

Motorway Services Limited

(Registered number: 637019)

Annual report and financial statements For the 52 weeks ended 30 January 2018



Motorway Services Limited

Annual report and financial statements for the 52 weeks ended 30 January 2018

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Motorway Services Limited

Strategic report

The directors present their Strategic report on the Company for the 52 weeks ended 30 January 2018.

Business review

The business had a successful year with turnover of £109.6m which was 1.9% up year on year. Operating profit before exceptional items, depreciation amortisation and rents (EBITDAR) was £12.1m (2017: £12.1m (53 weeks)).

The net asset position of the Company at 30 January 2018 is £89.7m (2017: £90.9m).

Traffic growth on UK motorways has remained resilient at just over 1% year on year growth, despite some macro-economic uncertainty and volatility in the UK given inflationary squeeze on disposable income and non-food spending.

Internally the business is being increasingly managed along channel lines with the three main channels being the amenity building, hotels and forecourts. The directors believe that this approach allows for improved focus, visibility and ultimately performance. Capital investment was £2.7m and included further expenditure in each of the key channels.

The amenity building has seen continued expansion of the Starbucks brand including additional Starbucks Drive Thru's. This partnership has been further solidified with the extension of the franchise agreement during the year for a further 10 years to 2030. Investment in the established brands within the Welcome Break portfolio continue, however the business is also developing new opportunities including self-service multi-brand customer kiosks, the first in the UK.

The hotel strategy has included the conversion of more hotels to the Ramada brand as well as extensions to key hotel assets to increase room stock. The Ramada brand continues to work well for the business, widening the customer base and enabling an improved food and beverage offer.

The forecourt retail offer continues to be developed through the Deli2Go brand and the business is currently trialling an improved EPOS solution in the forecourts which is planned for a full rollout in 2018.

During the financial year the Company incurred net exceptional costs of £0.5m which was largely due to business rate and dilapidations costs net of business rate refunds.

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.

Motorway Services Limited

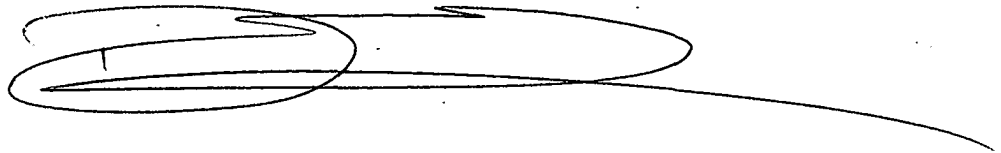
Strategic report (continued)

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 the all 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 23 May 2018 and signed on its behalf by:

Robbie Bell
Director

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a long horizontal stroke that tapers off to the right.

Motorway Services Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 30 January 2018.

Future developments

Whilst Brexit has resulted in a range of opinions on the economic impact, the traffic on the motorways has remained positive and continues to grow and our view of the UK economy remains cautiously optimistic. As a result, we are expecting steady, continuous growth during the financial year. In terms of the potential risk that EU nationals choose to leave the UK following the leave vote, the business has not noted any dramatic change with this group still comprising c.20% of employees.

Inflationary pressures have been growing throughout recent months through wages and commodity prices increasing in general. The situation is continually monitored and mitigating plans are developed and actioned where possible.

Growth capital expenditure will again be concentrated in the established, proven brands and also further investment in new brand partners; a continuation of the current strategy through further development in each of the major business channels of amenity, hotels and forecourts.

Dividends

The directors recommend the payment of a dividend for the period of £6.5m (2017: £15.0m).

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 Welcome Break 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.

Motorway Services Limited

Directors' report (continued)

Directors

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

Roderick McKie	
Nicholas Wright	(resigned 29 September 2017)
Peter O'Flaherty	
Andrew Cox	
Robbie Bell	(appointed 29 September 2017)
Timothy Lightfoot	(appointed 29 September 2017)

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 30 January 2018.

Qualifying third party indemnity provision

A qualifying third party indemnity provision was in place for the Company's directors and officers during the financial period 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.

Motorway Services Limited

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 52 week 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 period. 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.

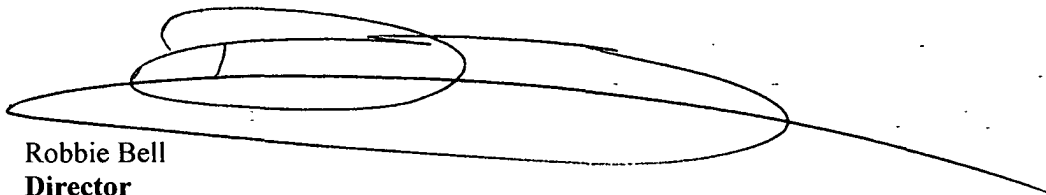
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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.

