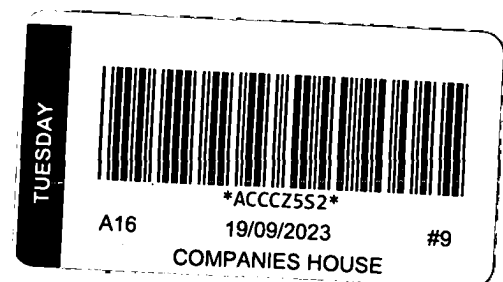


Welcome Break Group Limited

(Registered number: 03147949)

Annual report and financial statements

For the year ended 31 December 2022



Welcome Break Group Limited

Annual report and financial statements for year ended 31 December 2022

	Page(s)
Strategic report	1-6
Directors' report	7-12
Independent auditor's report	13-16
Statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Notes to the financial statements	20-54

Welcome Break Group 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 £302.4m being 27.3% up year on year (year ended 31 December 2021: £237.5m). Operating profit before one-off items, depreciation, amortisation and property rents (EBITDAR) was £26.5m (year ended 31 December 2021: £28.0m restated), with operating profit before one-offs for the year ended 31 December 2022 £1.4m (year ended 31 December 2021: £6.1m restated).

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 restated (note 30)
Operating profit	1,180	5,189
One-off items	256	918
Operating profit before one-off items	1,436	6,107
Depreciation, amortisation and impairment	9,326	6,091
Property Rents	15,766	15,804
Operating profit before one-off items, depreciation, amortisation, impairment and rents (EBITDAR)	26,528	28,002

The restatement of reserves and profit in the prior year related to the reversal previously impaired assets (note 30).

The net asset position of the Company at 31 December 2022 is £11.8m (31 December 2021: £20.3m restated).

Capital expenditure in the year was £17.3m which included the remodelling of a number of retail stores with a more modern look and feel and expenditure relating to maintaining the existing assets of the business, particularly within the hotels where significant refurbishments have been completed and also to the customer toilets within the amenity buildings.

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.

Welcome Break Group Limited

Strategic Report (continued)

Business review (continued)

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.

In June 2020, as a direct result of the COVID lockdowns, a successful re-negotiation of terms with the Company'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.

During the financial year the Company incurred one-off net costs of £0.3m (note 4). These related to the termination of contracts and fuel surveys.

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

The Board of directors of Welcome Break Group 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:

Long term consequences of decisions

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.

Welcome Break Group Limited

Strategic Report (continued)

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

The Company's relationships with customers, suppliers and team members

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.

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'.

Welcome Break Group Limited

Strategic Report (continued)

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

Considerations of the Company's impact on the environment and community engagement

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.

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.

Welcome Break Group Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

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 Company 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 Company 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 Group 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.

The refinancing of the business completed in November 2019 continues to work well. The revised (waiver) covenants were comfortably met during 2020 and 2021, and the return to the original covenants was achieved in June 2021. 2022 covenants were met with considerable headroom as were the test dates on 31 March 2023 and 30 June 2023. Current forecasts anticipate that comfortable covenant headroom will continue during 2023 and beyond

Financial key performance indicators

The directors manage the 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	302,432	237,475
Gross profit	92,716	77,343

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

Welcome Break Group Limited

Strategic report (continued)

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

A handwritten signature in black ink, appearing to read 'John Diviney', written in a cursive style.

John Diviney
Director

Welcome Break Group Limited

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 Group 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 including the opening of a new TRSA (Truck Road Service Area) site at Newark in March 2023.

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 £11,848,000 (31 December 2021: £20,261,000) and net current liability of £103,765,000 (31 December 2021: £100,339,000). This position reflects the debt funding structure in place for the Company and wider Group. Whilst there is a net current liability position 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 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.

Welcome Break Group Limited

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.

Management have prepared forecast scenarios covering the next 12 months. Having reviewed detailed cashflow forecasts, the directors are comfortable that the business, and each company, will have sufficient liquidity to operate for at least the next 12 months, and have significant headroom in both. This position is continually monitored by the directors.

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

A dividend of £60.0m was paid during the year (year ended 31 December 2021: £30.0m). The directors do not propose the payment of a final dividend for the year ended 31 December 2022 (year ended 31 December 2021: £nil).

Post balance sheet events

In April 2023 the company recognised it had paid unlawful dividends in November and December 2022 as a result of including the cash flow hedge reserve incorrectly as a distributable reserve when reviewing reserves available for distribution. At this time the directors of the company acknowledged that no further distributions could be made until sufficient profits were available for that purpose.

The financial statements for the year ended 31 December 2022 include a reduction of the dividend payable to £44,274,000 and a reduction in the amount owed to parent undertakings by £15,726,000.

On 25 April 2023 the directors ratified this situation.

Welcome Break Group Limited

Directors' report (continued)

Post balance sheet events (continued)

On 25 April 2023, the Company repaid £50,000,000 of the outstanding intercompany loan balance due to Welcome Break Limited.

On 25 April 2023, Welcome Break Limited paid a dividend of £50,000,000 to the Company.

On 25 April 2023, the Company paid a dividend of £10,000,000 to Welcome Break Holdings (1) Limited.

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.

Liquidity risk

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

Interest rate cash flow risk

Interest rate swaps are used to manage interest rate risk.

Foreign exchange risk

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

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.

Welcome Break Group Limited

Directors' report (continued)

Directors

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

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.

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.

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.

Employee engagement and policies

The employment policies of Welcome Break Group 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.

Welcome Break Group Limited

Directors' report (continued)

Employee engagement and policies (continued)

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 at least twice a year 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.

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'), certain companies are now obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their financial statements. Welcome Break Group 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.

