Motorway Services Limited

(Registered number: 637019)

Annual report and financial statements
For the year ended 31 December 2022

Motorway Services Limited

Annual report and financial statements for the year ended 31 December 2022

Contents

Motorway Services Limited

Strategic report

The directors present their Strategic report on the Company for the year ended 31 December 2022.

Business review

The year was broadly clear of significant disruption from the COVID pandemic with some minor impact in the first quarter as a result of the Omicron variant. Turnover was £145.0m being 29.6% up year on year (year ended 31 December 2021: £111.9m). Operating profit before depreciation and property rents (EBITDAR) was £14.1m (year ended 31 December 2021: £13.8m restated).

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 restated (note 21)
Operating profit	6,547	4,504
Depreciation	2,492	2,512
Property Rents	5,056	6,740
Operating profit before one-off items, depreciation, amortisation, impairment and rents (EBITDAR)	14,095	13,756

The restatement of reserves and profit in the prior year related to the reversal of previously impaired assets (note 21).

The net asset position of the Group at 31 December 2022 is £91.5m (31 December 2021: £82.9m restated).

Capital expenditure in the year was £1.6m which was largely related to maintaining the existing assets of the business.

The business benefitted from the return to more normal trading after the disruption caused by the COVID lockdowns which have been a feature of trading since March 2020. A slightly quieter start to the year was noticed, but from Easter onwards there was again significant pent-up demand from the travelling public who were keen to visit family and friends and attend events. As in previous years, the growth in UK travel from staycation holidays delivered excellent results for the business over the peak summer holiday period from June to September. During the peak summer period in 2022 many sites and units broke their weekly trading records evidencing the seasonality of the business and the importance of this period to the overall business performance.

Outside of the peak holiday periods, motorway traffic continues to be below pre pandemic levels due to continued homeworking. This reflects a changing trend in the weekly profile of transactions with marginally lower commuter trade during weekdays and higher leisure trade at weekends. This has driven a slight change in customer mix, with the leisure traveller transaction tending to have a higher spend per transaction. The continuation of the strong trading performance, particularly the ongoing spend benefit was also noticeable during the remainder of the year, particularly during the Christmas and New Year period.

Strategic Report (continued)

Business review (continued)

The very high inflationary environment was a cause for concern during the year with both cost of goods and energy prices seeing unprecedented increases. The business was able to partially offset these costs with increases to selling prices but had also to consider how high price inflation may impact customers and consequently a negative effect on transaction volumes. It appears that the right balance has been struck between the recovery of costs and consumer sentiment. During the final quarter of the year, the business experienced a significant rise in electricity costs as the previous deal came to an end. The directors are comfortable with the risk moving forward in terms of volatile energy costs with prices having been agreed with suppliers out to March 2024.

In June 2020, as a direct result of the COVID lockdowns, a successful re-negotiation of terms with the Group's lenders was completed which enabled financial covenants to be either waived or reset until the end of June 2021. The 2021 performance was such that the business was able to return to meeting its original covenants a quarter earlier than the required September 2021 date, delivering a compliant covenant certificate to lenders for the quarter ending June 2021. Since that date the Company has operated comfortably within its banking covenants with considerable headroom at each quarter end date.

Statement by the directors on the performance of their statutory duties under s172 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 2022. In making these decisions, the directors of the Company have regard (amongst other matters) to:

<u>Long term consequences of decisions</u>

The shareholders favour long term strategies and focus on shareholder value in terms of long-term investment return (business value). Therefore, the directors have implemented measures to ensure the future security of the business particularly around investment decisions, risk planning and business continuity described in more detail in the Strategic Report. 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 also consider the appropriateness of dividend payments.

<u>The Company's relationships with customers, suppliers and team members</u>

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.

The core values of the Company are 1) We're a Team 2) We Deliver 3) We Care. These are the fundamental principles which govern all relationships with key stakeholders and is the cornerstone to maintaining high standards of business conduct. These values are part of employee induction processes, discussions around annual company goals and form a key part of the decision making process of senior management in the day to day operation of the Company.

Strategic Report (continued)

Statement by the directors on the performance of their statutory duties under s172 of the Companies Act 2006 (continued)

Providing the best possible customer experience is critical and customer satisfaction is monitored at all levels of the business (site, regional, senior management and board level) via output from "Feed it Back" customer scores.

The directors ensure regular communications with employees at all levels through quarterly 'Have Your Say' surveys and an annual employee engagement survey. Line managers and department heads are encouraged to review results in conjunction with their teams. Employees also have access to a wide range of benefits including discounts at major retailers, "£1 meals" whilst on duty and access to financial products at preferential rates amongst others which are regularly reviewed.

