Appia Europe Limited

(Registered number: 6490323)

Annual report and financial statements
For the year ended 31 December 2020

Appia Europe Limited

Annual report and financial statements for the year ended 31 December 2020

Contents

Appia Europe Limited

Strategic Report

The directors present their Strategic report on the Company for the year ended 31 December 2020.

Business review

The Company was incorporated on 31 January 2008 with the purpose of holding the shares in Appia Finance Limited and subsidiary companies. The principal activity of the Company is that of a holding and financing company.

The Company's loss for the financial year is £36.2m (year ended 31 December 2019: £1.9m). The loss for the year and the year end financial position is considered by the directors to be in line with expectations.

The net liability position of the Company at 31 December 2020 is £32.9m (31 December 2019: net asset position of £3.4m).

Principal risks and uncertainties

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

Financial key performance indicators

As the Company is not a trading company the directors' believe it is inappropriate to include key performance indicators in this report to get an understanding of the development, performance or position of the business of Appia Europe Limited. The development, performance and position of the business of Appia Group Limited, which includes the Company, are discussed on page 3 of the Group's Annual report, which does not form part of this report.

This report was approved by the board on 27 September 2021 and signed on its behalf by:

John Diviney
Director

Appia Europe Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Future developments

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

Dividends

During the year the Company did not pay a dividend (year ended 31 December 2019: £22.6m). The Directors do not propose a final dividend for the year ended 31 December 2020 (year ended 31 December 2019: £nil).

Directors

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

Charles Hazelwood
Surinder Toor
Niall Dolan
Joseph Barrett
John Diviney

Going concern

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. Welcome Break Group Limited and Welcome Break Holdings (1) Limited are subsidiaries of the Company. In the event of a covenant breach in respect of the loans held by Welcome Break Group Limited, the Company could also be required to settle its liabilities with other entities in the group headed by Appia Group Limited but does not have the financial resources to do so. As such, it is dependent on these liabilities not being recalled. These liabilities could be recalled in the event of a loan covenant breach.

The business's principal activity is the operation of Motorway Service Areas ("MSAs"). The impact of COVID and the associated lockdowns has been significant on the business with a material reduction in traffic on the UK's motorway network from March to July 2020, in November 2020 and also in the period from January to March 2021. Management have been able to "rightsize" the business during these times and continue to do so. The business was able to take advantage of a number of government support schemes including the hospitality and retail business rates holiday, the deferral of VAT, PAYE and corporation tax payments to HMRC as well as the Coronavirus Job Retention Scheme, allowing for a temporary reduction in headcount whilst parts of the business were not trading.

Directors' report (continued)

Going Concern (continued)

In June 2020, a successful re-negotiation of terms with Welcome Break Group Limited's lenders was completed which has enabled financial covenants to be either waived or reset until June 2021. The remaining balance of the available capital facility has been temporarily repurposed to become an additional working capital facility; this has been fully drawn down (£25.4m) to provide additional liquidity. The expectation is that this will be repaid and will revert to being a capital expenditure facility in the second half of 2021.

Management have prepared forecast scenarios covering the next 12-18 months which include the impact of COVID on the business. The announcement by the government of the roadmap detailing the lifting of lockdown restrictions has been helpful in terms of business planning, as has the extension of the various government support initiatives, particularly the reduced rate of VAT for hospitality and the continuation of the furlough scheme, all of which has been incorporated into the forecasts. Since the gradual release of lockdown restrictions in March 2021, traffic on the motorways has grown steadily week on week. The reopening of schools has been beneficial to trade with traffic levels more robust versus previous lockdowns (approximately 30% down on normal levels versus 50% previously).

The business returned to an "on budget" performance in May 2021 and results have continued to improve in recent months. There is significant pent-up demand in the UK and, with the ability to easily travel abroad still uncertain, an increased number of holidays are being taken in the UK leading to a surge in traffic volumes. Since the start of the school holidays, summer 2021 has seen traffic turn ins into our sites return to 2019 levels with sales currently exceeding budget.

The revised covenants were comfortably met with trading stronger than anticipated as restrictions were eased. Current forecasts anticipate comfortable headroom when the business returns to normal covenants in September 2021. This position is continually monitored by the directors.

