Registration number: 05137608

Premier Inn Hotels Limited

Annual Report and Financial Statements

for the Year Ended 27 February 2020

Premier Inn Hotels Limited

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Premier Inn Hotels Limited

Company Information

Directors	S Ewins S Jones H Patel
Company secretary	D Lowry
Registered number	05137608
Registered office	Whitbread Court Houghton Hall Business Park Porz Avenue Dunstable Bedfordshire LU5 5XE United Kingdom
Statutory auditor	Deloitte LLP Statutory Auditor London United Kingdom

Premier Inn Hotels Limited

Strategic Report for the Year Ended 27 February 2020

The directors present their strategic report for the year ended 27 February 2020.

Fair review of the business

The Company is part of the Whitbread Group which has built some of the UK's most successful hospitality brands including Premier Inn, Beefeater and Brewers Fayre. The business philosophy is built around three strategic priorities which are: to innovate and grow in the core UK market; to focus on Premier Inn's strengths to grow internationally and to enhance capabilities to support long-term growth.

The company's key financial and other performance indicators during the period were as follows:

	Units	2020	2019	Change %
Revenue	£'000	911,501	905,086	.7
Operating profit	£'000	266,521	327,449	(18.6)
Operating profit excluding adjusting items	£'000	297,481	345,951	(14.0)

Company revenue was £911.5m (2018/19: £905.1m). Operating profit for the year was £266.5m (2018/19: £327.4m) and operating profit before adjusting items for the year was £297.5m (2018/19: £346.0m).

At 27 February, net assets was £1,135.3m (2018/19: £1,008.1m).

As set out in note 6, adjusting items comprise of:
• Impairment loss of £34.2m from the impairment of trading sites.
• Created provisions for £14.5m in relation to other property costs.
• Legal settlement of £2.3m in relation to leases entered in prior periods.
• An impairment of £9.6m and other costs of £0.7m in relation to a fire at a Premier Inn site. As the fire represents an insurable event, the Company has recognised anticipated insurance claim proceeds of £16.0m covering property and loss of trade in other income.

The financial year represents 52 weeks to 27 February 2020 (prior financial year: 52 weeks to 28 February 2019).

In terms of outlook, the period after the year-end has been dominated by the impact of the evolving COVID-19 pandemic. In response, the business took rapid and decisive action to protect our teams and our guests, and to secure our business to ensure that we will be in the best possible position to rebound strongly. It has been designed to:
• Protect the business during the pandemic;
• Position the business to recover strongly once the crisis abates; and
• Ensure that we are able to drive long-term value.

Having taken every step we could to ensure that we have the financial capability to withstand periods of lockdown, our focus has turned to positioning ourselves for a successful recovery.

Principal risks and uncertainties

Risk COVID-19 Pandemic: The Group closed all of its restaurants and the majority of its hotels from 24 March 2020 with sites in the UK re-opening during July and August. Following further announcement by the UK Government and devolved administrations, the Group again closed all of its restaurants and hotels in Wales from 23 October and all of its restaurants and a number of hotels in England from 5 November, with sites re-opening in December, subject to of the various Tier restrictions put in place. In early January, a national lockdown was implemented in England, and mirrored in other parts of the UK, again resulting in the Group closing all of its restaurants and a number of its hotels. At the date of signing these financial statements the majority of the Group's hotels remain open, however the future financial performance of the Group is dependent upon the wider market in which it operates. The COVID-19 pandemic and the temporary measures put in place to control the spread of the virus, including social distancing restrictions, and both local and national lockdowns, has heightened the inherent uncertainty in the Group's assessment of these factors.

Mitigation In reviewing mitigating actions taken by the Company it is worth considering the wider Whitbread Group.

The Group is in a position of strength with low net debt and an undrawn credit facility of £950m.

All discretionary P&L expenditure, including our room refurbishment plans, marketing and staff recruitment has been eliminated, repairs and maintenance capital expenditure has been reduced to a minimum, and noncommitted development capital expenditure has been cancelled including acquisitions in the UK and Germany.

We have placed a significant number of our teams in the UK and Germany on a temporary furlough.

