Strategic report

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Business review

The business had a positive year with turnover of £106.2m which was 2% up year on year. Operating profit before one-off items, depreciation amortisation and rents (EBITDAR) was £11.5m (11 month period ended 31 December 2018: £10.7m). Operating profit before one-off items was £4.8m (11 month period ended 31 December 2018: £3.4m).

The net asset position of the Company at 31 December 2019 is £83.2m (31 December 2018: £86.3m).

The three main channels of the business continue to be the amenity building, the forecourts and the hotels with encouraging performances and growth in all areas despite some macro-economic challenges coming from the UK's impending withdrawal from the European Union. Capital expenditure in the year was £0.8m and included further expenditure in each of the key business channels.

The customer proposition was enhanced with self-service ordering kiosks being rolled out to the main fast food brands. In addition 2019 has been the first full year of being part of the wider Applegreen group and significant synergy benefits have begun to be realised particularly in the operation of forecourts where new fuel supply agreements have been negotiated.

Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board of directors of Motorway Services Limited consider, both individually and collectively, that they have acted in ways that they believe in good faith to be most likely to promote the success of the business for the benefit of its members as a whole (having regard to the stakeholders and other matters set out in s172(1) of the Act) in the decisions they made during the year ended 31 December 2019.

The shareholders favour long term strategies and focus on shareholder value in terms of both long-term investment return (business value) and short-term investment return (dividend stream). The cornerstone of the business is the provision of services at Motorway Service Areas and the directors and management continue to assess customer needs and strive to improve the choice, value and quality of the offers available. The directors consider the key stakeholders of the business (in addition to the shareholders) to be: our customers, our team members, our franchise partners, our suppliers and our landlords.

We strive to operate in a manner which is considerate of our environmental responsibilities and as such have introduced recycling stations in all of our sites, water saving features in the customer toilet facilities and have recently embarked on an LED low energy replacement lighting investment as part of a wider energy reduction program. We also work with our brand partners to reduce waste and have stopped the use of plastic milk bottles in our Starbucks Coffee units and have been trialling a cup recycling scheme.

Strategic report (continued)

Statement by the directors on the performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 (continued)

We recognise that our team members are vitally important to our success and it is their skills, commitment and business experience that are key to delivering our strategy. We regularly ask for their opinions and the annual employee engagement survey is an important part of this. The results are carefully assessed, discussed and actioned. Transparency and openness are also important, and we welcome questions directly to senior management via Q&A sessions at company conferences.

As a visible presence on the UK's motorways our role in the community is key and our relationship with Children in Need has been in place for over a decade with over £5m raised to date. This comes through the support from our customers but also from our team members who drive this relationship with enthusiasm through a variety of fund raising activities and challenges.

The Board of directors are committed to ensuring that the business operates in a responsible manner for all its stakeholders, adhering to high standards of business conduct and good governance. We recognise that the maintenance of our good reputation is fundamental to our continuing ability to achieve profitable growth for the benefit of all our stakeholders in the future.

Principal risks and uncertainties

With regard to the Company, the principal risks and uncertainties are incorporated with the principal risks of the Group and are not managed separately. Therefore, the principal risks and uncertainties of Appia Group Limited, which include those of the Company, are discussed on page 3 of the Group's Annual report which does not form part of this report.

Financial key performance indicators

The directors of Appia Group Limited manage the Group's operations on a site by site basis and not a company level. For this reason the Company's directors' believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Motorway Services Limited. The development, performance and position of all the sites of Appia Group Limited, which includes the Company, are discussed on page 3 of the Group's Annual report, which does not form part of this report.

This report was approved by the board on 21 December 2020 and signed on its behalf by:

John Diviney
Director

Motorway Services Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Future developments

The business suffered a significant decline in sales as a result of the COVID-19 outbreak in March 2020. Motorway traffic declined by around 85% when the first lockdown was declared with sales similarly affected. All of our sites remained open to the travelling public but many units and hotels were temporarily closed with trading limited to the forecourt and a retail unit. The business gradually re-opened from May 2020 as traffic started to return to the UK's strategic road network and by the end of July 2020 the vast majority of the business was open and trading.

Despite the impact of COVID-19, we are continuing to invest with the long term in mind. The rebranding of many forecourts to be own brand "Welcome Break" is well underway in line with the new fuel supply arrangements that have been negotiated.