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, even if revenues are severely impacted. A potential scenario where lockdown restrictions return, for example a national lockdown for three months over winter 2021/22, has also been considered. In this scenario the business would still be able to meet its borrowing covenants on the loans held by Welcome Break Group Limited within the next 12 months.

The business's forecasts and projections over the next 12-18 months indicate that, even with a severe but plausible downside scenario, 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 and the Group have adequate resources to continue operating for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

Directors' report (continued)

Post balance sheet event

On 9 March 2021 Causeway Consortium Limited, a wholly owned subsidiary of Causeway Consortium Holdings Limited, acquired 100% of the shares in the ultimate controlling party Applegreen Limited (formally Applegreen PLC).

On 16 March 2021 the Company entered into a Deed of Amendment to extend the maturity date of the Eurobond Instrument from 31 March 2021 to 31 March 2031.

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.

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

Statement of directors' responsibilities in respect of the financial statements

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

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

In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Appia Europe Limited

Directors' report (continued)

Directors' confirmations

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

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

This report was approved by the board on 27 September 2021 and signed on its behalf by:

John Diviney
Director

Independent auditors' report to the members of Appia Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, Appia Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- Our audit procedures have concentrated on the significant areas of audit focus of the carrying value of investments, the listed debt and going concern consideration for COVID-19 together with procedures over the remaining material balances, being intercompany balances and interest payable, included within the financial statements

Independent auditors' report to the members of Appia Europe Limited (continued)

Key audit matters

- Carrying value of investment in subsidiary undertakings.
- Eurobonds listed on the Channel Islands Stock Exchange.
- Going Concern consideration for COVID-19.

Materiality

- Overall materiality: £4,500,000 (2019: £4,500,000) based on 1% of total assets.
- Performance materiality: £3,300,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investment in subsidiary undertakings. An investment in subsidiary undertakings balance of £376m is recognised in the financial statements. We have focused on this area given the balance is material and there is a risk of possible impairment to the carrying value of the investments held.	-We have reviewed the carrying value of these investments at year end and assessed whether there are any impairment triggers identified and no impairment indicators have been identified. In addition, we have also challenged management's forecasts and assumptions included in their five year business plan showing EBITDA growth over this year. - From our testing performed, there has been no indication that an impairment of the carrying value of investments has been identified and we have ensured this is disclosed appropriately within the financial statements.
Eurobonds listed on the Channel Islands Stock Exchange. The company has £157m of listed debt in the form of Eurobonds. The Eurobonds are owned by the Group majority shareholder and listed on the Channel Islands stock exchange. They are not freely transferable nor can they be freely traded by the public or the entity. We have focused on this area given the balance is material.	- We have confirmed the outstanding balance of £157m at the year end with the financial institution. - We have recalculated the interest expense for the year. - We tested any repayments made during the year and traced them to supporting evidence of the payments made. - From the testing performed, the Eurobonds have been recognised at the correct value and the interest has been accurately recorded. - The Eurobonds were due for repayment on 31 March 2021; we have reviewed the signed Deed of Amendment entered into post year end which confirms the

Independent auditors' report to the members of Appia Europe Limited (continued)

	extension of the listed debt for a further 10 years until 31 March 2031 with no issues noted. We also confirmed the appropriate classification of the debt at year and post balance sheet event disclosures within the financial statements have been reviewed and deemed reasonable.
Going Concern consideration for COVID-19. During the financial year, the COVID-19 pandemic has had a significant impact on the trading performance of the entities in which investments are held by the Company. Lockdown measures in the UK resulted in the retail and hospitality sector closing during 2020 and at the beginning of 2021 which negatively impacted sales, profitability and cash generation. Subsequent to this however, the group's performance out of the lockdown restrictions has been extremely positive. There are bank loans held by Welcome Break Group Limited, a subsidiary of the Company, which have associated financial covenants. The directors have assessed compliance with the financial covenants and when considering future forecasts, including a severe but plausible downside forecast this indicates significant headroom on the financial covenants associated with these loans.	- In assessing management's consideration of the potential impact of COVID-19 on the going concern assumption, we have reviewed and tested the assumptions in managements' forecasts including the severe but plausible downside scenario used in management's going concern assessment. We have detailed the procedures undertaken within the "conclusions relating to going concern assessment" below. - Given the headroom in all scenarios on the financial covenants on facilities held by its subsidiary and the availability of facilities and cash resources, we concur that the financial statements are prepared on a going concern basis and this is appropriately reflected within the disclosures of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