Extensive scenario planning has been completed and a review of our operating model to ensure it is fit for purpose when reopening our hotels and restaurants.

Elements of the business's financing and the Whitbread Group Pension Fund are subject to financial covenants. Given that we are not currently able to assess the full year impact of COVID-19, we entered into discussions with lenders and the pension trustee and have successfully negotiated 18 month waivers on our existing EBITDA-related covenants with our RCF banks, USPP noteholders and the pension scheme and replaced them with more appropriate debt and liquidity tests.

Risk Economic climate: uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans. This risk has been elevated due to uncertainty around the implementation of trading arrangements agreed with the European Union following Brexit and the potential impact these may have on the UK economy.
Mitigation There is a rigorous business planning process in place which considers many scenarios with appropriate responses, including potential outcomes following the UK's exit from the EU. The Company also has strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and good progress is being made with the efficiency programme.

Risk Cyber and data security: cyber and data security remains a key risk as it could reduce the effectiveness of systems or result in a loss of data. This in turn could result in loss of income and/or reputational damage. The risk has increased due to the increased level of remote work.
Mitigation A series of IT security controls is in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place improving security and data controls. Specifically, during the year network security has been enhanced and a framework of industry-recognised security standards is being implemented.

Risk Change: the Company's ability to execute the significant volume of change.
Mitigation The Company has embarked on an extensive programme of change including upgrading our legacy customer booking systems, whilst also delivering an ongoing efficiency programme and upgrading digital capability and customer propositions enabling growth plans over the coming years to be delivered. To help ensure the successful delivery of these change projects internal project delivery expertise and capability has been enhanced and a robust assurance management framework has been put in place coupled with regular reporting to the Executive Committee.

Risk Retention and wage inflation: failure to maintain staff engagement and retention in a tightening labour market. This risk has increased as a result of the political and economic uncertainty surrounding Brexit.
Mitigation The success of the Company's business would not be possible without the passion and commitment of its teams. Team engagement is fundamental. This is monitored closely through the annual engagement survey. Team retention is a key component of the Company's balanced scorecard (WINcard) and Annual Incentive Scheme.

Risk Third-party arrangements: business interruption as a result of withdrawal of services/provision of services below acceptable standards/support or reputational damage as a result of unethical supplier practices.
Mitigation Whitbread has several key supplier relationships that help ensure the efficient delivery of its multi-site and Support Centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To safeguard against this, the Company continually reviews its suppliers and business continuity arrangements. The Company expects its suppliers' practices to be in line with its own values and standards. Suppliers are thoroughly vetted before entering into any arrangements to ensure they are reputable and then monitored through the Company's supplier management arrangements.

Risk Health and safety: health and safety risk, death or serious injury as a result of Company negligence.
Mitigation The safety of guests and employees is of paramount importance. NSF, an independent company, undertakes unannounced health and safety audits on every site twice per year as a minimum. The Company have robust fire safety policies, procedures and a programme of fire safety training for our team members in place. In addition, the Company works closely with C.S. Todd & Associates Ltd, independent fire safety consultants, regarding fire safety in the hotels. Health and safety is a measure on the Group's balanced scorecard (WINcard) and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committee and the Board.

Risk Food safety and hygiene: the preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.
Mitigation The health and wellbeing of customers is fundamental to the business. The Company has stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are completed regularly in the hotels and restaurants and the results closely monitored. The Company has invested considerable resources in employee training in the proper storage, handling and preparation of food. The Company have updated all allergen information and made it more accessable to customers both online and on site.

Risk Terrorism: the risk of terrorism on the safety and security of our customers or staff and the consequent impact on trading.
Mitigation The safety and security of customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact operations and financial performance. The Company invests in site level training to help identify hostile reconnaissance activities and to ensure an appropriate response is in place should such events take place. The executive team also hold regular crisis management exercises to ensure the Company is prepared for such events.