Going Concern

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. The Company is a guarantor of the loans held by Welcome Break Group Limited. If the loan covenants on these loans are breached and called for payment, then the Company could be required to realise its assets so as to repay the loans to the extent these could not be repaid by Welcome Break Group Limited. The Company is a subsidiary of both Welcome Break Group Limited and Welcome Break Holdings (1) Limited.

The business's principal activity is the operation of Motorway Service Areas ("MSAs"). The impact of the COVID-19 outbreak has been significant on the business with a material reduction in traffic on the UK's motorway network from March to July 2020. Management immediately commenced a process to "rightsize" the offering to suit the level of business on the motorway. The business remained open throughout the lockdown period with forecourts fully open and one retail unit open on each site. Catering units commenced re-opening on 14th May with Starbucks and KFC the first brands to open quickly followed by Burger King the following week. Management took a number of actions during that time to protect both profit and cash which included the temporary closure of many units, a cessation of all non-essential overhead expenditure and temporary halt to the ongoing capital expenditure projects. The business was able to take advantage of a number of government support schemes including the hospitality and retail business rates holiday, the deferral of VAT, PAYE and corporation tax payments to HMRC as well as the Coronavirus Job Retention Scheme, allowing for a temporary reduction in headcount whilst parts of the business were not trading.

In June 2020, a successful re-negotiation of terms with Welcome Break Group Limited's lenders was completed which has enabled financial covenants to be either waived or reset until June 2021. The remaining balance of the available capital facility has been temporarily repurposed to become an additional working capital facility; this has been fully drawn (£25m) to provide additional liquidity. The expectation is that this will be repaid and will revert to being a capital expenditure facility in the second half of 2021.

Directors' report (continued)

Going Concern (continued)

The impact of the second national lockdown in November 2020 has not been as significant. Traffic declines have been far less severe with over two thirds of units continuing to trade. The extension of the furlough scheme has been helpful in managing in the temporary closure of units.

Management have prepared forecast scenarios covering the next 12-18 months which include the impact of Covid-19 on the business and considering both a continuation of the national lockdown into 2021 as well as the effect of the 'Tiered' regional approach. In the event of further national lockdowns, it is expected that the MSAs would trade in a similar manner to that seen during November 2020. The main difference from April 2020 is that general movement on the motorways has been less affected; schools, universities remain open as well as certain sectors of the economy. Also, there has been continued access to the supply chain of catering brands which means that they do not have to close as was the case in April. MSAs have, along with other transport hubs, been given exemption to continue to open seating areas and have been designated an 'essential service' by the Secretary of State for Transport encouraging as many offers as possible are kept open to provide services to motorists and key workers.

Management have seen that the "Tiered" approach to restrictions causes the greatest impact on sites in those specific areas but sites in other areas of the country where movement has fewer restrictions suffer lower sales declines. Between the original lockdown period in April and the second lockdown in November, motorway traffic had recovered to between 80-85% of expected volumes with sales performing similarly. Most units had re-opened during this period and the business has traded profitably each period since (and including) July 2020.

Having reviewed detailed forecast cashflows, the directors are comfortable that the business, and each company, will have sufficient liquidity to continue to operate for at least the next 12 months, even if revenues are severely impacted. However, in a potential scenario where a further extended national lockdown and restrictions on travel is introduced, it is possible that the business could breach certain borrowing covenants on loans held by Welcome Break Group Limited within the next 12 months. A breach of loan covenants is an event of default and would lead to the loans becoming repayable on demand. Management's expectation is that in this severe but plausible downside scenario, lenders would be amenable to extending the period for which the already agreed covenant revisions/waivers would still apply. However, if this were not the case, the directors expect that they could be required to realise the Company's assets so as to satisfy the guarantees in place. This would have a significant impact on the Company's ability to operate. The directors recognise that this is not wholly within management's control.

The business's forecasts and projections over the next 12-18 months indicate that in all but the most severe but plausible downside scenario the business will operate comfortably within its revised banking covenants (see Note 21, Post Balance Sheet Event) and will be able to meet all contractual liabilities as they fall due. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

Directors' report (continued)

Going Concern (continued)

However, if the impact of COVID-19 and further government restrictions on movement, such as national lockdowns and regional restrictions are more severe with a more significant impact on traffic and transactions (for example a 3-month national lockdown) the business could breach its borrowing covenants on the loans held by Welcome Break Group Limited which could result in borrowing being called for payment and the Company's guarantees being called by lenders. This indicates the existence of a material uncertainty which may cast significant doubt for the Company with regards to its ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Post balance sheet event

In March 2020 the World Health Organisation (WHO) announced that COVID-19 was a global pandemic and the UK government introduced measures requiring people to stay at home, except for very limited purposes. This severely disrupted many businesses and resulted in an economic slowdown.