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 open Q&A sessions at company conferences.

The Company has franchise agreements with a range of well-known recognisable brands and maintaining close relationships and dialogue with those partners is crucial to the continued success of these partnerships. Brand managers are employed by the Company for every major brand to ensure these relationships are harmonious and mutually beneficial. Other suppliers are similarly engaged through events such as an annual 'Retail Conference'.

<u>Considerations of the Company's impact on the environment and community engagement</u>

We strive to operate in a manner which is considerate of our environmental responsibilities and continuously review our operations and utilities use to help build a more sustainable future. Some of the sustainable activities that we have introduced include:

- completion of retrofit of lighting to LEDs;
- to replace and retrofit equipment with more modern energy efficient alternatives, such as adding doors to display chiller cabinets;
- continuing trialling technology to remotely control hotel in-room heating;
- conducting feasibility assessments of solar power technologies;
- continuing to offer electric vehicles within the fleet;
- growing the partnership with "Too Good To Go" to reduce food waste in catering and retail units;
- growing the EV charging network

The brands we operate also have their own sustainability policies and we execute these according to their standards.

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 £10m 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.

Strategic Report (continued)

Statement by the directors on the performance of their statutory duties under s172 of the Companies Act 2006 (continued)

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

The directors consider that a key risk to the business is any potential ongoing impact of COVID or similar pandemic, specifically should further lockdown restrictions be imposed. However, this appears to be receding with the successful vaccine rollout and the removal of all restrictions in England during February 2022. Management will continue to monitor the risk of further COVID related restrictions and is reassured that the business has been able to manage and mitigate the impact through unit closures and amended trading hours. As indicated above, trading since summer 2021 has been healthy and currently at or above normal levels.

Inflation has also been a significant risk for the business over the last 12 months which has been at and continues to be at unprecedented levels, particularly cost of goods although wage pressures have started to ease. The business has managed the risk to date through a combination of pricing adjustments, fixing supply costs where possible (particularly in respect to energy costs) and a focus on cost control.

The directors also recognise the potential effect of increased pressures on the cost of living in the UK and the impact on our customers. The directors are comfortable that the right balance has been struck between the recovery of costs and consumer sentiment.

The directors also recognise that the cyber risk for companies is increasing with recent cyber attacks for UK retail and hospitality companies being reported. For the Group there is the risk that the organisation could be exposed to unauthorised access to the IT infrastructure, which could lead to data theft / loss (potentially including personal data as defined under GDPR) resulting in financial loss, reputational damage and compliance issues. A number of initiatives have been launched over the last 18 months to mitigate this risk including a detailed cyber assessment completed by an outside consultancy, training modules rolled out a mandatory for completion by all Group employees and regular 'PEN' testing (penetration testing) which simulate cyber attacks to evaluate the security of the systems.

The directors also recognise the potential effect of climate change on the United Kingdom and the impact on our customers. The Company will continue to work with its ultimate parent to ensure climate-related risks are identified and acceptably mitigated as they arise.

Motorway network investment including major road works does impact when there are road works adjacent to sites, but this is usually known in advance and the short-term impact can be managed.

The business operates strategic risk assessments of the sites and has plans to mitigate any closures or unforeseen incidents at sites.

Strategic Report (continued)

Financial key performance indicators

The directors of company manage operations on a site by site basis and this includes the specific brands on the sites concerned. There are no non-financial KPIs monitored by the company. The key KPIs are revenue and gross profit:

	Year ended 31 December 2022 £000's	Year ended 31 December 2021 £000's
Revenue	145,010	111,917
Gross profit	32,517	27,833

The company also monitors a disaggregated level of this information, but an analysis of this is considered commercially sensitive.

This report was approved by the board on 14 August 2023 and signed on its behalf by:

Timothy Lightfoot
Director

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Principal activities

Welcome Break Limited's ('the Company') principal activity is the operation of motorway service areas and hotels.

Future Developments

The business is continuing to invest with the long term in mind. The transition from fossil fuel vehicles to electric is something that will impact the business in the coming years and plans are well advance to expand the provision of EV charging at sites.

Going Concern

The position of the Company at the balance sheet date was a net asset of £91,473,000 (31 December 2021: £82,885,000) and net current asset of £74,096,000 (31 December 2021: £64,531,000). The Directors conclude the going concern basis is appropriate for the reasons discussed in the following paragraphs.

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 subsidiary of both Welcome Break Group Limited and Welcome Break Holdings (1) Limited.