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Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£4,500,000 (2019: £4,500,000).
How we determined it	1% of total assets
Rationale for benchmark applied	This entity is a holding company with the purpose of holding the investment in the subsidiaries and the listed debt and as such we believe that total assets is the most appropriate measure in assessing the performance of the entity, which is a generally accepted auditing benchmark.

Independent auditors' report to the members of Appia Europe Limited (continued)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3,300,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £200,000 (2019: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's group going concern paper and forecasts that supports the assessment and conclusions with respect to the disclosures within the financials statements.
- We discussed with management the assumptions made to enable us to understand and challenge the rationale for those assumptions, using our knowledge of the business.
- We reviewed actual monthly trading activity of its subsidiaries until August 2021 and compared this to management's budget to consider the impact of actual results on the future forecast period.
- We tested to mathematical accuracy of management forecasts and covenant calculations.
- We undertook lookback procedures to compare forecasts to actual historical performance, including periods where the business operated during national lockdowns.
- We reviewed management's sensitivity scenarios including their severe but plausible downside and performed additional sensitivities to these scenarios. Using these scenarios we assessed the group's compliance with the banking covenants and the available headroom in each of these scenarios:
- We reviewed the terms of borrowing facilities to ensure covenants were correctly calculated inline with these agreements and that facilities were in place throughout the going concern window:
- We reviewed management cash flow forecasts and cash headroom to ensure there was sufficient cash headroom throughout the going concern window.
- We reviewed the disclosures included within the financial statements to ensure these were consistent with the forecasts and actual performance of the business.

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.

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.

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

Independent auditors' report to the members of Appia Europe Limited (continued)

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance

Independent auditors' report to the members of Appia Europe Limited (continued)

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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiries of management, walkthrough procedures to understand and evaluate the controls designed to prevent and detect irregularities and fraud, and consideration of known or suspected instances of non-compliance with laws and regulations, and fraud;
- challenging assumptions made by management in their accounting estimates, for example in relation to the recoverability of investments and intercompany;
- identifying journal entries, in particular any journal entries posted with unusual account combinations, posted by unusual users, and journal entries with specific defined descriptions;
- review of board minutes to identify any inconsistencies with other information provided by management; and
- incorporating elements of unpredictability.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

Independent auditors' report to the members of Appia Europe Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
27 September 2021

Appia Europe Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
Administrative expenses		(4)	(8)
OPERATING LOSS	3	(4)	(8)
Income from shares in group undertakings	12	-	26,138
Interest payable and similar expenses	4	(38,975)	(32,842)
LOSS BEFORE TAXATION		(38,979)	(6,712)
Tax on loss	5	2,765	4,793
LOSS FOR THE FINANCIAL YEAR		(36,214)	(1,919)
TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR		(36,214)	(1,919)

Appia Europe Limited

Balance sheet as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
FIXED ASSETS			
Investments	6	375,506	375,506
CURRENT ASSETS			
DEBTORS	7	83,488	80,723
CREDITORS: amounts falling due within one year	8	(491,852)	(307,633)
NET CURRENT LIABILITIES		(408,364)	(226,910)
TOTAL ASSETS LESS CURRENT LIABILITIES		(32,858)	148,596
CREDITORS: amounts falling due after more than one year	9	-	(145,240)
NET (LIABILITIES)/ASSETS		(32,858)	3,356
CAPITAL AND RESERVES			
Called up share capital	11	7	7
Profit and loss account	12	(32,865)	3,349
TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS		(32,858)	3,356

The financial statements on pages 13 to 25 were approved and authorised for issue by the board on 27 September 2021 and were signed on its behalf by:

John Diviney
Director

Registered number: 6490323

The notes on pages 16 to 25 form part of these financial statements.