For the purposes of the financial statements for the year ended 31 December 2019 COVID-19 has been treated as a non-adjusting event.

Dividends

The directors declared a dividend for the year of £7.2m (11 month period ended 31 December 2018: £6.8m).

Key financial and business risks

The exposures and the measures taken to mitigate financial and business risks are reviewed by the directors on a regular basis.

Credit risk
The majority of sales are cash or credit card therefore the Company is not exposed to any significant credit risk. For non-cash sales the Group performs appropriate credit checks on potential customers before sales are made.

Liquidity risk
The Group maintains a mixture of long-term and short-term debt finance that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk
Interest rate swaps are used to manage interest rate risk.

Foreign exchange risk

As the Group only trades in the United Kingdom it is not exposed to any material foreign exchange risk.

Directors' report (continued)

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Andrew Cox	
John Diviney	(appointed 23 January 2019)
Timothy Lightfoot	
Niall Dolan	(appointed 3 September 2019)
Joseph Barrett	(resigned 3 September 2019)

Property values

In the opinion of the directors there were no significant differences in aggregate between the market value and book value of the Company's freehold and leasehold interests at 31 December 2019.

Qualifying third party indemnity provision

A qualifying third party indemnity provision was in place for the Company's directors and officers during the financial year and at the date of approval of the financial statements.

Employment policies

The employment policies of Motorway Services Limited embody the principles of equal opportunity. This includes suitable procedures to support the Company'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 Company 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 Company's policy to communicate information on corporate issues via the management of the business and through employee reports and an online company information system.

Environment

The Company 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 Company is further committed to taking into account the effect of its working practices upon the environment and in minimising potential negative effects. The Company complies with all statutory and mandatory requirements.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006.

The directors 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This report was approved by the board on 21 December 2020 and signed on its behalf by

John Diviney
Director

Independent auditors' report to the members of Motorway Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Motorway Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is a guarantor of loans held by Welcome Break Group Limited, another entity within the company's group. When considering future forecasts, a severe but plausible downside forecast indicates a potential breach of financial covenants associated with these loans. This is an event of default and could lead to the company being required to satisfy the guarantees given in respect of the loans. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Motorway Services Limited (continued)

Reporting on other information (continued)

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
21 December 2020

Motorway Services Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
TURNOVER	3	**106,249**	104,482
Cost of sales		**(77,827)**	(77,105)
GROSS PROFIT		**28,422**	27,377
Selling and distribution costs		**(23,198)**	(23,826)
Administrative expenses		**(451)**	(224)
Other operating income		**-**	2,506
OPERATING PROFIT	4	**4,773**	5,833
Interest receivable and similar income	6	**1,088**	969
PROFIT BEFORE TAXATION		**5,861**	6,802
Tax on profit	7	**(1,855)**	(1,556)
PROFIT FOR THE FINANCIAL YEAR/PERIOD		**4,006**	5,246
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		**4,006**	5,246

Motorway Services Limited

Balance sheet as at 31 December 2019

	Note	31 December 2019 £'000	31 December 2018 £'000
FIXED ASSETS			
Tangible assets	8	**17,451**	18,785
CURRENT ASSETS			
Stocks	9	**1,694**	1,657
Debtors: amounts falling due within one year	10	**97,269**	92,565
Debtors: amounts falling due after more than one year	10	**877**	1,167
Cash at bank and in hand	11	**204**	206
		100,044	95,595
CREDITORS: amounts falling due within one year	12	**(34,123)**	(27,862)
NET CURRENT ASSETS		**65,921**	67,733
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,372**	86,518
Provisions for liabilities	13	**(217)**	(193)
NET ASSETS		**83,155**	86,325
CAPITAL AND RESERVES			
Called up share capital	14	**60**	60
Share premium account	15	**280**	280
Revaluation reserve	15	**9,076**	9,076
Profit and loss account	15	**73,739**	76,909
TOTAL SHAREHOLDERS' FUNDS		**83,155**	86,325

The financial statements on pages 11 to 31 were approved and authorised for issue by the board on 21 December 2020 and were signed on its behalf by:

John Diviney
Director

Registered number: 637019

The notes on pages 14 to 31 form part of these financial statements.

