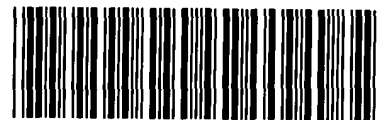


Welcome Break No. 2 Limited

(Registered Number: 8331870)

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

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Welcome Break No. 2 Limited

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

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Welcome Break No. 2 Limited

Strategic Report

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

Business review

The Company was incorporated on 14 December 2012 with the purpose of acquiring and holding the shares in Welcome Break No. 1 Limited and subsidiary companies. The principal activity of the Company is that of a holding company.

The Company's profit for the year ended 31 December 2019 is £26.1m (11 month period ended 31 December 2018: profit of £21.2m). The profit for the period and the year end financial position is considered by the directors to be in line with expectations.

The net asset position of the Company at 31 December 2019 is £339.1m (31 December 2018: £339.1m).


Principal risks and uncertainties

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

Financial key performance indicators

As the Company is not a trading company the directors' believe it is inappropriate to include key performance indicators in this report to get an understanding of the development, performance or position of the business of Welcome Break No. 2 Limited. The development, performance and position of the business of Appia Group Limited, which includes the Company, are discussed on page 3 of the Group's Annual report, which does not form part of this report.

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



John Diviney
Director

Welcome Break No. 2 Limited

Directors' report

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

Future developments

The directors do not anticipate that any trading will be undertaken by the Company in the foreseeable future.

Going Concern

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. Welcome Break Group Limited and Welcome Break Holdings (1) Limited are subsidiaries of the Company. The Company is a subsidiary of Welcome Break Holdings Limited that could be required to satisfy lease guarantees in the event of a covenant breach in respect of the loans held by Welcome Break Group Limited.

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

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

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

Welcome Break No. 2 Limited

Directors' report (continued)

Going Concern (continued)

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

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

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

The business's forecasts and projections over the next 12-18 months indicate that in all but the most severe but plausible downside scenario the business will operate comfortably within its revised banking covenants (see Note 10, Post Balance Sheet Event) and will be able to meet all contractual liabilities as they fall due. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

Welcome Break No. 2 Limited

Directors' report (continued)

Going Concern (continued)

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

Post balance sheet event

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

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

Dividends

During the year the Company paid a dividend of £26.1m (11 month period ended 31 December 2018: £21.2m). The Directors do not propose a final dividend for the year ended 31 December 2019 (11 month period ended 31 December 2018: £nil).

Directors

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

Charles Hazelwood
Surinder Toor
Niall Dolan
Joseph Barrett
John Diviney

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.

Welcome Break No. 2 Limited

Directors' report (continued)

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.

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 year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing the financial statements, the directors are required to:

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

The directors are 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 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.

Directors' confirmations


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

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

Welcome Break No. 2 Limited

Directors' report (continued)

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



John Diviney
Director

Independent auditors' report to the members of Welcome Break No. 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Welcome Break No. 2 Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company holds investments in subsidiary entities that hold bank loans for the group of companies headed by Appia Group Limited and the company's immediate parent guarantees certain lease contracts held by companies within the group. When considering future forecasts, a severe but plausible downside forecast indicates a potential breach of financial covenants associated with these loans, which is an event of default. This could lead to the company's immediate parent being required to satisfy its lease guarantees with subsequent impact on the company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

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

Independent auditors' report to the members of Welcome Break No. 2 Limited (continued)

Reporting on other information (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 year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Welcome Break No. 2 Limited (continued)

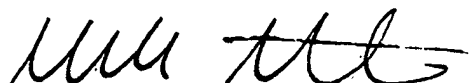
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Welcome Break No. 2 Limited

Statement of comprehensive income for the year ended 31 December 2019


	Note	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
OPERATING RESULT	3	-	-
Income from shares in group undertakings	8	26,138	21,235
PROFIT BEFORE TAXATION		26,138	21,235
Tax on profit	4	-	-
PROFIT FOR THE FINANCIAL YEAR/PERIOD		26,138	21,235
<hr/>			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		26,138	21,235