The business benefitted from the return to more normal trading after the disruption caused by the COVID lockdowns which have been a feature of trading since March 2020. A slightly quieter start to the year was noticed, but from Easter onwards there was again significant pent-up demand from the travelling public who were keen to visit family and friends and attend events. As in previous years, the growth in UK travel from staycation holidays delivered excellent results for the business over the peak summer holiday period from June to September. During the peak summer period in 2022 many sites and units broke their weekly trading records evidencing the seasonality of the business and the importance of this period to the overall business performance.

Outside of the peak holiday periods, motorway traffic continues to be below pre pandemic levels due to continued homeworking. This reflects a changing trend in the weekly profile of transactions with marginally lower commuter trade during weekdays and higher leisure trade at weekends. This has driven a slight change in customer mix, with the leisure traveller transaction tending to have a higher spend per transaction. The continuation of the strong trading performance, particularly the ongoing spend benefit was also noticeable during the remainder of the year, particularly during the Christmas and New Year period.

Directors' report (continued)

Going Concern (continued)

The very high inflationary environment was a cause for concern during the year with both cost of goods and energy prices seeing unprecedented increases. The business was able to partially offset these costs with increases to selling prices but had also to consider how high price inflation may impact customers and consequently a negative effect on transaction volumes. It appears that the right balance has been struck between the recovery of costs and consumer sentiment. During the final quarter of the year, the business experienced a significant rise in electricity costs as the previous deal came to an end. The directors are comfortable with the risk moving forward in terms of volatile energy costs with prices having been agreed with suppliers out to March 2024.

The business delivered a performance that was slightly ahead of what was a challenging 2022 budget and continues to perform well in 2023.

Welcome Break Holdings 1 Limited has confirmed that any necessary financial support will be provided to allow its subsidiaries to meet their liabilities as they become due for 12 months from date of signing the financial statements. The directors have assessed the willingness and ability of Welcome Break Holdings (1) Limited to provide required support.

The business's forecasts and projections over the next 12 months indicate that the business will operate comfortably within its revised banking covenants 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 operating for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

Dividends

The directors declared a dividend for the year of £nil (year ended 31 December 2021: £4.3m).

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 to the general public are cash or credit card therefore the Company is not exposed to any significant credit risk. For sales to business customers (fuel card sales, hotel bookings and HGV parking), the Company performs appropriate credit checks before sales are made and takes out trade credit insurance for this risk.

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

Directors' report (continued)

Key financial and business risks (continued)

Business Continuity
In the event of a major incident, there is a regularly updated Incident Response Plan which includes steps to be taken by senior management and actions to be taken depending on the incident. There are also separate IT Business Continuity and Disaster Recover plans in place.

Changes in customer behaviour
Continued and ongoing assessments to understand the core drivers that can help to predict, analyse and monitor changes in consumers' needs and wants.

Labour Shortages
Improving labour turnover and increasing 90 day and 1year+ stability are important measures for the business. The use of incentives at key trading periods, use of reward & recognition, and continuing to pay above National Minimum Wage for hourly paid team member roles assist in this. Ongoing review of benefits offer and review of its usage to enable attraction and retention of employees.

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 (resigned 18 April 2023)
Timothy Lightfoot
Niall Dolan
Martyn Brett-Lee
Neil Freeman (appointed 18 April 2023)

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.

Statement of disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' report (continued)

Employee engagement and 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.

Statement on engagement with suppliers, customers and others in a business relationship with the company

Details on how the Company has fostered relationships with suppliers, customers and others can be found within the Company's Section 172 statement in the Strategic Report on page 2 in accordance with s414C(11) of the Companies Act 2006 as the directors consider this to be of strategic importance to the Company.

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.

Streamlined energy and carbon reporting

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SI 2018/1155'), particular companies are now obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their financial statements. Motorway Services Limited's emissions are included within the necessary disclosures on SECR on pages 9 and 10 of Welcome Break Holdings (1) Limited's financial statements.

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 regulations.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the board on 14 August 2023 and signed on its behalf by:

Timothy Lightfoot
Director
2 Vantage Court,
Tickford Street,
Newport Pagnell,
Buckinghamshire
MK16 9EZ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTORWAY SERVICES LIMITED

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Motorway Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Motorway Services Limited

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joanna Waring

Joanna Waring FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

14 August 2023

Motorway Services Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 restated (note 21) £'000
TURNOVER	3	**145,010**	111,917
Cost of sales		**(112,493)**	(84,084)
GROSS PROFIT		**32,517**	27,833
Selling and distribution costs		**(25,880)**	(22,963)
Administrative expenses		**(811)**	(817)
Other operating income	4	**721**	451
OPERATING PROFIT	4	**6,547**	4,504
Interest receivable and similar income	6	**1,686**	647
PROFIT BEFORE TAXATION		**8,233**	5,151
Tax on profit	7	**355**	(675)
PROFIT FOR THE FINANCIAL YEAR		**8,588**	4,476
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**8,588**	4,476