Motorway Services Limited

Statement of changes in equity for year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Re-valuation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2019	60	280	9,076	76,909	86,325
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	4,006	4,006
Total comprehensive income for the financial year	-	-	-	**4,006**	**4,006**
Dividend payable	-	-	-	(7,176)	(7,176)
Total transactions with owners, recognised directly in equity	-	-	-	**(7,176)**	**(7,176)**
At 31 December 2019	**60**	**280**	**9,076**	**73,739**	**83,155**

Statement of changes in equity for the 11 month period ended 31 December 2018.

	Called up share capital £'000	Share premium account £'000	Re-valuation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 January 2018	60	280	9,076	78,431	87,847
Comprehensive income for the financial period					
Profit for the financial period	-	-	-	5,246	5,246
Total comprehensive income for the financial period	-	-	-	**5,246**	**5,246**
Dividend payable	-	-	-	(6,768)	(6,768)
Total transactions with owners, recognised directly in equity	-	-	-	**(6,768)**	**(6,768)**
At 31 December 2018	**60**	**280**	**9,076**	**76,909**	**86,325**

The notes on pages 14 to 31 form part of these financial statements.

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2019

1 Principal accounting policies

(a) General information

Motorway Services Limited's ('the Company') principal activity is the operation of motorway service areas and motels.

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is: 2 Vantage Court, Tickford Street, Newport Pagnell, Buckinghamshire MK16 9EZ.

(b) Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. The Company is a guarantor of the loans held by Welcome Break Group Limited. If the loan covenants on these loans are breached and called for payment, then the Company could be required to realise its assets so as to repay the loans to the extent these could not be repaid by Welcome Break Group Limited. The Company is a subsidiary of both Welcome Break Group Limited and Welcome Break Holdings (1) Limited.

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1 Principal accounting policies (continued)

(b) Basis of preparation (continued)

The impact of the second national lockdown in November 2020 has not been as significant. Traffic declines have been far less severe with over two thirds of units continuing to trade. The extension of the furlough scheme has been helpful in managing in the temporary closure of units.

Management have prepared forecast scenarios covering the next 12-18 months which include the impact of Covid-19 on the business and considering both a continuation of the national lockdown into 2021 as well as the effect of the 'Tiered' regional approach. In the event of further national lockdowns, it is expected that the MSAs would trade in a similar manner to that seen during November 2020. The main difference from April 2020 is that general movement on the motorways has been less affected; schools, universities remain open as well as certain sectors of the economy. Also, there has been continued access to the supply chain of catering brands which means that they do not have to close as was the case in April. MSAs have, along with other transport hubs, been given exemption to continue to open seating areas and have been designated an 'essential service' by the Secretary of State for Transport encouraging as many offers as possible are kept open to provide services to motorists and key workers.

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The business's forecasts and projections over the next 12-18 months indicate that in all but the most severe but plausible downside scenario the business will operate comfortably within its revised banking covenants (see Note 21, Post Balance Sheet Event) and will be able to meet all contractual liabilities as they fall due. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

1 Principal accounting policies (continued)

(b) Basis of preparation (continued)

However, if the impact of COVID-19 and further government restrictions on movement, such as national lockdowns and regional restrictions are more severe with a more significant impact on traffic and transactions (for example a 3-month national lockdown) the business could breach its borrowing covenants on the loans held by Welcome Break Group Limited which could result in borrowing being called for payment and the Company's guarantees being called by lenders. This indicates the existence of a material uncertainty which may cast significant doubt for the Company with regards to its ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(c) Exemptions for qualifying entities under FRS102

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland":

- the requirement to prepare a statement of cash flows. [Section 7 of FRS102 and para 3.17(d)]
- the non-disclosure of key management personnel compensation in total. [FRS 102 para 33.7]
- certain financial instrument disclosures [FRS102 paras 11.39-11.48A, 12.26-12.29]

This information is included in the consolidated financial statements of Appia Group Limited for the year ended 31 December 2019. Copies of Appia Group Limited's consolidated financial statements can be obtained from Companies House (as an Appendix to Appia Europe Limited).

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and Appia Group Limited includes the Company's cash flow in its own consolidated financial statements.

(d) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

(e) Turnover

Turnover which excludes value added tax and discounts represents the amounts receivable for goods sold and services provided and includes rents receivable under operating leases.