Welcome Break No. 2 Limited

Balance sheet as at 31 December 2019

	Note	31 December 2019	31 December 2018
		£'000	£'000
FIXED ASSETS			
Investments	5	339,100	339,100
DEBTORS	6	1	1
NET CURRENT ASSETS		1	1
TOTAL ASSETS LESS CURRENT LIABILITIES		339,101	339,101
NET ASSETS		339,101	339,101
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Profit and loss account	8	339,100	339,100
TOTAL SHAREHOLDERS' FUNDS		339,101	339,101

The financial statements on pages 10 to 20 were approved and authorised for issue by the board on 21 December 2020 and were signed on its behalf by:



John Diviney
Director

Registered number: 8331870

The notes on pages 13 to 20 form part of these financial statements.

Welcome Break No. 2 Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2019	1	339,100	339,101
Comprehensive income for the financial year			
Profit for the financial year	-	26,138	26,138
Total comprehensive income for the financial year	-	26,138	26,138
Dividend paid	-	(26,138)	(26,138)
Total transactions with owners, recognised directly in equity	-	(26,138)	(26,138)
At 31 December 2019	1	339,100	339,101

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

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 January 2018	1	339,100	339,101
Comprehensive income for the financial period			
Profit for the financial period	-	21,235	21,235
Total comprehensive income for the financial period	-	21,235	21,235
Dividend paid	-	(21,235)	(21,235)
Total transactions with owners, recognised directly in equity	-	(21,235)	(21,235)
At 31 December 2018	1	339,100	339,101

The notes on pages 13 to 20 form part of these financial statements.

Welcome Break No. 2 Limited

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

1. Principal accounting policies

(a) General information

Welcome Break No. 2 Limited's ('the Company') principal activity is that of a holding company.

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 the going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable United Kingdom and the Republic of Ireland and the Companies Act 2006.

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. Welcome Break Group Limited and Welcome Break Holdings (1) Limited are subsidiaries of the Company. The Company is a subsidiary of Welcome Break Holdings Limited that could be required to satisfy lease guarantees in the event of a covenant breach in respect of the loans held by Welcome Break Group Limited.

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

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

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

Welcome Break No. 2 Limited

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

1. Principal accounting policies (continued)

(b) Basis of preparation (continued)

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

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

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

The business's forecasts and projections over the next 12-18 months indicate that in all but the most severe but plausible downside scenario the business will operate comfortably within its revised banking covenants (see Note 10, Post Balance Sheet Event) and will be able to meet all contractual liabilities as they fall due. The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

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

Welcome Break No. 2 Limited

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

1. Principal accounting policies (continued)

(b) Basis of preparation (continued)

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.

(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 Appia Group Limited for the year ended 31 December 2019 which are available at Companies House (as an Appendix to Appia Europe Limited).

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and 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.

(e) Consolidated financial statements

These financial statements contain information about Welcome Break No. 2 Limited as an individual company and do not contain consolidated financial information. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Appia Group Limited, a company incorporated in Jersey.

(f) Taxation

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.

Welcome Break No. 2 Limited

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

1. Principal accounting policies (continued)

(g) Fixed asset investments

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment.

(h) Financial instruments

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

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

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

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.

(i) 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.

(j) Share capital

Ordinary shares are recognised as equity.

Welcome Break No. 2 Limited

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

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.

There are no significant judgements, estimates or assumptions in these financial statements.

3. Operating result

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 year is £249,000 (11 month period ended 31 December 2018: £315,000). The fee allocated to Welcome Break No. 2 Limited is £5,000 (11 month period ended 31 December 2018: £5,000). Additional costs charged in 2019 relating to the previous financial period are £70,000 of which the fee allocated to Welcome Break No. 2 Limited is £1,000. No amounts were paid by the Company in respect of non-audit services (11 month period ended 31 December 2018: £nil).

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

There were no employees of the Company in the year ended 31 December 2019 (11 month period ended 31 December 2018: none).