Appia Europe Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2020	7	3,349	3,356
Comprehensive expense for the financial year			
Loss for the financial year	-	(36,214)	(36,214)
Total comprehensive expense for the financial year	-	**(36,214)**	**(36,214)**
At 31 December 2020	**7**	**(32,865)**	**(32,858)**

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

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2019	**7**	**27,838**	**27,845**
Comprehensive expense for the financial year			
Loss for the financial year	-	(1,919)	(1,919)
Total comprehensive expense for the financial year	-	**(1,919)**	**(1,919)**
Dividend paid	-	(22,570)	(22,570)
Total transactions with owners, recognised directly in equity	-	**(22,570)**	**(22,570)**
At 31 December 2019	**7**	**3,349**	**3,356**

The notes on pages 16 to 25 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

1. Principal accounting policies

(a) General information

Appia Europe Limited's ('the Company') principal activity is that of a holding and financing company.

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

(b) Basis of preparation

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

In completing their going concern assessment, the directors have considered the forecasts and projections of the business undertaken by the group headed by Appia Group Limited, referred to as 'the business' below. The Company is a subsidiary of Appia Group Limited. Appia Group Limited has a number of borrowing facilities, including loans held by Welcome Break Group Limited. The loans held by Welcome Break Group Limited are subject to financial covenants that are measured on the performance of the group of companies headed by Welcome Break Holdings (1) Limited. Welcome Break Group Limited and Welcome Break Holdings (1) Limited are subsidiaries of the Company. In the event of a covenant breach in respect of the loans held by Welcome Break Group Limited, the Company could also be required to settle its liabilities with other entities in the group headed by Appia Group Limited but does not have the financial resources to do so. As such, it is dependent on these liabilities not being recalled. These liabilities could be recalled in the event of a loan covenant breach.

The business's principal activity is the operation of Motorway Service Areas ("MSAs"). The impact of COVID and the associated lockdowns has been significant on the business with a material reduction in traffic on the UK's motorway network from March to July 2020, in November 2020 and also in the period from January to March 2021. Management have been able to "rightsize" the business during these times and continue to do so. The business was able to take advantage of a number of government support schemes including the hospitality and retail business rates holiday, the deferral of VAT, PAYE and corporation tax payments to HMRC as well as the Coronavirus Job Retention Scheme, allowing for a temporary reduction in headcount whilst parts of the business were not trading.

In June 2020, a successful re-negotiation of terms with Welcome Break Group Limited's lenders was completed which has enabled financial covenants to be either waived or reset until June 2021. The remaining balance of the available capital facility has been temporarily repurposed to become an additional working capital facility; this has been fully drawn down (£25.4m) to provide additional liquidity. The expectation is that this will be repaid and will revert to being a capital expenditure facility in the second half of 2021.

Appia Europe Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1. Principal accounting policies (continued)

(b) Basis of preparation (continued)

Management have prepared forecast scenarios covering the next 12-18 months which include the impact of COVID on the business. The announcement by the government of the roadmap detailing the lifting of lockdown restrictions has been helpful in terms of business planning, as has the extension of the various government support initiatives, particularly the reduced rate of VAT for hospitality and the continuation of the furlough scheme, all of which has been incorporated into the forecasts. Since the gradual release of lockdown restrictions in March 2021, traffic on the motorways has grown steadily week on week. The reopening of schools has been beneficial to trade with traffic levels more robust versus previous lockdowns (approximately 30% down on normal levels versus 50% previously).

The business returned to an "on budget" performance in May 2021 and results have continued to improve in recent months. There is significant pent-up demand in the UK and, with the ability to easily travel abroad still uncertain, an increased number of holidays are being taken in the UK leading to a surge in traffic volumes. Since the start of the school holidays, summer 2021 has seen traffic turn ins into our sites return to 2019 levels with sales currently exceeding budget.

The revised covenants were comfortably met with trading stronger than anticipated as restrictions were eased. Current forecasts anticipate comfortable headroom when the business returns to normal covenants in September 2021. This position is continually monitored by the directors.

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, even if revenues are severely impacted. A potential scenario where lockdown restrictions return, for example a national lockdown for three months over winter 2021/22, has also been considered. In this scenario the business would still be able to meet its borrowing covenants on the loans held by Welcome Break Group Limited within the next 12 months.