1 Principal accounting policies (continued)

(e) Turnover (continued)

The Company recognises turnover for goods and services when, and to the extent that, the Group obtains the right to consideration in exchange for its performance and specifically for:

i) retail sales – the Company operates retail shops, catering units and forecourts for the sale of a range of branded products and fuel. Sales of goods are recognised on sale to the customer at the point of sale. Retail sales are usually settled by cash, credit card or fuel card.

Refunds are not provided for as the value of these is insignificant and difficult to estimate reliably.

ii) hotel sales – revenue derived from hotel operations includes the rental of rooms and food and beverage sales. Revenue is recognised when the rooms are occupied and food and beverages are sold. Hotel sales are usually settled by credit card or credit account.

iii) gaming income – the Company recognises takings due from playing gaming machines less any payouts as turnover at the point the machine is played.

iv) parking sales – the Company receives income for parking from private and commercial contracts

Under specific agreements where the Company acts as an agent and receives a commission for the sale of certain products the amounts included within turnover represent the commission receivable on these transactions.

Where turnover is invoiced in advance it is deferred on the balance sheet and is recognised as turnover in the year to which it relates.

(f) Operating leases: lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

(g) Operating leases: lessor

Rentals received under operating leases are credited to the profit or loss on a straight line basis over the period of the lease.

(h) One-off items

The Company identifies one-off charges or credits that have a material impact on the Company's financial results and discloses these separately to provide further understanding of the financial performance of the Company.

(i) Interest income

Interest income is recognised in the statement of comprehensive income in the financial year in which they are received.

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Principal accounting policies (continued)

(j) Taxation

Current tax
Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax
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 right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore 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 from which the reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

(k) Pensions

The Group operates pension schemes for the benefit of all staff. Members' pension benefits are based on either defined contributions or defined benefits or a combination of both. The funds of those schemes, which are administered by Trustees, are held separate from the Group. 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 statement of comprehensive income in the year 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. Further details of the Welcome Break Pension Plan are contained within the financial statements of Welcome Break Group Limited. The amount charged to the statement of comprehensive income represents employer's contributions only.

(l) Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

1 Principal accounting policies (continued)

(l) Tangible fixed assets and depreciation (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:

Freehold property	-	50 years
Leasehold property	-	over the term of the lease or useful life, whichever is lower
Plant and machinery	-	20 years
Fixtures, fittings and equipment	-	5-10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

(m) Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

(n) Cash and cash equivalents

Cash is represented by cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(o) Financial instruments

The Company only enters into financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares. Sections 11 and 12 of FRS102 are applied in the recognition and measurement of financial instruments.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables and receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting year for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

1 Principal accounting policies (continued)

(o) Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be estimated reliably.

The amount recognised as provisions is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The effect of the time value of money is not material and therefore the provisions are not discounted.

(q) Dividend distribution

Final dividends to the company's shareholders are recognised as a liability in the group's financial statements in the year in which dividends are approved by the company's shareholders. Interim dividends are recognised when paid.

(r) Share capital

Ordinary shares are recognised as equity.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the year in which the estimate is revised.

2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

The Directors believe that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for:

(a) Deferred tax
Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing, nature and level of future taxable income. The recognition of deferred tax assets relating to tax losses carried forward relies on profit projections and taxable profit forecasts prepared by management, where a number of assumptions are required based on the levels of growth in profits and the reversal of deferred tax.

(b) Depreciation
The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the income statement.

The useful lives of the Company's assets are determined by management at the time the asset is acquired. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

(c) Impairment of assets
The carrying amounts of the Company's tangible assets are reviewed annually to determine whether there is any indication of impairment. The recoverable amounts of each site has been determined based on value-in-use calculations which require the use of estimates including cash flow forecasts, the determination of an appropriate weighted average cost of capital (WACC) and fair value determined by external valuers. Such estimates are subject to change as a result of changing economic conditions. As forecasting future cash flows is dependent upon the Company's ability to generate returns from the assets invested across its portfolio of sites, estimates are required in relation to future cashflows which will support the asset value. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change.

(d) Business Rates
At the year end the Company is in negotiation with the Valuation Office on the business rates payable for its motorway service areas. The business rate costs recognised in the results are based on guidance from professional advisors and reflects the Company's best estimate of the cost to the business for the period and the refund expected from local authorities.

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Turnover

Turnover is attributable to the Company's principal activity being the operation of motorway service areas and hotels.

Analysis of turnover by category:

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Sales of goods and services	**106,152**	104,371
Rent receivable under operating leases (note 1(g))	**97**	111
	106,249	104,482

All turnover arose in the United Kingdom.