Approved by the Board on 15 January 2021 and signed on its behalf by: Hemant Patel



Director

Section 172 statement

Stakeholder engagement is an important area of focus for the Company and the wider Whitbread Group. We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered by Whitbread's Executive Committee, including employees, suppliers, customers, investors, the community and the environment. Some examples of how the Executive Committee considers these groups during meetings and discussions include:

- As part of the monthly Key Performance Indicators (KPI) pack, the Committee considers data relating to customer feedback and team retention, as well as data on shareholders.
- The Group Finance Director gives details on recent shareholder discussions and qualitative feedback on specific concerns.
- The Group HR Director provides detail of relevant employee related matters.
- The General Counsel reports on key developments on the Force for Good agenda, including work in the Community, charitable fundraising, the environment, plastics and food waste.
- The Chief Executive reports on details of any relevant government interaction.

The Executive Committee also takes into consideration the long-term consequences for the whole Group, including the Company, and its stakeholders when making these decisions, making sure the Group conducts its business in a fair way, protecting its reputation and external relationships.

Premier Inn Hotels Limited

Directors' Report for the Year Ended 27 February 2020

The directors present their annual report and the audited financial statements for the year ended 27 February 2020.

Principal activity
The Company operates Premier Inn hotels.

Directors of the Company
The directors who held office during the year were as follows:

S Ewins

S Jones

H Patel (appointed 26 March 2019)

Dividends
The directors do not recommend payment of a dividend for the year (2019: £nil).

Employment of disabled persons
All employee services are provided to the Company by Whitbread Group PLC (the immediate parent company). For further information on the Company's policy on the employment of disabled persons please refer to the Annual Report and Accounts of Whitbread PLC (the ultimate parent company) for the year ended 27 February 2020 which are available from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE and do not form part of this report.

Employee involvement
All employee services are provided to the Company by Whitbread Group PLC. For further information on employee involvement please refer to the Annual Report and Accounts of Whitbread PLC for the year ended 27 February 2020 which are available from Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE and do not form part of this report.

Future developments
The Company will continue to operate Premier Inn hotels.

Going concern
The financial position of the company is set out in these financial statements. As at 27 February 2020, the Company’s current liabilities exceeded its current assets by £345,297,000.

The accounts have been prepared on a going concern basis on the grounds that the parent company has confirmed its intention to provide support so the Company may continue operations for the next twelve months from the date of the approval of these accounts. The Group has access to significant liquidity to withstand a prolonged period of materially reduced or no demand as a result of the COVID-19 pandemic.

The directors have outlined the assessment approach for going concern in the accounting policy disclosure in Note 2 of the financial statements. Following that review the directors have concluded that the going concern basis remains appropriate.

Events after the balance sheet date
Information on events after the balance sheet date is provided in Note 24 to the financial statements.

Qualifying third party indemnity provisions
A qualifying indemnity provision (as defined in section 236(1) of the Companies Act 2006) is in force for the benefit of the directors.

Disclosure of information to the auditors

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 auditor is 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 auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditor

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 15 January 2021 and signed on its behalf by: Hemant Patel



Director

Premier Inn Hotels Limited

Statement of Directors' Responsibilities

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 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Premier Inn Hotels Limited

Independent Auditor's Report to the Members of Premier Inn Hotels Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Premier Inn Hotels Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 27 February 2020 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 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Premier Inn Hotels Limited (the 'Company'), which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the related notes 1 to 24 including the Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. 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.

Independent Auditor's Report to the Members of Premier Inn Hotels Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Report on other legal and regulatory requirements

Opinion on other matter 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Independent Auditor's Report to the Members of Premier Inn Hotels Limited (continued)

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.



.....
Stephen Craig (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 15 January 2021

Premier Inn Hotels Limited

Income Statement for the Year Ended 27 February 2020

	Note	Year ended 27 February 2020 £ 000	(As restated) Year ended 28 February 2019 £ 000
Revenue	4	911,501	905,086
Operating costs		(614,822)	(559,994)
Other operating income	5	802	859
Adjusting items	6	(30,960)	(18,502)
Operating profit	**6**	**266,521**	**327,449**
Finance income		338	-
Finance costs	7	(103,710)	(107,823)
Profit before tax		**163,149**	**219,626**
Tax expense	10	(35,988)	(43,940)
Profit for the year attributable to the equity shareholder of the company		**127,161**	**175,686**

The above results were derived from continuing operations.