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.

Welcome Break Group Limited

Directors' report (continued)

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

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:



John Diviney
Director
2 Vantage Court,
Tickford Street,
Newport Pagnell,
Buckinghamshire
MK16 9EZ.

Welcome Break Group Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Welcome Break Group 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 31.

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.

Welcome Break Group Limited

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

Welcome Break Group Limited

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

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.

Welcome Break Group Limited

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

Opinions on other matters prescribed by the Companies Act 2006 (continued)

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

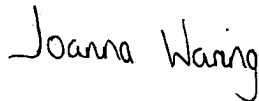
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

14 August 2023

Welcome Break Group Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 restated (note 30)
TURNOVER	3	302,432	237,475
Cost of sales		(209,716)	(160,132)
GROSS PROFIT		92,716	77,343
Selling and distribution costs		(77,998)	(62,948)
Administrative expenses		(14,663)	(11,465)
Other operating income	4	1,125	2,258
OPERATING PROFIT	4	1,180	5,188
Income from investment in joint venture		1,046	934
Income from shares in group undertakings	25	35,000	75,000
Interest receivable and similar income	8	1,416	34
Interest payable and similar expenses	9	(13,124)	(12,859)
Other finance expense	10	(257)	(258)
PROFIT BEFORE TAXATION		25,261	68,039
Tax on profit	11	2,314	(3,556)
PROFIT FOR THE FINANCIAL YEAR		27,575	64,483
Actuarial gains on defined benefit pension scheme	27	1,562	958
Cash flow hedges			
- Change in value of hedging instrument		9,903	7,344
Total tax on components of other comprehensive income	11	(3,179)	(1,924)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		8,286	6,378
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		35,861	70,861

Welcome Break Group Limited

Balance sheet as at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
FIXED ASSETS			
Goodwill	12	1,235	1,389
Intangible assets	13	1,210	1,262
Tangible assets	14	73,223	65,017
Investments	15	399,799	399,799
		475,467	467,467
CURRENT ASSETS			
Stocks	16	4,341	3,935
Debtors: amounts falling due within one year	17	172,890	152,653
Debtors: amounts falling due after more than one year	17	10,670	1,109
Cash at bank and in hand	18	49,483	104,966
Pension asset	27	3,783	1,546
		241,167	264,209
CREDITORS: amounts falling due within one year	19	(344,932)	(364,548)
NET CURRENT LIABILITIES		(103,765)	(100,339)
TOTAL ASSETS LESS CURRENT LIABILITIES		371,702	367,128
CREDITORS: amounts falling due after more than one year	20	(356,318)	(345,420)
Provisions for liabilities	23	(3,536)	(1,447)
NET ASSETS		11,848	20,261
CAPITAL AND RESERVES			
Called up share capital	24	15	15
Cash flow hedge reserve	25	9,102	1,819
Share based payments reserve	25	-	72
Profit and loss account	25	2,731	18,355
TOTAL SHAREHOLDERS' FUNDS		11,848	20,261

The financial statements on pages 17 to 54 were approved and authorised for issue by the board on 14 August 2023 and were signed on its behalf by:



John Diviney
Director

Registered number: 03147949

The notes on pages 20 to 54 form part of these financial statements.

Welcome Break Group Limited

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Cash flow hedge reserve	Share based payment reserve	Profit and loss account	Total shareholders' (deficit)/funds
	£'000	£'000	£'000	£'000	£'000
At 1 January 2022 restated (note 30)	15	1,819	72	18,355	20,261
Comprehensive income for the financial year					
Profit for the financial year	-	-	-	27,575	27,575
Actuarial gain on defined benefit pension scheme	-	-	-	1,562	1,562
Cash flow hedges					
-Change in value of hedging instrument	-	9,903	-	-	9,903
Total tax on components of other comprehensive income	-	(2,620)	-	(559)	(3,179)
Total comprehensive income for the financial year	-	7,283	-	28,578	35,861
Dividend paid	-	-	-	(44,274)	(44,274)
Transfer to retained earnings	-	-	(72)	72	-
Total transactions with owners, recognised directly in equity	-	-	(72)	(44,202)	(44,274)
At 31 December 2022	15	9,102	-	2,731	11,848

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

	Called up share capital	Cash flow hedge reserve	Share based payment reserve	Profit and loss account	Total shareholders' funds/(deficit)
	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	15	(5,525)	19	(19,032)	(24,523)
Restatement	-	-	-	3,870	3,870
At 1 January 2021 restated (note 30)	15	(5,525)	19	(15,162)	(20,653)
Comprehensive expense for the financial year					
Profit for the financial year restated	-	-	-	64,483	64,483
Actuarial gain on defined benefit pension scheme	-	-	-	958	958
Cash flow hedges					
-Change in value of hedging instrument	-	7,344	-	-	7,344
Total tax on components of other comprehensive income	-	-	-	(1,924)	(1,924)
Total comprehensive income for the financial year restated	-	7,344	-	63,517	70,861
Share based payment	-	-	53	-	53
Dividend paid	-	-	-	(30,000)	(30,000)
Total transactions with owners, recognised directly in equity	-	-	53	(30,000)	(29,947)
At 31 December 2021 restated (note 30)	15	1,819	72	18,355	20,261

The notes on pages 20 to 54 form part of these financial statements.

Welcome Break Group Limited

Notes to the financial statements for the year ended 31 December 2022

1 Principal accounting policies

(i) General information

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

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

(ii) Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, except for the measurement of certain financial instruments at fair value, 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.

(iii) Going concern

The position of the Company at the balance sheet date was a net asset of £11,848,000 (31 December 2021: £20,261,000) and net current liability of £103,765,000 (31 December 2021: £100,339,000). This position reflects the debt funding structure in place for the Company and wider Group. Whilst there is a net current liability position 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 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.