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 23 May 2018 and signed on its behalf by:



Robbie Bell
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 30 January 2018 and of its profit for the 52 week period (the "period") 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 30 January 2018; the statement of comprehensive income, the statement of changes in equity for the 52 week period then ended 30 January 2018; 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTORWAY SERVICES LIMITED (CONTINUED)

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.

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 period ended 30 January 2018 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTORWAY SERVICES LIMITED (CONTINUED)

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.

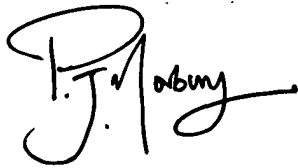
Other required reporting

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.

A handwritten signature in black ink, appearing to read 'P. Norbury', with a stylized flourish at the end.

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

23 May 2018

Motorway Services Limited

Statement of comprehensive income for the 52 weeks ended 30 January 2018

		52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
	Note		
TURNOVER	3	109,563	107,518
Cost of sales		(90,403)	(88,374)
GROSS PROFIT		19,160	19,144
Administrative expenses (including exceptional costs of £858,000 (2017: £514,000))	5	(15,486)	(12,323)
Exceptional other operating income	5	385	-
OPERATING PROFIT	4	4,059	6,821
Interest receivable and similar income	7	1,073	1,066
PROFIT BEFORE TAXATION		5,132	7,887
Tax on profit	8	111	(1,172)
PROFIT FOR THE FINANCIAL PERIOD		5,243	6,715
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		5,243	6,715

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Balance sheet as at 30 January 2018

	Note	30 January 2018 £'000	31 January 2017 £'000
FIXED ASSETS			
Tangible assets	9	23,332	23,667
CURRENT ASSETS			
Stocks	10	1,765	1,516
Debtors: amounts falling due within one year	11	85,844	82,259
Debtors: amounts falling due after more than one year	11	1,166	-
Cash at bank and in hand	12	184	186
		88,959	83,961
CREDITORS: amounts falling due within one year	13	(22,431)	(16,541)
NET CURRENT ASSETS		66,528	67,420
TOTAL ASSETS LESS CURRENT LIABILITIES		89,860	91,087
Provisions for liabilities	14	(204)	(218)
NET ASSETS		89,656	90,869
CAPITAL AND RESERVES			
Called up share capital	15	60	60
Share premium account	16	280	280
Revaluation reserve	16	9,076	9,076
Profit and loss account	16	80,240	81,453
TOTAL SHAREHOLDERS' FUNDS		89,656	90,869

The financial statements on pages 9 to 26 were approved and authorised for issue by the board on 23 May 2018 and were signed on its behalf by:

Robbie Bell
Director



Registered number: 637019

The notes on pages 12 to 26 form part of these financial statements.

Motorway Services Limited

Statement of changes in equity as at 30 January 2018

	Called up share capital £'000	Share premium account £'000	Re- valuation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 February 2017	60	280	9,076	81,453	90,869
Comprehensive income for the financial period					
Profit for the financial period	-	-	-	5,243	5,243
Total comprehensive income for the financial period	-	-	-	5,243	5,243
Dividend payable	-	-	-	(6,456)	(6,456)
Total transactions with owners, recognised directly in equity	-	-	-	(6,456)	(6,456)
At 30 January 2018	60	280	9,076	80,240	89,656

Statement of changes in equity as at 31 January 2017

	Called up share capital £'000	Share premium account £'000	Re- valuation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 27 January 2016	60	280	9,076	89,738	99,154
Comprehensive income for the financial period					
Profit for the financial period	-	-	-	6,715	6,715
Total comprehensive income for the financial period	-	-	-	6,715	6,715
Dividend payable	-	-	-	(15,000)	(15,000)
Total transactions with owners, recognised directly in equity	-	-	-	(15,000)	(15,000)
At 31 January 2017	60	280	9,076	81,453	90,869

The notes on pages 12 to 26 form part of these financial statements.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

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.

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 financial statements of Welcome Break Holdings Limited for the 52 weeks ended 30 January 2018 which are available at Companies House.

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 its ultimate parent company 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.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

1 Principal accounting policies (continued)

(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.

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 and catering units for the sale of a range of branded products. Sales of goods are recognised on sale to the customer at the point of sale. Retail sales are usually settled by cash, credit or payment card.

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

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

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

(h) Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items', or are material by nature or were treated as exceptional items in previous years and are treated as exceptional items in the current year for consistency. These are disclosed 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 period in which they are received.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (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 Welcome Break 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 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. Further details of the Welcome Break Pension Plan are contained within the Group 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 period in which they are incurred.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

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. The estimated useful lives range as follows:

Freehold property	-	35 years
Leasehold property	-	over expected life to a maximum of unexpired term (maximum 50 years)
Plant and machinery	-	5 - 10 years
Fixtures, fittings and equipment	-	3 - 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 basic 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.