There are no items to be included in the Statement of Comprehensive Income.

The notes on pages 17 to 44 form an integral part of these financial statements.

Premier Inn Hotels Limited

(Registration number: 05137608)
Statement of Financial Position as at 27 February 2020

	Note	27 February 2020 £ 000	(As restated) 28 February 2019 £ 000
Assets			
Non-current assets			
Intangible assets	11	8,096	8,165
Property, plant and equipment	13	1,661,062	1,594,155
Investments	14	38,243	54,809
Right of use assets	12	1,512,608	1,450,496
		3,220,009	3,107,625
Current assets			
Inventories	15	2,442	2,231
Trade and other receivables	16	27,859	27,723
Cash and cash equivalents		3,410	5,470
		33,711	35,424
Assets held for sale	6	4,000	6,980
Total assets		**3,257,720**	**3,150,029**
Liabilities			
Current liabilities			
Trade and other payables	19	(184,899)	(272,628)
Current tax liabilities	10	(32,051)	(47,228)
Accruals and contract liabilities		(84,287)	(123,623)
Provisions	18	(28,684)	(10,990)
Current portion of long term lease liabilities	17	(53,087)	(45,717)
		(383,008)	(500,186)
Non-current liabilities			
Long term lease liabilities	17	(1,707,437)	(1,613,666)
Deferred tax liability	10	(31,977)	(28,040)
Total liabilities		(2,122,422)	(2,141,892)
Net assets		1,135,298	1,008,137
Equity			
Called up share capital	20	200,000	200,000
Retained earnings		935,298	808,137

The notes on pages 17 to 44 form an integral part of these financial statements.

	Note	27 February 2020 £ 000	(As restated) 28 February 2019 £ 000
Total equity		1,135,298	1,008,137

Approved and authorised for issue by the Board on ..15/01/2021... and signed on its behalf by: Hemant Patel



Director

Premier Inn Hotels Limited

Statement of Changes in Equity for the Year Ended 27 February 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 2 March 2018	200,000	748,200	948,200
Prior period adjustment	-	(115,749)	(115,749)
At 2 March 2018 (restated)	200,000	632,451	832,451
Profit for the year	-	175,686	175,686
Total comprehensive income	-	175,686	175,686
At 28 February 2019	**200,000**	**808,137**	**1,008,137**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 March 2019	200,000	808,137	1,008,137
Profit for the year	-	127,161	127,161
Total comprehensive income	-	127,161	127,161
At 27 February 2020	**200,000**	**935,298**	**1,135,298**

The notes on pages 17 to 44 form an integral part of these financial statements.

Premier Inn Hotels Limited

Notes to the Financial Statements for the Year Ended 27 February 2020

1 General information

The Company is a private company limited by share capital incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 6.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Whitbread Group PLC. The group accounts of Whitbread Group PLC are available to the public and can be obtained at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

The financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand unless otherwise stated.

The financial statements of Premier Inn Hotels Limited for the year ended 27 February 2020 were authorised for issue by the Board of Directors on 15 January 2021

2 Accounting policies

Summary of significant accounting policies
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.

Basis of preparation
The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets and certain related party transactions.

The financial year represents 52 weeks to 27 February 2020 (prior financial year: 52 weeks to 28 February 2019).

2 Accounting policies (continued)

Going concern

As at 27 February 2020, the Company's current liabilities exceeded its current assets by £345,297,000. The accounts have been prepared on a going concern basis on the grounds that the parent company has confirmed its intention to provide support so the Company may continue operations for the next twelve months from the date of the approval of these accounts.

In reaching the conclusion that it is appropriate for the company's financial statements to be prepared on a going concern basis, the directors have specifically considered the impact of the COVID-19 pandemic on the wider Whitbread Group given the company's reliance on its parent company for financial support.