4. Tax on profit

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Tax charge for the financial year	-	-

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

	Year ended 31 December 2019 £'000	11 month period ended 31 December 2018 £'000
Profit before taxation	26,138	21,235
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (11 month period ended 31 December 2018: 19%)	4,966	4,035
Effects of:		
Income not subject to tax	(4,966)	(4,035)
Total tax charge for the financial year	-	-

Welcome Break No. 2 Limited

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

4. Tax on profit (continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously announced). This new law was substantively enacted on 11 March 2020.

The changes announced have no effect on these financial statements.

5. Investments

	£'000
At 1 January 2019 and 31 December 2019	339,100
Investments in subsidiaries comprise holdings of equity shares in the following entities which are incorporated in Great Britain and registered in England and Wales unless otherwise indicated:	
	% of equity held
Direct subsidiary undertaking	
Welcome Break No. 1 Limited (holding company)	100
	% of equity held
Indirect subsidiary undertakings	
Welcome Break Holdings (2) Limited (holding company)	100
Welcome Break Holdings (1) Limited (holding company)	100
Welcome Break Group Limited	100
Welcome Break Limited	100
Motorway Services Limited	92
Welcome Break KFC Limited	100
Welcome Break Coffee Primo Limited	100
Welcome Break KFC Starbucks Limited	100
Welcome Break Birchanger Limited	100
Welcome Break Burger King Limited	100
Welcome Break Waitrose Limited	100
Welcome Break McDonald's Limited	100
Coffee Primo Burger King Limited	100
Welcome Break Waitrose KFC Limited	100
Welcome Break Starbucks Waitrose KFC Limited	100
Welcome Break Starbucks Burger King Limited	100
Welcome Break Starbucks McDonald's Limited	100
Welcome Break Starbucks Waitrose Burger King Limited	100
Starbucks Coffee Burger King Limited	100
Starbucks Coffee KFC Limited	100
Starbucks Coffee McDonald's Limited	100
Starbucks Coffee Waitrose Limited	100
Starbucks Coffee Waitrose KFC Limited	100
Starbucks Coffee McDonald's Waitrose Limited	100
Partnership	
Welcome Break Gretna Green Partnership	100

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Welcome Break No. 2 Limited

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

5. Investments (continued)

The Company had guaranteed the obligations of itself and Welcome Break No. 1 Limited under the junior loan obtained by Welcome Break No. 1 Limited which were secured by fixed and floating charges over its assets. The junior loan was repaid in full on 8 March 2019.

The registered office for all the investments above is 2 Vantage Court, Tickford Street, Newport Pagnell, Buckinghamshire MK16 9EZ.

6. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed by group undertakings	1	1

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

7. Called up share capital

	31 December 2019 £'000	31 December 2018 £'000
Allotted and fully paid		
1,001 (31 December 2018: 1,001) ordinary shares of £1	1	1

8. 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.

Profit and loss account

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

During the year the company received a dividend of £26.1m from a subsidiary company (11 month period ended 31 December 2018: £21.2m received) and paid a dividend of £26.1m to its immediate parent company (11 month period ended 31 December 2018: £21.2m).

9. Ultimate controlling company

Welcome Break Holdings Limited, incorporated in England and Wales, is the immediate parent undertaking.

Appia Group Limited, a company registered in Jersey, is the smallest to consolidate these financial statements. Copies of Appia Group Limited's consolidated financial statements can be obtained from Companies House (as an Appendix to Appia Europe Limited).

Appia Group Limited, the ultimate parent company, is owned by a consortium of infrastructure investors and the holdings of the consortium are: Petrogas Holdings UK Limited 50.01%, Rome One LP 33.29% and Rome Two LP 16.70%.

Welcome Break No. 2 Limited

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

9. Ultimate controlling company (continued)

Applegreen plc, the ultimate controlling party, is the largest group to consolidate these financial statements and indirectly holds 100% of the shares of Petrogas Holdings UK Limited. Copies of Applegreen plc's financial statements can be found on its website; www.applegreenstores.com.

10. Post balance sheet event

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

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

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

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

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

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