Motorway Services Limited

Balance sheet as at 31 December 2022

	Note	**31 December 2022**	31 December 2021 restated (note 21)
		£'000	£'000
FIXED ASSETS			
Tangible assets	8	**17,587**	18,525
CURRENT ASSETS			
Stocks	9	**2,258**	2,015
Debtors: amounts falling due within one year	10	**158,726**	147,403
Debtors: amounts falling due after more than one year	10	**1,094**	827
Cash at bank and in hand	11	**192**	198
		162,270	150,443
CREDITORS: amounts falling due within one year	12	**(88,174)**	(85,912)
NET CURRENT ASSETS		**74,096**	64,531
TOTAL ASSETS LESS CURRENT CREDITORS		**91,683**	83,056
Provisions for liabilities	13	**(210)**	(171)
NET ASSETS		**91,473**	82,885
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	**82,057**	73,469
TOTAL SHAREHOLDERS' FUNDS		**91,473**	82,885

The financial statements on pages 15 to 38 were approved and authorised for issue by the board on 14 August 2023 and were signed on its behalf by:

Timothy Lightfoot
Director

Registered number: 637019

The notes on pages 18 to 38 form part of these financial statements.

Motorway Services Limited

Statement of changes in equity for year ended 31 December 2022

	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 2022 restated (note 21)	60	280	9,076	73,469	82,885
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	8,588	8,588
Total comprehensive income for the financial year	**-**	**-**	**-**	**8,588**	**8,588**
At 31 December 2022	**60**	**280**	**9,076**	**82,057**	**91,473**

Statement of changes in equity for the year ended 31 December 2021

	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 2021(As previously reported)	60	280	9,076	71,321	80,737
Restatement	-	-	-	1,992	1,992
At 1 January 2021 restated (note 21)	60	280	9,076	73,313	82,729
Comprehensive income for the financial year					
Profit for the financial year restated	-	-	-	4,476	4,476
Total comprehensive income for the financial year restated	**-**	**-**	**-**	**4,476**	**4,476**
Dividend payable	-	-	-	(4,320)	(4,320)
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**(4,320)**	**(4,320)**
At 31 December 2021 restated (note 21)	**60**	**280**	**9,076**	**73,469**	**82,885**

The notes on pages 18 to 38 form part of these financial statements.

1 Principal accounting policies

(a) General information

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

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 financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 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) Going concern

The position of the Company at the balance sheet date was a net asset of £91,473,000 (31 December 2021: £82,885,000) and net current asset of £74,096,000 (31 December 2021: £64,531,000). The Directors conclude the going concern basis is appropriate for the reasons discussed in the following paragraphs.

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 subsidiary of both Welcome Break Group Limited and Welcome Break Holdings (1) Limited.

The business benefitted from the return to more normal trading after the disruption caused by the COVID lockdowns which have been a feature of trading since March 2020. A slightly quieter start to the year was noticed, but from Easter onwards there was again significant pent-up demand from the travelling public who were keen to visit family and friends and attend events. As in previous years, the growth in UK travel from staycation holidays delivered excellent results for the business over the peak summer holiday period from June to September. During the peak summer period in 2022 many sites and units broke their weekly trading records evidencing the seasonality of the business and the importance of this period to the overall business performance.

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Principal accounting policies (continued)

(c) Going concern

Outside of the peak holiday periods, motorway traffic continues to be below pre pandemic levels due to continued homeworking. This reflects a changing trend in the weekly profile of transactions with marginally lower commuter trade during weekdays and higher leisure trade at weekends. This has driven a slight change in customer mix, with the leisure traveller transaction tending to have a higher spend per transaction. The continuation of the strong trading performance, particularly the ongoing spend benefit was also noticeable during the remainder of the year, particularly during the Christmas and New Year period.

The very high inflationary environment was a cause for concern during the year with both cost of goods and energy prices seeing unprecedented increases. The business was able to partially offset these costs with increases to selling prices but had also to consider how high price inflation may impact customers and consequently a negative effect on transaction volumes. It appears that the right balance has been struck between the recovery of costs and consumer sentiment. During the final quarter of the year, the business experienced a significant rise in electricity costs as the previous deal came to an end. The directors are comfortable with the risk moving forward in terms of volatile energy costs with prices having been agreed with suppliers out to March 2024.

The business delivered a performance that was slightly ahead of what was a challenging 2022 budget and continues to perform well in 2023.

Welcome Break Holdings 1 Limited has confirmed that any necessary financial support will be provided to allow its subsidiaries to meet their liabilities as they become due for 12 months from date of signing the financial statements. The directors have assessed the willingness and ability of Welcome Break Holdings (1) Limited to provide required support.