The Group closed all of its restaurants and the majority of its hotels from 24 March 2020 with sites in the UK re-opening during July and August. Following further announcement by the UK Government and devolved administrations, the Group closed all of its restaurants and hotels in Wales from 23 October and all of its restaurants and a number of hotels in England from 5 November, with sites re-opening in December, subject to of the various Tier restrictions put in place. In early January, a national lockdown was implemented in England, and mirrored in other parts of the UK, again resulting in the Group closing all of its restaurants and a number of its hotels. At the date of signing these financial statements the majority of the Group's hotels remain open but all of its restaurants remain closed as a result of the current national lockdowns across the UK, however the future financial performance of the Group is dependent upon the wider market in which it operates. The COVID-19 pandemic and the temporary measures put in place to control the spread of the virus, including social distancing restrictions, and both local and national lockdowns, has heightened the inherent uncertainty in the Group's assessment of these factors. The Group has modelled a range of scenarios which conclude that the significant reduction in sales required such that the Group would cease to be able to operate under its current facilities was well beyond what is considered reasonable.

After due consideration of the matters set out above, the directors are satisfied that, given the support of the Group, there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis without material uncertainties in the preparation of these financial statements.

Changes in accounting policies

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 March 2019.

Where relevant, equivalent disclosures have been given in the parent company Whitbread Group PLC.

2 Accounting policies (continued)

Changes resulting from adoption of IFRS 16

The Company has applied IFRS 16 Leases for the first time for the annual reporting period commencing 1 March 2019:

IFRS 16 supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company has adopted IFRS 16 using the fully retrospective method with the date of initial application being 1 March 2019. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases, applying IAS 17 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets'), and leases of intangible assets.

Before the adoption of IFRS 16, the Company was required to assess and classify each of its leases at the inception date as either a finance lease or an operating lease. All leases have previously been classified as operating leases. In an operating lease, the leased asset was not capitalised, and the lease payments were recognised as rent expense in the consolidated income statement on a straight-line basis over the lease term. Prepaid rent was recognised in prepayments within current trade and other receivables and accrued rent was recognised in accruals within current and non-current trade and other payables.

Under IFRS 16, the Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the shorter of its estimated useful life and lease term. Right-of-use assets are subject to impairment testing in accordance with IAS 36 Impairment of Assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Company recognises rental income from leases on a straight-line basis over the lease term.

In accordance with the fully retrospective method of adoption, the Compnay applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts. Accordingly, the comparative information in these financial statements has been restated as set out below:

2 Accounting policies (continued)

Impact on Statement of Financial Position as at 28 February 2019

	Note	As originally reported 28 February 2019 £ 000	IFRS 16 adjustments £ 000	As restated 28 February 2019 £ 000
Assets				
Non-current assets				
Property, plant and equipment	13	1,594,155	-	1,594,155
Right of use assets	12	-	1,450,496	1,450,496
Intangible assets	11	8,165	-	8,165
Investments	14	54,809	-	54,809
		1,657,129	1,450,496	3,107,625
Current assets				
Inventories	15	2,231	-	2,231
Trade and other receivables	16	36,423	(8,700)	27,723
Cash and cash equivalents		5,470	-	5,470
		44,124	(8,700)	35,424
Assets held for sale		6,980	-	6,980
Total assets		1,708,233	1,441,796	3,150,029
Equity and liabilities				
Equity				
Called up share capital	20	(200,000)	-	(200,000)
Retained earnings		(943,498)	135,361	(808,137)
Total equity		(1,143,498)	135,361	(1,008,137)
Non-current liabilities				
Long term lease liabilities	17	-	(1,613,666)	(1,613,666)
Accruals and contract liabilities		(18,199)	18,199	-
Deferred tax liabilities	10	(56,004)	27,964	(28,040)
		(74,203)	(1,567,503)	(1,641,706)
Current liabilities				
Current portion of long term lease liabilities	17	-	(45,717)	(45,717)
Trade and other payables	19	(308,690)	36,062	(272,628)
Current tax liability	10	(47,228)	-	(47,228)
Contract liabilities (current)		(123,623)	-	(123,623)
Provisions	18	(10,990)	-	(10,990)
		(490,531)	(9,655)	(500,186)