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Inventory recognised as an expense	**74,670**	74,240
Depreciation of tangible fixed assets (note 8)	**2,153**	2,995
Operating lease charges - land and buildings	**4,605**	4,300
Operating lease charges - other	**345**	320
Other pension costs (note 18)	**202**	130

There are no one-off items included in the Statement of comprehensive income for the current financial year (11 month period ended 31 December 2018: £2,386,000).

Auditors' remuneration for the audit of all group companies and their financial statements is borne by Welcome Break Group Limited. The total amount payable for the current financial year is £249,000 (11 month period ended 31 December 2018: £315,000). The fee allocated to Motorway Services Limited is £13,000 (11 month period ended 31 December 2018: £17,000). Additional costs charged in 2019 relating to the previous financial period are £70,000 of which the fee allocated to Motorway Services Limited is £4,000. No amounts were paid by the Company in respect of non-audit services (11 month period ended 31 December 2018: £nil).

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Employees and directors

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2019	11 month period ended 31 December 2018
	£'000	£'000
Wages and salaries	8,911	8,771
Social security costs	500	426
Other pension costs	202	130
	9,613	9,327

The average monthly number of persons employed by the Company during the year was:

	Year ended 31 December 2019 Number	11 month period ended 31 December 2018 Number
By activity:		
- operational	638	706

In the year to 31 December 2019 two current and one past director (11 month period ended 31 December 2018: four) were remunerated by Welcome Break Group Limited and the amount receivable is disclosed in its financial statements. It is not possible to make an accurate apportionment of their emoluments in respect of each of the group companies. The remaining directors received no remuneration for services provided to Appia Group Limited or any of its subsidiaries (11 month period ended 31 December 2018: £nil).

6 Interest receivable and similar income

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Interest from fellow group undertakings	1,088	969

7 Tax on profit

The tax charge is made up as follows:

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Current tax:		
Group relief payable	**1,252**	1,286
Adjustments in respect of prior periods	**313**	27
Total current tax	**1,565**	1,313
Deferred tax:		
Deferred taxation: origination and reversal of timing differences	**255**	285
Deferred taxation: adjustment in respect of prior periods	**62**	-
Deferred taxation: changes in tax rates	**(27)**	(42)
Total deferred tax	**290**	243
Tax on profit	**1,855**	1,556

The tax assessed for the current year varies (11 month period ended 31 December 2018: varies) from the standard rate of corporation tax in the UK of 19% (11 month period ended 31 December 2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Profit before taxation	**5,861**	6,802
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (11 month period ended 31 December 2018: 19%)	**1,114**	1,292
Effects of:		
Tax adjustment for transfer pricing	**281**	231
Adjustments in respect of prior periods	**375**	27
Expenses deductible for tax	**112**	360
Recognition of previously unused losses	**-**	(312)
Re-measurement of deferred tax – change in UK tax rate	**(27)**	(42)
Total tax charge for the financial year/period	**1,855**	1,556

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

7 Tax on profit (continued)

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously announced). This new law was substantively enacted on 11 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, the effects are not included within these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be immaterial to both the tax expense for the period and to the balance of the deferred tax asset and liability at the balance sheet date.

8 Tangible assets

	Land and buildings		Plant and machinery	Fixtures, fittings and equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000
Cost					
At 1 January 2019	9,677	21,848	7,648	22,012	61,185
Additions	-	95	160	498	753
Disposals	(6)	-	-	-	(6)
Reclassifications and transfers	-	(6)	-	75	69
At 31 December 2019	**9,671**	**21,937**	**7,808**	**22,585**	**62,001**
Accumulated depreciation					
At 1 January 2019	4,552	14,810	3,802	19,236	42,400
Charge for the year	339	809	358	647	2,153
Reclassifications and transfers	-	-	-	(3)	(3)
At 31 December 2019	**4,891**	**15,619**	**4,160**	**19,880**	**44,550**
Net book value					
At 31 December 2019	**4,780**	**6,318**	**3,648**	**2,705**	**17,451**
At 31 December 2018	5,125	7,038	3,846	2,776	18,785

The net book value of land and buildings may be further analysed as follows:

	31 December 2019 £'000	31 December 2018 £'000
Freehold	**4,780**	5,125
Short leasehold	**6,318**	7,038
	11,098	12,163

9 Stocks

	31 December 2019 £'000	31 December 2018 £'000
Finished goods and goods for resale	1,694	1,657

There is no significant difference between the replacement cost of stock and its carrying amount.