The business's forecasts and projections over the next 12 months indicate that the business will operate comfortably within its revised banking covenants 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 operating for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

(d) Exemptions for qualifying entities under FRS 102

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 FRS 102 and para 3.17(d)]
- the non-disclosure of key management personnel compensation in total. [FRS 102 para 33.7]
- certain financial instrument disclosures [FRS 102 paras 11.39-11.48A, 12.26-12.29]

This information is included in the consolidated financial statements of Welcome Break Holdings (1) Limited for the year ended 31 December 2022.

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 Welcome Break Holdings (1) Limited includes the Company's cash flow in its own consolidated financial statements.

1 Principal accounting policies (continued)

(e) 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.

(f) 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 Company 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.

(g) 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.

(h) 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.

1 Principal accounting policies (continued)

(i) 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.

(j) Government grants

Government grant income is recognised, using the accrual model, where the company has complied with the scheme conditions and is virtually certain the grant income will be received, as other operating income within the statement of comprehensive income.

(k) Interest income

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

(l) 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.

1 Principal accounting policies (continued)

(m) 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.

(n) Tangible fixed assets and depreciation

Tangible fixed assets are stated at deemed cost less accumulated depreciation and any accumulated impairment losses. Deemed 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 together with revaluations prior to the adoption of FRS 102.

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.

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 land and 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

Capitalisation of costs in respect of constructing property, plant and equipment commences when it is probable that future economic benefits associated with the asset will flow into the Company, the costs are directly attributable to the related asset and required to bring the asset into working condition. These costs are classified as Assets under construction and are not depreciated until they are available for use. Freehold land is not depreciated.

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.

1 Principal accounting policies (continued)

(o) Impairment of tangible fixed assets

At the end of each financial year fixed assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash -generating unit) may be impaired. If there is such an indication that an asset (or asset's cash-generating unit) may not be recoverable, an impairment test is carried out.

The recoverable amount of the asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the estimated future cash flows expected to be derived from continuing use of the asset (or cash-generating unit).

Value in use is determined by discounting to present value of the estimated future cash flows expected to be derived from the asset (or cash-generating unit). The discount rate used is the Group's weighted average cost of capital reflecting current market assessments of the time value of money and the risks specific to the asset (or cash-generating units).

Fair value is determined as the price that would be received to sell the asset (or cash-generating unit) in orderly transaction between market participants at the measurement date.

If the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount of the asset (or cash-generating unit) the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Profit or Loss account, unless the asset has been revalued. If the asset has been revalued the impairment loss is recognised in other comprehensive income to the extent of the revaluation gains accumulated in equity in respect of that asset. Thereafter any excess is recognised in profit or loss.

If an impairment loss reverses (the reasons for the impairment loss have ceased to apply), the carrying amount of the asset (or asset's cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior financial years. A reversal of an impairment is recognised in the Profit and Loss Account, unless the asset is carried at a revalued amount.

(p) 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.

(q) 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.

1 Principal accounting policies (continued)

(r) 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 FRS 102 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.

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.

(s) 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.

1 Principal accounting policies (continued)

(t) 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.

(u) 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.

The Directors believe that the most critical accounting policies and significant areas of judgement 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 making a judgement on 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.

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

(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, or whether to reverse impairments made in previous years.

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

The calculations require the Company to estimate the recoverable amount of each cash-generating unit (sites in most cases, but units where the Company is one among several tenants). Recoverable amounts are estimated from the present value of future cash flows from cash-generating units, suitable discount rates and fair values determined by external valuers.

Key assumptions used in the present value calculation are:

- sites / units will be operating over the accounting lease term
- the discount rate used in the present value calculation is 12.4%
- future cash flows of each site / unit are forecasted in line with the strategic plan which covers the next five financial years.
- future cash flows extending beyond the strategic plan period are grown with a 2.5% growth rate

No impairment loss has been recognised in the year (2021: nil).

Sensitivities were performed over the assumptions with the impacts as shown below:

Assumption	Impact on impairment value
Increase discount rate by 1% to 13.4%	Nil
Decrease discount rate by 1% to 11.4%	Nil
Growth rate for EBITDA in the five year plan +1%	Nil
Growth rate for EBITDA in the five year plan -1%	Nil
Growth rate for EBITDA in the five year plan 0%	Nil

The above sensitivities are based on a change in an assumption while holding all other assumptions constant. Such estimates are subject to change because of changing economic conditions. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change.

There is no impairment charge as a result of any of the sensitivities due to the significant headroom on the assets not being impaired.