2 Accounting policies (continued)

	Note	As originally reported 28 February 2019 £ 000	IFRS 16 adjustments £ 000	As restated 28 February 2019 £ 000
Total liabilities		(564,734)	(1,577,158)	(2,141,892)
Total equity and liabilities		(1,708,232)	(1,441,797)	(3,150,029)

Impact on Income Statement for the year ended 28 February 2019

	Note	As originally reported 28 February 2019 £ 000	IFRS 16 adjustments £ 000	As restated 28 February 2019 £ 000
Revenue		905,086	-	905,086
Operating costs		(631,815)	53,319	(578,496)
Gross profit		273,271	53,319	326,590
Other operating income		-	859	859
Operating profit		273,271	54,178	327,449
Finance costs		(29,433)	(78,390)	(107,823)
Net finance income / cost		(29,433)	(78,390)	(107,823)
Profit/(loss) before tax		243,838	(24,212)	219,626
Tax expense		(48,540)	4,600	(43,940)
Profit/(loss) for the financial period		195,298	(19,612)	175,686

The nature of these adjustments as a result of adopting IFRS 16 are described below:

- Other income - Rental income of £859,000 was reclassified from operating costs to be shown separately as other income.
- Operating costs - A net credit of £53,319,000 was recognised, being the reversal of previously recognised rent expense of £121,080,000 offset by the depreciation charge on the right-of-use assets of £66,902,000 and £859,000 reclassified to other income.
- Finance costs - Interest costs of £78,390,000 were recognised on IFRS 16 lease liabilities.
- Tax expense - Tax expense has reduced by £4,600,000 reflecting the tax effect of these changes.

- Right-of-use assets of £1,450,000,000 were recognised and presented separately in the balance sheet.
- Lease liabilities of £1,659,000,000 were recognised and split between current and non-current liabilities on the face of the balance sheet.
- Deferred tax liabilities reduced by £27,964,000.
- Net working capital movements of £45,202,000 were recognised relating to prepaid and accrued rent.

2 Accounting policies (continued)

Other IFRS standards and interpretations
The Company has adopted the following standards which have been assessed as having no financial impact or disclosure at this time:
- Interest Rate Benchmark Reform
- IFRIC 23 - Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 (Oct 2017) - Prepayment Features with Negative Compensation
- Amendments to IAS 28 (Oct 2017) - Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)
- Amendments to IAS 19 (Feb 2018) - Plan Amendment, Curtailment or Settlement

Intangible assets
Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Amortisation
Amortisation is calculated on a straight-line basis over the estimated life of the asset as follows:

Asset class	Amortisation method and rate
IT software and technology	Over periods of three to ten years

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use.

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the values of property, plant and equipment is charged to the income statement.

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and carrying amount at the date of disposal and are recognised in the income statement.

Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as shown below. The residual values are reviewed annually.

Asset class	Depreciation method and rate
Land & buildings	Freehold land is not depreciated. Freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years.
Plant & equipment	Over three to 25 years
Freehold land	not depreciated

The residual values are reviewed annually.

2 Accounting policies (continued)

Leases

Right-of-use-assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated over the shorter of its estimated useful life and lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate (e.g. turnover rent) are recognised as an expense in the period over which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or a change in the lease term.

Recognition exemptions

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense within operating costs on a straight-line basis over the lease term.

2 Accounting policies (continued)

Impairment

The carrying values of property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable. For the purposes of the impairment review, the Company considers each trading outlet to be a separate cash generating unit (CGU). Consideration is also given, where appropriate, to the market value of the asset either from independent sources or, in conjunction with an accepted industry valuation methodology. Any impairment in the values of property, plant and equipment and right-of-use assets is charged to the income statement.

The Company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped, for impairment assessment purposes, at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units or CGUs). If such indication of impairment exists or when annual impairment testing for an asset group is required, the Company makes an estimate of the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined with reference to the CGU to which the asset belongs. Impairment losses are recognised in the consolidated income statement within operating costs.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of other assets in the CGU, on a pro rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cashflows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

For the purposes of impairment testing, all centrally held assets are allocated in line with IAS 36 to CGUs based on management's view of the consumption of the asset. Any resulting impairment is recorded against the centrally held asset.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value, less the cost to sell, and are not depreciated or amortised.