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.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

1 Principal accounting policies (continued)

(o) Financial instruments (continued)

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

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.

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 period in which the estimate is revised.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

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.

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:

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Sales of goods and services	109,453	107,412
Rent receivable under operating leases (note 1(e))	110	106
	109,563	107,518

All turnover arose in the United Kingdom.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

4 Operating profit

Operating profit is stated after charging:

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Inventory recognised as an expense	78,258	76,267
Depreciation of tangible fixed assets (note 9)	3,140	700
Operating lease charges - land and buildings	4,400	4,061
Operating lease charges – plant and machinery	330	361
Other pension costs (note 19)	89	92

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 financial period is £204,000 (2017: £183,000). No amounts were paid by the Company in respect of non-audit services.

5 Exceptional (expense)/income

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Exceptional administrative expenses:		
Dilapidation costs	(440)	(514)
Demolition costs	(56)	-
2010 business rate revaluations	(362)	-
	(858)	(514)
Exceptional other operating income:		
2010 business rate revaluations	385	-

6 Employees and directors

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

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Wages and salaries	9,180	9,202
Social security costs	443	436
Other pension costs	89	92
	9,712	9,730

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

6 Employees and directors (continued)

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

	52 weeks ended 30 January 2018 Number	53 weeks ended 31 January 2017 Number
By activity:		
- operational	535	540
- management and administrative	143	157
	678	697

In the period to 30 January 2018 four of the directors (2017: two) 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.

7 Interest receivable and similar income

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Interest from fellow group undertaking	1,073	1,066

8 Tax on profit

The tax (credit)/charge is made up as follows:

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Current tax:		
Group relief payable	1,056	1,685
Adjustments in respect of prior periods	(1)	(513)
Total current tax	1,055	1,172
Deferred tax:		
Deferred taxation: origination and reversal of timing differences	(991)	-
Deferred taxation: changes in tax rates	(175)	-
Total deferred tax	(1,166)	-
Tax on profit	(111)	1,172

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

8 Tax on profit (continued)

The tax assessed for the current period varies (2017: varies) from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	52 weeks ended 30 January 2018 £'000	53 weeks ended 31 January 2017 £'000
Profit before taxation	5,132	7,887
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	975	1,577
Effects of:		
Unrecognised deferred tax	-	358
Tax adjustment for transfer pricing	188	(18)
Adjustments in respect of prior periods	(1)	(513)
Expenses deductible for tax	238	(251)
Recognition of previously unused losses	(1,475)	-
Re-measurement of deferred tax – change in UK tax rate	(36)	19
Total tax charge for the financial period	(111)	1,172

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 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.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

9 Tangible assets

	Land and buildings		Plant and machinery	Fixtures, fittings and equipment	Total
	Freehold £'000	Leasehold £'000	£'000	£'000	£'000
Cost					
At 1 February 2017	13,605	20,476	6,393	21,497	61,971
Additions	517	840	694	671	2,722
Disposals	(719)	(23)	(49)	(667)	(1,458)
Reclassifications and transfers	12	45	-	29	86
At 30 January 2018	13,415	21,338	7,038	21,530	63,321
Accumulated depreciation					
At 1 February 2017	6,692	10,736	2,828	18,048	38,304
Charge for the period	792	869	526	953	3,140
Disposals	(719)	(23)	(49)	(664)	(1,455)
At 30 January 2018	6,765	11,582	3,305	18,337	39,989
Net book value					
At 30 January 2018	6,650	9,756	3,733	3,193	23,332
At 31 January 2017	6,913	9,740	3,565	3,449	23,667

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

	30 January 2018 £'000	31 January 2017 £'000
Freehold	6,650	6,913
Short leasehold	9,756	9,740
	16,406	16,653

10 Stocks

	30 January 2018 £'000	31 January 2017 £'000
Finished goods and goods for resale	1,765	1,516

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

11 Debtors

	30 January 2018 £'000	31 January 2017 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	84,830	82,017
Other debtors	28	49
Prepayments and accrued income	986	193
	85,844	82,259

	30 January 2018 £'000	31 January 2017 £'000
Amounts falling due after more than one year		
Deferred tax asset	1,166	-

Deferred tax asset

	30 January 2018 £'000	31 January 2017 £'000
Excess of depreciation over capital allowances	1,166	-

£'000

At 1 February 2017	-
Credited to profit and loss account	1,166
At 30 January 2018	1,166

The amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

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.

12 Cash at bank and in hand

	30 January 2018 £'000	31 January 2017 £'000
Cash at bank and in hand	184	186

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

13 Creditors: amounts falling due within one year

	30 January 2018 £'000	31 January 2017 £'000
Amounts due to group undertakings	19,668	13,750
Other taxation and social security	9	13
Other creditors	928	394
Accruals and deferred income	1,826	2,384
	22,431	16,541

The Company has guaranteed the obligations of itself, Welcome Break Holdings (1) Limited, Welcome Break Group Limited and Welcome Break Limited under bank loans obtained by Welcome Break Group Limited which are secured by fixed and floating charges over its assets.