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 2022 £'000	Year ended 31 December 2021 £'000
Sales of goods and services	**144,787**	111,695
Rent receivable under operating leases (note 1(g))	**223**	222
	145,010	111,917

All turnover arose in the United Kingdom.
Rent receivable under operating leases arose from cancellable operating leases.

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 restated (note 21)
Inventory recognised as an expense	**108,533**	81,123
Depreciation of tangible fixed assets (note 8)	**2,492**	2,512
Operating lease charges - land and buildings	**5,056**	6,740
Operating lease charges - other	**365**	257
Other pension costs (note 18)	**279**	249

The company has received £nil (year ended 31 December 2021: £451,000) in grants relating to the Coronavirus Job Retention Scheme, income relating to a VAT reclaim for gaming machines £632,000 (year ended 31 December 2021: £nil) and income from landlords for contributions to works completed of £89,000 (year ended 31 December 2021: £nil) and this income is reported in Other Operating Income in the Statement of Comprehensive Income.

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 £393,000 (year ended 31 December 2021: £366,000). The fee allocated to Motorway Services Limited is £18,000 (year ended 31 December 2021: £17,000). No amounts were paid by the Company in respect of non-audit services (year ended 31 December 2021: £nil).

5 Employees and directors

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	**9,070**	7,475
Social security costs	**561**	445
Other pension costs	**279**	249
	9,910	8,169

5 Employees and directors (continued)

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
By activity:		
- operational	**625**	520

In the year to 31 December 2022 three directors (year ended 31 December 2021: two directors) 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 (year ended 31 December 2021: £nil).

6 Interest receivable and similar income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest from fellow group undertakings	**1,686**	647

7 Tax on profit

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
Group relief payable	**-**	947
Adjustments in respect of prior periods	**(88)**	(239)
Total current tax	**(88)**	708
Deferred tax:		
Deferred taxation: origination and reversal of timing differences	**(3)**	145
Deferred taxation: adjustment in respect of prior periods	**(262)**	19
Deferred taxation: changes in tax rates	**(2)**	(197)
Total deferred tax	**(267)**	(33)
Tax on profit	**(355)**	675

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Tax on profit (continued)

The tax assessed for the current year varies (year ended 31 December 2021: varies) from the standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%). The differences are explained below:

	Year ended 31 December 2022	Year ended 31 December 2021 restated (note 21)
	£'000	£'000
Profit before taxation	**8,233**	5,151
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%)	**1,564**	979
Effects of:		
Tax adjustment for transfer pricing	**(25)**	(14)
Adjustments in respect of prior periods	**(350)**	(219)
Expenses not deductible for tax	**25**	139
Impact of super deductions	**(21)**	(13)
Re-measurement of deferred tax – change in UK tax rate	**(2)**	(197)
Utilisation of prior year losses	**(1,546)**	-
Total tax (credit)/charge for the financial year	**(355)**	675

In the Spring Budget 2022 the Government announced the corporation tax rate would remain at 19% until 1 April 2023. On 1 April 2023 the corporation tax rate will change to 25%. This new law was substantively enacted on 11 March 2022.

The deferred tax disclosures in the financial statements include balances measured at 25%.

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Tangible assets

	Land and buildings		Plant and machinery	Fixtures, fittings and equipment	Assets under construction	Total
	Freehold	Leasehold				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	9,671	22,982	8,222	24,243	75	65,193
Additions	16	919	186	225	208	1,554
Disposals	-	(6)	(44)	(47)	-	(97)
Reclassifications and transfers	156	(156)	-	75	(75)	-
At 31 December 2022	**9,843**	**23,739**	**8,364**	**24,496**	**208**	**66,650**
Accumulated depreciation						
At 1 January 2022	5,529	17,224	4,873	21,011	-	48,637
Restatement	-	(1,969)	-	-	-	(1,969)
At 1 January 2022 restated (note 21)	5,529	15,255	4,873	21,011	-	46,668
Charge for the year	341	1,016	395	740		2,492
Disposals	-	(6)	(44)	(47)	-	(97)
At 31 December 2022	**5,870**	**16,265**	**5,224**	**21,704**	**-**	**49,063**
Net book value						
At 31 December 2022	**3,973**	**7,474**	**3,140**	**2,792**	**208**	**17,587**
At 31 December 2021 restated (note 21)	4,142	7,727	3,349	3,232	75	18,525

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

	31 December 2022 £'000	31 December 2021 £'000 restated (note 21)
Freehold	**3,973**	4,142
Short leasehold	**7,474**	7,727
	11,447	11,869

As at 31 December 2022 the carrying value of land not depreciated is £0 (year ended 31 December 2021: £0).