2 Accounting policies (continued)

Inventories
Inventories, consisting entirely of finished goods, are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Revenue recognition
Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Consideration excludes discounts, allowances for customer loyalty and other promotional activities, and amounts collected on behalf of other parties, such as value added tax. Revenue includes duties which the Company pays as principal.

The Company has analysed its business activities and applied the 5-step model prescribed by IFRS 15 to each material line of business, as outlined below:

Sale of accommodation
The contract to provide accommodation is established when the customer books accommodation. The performance obligation is the right to use accommodation for a given number of nights, and the transaction price is the room rate for each night determined at the time of the booking. The performance obligation is met when the customer is given the right to use the accommodation, and so revenue is recognised for each night as it takes place, at the room rate for that night.

Customers may pay in advance for accommodation. In this case the Company has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met.

Sale of food and beverage
The contract is established when the customer orders the food or drink item and the performance obligation is the provision of food and drink by the outlet. The performance obligation is satisfied when the food and drink is delivered to the customer, and revenue is recognised at this point at the price for the items purchased. Payment is made on the same day and consequently there are no contract assets or liabilities.

Finance income
Interest income is recognised as the interest accrues, using the effective interest method.

Finance costs
Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

2 Accounting policies (continued)

Tax

Current tax

The income tax expense represents both the income tax payable, based on profit for the year and deferred income tax.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are charged or credited directly to equity. Otherwise, income tax is recognised in the income statement.

Deferred tax

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Company's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax is recognised in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2 Accounting policies (continued)

Financial assets

Classification

The recognition of financial assets and liabilities occurs when the Company becomes party to the contractual provisions of the instrument. The derecognition of financial assets takes place when the Company no longer has the right to cash flows, the risks and rewards of ownership, or control of the asset.

Recognition and measurement

Trade receivables and contract assets are initially measured at fair value. Subsequently they are measured at amortised cost as the objective of the business model is to hold the assets to collect contractual cash flows and the contractual terms of the asset give rise to cash flows on specified dates which are solely payments of principal and interest.

In line with the IFRS 9 Financial Instruments 'simplified approach', the Company segments its trade receivables and contract assets based on shared characteristics, and recognises a loss allowance for the lifetime expected credit loss for each segment. The expected credit loss is based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current and forecast conditions at the reporting date.

The Company derecognises a financial asset when contract rights to the cash flows from the asset expire, or when it transfers control of the asset to another entity.

Cash and cash equivalents comprise cash at bank, cash in hand and deposits (including Money Market Funds) which are short term, highly liquid and which are not at significant risk of changes in value.

Impairment

A financial asset is credit impaired when one of more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The Company writes off a financial asset where there is no realistic prospect of recovery. Credit losses are recorded within operating costs in the income statement.

Financial liabilities

Classification

Debt and equity instruments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements.

Recognition and measurement

Financial liabilities are measured at amortised cost using the effective interest rate method unless they are required to be measured at fair value through profit or loss or the Company has opted to measure them at fair value through the profit or loss. The effective interest rate method calculates the amortised cost of a financial liability and allocates interest expense to the relevant period.

Borrowings are initially recognised at the fair value of the consideration received, net of any directly associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement using the effective interest method.

The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires.

2 Accounting policies (continued)

Adjusting items

A range of measures are used to monitor the financial performance of the Company. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

The term adjusted profit is not defined under IFRS and may not be comparable with adjusted profit measures used by other companies. It is not intended to be a substitute for, or superior to, statutory measures of profit. Adjusted measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS.

The Company makes certain adjustments to the statutory profit measures in order to derive many of its APMs. The Company's policy is to exclude items that are considered to be significant in nature and quantum, not in the normal course of business or are consistent with items that were treated as adjusting in prior periods or that span multiple financial periods. Treatment as an adjusting item provides users of the accounts with additional useful information to assess the year-on-year trading performance of the Company.