The business's forecasts and projections over the next 12-18 months indicate that, even with a severe but plausible downside scenario, 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 and the Group have adequate resources to continue operating for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the financial statements.

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.

1. Principal accounting policies (continued)

(c) Exemptions for qualifying entities under FRS102

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

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

This information is included in the financial statements of Appia Group Limited for year ended 31 December 2020 which are publicly available.

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

(d) Related party transactions

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

(e) Consolidated financial statements

These financial statements contain information about Appia Europe Limited as an individual company and do not contain consolidated financial information. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Appia Group Limited, a company incorporated in Jersey.

(f) 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.

(g) Interest

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

Interest costs are accounted for on an accruals basis, using the effective interest method, in the statement of comprehensive income in the financial year in which they are incurred.

1. Principal accounting policies (continued)

(g) Interest (continued)

Interest payable on loan notes is accounted for on an accruals basis, using the effective interest method, in the statement of comprehensive income and is added to the carrying amount of the Eurobonds once additional loan notes have been issued, under the terms of the loans, (31 July and 31 January annually) or otherwise unsettled interest is recorded within accruals.

(h) Taxation

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

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

(i) Fixed asset investments

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

(j) Financial instruments

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

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

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

1. Principal accounting policies (continued)

(j) Financial instruments (continued)

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

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

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

(k) Dividend distribution

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

(l) Share capital

Ordinary shares are recognised as equity.

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

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

3. Operating loss

Auditors' remuneration for the audit of all group companies and their financial statements is borne by Welcome Break Group Limited. The total amount payable for the current financial year is £284,000 (year ended 31 December 2019: £249,000). The fee allocated to Appia Europe Limited is £5,000 (year ended 31 December 2019: £5,000). No amounts were paid by the Company in respect of non-audit services (year ended 31 December 2019: £nil).

In the year to 31 December 2020 one current director (year ended 31 December 2019: one current and one past 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.

There were no employees of the Company in the year to 31 December 2020 (year ended 31 December 2019: none).

4. Interest payable and similar expenses

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interest payable and similar expenses:		
Eurobonds	(21,070)	(18,704)
Interest payable to other group undertakings	(17,905)	(14,138)
Total interest payable and other expenses	(38,975)	(32,842)

5. Tax on loss

The tax on the loss is made up as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax credit:		
Group relief receivable	(2,904)	(4,487)
Adjustments in respect of prior periods	139	(306)
Total current tax	(2,765)	(4,793)

The tax assessed for the current year varies (year ended 31 December 2019: varies) from the standard rate of corporation tax in the UK of 19% (year ended 31 December 2019: 19%). The differences are explained below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss before taxation	(38,979)	(6,712)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 December 2019: 19%)	(7,406)	(1,275)
Effects of:		
Income not subject to tax	-	(4,966)
Expenses not deductible for tax	4,724	2,085
Tax adjustments for transfer pricing	(222)	(331)
Adjustments in respect of prior periods	139	(306)
Total current tax credit	(2,765)	(4,793)

In the Spring Budget 2021 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 2021.

The changes announced have no effect on these financial statements.

6. Investments

	£'000
At 1 January 2020 and 31 December 2020	375,506

Investments in subsidiaries comprise holdings of ordinary shares in the following entities which are incorporated in Great Britain and registered in England and Wales unless otherwise indicated:

	% of shares held
Direct subsidiary undertakings	
Welcome Break Holdings Limited (holding company)	100
Colne Valley Motorway Service Area Limited	100
Indirect subsidiary undertakings	
Welcome Break No. 2 Limited	100
Welcome Break No. 1 Limited	100
Welcome Break Holdings (2) Limited (holding company)	100
Welcome Break Finance (2) Limited (dormant)	100
Welcome Break Finance (3) Limited (dormant)	100
Welcome Break Services Limited	0.0002
Welcome Break Holdings (1) Limited (holding company)	100
Welcome Break Group Limited	100
Welcome Break Limited	100
Motorway Services Limited	92
Welcome Break KFC Limited	100
Welcome Break Coffee Primo Limited	100
Welcome Break KFC Starbucks Limited	100
Welcome Break Birchanger Limited	100
Welcome Break Waitrose Limited	100
Welcome Break McDonald's Limited	100
Coffee Primo Burger King Limited	100
Welcome Break Waitrose KFC Limited	100
Welcome Break Starbucks Waitrose KFC Limited	100
Welcome Break Starbucks Burger King Limited	100
Welcome Break Starbucks McDonald's Limited	100
Welcome Break Starbucks Waitrose Burger King Limited	100
Starbucks Coffee Burger King Limited	100
Starbucks Coffee KFC Limited	100
Starbucks Coffee McDonald's Limited	100
Starbucks Coffee Waitrose Limited	100
Starbucks Coffee Waitrose KFC Limited	100
Starbucks Coffee McDonald's Waitrose Limited	100
Welcome Break Burger King Limited	100
Partnership	
Welcome Break Gretna Green Partnership	