10 Debtors

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	96,427	92,370
Other debtors	31	31
Prepayments and accrued income	811	164
	97,269	92,565

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due after more than one year		
Deferred tax asset	877	1,167

Deferred tax asset

	31 December 2019 £'000	31 December 2018 £'000
Short term timing differences	10	-
Excess of depreciation over capital allowances	867	1,167
	877	1,167

	£'000
At 1 January 2019	1,167
Charged to profit and loss account	(290)
At 31 December 2019	877

The amounts owed by group undertakings are unsecured, attract interest at LIBOR plus 1% on the net amounts and are repayable on demand.

10 Debtors (continued)

Motorway Services Limited is a subsidiary undertaking within the Welcome Break group of companies (Welcome Break Holdings Limited and subsidiary undertakings). A centralised accounting function is operated by Welcome Break Group Limited which recharges its subsidiaries as appropriate. Accordingly charges processed in this way are included within the amounts owed by other group undertakings.

11 Cash at bank and in hand

	31 December 2019 £'000	31 December 2018 £'000
Cash at bank and in hand	**204**	206

12 Creditors: amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Amounts due to group undertakings	**32,450**	25,872
Other taxation and social security	**9**	8
Other creditors	**411**	462
Accruals and deferred income	**1,253**	1,520
	34,123	27,862

The amounts due to group undertakings are unsecured, attract interest at LIBOR plus 1% on the net amounts and are repayable on demand.

13 Provisions for liabilities

	£'000
At 1 January 2019	193
Charge for the year	24
At 31 December 2019	**217**

Provision for liabilities relates to self-insurance costs. These have been incurred but not reported or paid as at the balance sheet date and are expected to be utilised within the next 3 years.

14 Called up share capital

	31 December 2019 £'000	31 December 2018 £'000
Allotted and fully paid		
60,000 (31 December 2018: 60,000) ordinary shares of £1 each	**60**	60

14 Called up share capital (continued)

A final dividend has been agreed for the year ended 31 December 2019. The dividend has been accounted for within the current year's financial statements.

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Final dividend payable	7,176	6,768

15 Reserves

Share premium
The share premium account represents the consideration received on the issue of shares in the Company in excess of the nominal value of those shares, net of share issue costs, bonus issues of shares and any subsequent capital reductions.

Revaluation reserve
This reserve represents historic differences between the book cost of fixed assets and the current cost at various valuation dates.

Profit and loss account
The profit and loss account represents the accumulated profits, losses and distributions of the Company.

16 Financial commitments

At 31 December 2019 and 31 December 2018, the Company was committed to make payments during the following year under non-cancellable operating leases as follows:

Payments due	Land and Buildings		Other	
	31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000
Not later than one year	200	2,352	24	43
Later than one year and not later than five years	-	200	-	12
	200	2,552	24	55

17 Capital commitments

	31 December 2019 £'000	31 December 2018 £'000
Future capital expenditure contracted but not provided for	95	-

18 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 relating to the defined contribution scheme was £202,000 (11 month period ended 31 December 2018: £130,000). At the year end there were unpaid pension contributions of £53,000 (31 December 2018: £22,000). Further details of the Welcome Break Pension Plan are contained within the consolidated financial statements of Welcome Break Group Limited.

19 Related party disclosures

During the year to 31 December 2019 the Company transacted with Welcome Break Limited, the immediate parent company, who holds 91.67% of the shares in the Company. The Company was charged rent of £4,601,000 (11 month period ended 31 December 2018: £4,300,000) and received interest of £1,088,000 (11 month period ended 31 December 2018: £969,000). In addition MSL declared a dividend due to Welcome Break Limited of £6,578,000 (31 December 2018: £6,204,000). The balance at 31 December 2019 due to Welcome Break Limited is £35,510,000 (31 December 2018: £25,419,000).

During the year to 31 December 2019 the Company transacted with Welcome Break Group Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 91.67% of the voting shares in this company are controlled within this group. The Company was charged a management fee of £240,000 (11 month period ended 31 December 2018: £224,000). Welcome Break Group Limited operates the bank account on behalf of Motorway Services Limited. The net amount of payments and receipts in the year was £9,374,000 (11 month period ended 31 December 2018: £12,408,000), due from Welcome Break Group Limited. The Company claimed £2,850,000 group relief (11 month period ended 31 December 2018: £567,000). The balance at 31 December 2019 due from Welcome Break Group Limited is £129,719,000 (31 December 2018: £123,435,000).