Welcome Break Group Limited

Notes to the financial statements for the year ended 31 December 2022

1 Principal accounting policies (continued)

(iii) 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.

Management have prepared forecast scenarios covering the next 12 months. Having reviewed detailed cashflow forecasts, the directors are comfortable that the business, and each company, will have sufficient liquidity to operate for at least the next 12 months, and have significant headroom in both. This position is continually monitored by the directors.

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.

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(iv) 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].

This information is included in the consolidated financial statements of Welcome Break Holdings 1 Limited for the year ended 31 December 2022. Copies of Welcome Break Holdings 1 Limited’s consolidated financial statements can be obtained from Companies House.

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and Welcome Break Holdings 1 Limited’s consolidated financial statements includes the Company’s cash flow in its own consolidated financial statements.

(v) Consolidated financial statements

These financial statements contain information about Welcome Break Group 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 Welcome Break Holdings 1 Limited, a company incorporated in the United Kingdom.

(vi) 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.

(vii) 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:

- a) 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.

- b) 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.

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(vii) Turnover (continued)

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

d) 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.

(viii) Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(viii) Pensions (continued)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the year; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

(ix) 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.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

(xiv) Interest income

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

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(xv) 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.

(xvi) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired and is amortised over its useful economic life. Goodwill relates to the acquisition of two Starbucks stores. The goodwill is being amortised over the life of the lease which is 13 years.

(xvii) Intangible assets

Intangible assets (excluding goodwill) are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

Software	5 years
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Amortisation is included in administrative expenses in the statement of comprehensive income.

Assets under construction are not amortised until they are available for use.

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(xviii) 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.

(xix) Impairment of 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).

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(xix) Impairment of fixed assets (continued)

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.

(xx) Leased assets

a) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

b) Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

(xxi) 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.

(xxii) Fixed asset investments

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

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(xxiii) 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.

(xxiv) 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.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) At fair value with changes recognised in the statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) At cost less impairment for all other investments.

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.

Welcome Break Group Limited

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

1 Principal accounting policies (continued)

(xxv) Hedge accounting

The Company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve.

Any ineffective portions of those movements are recognised in profit or loss for the year.

(xxvi) 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.

(xxvii) Dividend distribution

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

(xxviii) Share capital

Ordinary shares are recognised as equity.

(xxix) Share-based payments

Employees of the Company participated in a share-based payment arrangement established by the ultimate controlling party. The employees were granted share options over equity shares of Applegreen Limited (formally plc). The fair value of the share options was measured at the grant date. The Company recognised a share-based payment expense in the Statement of Comprehensive income, based on the grant date fair value of the share options, on a straight-line basis over the vesting period, with adjustment to equity as a capital contribution. On closure of the scheme in the year, the capital contribution was transferred to the profit and loss account. There is no current share-based payment scheme in place as at 31 December 2022.

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.

Welcome Break Group Limited

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

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

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:

(a) Impairment of assets

The carrying amounts of the Company's tangible and intangible assets are reviewed annually to determine whether there is any indication of impairment, or whether to reverse impairments made in previous years.

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 9.16%
- future cash flows of each site/unit are forecasted at 2.5% in line with the Five Year Plan.

Welcome Break Group Limited

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

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

(a) Impairment of assets (continued)

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

Assumption	Impact on impairment value
Increase discount rate by 1% to 10.16%	Nil
Decrease discount rate by 1% to 8.16%	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.

(b) Defined benefit pension scheme

The Directors engage a qualified independent actuary to calculate the Group's asset/liability in respect of its defined benefit pension scheme. In calculating this asset/liability, it is necessary for actuarial assumptions and estimates to be made, which include discount rates, salary and pension increases, price inflation, the long term rate of return upon scheme assets and mortality. As actual rates of increase and mortality may differ from those assumed, the pension asset/liability may differ from that included in these Financial Statements.

Please refer to Note 27 for detailed disclosure of sensitivities and assumptions used in the year.

3 Turnover

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

Analysis of turnover by category:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Sales of goods and services	301,822	236,948
Rent receivable under operating leases (note 1(vi) and (ix))	610	527
	302,432	237,475

All turnover arose in the United Kingdom.

Welcome Break Group Limited

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

3 Turnover (continued)

Rent receivable under operating leases arose from cancellable operating leases.

4 Operating profit

Operating profit is stated after charging:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000 restated (note 30)
Inventory recognised as an expense	201,440	154,371
Amortisation of goodwill (note 12)	154	243
Impairment of goodwill (note 12)	-	605
Amortisation of intangible assets (note 13)	348	284
Depreciation of tangible fixed assets (note 14)	5,719	4,197
Impairment of tangible fixed assets (note 14)	3,105	762
Operating lease charges – land and buildings	15,766	15,804
Operating lease charges – plant and machinery	1,094	964
Loss/(profit) on disposal	1	(3)
Other pension costs (note 27)	1,797	1,381

Included in the Statement of comprehensive income are items that Management consider to be one-off in nature which total net costs of £256,000 (year ended 31 December 2021: £918,000). These items are – contract termination costs £199,000 (year ended 31 December 2021: £nil), fuel survey £57,000 (year ended 31 December 2021: £nil), operational restructuring £nil (year ended 31 December 2021: £357,000) and additional operating costs relating to the Covid pandemic of £nil (year ended 31 December 2021: £561,000).