14 Provisions for liabilities

	£'000
At 1 February 2017	218
Credit for the period	(14)
At 30 January 2018	204

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.

15 Called up share capital

	30 January 2018 £'000	31 January 2017 £'000
Allotted and fully paid 60,000 (2017: 60,000) ordinary shares of £1 each	60	60

A final dividend has been agreed for the year ended 30 January 2018. The dividend has been accounted for within the current periods financial statements.

	30 January 2018 £'000	31 January 2017 £'000
Final dividend 2018/2017 payable	6,456	15,000

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

16 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.

17 Financial commitments

At 30 January 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Not later than one year	2,216	2,187	40	42
Later than one year and not later than five years	2,263	4,479	-	8
	4,479	6,666	40	50

18 Capital commitments

	30 January 2018 £'000	31 January 2017 £'000
Future capital expenditure contracted but not provided for	619	-

19 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 £89,000 (2017: £92,000). At the period end there were unpaid pension contributions of £123,000 (2017: £9,000). Further details of the Welcome Break Pension Plan are contained within the consolidated financial statements of Welcome Break Group Limited.

20 Related party disclosures

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

During the period to 30 January 2018 the Company transacted with Welcome Break Limited, the immediate parent company, who holds 92% of the shares in the Company. The Company was charged rent of £4,400,000 (2017: £4,059,000) and received interest of £1,073,000 (2017: £1,066,000). Welcome Break Limited has a loan with Motorway Services Limited, the balance at 30 January 2018 due from Welcome Break Limited is £3,784,000 (2017: £7,111,000).

During the period to 30 January 2018 the Company transacted with Welcome Break Group Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 92% of the voting shares in this company are controlled within this group. The Company was charged a management fee of £214,000 (2017: £386,000). Welcome Break Group Limited operates the bank account on behalf of Motorway Services Limited. The net amount of payments and receipts in the period was £7,409,000 (2017: £10,294,000), due from Welcome Break Group Limited. The balance at 30 January 2018 due from Welcome Break Group Limited is £111,817,000 (2017: £104,622,000).

During the period to 30 January 2018 the Company transacted with Welcome Break Holdings Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 92% of the voting shares in this company are controlled within this group. The company claimed £1,367,000 group relief (2017: £1,331,000). The balance at 30 January 2018 due to Welcome Break Holdings Limited is £22,860,000 (2017: £21,493,000).

During the period to 30 January 2018 the Company had no transactions with Welcome Break Services Limited, a company which is a wholly owned subsidiary of Appia Group Limited (2017: £nil). 92% of the voting shares in this company are controlled within this group. The Company claimed £124,000 group relief (2017: £nil). The balance at 30 January 2018 due to Welcome Break Services Limited is £861,000 (2017: £737,000).

During the period to 30 January 2018 the Company transacted with Welcome Break No. 1 Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 92% of the voting shares in this company are controlled within this group. The company surrendered £478,000 group relief (2017: £1,686,000). The balance at 30 January 2018 due to Welcome Break No. 1 Limited is £1,208,000 (2017: £1,686,000).

During the period to 30 January 2018 the Company transacted with Appia Europe Limited, a company which is a wholly owned subsidiary of Appia Group Limited. 92% of the voting shares in this company are controlled within this group. The company claimed £41,000 group relief (2017: £1,686,000). The balance at 30 January 2018 due to Appia Europe Limited is £5,842,000 (2017: £5,801,000).

21 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.

Motorway Services Limited

Notes to the financial statements for the 52 weeks ended 30 January 2018 (continued)

21 Ultimate controlling company (continued)

Appia Group Limited, incorporated in Jersey, is the largest group to consolidate these financial statements. Copies of Appia Group Limited's consolidated financial statements are available from Companies House as an appendix to Appia Europe Limited's financial statements. Appia Europe Limited is the top UK company within the Appia group of companies.

During the period ended 30 January 2017 and up until 23 May 2017 Appia Group Limited, the ultimate parent company, was owned by a consortium of infrastructure investors and the holdings of the consortium were: NIBC European Infrastructure Fund 55% (2017: 55%); ING European Infrastructure Fund 30% (2017: 30%) and Challenger Life 15% (2017: 15%).

On 23 May 2017 ING European Infrastructure Fund and Challenger Life sold their shareholding to Pansy S.a.r.l. and subsequently on 29 September 2017 Pansy S.a.r.l. transferred its holding to Welcome Break Investors LP. From this date the holdings of the consortium are: NIBC European Infrastructure Fund 55% (2017: 55%) and Welcome Break Investors LP 45%. There is no single ultimate parent undertaking or controlling party of Appia Group Limited.