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.

7. Debtors

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed by group undertakings	**83,488**	80,723

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

8. Creditors: amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed to group undertakings	**325,542**	**307,633**
Eurobonds and accrued interest	**166,310**	**-**
	491,852	**307,633**

The loans, together with any accrued interest, from other group undertakings may be repaid by the Borrower in whole or part at any time and shall be repaid by the Borrower on demand by the Lender at any time and are unsecured. The rate of interest, on the loan from its immediate parent of £145,451,000 (2019: £127,542,000), is 14%. All other loans are interest free. Although loans from other group undertakings are repayable on demand Directors have received confirmation from fellow companies that £325,542,000 will not be recalled for payment for at least twelve months from the balance sheet date.

Eurobonds (unsecured 14% fixed rate notes) comprise an aggregate principal amount of £80,980,935 issued on 28 March 2008 and further loan notes issued bi-annually from 31 July 2008 to 31 July 2017 inclusive under the terms of the loan. The loan notes mature on 31 March 2021 and are held by related parties.

The balance outstanding at 1 January 2020 was £137,210,000. The total interest charged in the year is £21,070,000. Additional loan notes of £9,657,000 and £10,225,000 have been issued on 31 January 2020, and 31 July 2020 respectively. The closing loan balance at 31 December 2020 is £157,092,000 (excluding accrued interest).

9. Creditors: amounts falling due after more than one year

	31 December 2020 £'000	31 December 2019 £'000
Eurobonds and accrued interest	**-**	145,240

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Loans

Analysis of the maturity of loans is given below:

	31 December 2020 £'000	31 December 2019 £'000
Within one year	157,092	-
Between one and five years	-	137,210
	157,092	137,210

11. Called up share capital

Allotted and fully paid	31 December 2020 £'000	31 December 2019 £'000
6,987,000 (31 December 2019: 6,987,000) ordinary shares of £0.001 each (31 December 2019 :£0.001 each)	7	7

12. Reserves

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

During the year the company did not receive a dividend (year ended 31 December 2019: received a dividend of £26.1m from a subsidiary company) and did not pay a dividend (year ended 31 December 2019: paid a dividend of £22.6m to its parent company).

13. Ultimate controlling company

The immediate parent undertaking and controlling party is Appia Group Limited, incorporated in Jersey, which is the parent undertaking of the smallest group to consolidate these financial statements. Copies of Appia Group Limited's consolidated financial statements are available from Companies House as an appendix to these financial statements.

Appia Group Limited, the ultimate parent company, is owned by Petrogas Holdings UK Limited 50.01%, Rome One LP LP 33.29% and Rome Two LP 16.70%.

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

14. Related party disclosures

During the year ended 31 December 2020 the company did not transact with Motorway Services Limited (year ended 31 December 2019: none transact), a company which it indirectly holds 92% of the voting shares. The balance at 31 December 2020 due from Motorway Services Limited is £5,990,000 (31 December 2019: £5,990,000).

15. Post balance sheet event

On 9 March 2021 Causeway Consortium Limited, a wholly owned subsidiary of Causeway Consortium Holdings Limited, acquired 100% of the shares in the ultimate controlling party Applegreen Limited (formally Applegreen PLC).

On 16 March 2021 the Company entered into a Deed of Amendment to extend the maturity date of the Eurobond Instrument from 31 March 2021 to 31 March 2031.