The company has received £nil (year ended 31 December 2021: £1,311,000) in grants relating to the Coronavirus Job Retention Scheme, income relating to a VAT reclaim for gaming machines £807,000 (year ended 31 December 2021: £nil) and income from landlords for contributions to works completed of £318,000 (year ended 31 December 2021: £322,000) and £nil received for insurance claims (year ended 31 December 2021: £625,000) and this income is reported in Other Operating Income in the Statement of Comprehensive Income.

Welcome Break Group Limited

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

5 Auditors' remuneration

Services provided by Group's auditor and its associates

During the year the Company obtained the following services from the Company's auditor and its associates:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fees payable to Company's auditor for the audit of ultimate parent company and consolidated financial statements	393	366
Additional fees payable to Company's auditor relating to the previous financial year	-	35
Fees payable to the Company's auditor and its associates for other services:		
Audit related assurance services	-	25
Tax services	-	20
Other non-audit services	-	-
	393	446

Auditor 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 Welcome Break Group Limited is £168,000 (year ended 31 December 2021: £158,000).

6 Directors' emoluments

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Aggregate emoluments	638	448
Defined contribution pension scheme	16	13
	654	461

In the year ended 31 December 2022 one current director (year ended 31 December 2021: one current director) was 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.

Welcome Break Group Limited

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

6 Directors' emoluments (continued)

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Highest paid director		
Aggregate emoluments	638	448
Defined contribution pension scheme	16	13
	654	461

7 Employee information

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

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Wages and salaries	35,590	27,628
Social security costs	3,138	2,343
Other pension costs	1,797	1,381
Share-based payments	-	53
	40,525	31,405

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
By activity:		
- operational	1,528	1,243
- managerial and administrative	155	137
	1,683	1,380

8 Interest receivable and similar income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Bank and other interest	1,416	34

Welcome Break Group Limited

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

9 Interest payable and similar expenses

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Bank interest payable	(12,347)	(12,082)
Amortisation of issue costs of loan	(777)	(745)
Other interest and similar charges payable	-	(32)
	(13,124)	(12,859)

10 Other finance expense

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Net interest expense on net defined benefit asset (note 27)	(257)	(258)

11 Tax on profit

a) 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 receivable	(683)	(216)
Adjustments in respect of prior periods	(1,329)	1,896
Total current tax	(2,012)	1,680
Deferred tax:		
Deferred taxation: origination and reversal of timing differences	3,031	3,543
Deferred taxation: adjustments in respect of prior periods	(3,434)	(1,462)
Deferred taxation: changes in tax rates	101	(205)
Total deferred tax	(302)	1,876
Tax on profit	(2,314)	3,556

Welcome Break Group Limited

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

11 Tax on profit (continued)

b) Tax included in other comprehensive expense

The tax charge is made up as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Deferred tax:		
Deferred taxation on timing differences	3,179	1,924

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 £'000	Year ended 31 December 2021 restated (note 30) £'000
Profit before taxation	25,261	68,039
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%)	4,800	12,927
Effects of:		
Income not subject to tax	(6,650)	(14,250)
Expenses not deductible for tax	665	857
Adjustments in respect of prior periods	(4,763)	434
Tax adjustment for transfer pricing	1,009	1,038
Impact of super deductions	(168)	(60)
Utilisation of losses	2,692	2,815
Re-measurement of deferred tax – change in UK tax rate	101	(205)
Total tax (credit)/charge for the financial year	(2,314)	3,556

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%, as these were the tax rates substantively enacted at the balance sheet date.

Welcome Break Group Limited

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

12 Goodwill

	£'000
Cost	
At 1 January 2022 and 31 December 2022	3,407
Accumulated depreciation	
At 1 January 2022	2,018
Charge for the year	154
At 31 December 2022	2,172
Net book value	
At 31 December 2022	1,235
At 31 December 2021	1,389

Goodwill arose on the acquisition of two Starbucks stores at Baldock and Beaconsfield.

13 Intangible assets

	Computer software £'000	Assets under construction £'000	Total £'000
Cost			
At 1 January 2022	1,670	16	1,686
Additions	109	187	296
Reclassifications	16	(16)	-
Disposals	(145)	-	(145)
At 31 December 2022	1,650	187	1,837
Accumulated amortisation			
At 1 January 2022	424	-	424
Charge for the year	348	-	348
Disposals	(145)	-	(145)
At 31 December 2022	627	-	627
Net book value			
At 31 December 2022	1,023	187	1,210
At 31 December 2021	1,246	16	1,262

Welcome Break Group Limited

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

14 Tangible assets

	Land and buildings		Plant and	Fixtures,	Assets under	Total
	Freehold	Leasehold	machinery	fittings and equipment	construction	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	502	66,224	17,833	63,814	1,096	149,469
Additions	847	2,711	3,191	1,985	8,317	17,051
Disposals	-	-	(9)	(205)	-	(214)
Reclassifications	(331)	20	11	839	(539)	-
At 31 December 2022	1,018	68,955	21,026	66,433	8,874	166,306
Accumulated depreciation						
At 1 January 2022	14	26,745	8,165	52,639	-	87,563
Restatement	-	(3,111)	-	-	-	(3,111)
At 1 January 2022 restated (note 30)	14	23,634	8,165	52,639	-	84,452
Charge for the year	1	1,831	973	2,914	-	5,719
Impairment in the year	-	3,105	-	-	-	3,105
Disposals	-	-	(1)	(192)	-	(193)
At 31 December 2022	15	28,570	9,137	55,361	-	93,083
Net book value						
At 31 December 2022	1,003	40,385	11,889	11,072	8,874	73,223
At 31 December 2021 restated (note 30)	488	42,590	9,668	11,175	1,096	65,017

The impairment in the year has been recognised under selling and distribution costs in the statement of comprehensive income.