During the year to 31 December 2019 the Company had no transactions with Welcome Break Holdings Limited, a company which is a wholly owned subsidiary of Appia Group Limited (11 month period ended 31 December 2018: £nil). 91.67% of the voting shares in this company are controlled within this group. The balance at 31 December 2019 due to Welcome Break Holdings Limited is £22,860,000 (31 December 2018: £22,860,000).

During the year to 31 December 2019 the Company had no transactions with Welcome Break Services Limited, a company which is a wholly owned subsidiary of Appia Group Limited (11 month period ended 31 December 2018: £nil). 91.67% of the voting shares in this company are controlled within this group. The balance at 31 December 2019 due to Welcome Break Services Limited is £1,072,000 (31 December 2018: £1,072,000).

During the year to 31 December 2019 the Company transacted with Welcome Break No. 1 Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 91.67% of the voting shares in this company are controlled within this group. The company surrendered £1,286,000 group relief (11 month ended 31 December 2018: claimed £387,000). The balance at 31 December 2019 due to Welcome Break No. 1 Limited is £309,000 (31 December 2018: £1,595,000).

During the year to 31 December 2019 the Company had no transactions with Appia Europe Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 91.67% of the voting shares in this company are controlled within this group. The balance at 31 December 2019 due to Appia Europe Limited is £5,990,000 (31 December 2018: £5,990,000).

Notes to the financial statements for the year ended 31 December 2019 (continued)

20 Ultimate controlling company

The Company is controlled by Welcome Break Limited (incorporated in the England and Wales) which owns 91.67% of the Company's shares. The remaining 8.33% of shares are owned by Valero Energy Limited.

Welcome Break Holdings (1) Limited, incorporated in England and Wales, is the intermediate parent undertaking that heads the smallest group of companies of which the Company is a member and for which group financial statements are prepared. Copies of Welcome Break Holdings (1) Limited consolidated financial statements are available from Companies House. The registered office of Welcome Break Limited and Welcome Break Holdings (1) Limited is 2 Vantage Court, Newport Pagnell, Buckinghamshire MK18 3EU.

Appia Group Limited, incorporated in Jersey, is the ultimate parent company and is owned by Petrogas Holdings UK Limited 50.01%, Rome One LP 33.29% and Rome Two LP 16.70%. The registered office of Appia Group Limited is 44 Esplanade, St Helier, Jersey JE4 9WG.

Applegreen PLC, the ultimate controlling party, is the largest group to consolidate these financial statements. The registered office of Applegreen PLC is Block 17 Joyce Way Parkwest Dublin 12 Ireland.

21 Post balance sheet event

In March 2020 the World Health Organisation (WHO) announced that COVID-19 was a global pandemic and the UK government introduced measures requiring people to stay at home, except for very limited purposes.

Motorway traffic declined by around 85% when this first lockdown was declared with sales similarly affected. All of our sites remained open to the travelling public, but many units and hotels were temporarily closed with trading limited to the forecourt and a retail unit. The business gradually re-opened from May 2020 as traffic started to return to the UK's strategic road network and by the end of July 2020 most units were trading.

Management took a number of actions during that time to protect both profit and cash which included the temporary closure of many units, a cessation of all non-essential overhead expenditure and temporary halt to the ongoing capital expenditure projects. The business was able to take advantage of a number of government support schemes including the hospitality and retail business rates holiday, the deferral of VAT, PAYE and corporation tax payments to HMRC as well as the Coronavirus Job Retention Scheme, allowing for a temporary reduction in headcount whilst parts of the business were not trading.

In June 2020, a successful re-negotiation of terms with lenders was completed which has enabled financial covenants to be either waived or reset until June 2021. The remaining balance of the available capital facility has been temporarily repurposed to become an additional working capital facility; this has been fully drawn (£25m) to provide additional liquidity. The expectation is that this will be repaid and will revert to being a capital expenditure facility in the second half of 2021.

The business's forecasts and projections indicate that in all but the most severe but plausible downside scenario it will operate comfortably within its revised banking covenants and will be able to meet all contractual liabilities. The directors therefore have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and accounts.

21 Post balance sheet event (continued)

For the purposes of the financial statements for the year ended 31 December 2019 COVID-19 has been treated as a non-adjusting event.