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Stocks

	31 December 2022 £'000	31 December 2021 £'000
Finished goods and goods for resale	**2,258**	2,015

There is no significant difference between the replacement cost of stock and its carrying amount. Inventory recognised as an expense is included in note 4.

10 Debtors

Debtors: amounts falling due within one year

	31 December 2022 £'000	31 December 2021 £'000 restated (note 21)
Amounts owed by parent undertakings	**158,309**	146,858
Other debtors	**149**	76
Prepayments and accrued income	**268**	469
	158,726	147,403

Debtors: amounts falling due after more than one year

	31 December 2022 £'000	31 December 2021 £'000
Deferred tax asset	**1,094**	827

Deferred tax asset

	31 December 2022 £'000	31 December 2021 £'000
Short term timing differences	**7**	5
Excess of depreciation over capital allowances	**1,087**	822
	1,094	827

	£'000
At 1 January 2022	827
Credited to profit and loss account	267
At 31 December 2022	**1,094**

10 Debtors (continued)

The deferred tax assets have been recognised as it is believed these will be recoverable against future taxable profits.

The net amounts owed by and to parent undertakings are unsecured, are repayable on demand and in the prior year attracted interest at LIBOR plus 1% on the net amounts. From 1 January 2022 amounts owed by parent undertakings attracted interest at SONIA plus 1%.

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 2022 £'000	31 December 2021 £'000
Cash at bank and in hand	**192**	198

12 Creditors: amounts falling due within one year

	31 December 2022 £'000	31 December 2021 restated (note 21) £'000
Amounts owed to parent undertakings	**86,804**	83,522
Other taxation and social security	**8**	8
Other creditors	**473**	1,323
Accruals and deferred income	**889**	1,059
	88,174	85,912

The net amounts owed by and to parent undertakings are unsecured, repayable on demand and in the prior year attracted interest at LIBOR plus 1% on the net amounts. In the current year, the Company is in a net debtor position with parent undertakings, and therefore no interest has been charged.

From 1 January 2022 amounts due to parent undertakings attracted interest at SONIA plus 1%.

13 Provisions for liabilities

	£'000
At 1 January 2022	171
Charge for the year	39
At 31 December 2022	**210**

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

13 Provisions for liabilities (continued)

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 2022 £'000	31 December 2021 £'000
Allotted and fully paid		
60,000 (31 December 2021: 60,000) ordinary shares of £1 each	**60**	60

There is no final dividend for the year ended 31 December 2022.

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Final dividend payable	**-**	4,320

The dividend per share paid for the year ended 31 December 2021 is £72.00.

15 Reserves

Share premium account
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. This reserve was frozen on transition to FRS 102.

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 2022 and 31 December 2021, 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 2022 £'000	31 December 2021 £'000	**31 December 2022 £'000**	31 December 2021 £'000
Not later than one year	-	2,514	-	3
Later than one year and not later than five years	-	-	-	2
	-	2,514	-	5

As of the balance sheet date, Motorway Services Limited is not contractually committed to any operating lease agreements.

17 Capital commitments

	31 December 2022 £'000	31 December 2021 £'000
Future capital expenditure contracted but not provided for	**86**	-

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 £279,000 (year ended 31 December 2021: £249,000). At the year end there were unpaid pension contributions of £19,000 (31 December 2021: £19,000). Further details of the Welcome Break Pension Plan are contained within the financial statements of Welcome Break Group Limited.

19 Related party disclosures

During the year to 31 December 2022 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 £5,056,000 (year ended 31 December 2021: £6,737,000), received interest of £1,686,000 (year ended 31 December 2021: £647,000) and surrendered £88,227 of group relief (year ended 31 December 2021: £nil) . The company did not declare a dividend due to Welcome Break Limited in the year (31 December 2021: £3,960,000). The balance at 31 December 2022 due to Welcome Break Limited is £55,626,000 (31 December 2021: £52,343,000).

19 Related party disclosures (continued)

During the year to 31 December 2022 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 £620,000 (year ended 31 December 2021: £614,000 restated). 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 £12,070,000 (year ended 31 December 2021: £12,969,000), due from Welcome Break Group Limited. The Company surrendered £238,000 group relief (year ended 31 December 2021: £24,000). The balance at 31 December 2022 due from Welcome Break Group Limited is £158,309,000 (31 December 2021: £146,858,000).

During the year to 31 December 2022 the Company did not transact with Welcome Break Holdings 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 2022 due to Welcome Break Holdings Limited is £22,949,000 (31 December 2021: £22,949,000).

During the year to 31 December 2022 the Company did not transact with Welcome Break Services Limited, a company which is a wholly owned subsidiary of Appia Group Limited, (year ended 31 December 2021: £450,000). 91.67% of the voting shares in this company are controlled within this group. The balance at 31 December 2022 due to Welcome Break Services Limited is £1,072,000 (31 December 2021: £1,072,000).