At 31 December 2022, the carrying value of land not depreciated is £1,245,593 (year ended 31 December 2021: £1,245,593)

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

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Freehold	1,003	488
Long leasehold	306	220
Short leasehold	40,079	42,370
	41,388	43,078

Welcome Break Group Limited

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

15 Investments

£'000

At 1 January 2022 and 31 December 2022

399,799

Investments in subsidiaries comprise holdings of ordinary shares in the following entities which are incorporated in Great Britain and registered in England and Wales and of which all the trading companies are operators of motorway service areas and motels:

	% of shares held
Direct subsidiary undertakings	
Welcome Break Limited – motorway service area operator	100
Welcome Break KFC Limited – dormant company	100
Welcome Break Coffee Primo Limited – dormant company	100
Welcome Break KFC Starbucks Limited – dormant company	100
Welcome Break Birchanger Limited – dormant company	100
Welcome Break Burger King Limited – dormant company	100
Welcome Break Waitrose Limited – dormant company	100
Welcome Break McDonald's Limited – dormant company	100
Coffee Primo Burger King Limited – dormant company	100
Welcome Break Waitrose KFC Limited – dormant company	100
Welcome Break Starbucks Waitrose KFC Limited – dormant company	100
Welcome Break Starbucks Burger King Limited – dormant company	100
Welcome Break Starbucks McDonald's Limited – dormant company	100
Welcome Break Starbucks Waitrose Burger King Limited – dormant company	100
Starbucks Coffee Burger King Limited – dormant company	100
Starbucks Coffee KFC Limited – dormant company	100
Starbucks Coffee McDonald's Limited – dormant company	100
Starbucks Coffee Waitrose Limited – dormant company	100
Starbucks Coffee Waitrose KFC Limited – dormant company	100
Starbucks Coffee McDonald's Waitrose Limited – dormant company	100
Indirect subsidiary undertakings	
Motorway Services Limited – motorway service area operator	92
Joint venture	
Welcome Break Gretna Green Partnership – motorway service area operator	50

The remaining 50% interest in Welcome Break Gretna Green Partnership is owned by Welcome Break Limited.

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

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

Welcome Break Group Limited

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

16 Stocks

	31 December 2022 £'000	31 December 2021 £'000
Finished goods and goods for resale	4,341	3,935

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.

17 Debtors

Debtors: amounts falling within one year

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Trade debtors	17,104	11,408
Amounts owed by parent undertakings	149,819	136,601
Other debtors	2,483	1,630
Prepayments and accrued income	3,484	3,014
	172,890	152,653

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

Debtors: amounts falling due after more than one year

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Derivative financial instruments	10,670	235
Deferred tax asset	-	874
	10,670	1,109

Welcome Break Group Limited

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

17 Debtors (continued)

Deferred tax asset

	31 December 2022 £'000	31 December 2021 £'000
Excess of depreciation over capital allowances	-	852
Short term timing differences	-	22
	-	874
		£'000
At 1 January 2022		874
Reclassify to Provisions		(874)
At 31 December 2022		-

18 Cash at bank and in hand

	31 December 2022 £'000	31 December 2021 £'000
Cash at bank and in hand	49,483	104,966

19 Creditors: amounts falling due within one year

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Bank loans	9,094	9,094
Trade creditors	55,679	47,068
Amounts owed to subsidiary undertakings	230,679	262,597
Amounts owed to by parent undertakings	12,605	15,512
Dividends on cumulative participating redeemable preference (CPRP) shares	1,114	1,114
Other creditors	6,952	5,701
Other taxation and social security	17,037	13,543
Accruals and deferred income	11,772	9,919
	344,932	364,548

The Senior Bank Loan includes a £10m Revolving Credit Facility. £9.1m of the revolving credit facility has been drawn down (31 December 2021: £9.1m).

Welcome Break Group Limited

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

19 Creditors: amounts falling due within one year (continued)

The interest rate on the revolving credit facility is at LIBOR plus 1.95% in year 1, 2.0% in years 2 and 3, 2.1% in year 4, 2.25% in year 5, 2.45% in year 6 and 2.55% in the final year. Interest is paid quarterly in arrears in cash. LIBOR has been replaced with SONIA during the financial year (note 23). The Revolving Credit Facility is repayable at the end of each Interest Period, these being quarterly, and therefore falls due within one year.

The amounts owed to subsidiary and parent undertakings are unsecured, interest free and are repayable on demand.

20 Creditors: amounts falling due after more than one year

	31 December 2022 £'000	31 December 2021 £'000
Bank loans	348,068	339,630
Other creditors	8,250	5,790
	356,318	345,420

On 12 November 2019 Welcome Break Group Limited completed a refinancing and obtained new long-term borrowings comprising of a £165m seven year Senior Bank Loan and a £165m ten year Institutional Term Loan. The new Senior Bank Loan includes an additional £30m Capital Facility and a £10m Revolving Credit Facility that expire on the same date. The Revolving Credit Facility is repayable at the end of each Interest Period, these being quarterly, and therefore falls due within one year. £21.5m of the £30m capital facility has been drawn as at 31 December 2022 (31 December 2021: £13.0m).

The interest rate on the Senior Bank Loan is at LIBOR plus 1.95% in year 1, 2.0% in years 2 and 3, 2.1% in year 4, 2.25% in year 5, 2.45% in year 6 and 2.55% in the final year. Interest is paid quarterly in arrears in cash. LIBOR has been replaced with SONIA during the financial year (note 22).

The interest rate on the Institutional Term Loan is at 3.47%. Interest is paid half yearly in arrears.

The issue costs of the new Senior Bank Loan totalled £4,261,000 (31 December 2021: £4,261,000) and are being amortised over the term of the loan. The un-amortised amount of these costs was £2,442,000 as at 31 December 2022 (31 December 2021: £3,086,000).

The issue costs of the new Institutional Term Loan totalled £1,427,000 (31 December 2021: £1,427,000) and are being amortised over the term of the loan. The un-amortised amount of these costs was £990,000 as at 31 December 2022 (31 December 2021: £1,123,000).

In order to show the Welcome Break Group Limited's net borrowings the loan and the issue costs have been offset.

The bank loans are secured by way of fixed and floating charges over the assets of Welcome Break Holdings (1) Limited, Welcome Break Holdings (2) Limited, Welcome Break Group Limited, Welcome Break Limited and Gretna Green Partnership.

Welcome Break Group Limited

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

20 Creditors: amounts falling due after more than one year (continued)

Accruals and deferred income relates to uninvoiced rent that has been accrued for by the Group on a straight-line basis in line with FRS 102. This balance will mature in 2033, from which point the accrual will unwind over the remaining lease term to 2045.

21 Loans

The maturity profile of all loans (excluding unamortised issue costs) is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Within one year	9,094	9,094
Between two and five years	186,500	-
After five years	165,000	343,000
	360,594	352,094

22 Financial instruments

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Financial assets that are debt instruments measured at amortised cost		
Cash at bank and in hand	49,483	104,966
Amounts owed by parent undertakings	149,819	136,601
Trade debtors	17,104	11,408
Other debtors	2,483	1,630
	218,889	254,605

	31 December 2022 £'000	31 December 2021 £'000 restated (note 30)
Financial liabilities measured at amortised cost		
Bank loans	360,594	352,094
Amounts owed to subsidiary undertakings	230,679	262,597
Amounts owed to parent undertakings	12,605	15,512
Trade creditors	55,679	47,068
	659,557	677,271

Financial instruments measured at fair value

Interest rate swap	10,670	235
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Welcome Break Group Limited

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

22 Financial instruments (continued)

Derivative financial instruments – Interest rate swaps

On 12 November 2019 Welcome Break Group Limited terminated its existing interest rate swap agreements, to hedge the Group's exposure to interest rate movements, on the old senior loan facility. The fair value of these swaps at 12 November 2019 was a liability of £2,117,000. At 31 December 2022 the balance has been full written off to the profit and loss account in line with the remaining life of the original agreement ending January 2022 (year ended 31 December 2022 £2,073,000).

In addition, on 12 November 2019, Welcome Break Group Limited entered into a new swap agreement for five years. As at 31 December 2022 the amount of debt covered by the interest rate swaps was £165,000,000 (year ended 31 December 2021: £165,000,000) at a fixed interest rate of 1.1255%. The fair value of the interest rate swaps at the year-end was an asset of £10,670,000 (year ended 31 December 2021: £235,000 asset). Hedge ineffectiveness of £576,000 of the new swap has been credited to the profit and loss account in the year (year ended 31 December 2021: £578,000).

Welcome Break Group Limited has followed the guidance of FRS 102, coupled with more detailed guidance of IFRS in dealing with the accounting treatment of these swap agreements.

Welcome Break Group Limited has two debt facilities; £165,000,000 Institutional Term Loans (ITL) which is at a fixed rate of interest, and is therefore unaffected by the transition to SONIA, and £165,000,000 Senior Facility, which was based on a margin plus LIBOR, and which therefore was impacted by the transition.

The £165,000,000 Senior Facility is fully hedged by interest rate swaps. The change to the benchmark rate (from LIBOR to SONIA) for the main facility agreement has also been applied to the related hedging documents. Because the Senior Facility is 100% hedged to a fixed rate of interest there was no impact from the transition on the certainty of Welcome Break Group Limited's interest costs.

Any new draw downs in the period were based on SONIA.

23 Provisions for liabilities

	Self-insurance costs £'000	Deferred tax £'000	Total £'000
At 1 January 2022	484	963	1,447
Credited to profit and loss for the year	545	(302)	243
Charged to statement of comprehensive income	-	3,179	3,179
Reclassified from Debtors: amounts falling due after more than one year	-	(874)	(874)
Utilised in the year	(459)	-	(459)
At 31 December 2022	570	2,966	3,536

Self-insurance costs have been provided for. 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.

Welcome Break Group Limited

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

23 Provisions for liabilities (continued)

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Deferred tax		
Derivative financial instrument	3,196	577
Defined benefit pension scheme	946	386
Excess of depreciation over capital allowances	(1,143)	-
Short term timing differences	(33)	-
	2,966	963

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

The deferred tax liability relating to the pension scheme is expected to reverse over the term of the pension plan which is 18 years.

The deferred tax liability relating to the derivative financial instrument is expected to reverse over the term of the senior loan which is 4 years.

24 Called up share capital

	31 December 2022 £'000	31 December 2021 £'000
Allotted and fully paid		
148,032,399 (2021:148,032,399) ordinary shares of £0.0001p (2021: £0.0001p) each	15	15

25 Reserves

Cash flow hedge reserve

This reserve is used to record transactions arising from the Company's cash flow hedging arrangements.

Share-based payments reserve

The share-based payment arrangement concerns equity instruments of Applegreen Limited (formerly Applegreen plc) and the share-based payment reserve represents a capital contribution from the ultimate controlling party. The share-based payment reserve was recycled to retained earnings in the year.

Profit and loss account

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

Welcome Break Group Limited

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

25 Reserves (continued)

Profit and loss account (continued)

The company received a dividend of £35,000,000 during the financial year (year ended 31 December 2021: £75,000,000) and a dividend of £44,274,000 (year ended 31 December 2021: £30,000,000) was paid during the financial year. The dividend per share paid is £0.299p (year ended 31 December 2021: £0.2027p).