During the year to 31 December 2022 the Company had no transactions 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 balance at 31 December 2022 due to Welcome Break No. 1 Limited is £457,000 (31 December 2021: £457,000).

During the year to 31 December 2022 the Company claimed group relief from Appia Europe Limited, a company which is a wholly owned subsidiary of Appia Group Limited, of £326,000. 91.67% of the voting shares in this company are controlled within this group. The balance at 31 December 2022 due to Appia Europe Limited is £6,701,000 (31 December 2021: £6,701,000).

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.

20 Ultimate controlling company (continued)

Appia Group Limited, incorporated in Jersey, is the intermediate parent company and is owned by Petrogas Holdings UK Limited 53.55%, Rome One LP 28.34% and Rome Two LP 18.11%. The registered office of Appia Group Limited is 44 Esplanade, St Helier, Jersey JE4 9WG.

Causeway Consortium Holdings Limited, incorporated in Ireland, is the ultimate controlling party and the largest group to consolidate these financial statements. The registered office of Causeway Consortium Holdings Limited is 25-28 North Wall Quay, IFSC, Dublin 1, D01H104 Ireland.

21 Prior year adjustments

The carrying amounts of the Company's tangible assets have been reviewed to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. As a result of this review, it has been identified that previous impairment losses of £1,969,000 were recoverable as a result of increases in the earning potential of the affected CGUs from the periods in which impairment was recorded to the prior balance sheet date. Retrospective analysis indicates this should have been recognised in prior year financial statements, therefore the comparative balances of tangible assets and retained earnings have been restated in this year's financial statements.

As a result of reversing the impairment on these assets to their carrying value had no impairment been charged in the first place, £127,000 depreciation was charged to selling and distribution costs in the profit and loss account in 2021 and £2,097,000 impairment reversal was taken directly to opening reserves in 2021.

The profit impact of the above reversal meant reduced management fees owed to Welcome Break Group Limited of £6,000 were credited to administrative expenses in the profit and loss account in 2021 and increased historic charges of £105,000 charged directly to reserves.

The Company has historically presented intercompany debtors/creditors as a net figure, meaning the net amount presented represented amounts relating to more than one entity in the group. Amounts presented therefore, did not align with the legal right to offset balances by entity. Therefore, the Group has reclassified amounts to represent debtor/creditor positions on an entity-by-entity basis.

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

21 Prior year adjustments (continued)

Statement of comprehensive income restatements	Year ended 31 December 2021	Impairment Review	**Year ended 31 December 2021 restated**
	£'000	£'000	**£'000**
TURNOVER	111,917	-	**111,917**
Cost of sales	(84,084)	-	**(84,084)**
GROSS PROFIT	27,833	-	**27,833**
Selling and distribution costs	(22,836)	(127)	**(22,963)**
Administrative expenses	(823)	6	**(817)**
Other operating income	451	-	**451**
OPERATING PROFIT	4,625	(121)	**4,504**
Interest receivable and similar income	647	-	**647**
PROFIT BEFORE TAXATION	5,272	(121)	**5,151**
Tax on profit	(675)	-	**(675)**
PROFIT FOR THE FINANCIAL YEAR	4,597	(121)	**4,476**
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	4,597	(121)	**4,476**

Motorway Services Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

21 Prior year adjustments (continued)

Balance sheet restatements	31 December 2021 £'000	Amounts due from/to group undertakings £'000	Impairment review £'000	**31 December 2021 £'000 restated**
FIXED ASSETS				
Tangible assets	16,556	-	1,969	**18,525**
CURRENT ASSETS				
Stocks	2,015	-	-	**2,015**
Debtors: amounts falling due within one	104,208	43,293	(98)	**147,403**
Debtors: amounts falling due after more	827	-	-	**827**
Cash at bank and in hand	198	-	-	**198**
	107,248	43,293	(98)	**150,443**
CREDITORS: amounts falling due	(42,619)	(43,293)	-	**(85,912)**
NET CURRENT ASSETS	64,629	-	-	**64,530**
TOTAL ASSETS LESS CURRENT CREDITORS	81,185	-	-	**83,055**
Provisions for liabilities	(171)	-	-	**(171)**
NET ASSETS	81,014	-	1,871	**82,885**
CAPITAL AND RESERVES				
Called up share capital	60	-	-	**60**
Share premium account	280	-	-	**280**
Revaluation reserve	9,076	-	-	**9,076**
Profit and loss account	71,598	-	1,871	**73,469**
TOTAL SHAREHOLDERS' FUNDS	81,014	-	1,871	**82,885**