26 Capital and other commitments

At 31 December 2022 and 31 December 2021 the Company had the following capital commitments:

	31 December 2022 £'000	31 December 2021 £'000
Contracted for but not provided in these financial statements	47	-

At 31 December 2022 and 31 December 2021 the Group 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	13,162	12,826	2,526	1,550
Later than one year and not later than five years	56,028	54,604	319	28
Later than five years	247,892	260,709	-	-
	317,082	328,139	2,845	1,578

27 Pension commitments

The Group operates a defined benefit pension scheme.

Welcome Break Group Limited is the sponsoring employer and has legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore the Company has recognised the entire net defined benefit cost and the relevant net defined benefit asset of the scheme in its individual financial statements.

The valuation used has been based on the most recent actuarial valuation at 30 September 2021 and updated to 31 December 2022 by a qualified independent actuary to take account of the requirements of FRS 102.

Scheme liabilities are estimated using the Projected Unit Credit Method. Under this method each participant's benefits under the Plan are attributed to years of service, taking into consideration future increases and the Plan's benefit allocation formula.

Welcome Break Group Limited

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

27 Pension commitments (continued)

The scheme liability is the present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the service cost is the total present value of the individuals' benefits attributable to service during the year.

Scheme assets are stated at their fair value at the respective balance sheet dates as provided by the plans investment consultants.

The total pension cost relating to the defined contribution scheme for the Company was £1,797,000 (year ended 31 December 2021: £1,381,000). At the year end there were unpaid pension contributions of £152,000 (31 December 2021: £116,000).

An actuarial surplus has been recognized as permitted by the Deed and Rules of the Welcome Break Pension Plan. Welcome Break Group Limited is entitled to any assets of the plan which constitute an actuarial or other surplus.

The Group has previously presented the pension asset as a fixed asset on the face of the balance sheet. It has been identified in the current year that this presentation is not in line with the definition of fixed asset under FRS 102. Therefore, the Group has reclassified the pension asset to current assets as a prior-period adjustment.

Reconciliation of plan liabilities

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
At the beginning of the financial year	(47,559)	(48,588)
Interest cost	(842)	(694)
Actuarial gains	17,534	211
Benefits paid	1,585	1,512
At the end of the financial year	(29,282)	(47,559)

Reconciliation of plan assets

	2022 £'000	2021 £'000
At the beginning of the financial year	49,105	49,147
Interest income	585	436
Return on plan assets	(15,972)	747
Employer contributions	932	287
Benefits paid	(1,585)	(1,512)
At the end of the financial year	33,065	49,105

Welcome Break Group Limited

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

27 Pension commitments (continued)

Composition of plan assets:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Equity securities	8,879	20,142
Debt securities	22,987	27,021
Other	1,199	1,942
Total plan assets	33,065	49,105

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Fair value of plan assets	33,065	49,105
Present value of plan liabilities	(29,282)	(47,559)
Net pension scheme asset	3,783	1,546

The amounts recognised in the statement of comprehensive income are as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Net interest on net defined benefit asset	(257)	(258)

The Company expects to contribute £795,000 (2022: £778,000) to its Defined benefit pension scheme in 2023.

Welcome Break Group Limited

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

27 Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date are as follows:

Weighted-average assumptions to determine defined benefit obligation	2022	2021
Discount rate	4.95%	1.80%
Price inflation RPI	3.10%	3.25%
Price inflation CPI	2.75%	2.90%
Assumed life expectations on retirement at age 65		
Retiring today (male member age 65)	23.1	23.0
Retiring in 20 years (male member age 45 today)	24.4	24.3
Retiring today (female member age 65)	24.9	24.8
Retiring in 20 years (female member age 45 today)	26.4	26.3
Weighted-average assumptions to determine cost related to defined benefit plans		
Discount rate	1.80%	1.45%
Price inflation RPI	3.25%	2.90%
Price inflation CPI	2.90%	2.40%

Sensitivity analysis:

Present value of defined benefit obligation	2022	2021
Discount rate -50 basis points (25 for 2021)	30,961	49,846
Discount rate +50 basis points (25 for 2021)	27,825	45,409
Price rate inflation -25 basis points	28,906	46,427
Price rate inflation +25 basis points	29,787	48,522
Post-retirement mortality assumption – 1 year age rating	29,825	49,1442

28 Related party disclosures

The following related-party transactions took place with entities not 100% owned by the same shareholders as the Company.

Welcome Break Group Limited recharged £620,000 (year ended 31 December 2021: £608,000) of management fees to Motorway Services Limited and received net monies of £12,070,000 (year ended 31 December 2021: £12,969,000) from Motorway Services Limited as a result of operating a centralised accounting function. The Company surrendered £238,000 group relief (year ended 31 December 2021: £24,000). The balance at 31 December 2022 due to Motorway Services Limited is £158,309,000 (31 December 2021: £146,858,000).

The company transacted with Valero Energy Limited. The balance due to Valero Energy Limited at 31 December 2022 is £8,123,000 (31 December 2021: £9,841,000).

The company transacted with Petrogas Group UK Limited. The balance due from Petrogas Group UK Limited at the 31 December 2022 is £1,631,000 (31 December 2021: £645,000).

The company transacted with Applegreen Electric UK Limited. The balance due from Applegreen UK Limited at 31 December 2022 is £4,000 (31 December 2021: £nil)

Welcome Break Group Limited

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

28 Related party disclosures (continued)

The company transacted with Applegreen USA Welcome Centres LLC. The balance due from Applegreen Welcome Centres LLC at 31 December 2022 is £268,000 (31 December 2021: £nil).

The company transacted with Petrogas Group Limited. The balance due to Petrogas Group Limited at 31 December 2022 is £2,000 (31 December 2021: £134,000 due from).

The company transacted with Petrogas Holdings UK Limited. The balance due to Petrogas Holdings UK Limited at 31 December 2022 is £450,000 (31 December 2021: £300,000).

29 Ultimate controlling company

Welcome Break Holdings (1) Limited, incorporated in England and Wales, is the immediate parent undertaking.

Welcome Break Holdings (1) Limited is also 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.

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.

30 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 £3,111,000 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, £203,000 incremental depreciation was charged to selling and distribution costs in the profit and loss account in 2021 and £3,314,000 impairment reversal was taken directly to opening reserves in 2021.

Welcome Break Group Limited

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

30 Prior year adjustments (continued)

The carrying amounts of tangible assets in the Company's joint venture 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 leading to reversals of impairment in the joint venture's tangible assets affecting the profit-sharing agreement, £438,000 was recognised as income from the investment in joint venture. As a result of incremental depreciation in the joint venture, £13,000 was charged to the profit and loss account in 2021 and as a result of the opening balance impairment reversal £451,000 credit was taken directly to opening reserves in 2021.

The carrying amounts of tangible assets in the Company's subsidiary 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 leading to reversals of impairment in the subsidiary's tangible assets, historic management fees charged to Motorway Services Limited increased by £98,000. Of this amount, £7,000 was charged to the profit and loss account in 2021 due to incremental depreciation in the subsidiary, and £105,000 was credited directly to opening reserves in 2021.

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.

The Group has previously presented the pension asset as a fixed asset on the face of the balance sheet. It has been identified in the current year that this presentation is not in line with the definition of fixed asset under FRS 102. Therefore, the Group has reclassified the pension asset to current assets as a prior-period adjustment.

Welcome Break Group Limited

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

30 Prior year adjustments (continued)

	Year ended 31 December 2021 £'000	Impairment review	Year ended 31 December 2021 £'000 restated
TURNOVER	237,475		237,475
Cost of sales	(160,132)		(160,132)
GROSS PROFIT	77,343		77,343
Selling and distribution costs	(62,745)	(203)	(62,948)
Administrative expenses	(11,458)	(7)	(11,465)
Other operating income	2,258		2,258
OPERATING PROFIT	5,398	(210)	5,188
Income from investment in joint venture	947	(13)	934
Income from shares in group undertakings	75,000		75,000
Interest receivable and similar income	34		34
Interest payable and similar expenses	(12,859)		(12,859)
Other finance expense	(258)		(258)
PROFIT BEFORE TAXATION	68,262	(223)	68,039
Tax on profit	(3,556)		(3,556)
PROFIT FOR THE FINANCIAL YEAR	64,706	(223)	64,483
Actuarial gains on defined benefit pension scheme	958		958
Cash flow hedges			
- Change in value of hedging instrument	7,344		7,344
Total tax on components of other comprehensive income	(1,924)		(1,924)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	6,378		6,378
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	71,084	(223)	70,861

Welcome Break Group Limited

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

30 Prior year adjustments (continued)

Balance sheet restatements	31 December 2021 as originally stated £'000	Impairment review restated £'000	Intercompany restated £'000	Pension asset restated £'000	31 December 2021 restated £'000
FIXED ASSETS					
Intangible assets	2,651	-	-	-	2,651
Tangible assets	61,906	3,111	-	-	65,017
Investments	399,799	-	-	-	399,799
Pension asset	1,546	-	-	(1,546)	-
	465,902	3,111	-	(1,546)	467,467
CURRENT ASSETS					
Stocks	3,935	-	-	-	3,935
Debtors: amounts falling due after more than one year	1,109	-	-	-	1,109
Debtors: amounts falling due within one year	206,052	-	(53,399)	-	152,653
Cash at bank and in hand	104,966	-	-	-	104,966
Pension asset	-	-	-	1,546	1,546
	316,062	-	(53,399)	1,546	264,209
CREDITORS: amounts falling due within one year	(418,483)	536	53,399	-	(364,548)
NET CURRENT LIABILITIES	(102,421)	536	-	1,546	(100,339)
TOTAL ASSETS LESS CURRENT CREDITORS	363,481	3,647	-	-	367,128
CREDITORS: amounts falling due after more than one year	(345,420)	-	-	-	(345,420)
Provisions for liabilities	(1,447)	-	-	-	(1,447)
NET ASSETS	16,614	3,647	-	-	20,261
CAPITAL AND RESERVES					
Called up share capital	15	-	-	-	15
Cash flow hedge reserve	1,819	-	-	-	1,819
Share based payments reserve	72	-	-	-	72
Profit and loss account	14,708	3,647	-	-	18,355
TOTAL SHAREHOLDERS' FUNDS	16,614	3,647	-	-	20,261

Welcome Break Group Limited

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

31 Post balance sheet event

In April 2023 the company recognised it had paid unlawful dividends in November and December 2022 as a result of including the cash flow hedge reserve incorrectly as a distributable reserve when reviewing reserves available for distribution.

On 25 April 2023 the directors of the Company ratified this situation.

The financial statements for the year ended 31 December 2022 include a reduction of the dividend payable to £44,274,000 and a reduction in the amount owed to parent undertakings by £15,726,000.

On 25 April 2023, the Company repaid £50,000,000 of the outstanding intercompany loan balance due to Welcome Break Limited.

On 25 April 2023, Welcome Break Limited paid a dividend of £50,000,000 to the Company.

On 25 April 2023, the Company paid a dividend of £10,000,000 to Welcome Break Holdings (1) Limited.