On 1 March 2019 the Company adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. Comparative amounts have been re-presented to reflect this change.

On this basis, the following are examples of items that may be classified as adjusting items:

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;

- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Company to be part of the normal operating cost of the business;

- impairment and related charges for sites which are underperforming that are considered to be significant in nature and/or vaalue to the trading performance of the business;

- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Company's ongoing trading results;

- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;

- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;

- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business;

- profit or loss on disposal of property, plant and equipment, property reversions and onerous leases. On occasion property may be disposed of, either as part of a sale and leaseback transaction or because the property is no longer required in the ongoing business. In addition, the Company may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Company under privity. Profits or losses on these items may be significant and are not reflective of the Company's ongoing trading results;

- finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; and

- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

2 Accounting policies (continued)

Investments
Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Cost is the fair value of the consideration given, including acquisition charges associated with the investment.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in joint ventures and associates are initially recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Management services agreement
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit on a straight-line basis over the period of the lease. Lease incentives are recognised as a reduction of rental costs over the lease term.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Key accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported as assets and liabilities at the balance sheet date and the amounts reported as revenues and expenses during the year. Although these amounts are based on management's best estimates, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. These judgements and estimates and the underlying assumptions are reviewed regularly.

The following is the key area of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment testing - Plant, property and equipment and right-of-use assets
Where there are indicators of impairment, management performs an impairment assessment. Recoverable amounts for cash- generating units are the higher of fair value less costs of disposal, and value in use. Value in use is calculated from cash flow projections based on the Group's five-year business plans and extrapolated beyond five years based on estimated long-term growth rates. Where sites are new, judgement is required to estimate the time taken to reach maturity and the sites' trading level once it is mature. Key estimates and sensitivities for impairment of assets are disclosed in Note 13. Fair value is determined with the assistance of independent, professional valuers where appropriate.

4 Revenue

The analysis of the Company's revenue for the period from continuing operations is as follows:

	Year ended 27 February 2020 £ 000	Year ended 28 February 2019 £ 000
Sale of food and beverage	198,121	190,916
Sale of accommodation	713,380	714,170
	911,501	905,086

The whole of the revenue is attributable to the operation of Premier Inn hotels in the United Kingdom.

5 Other operating gains/(losses)

The analysis of the company's other operating income for the period is as follows:

	Year ended 27 February 2020 £ 000	Year ended 28 February 2019 £ 000
Sub- lease income on right of use assets	802	859

6 Operating profit for the year

Arrived at after charging/(crediting)

	Year ended 27 February 2020 £ 000	Year ended 28 February 2019 £ 000
Cost of inventories recognised as an expense	51,401	47,881
Depreciation expense (Note 13)	61,106	59,311
Amortisation expense (Note 11)	84	90
Foreign exchange (gains)/losses	(124)	744
Variable lease payments	1,268	1,345
Adjusting items	30,960	18,502
Depreciation on right of use assets	71,573	66,902

As set out in the policy in Note 2, a range of measures are used to monitor the financial performance of the Company. These measures include both statutory measures in accordance with IFRS and alternative performance measures which are consistent with the way that the business performance is measured internally. Adjusted measures are reported because they provide both management and investors with useful additional information about the financial performance of the Company's business. Adjusted measures of profitablility represent the equivalent IFRS measures adjusted for specific items that are considered to hinder the comparison of the financial performance of the Company's business either from one period to another or with other similar businesses.

Adjusting items are analysed as follows:

	Year ended 27 February 2020 £ 000	Year ended 28 February 2019 £ 000
Impairment loss (Note 13)	34,177	7,942
Loss/(profit) on disposal of property, plant and equipment	583	(1,196)
Creation of provisions (Note 17)	14,500	11,756
Legal settlement	(2,300)	-
Insurance proceeds	(16,000)	-
	30,960	18,502

During the year, the Company moved one property into assets held for sale and impaired some trading sites resulting in a total impairment loss of £34.2m.

During the year, provisions were created for £14.5m in relation to other property costs.

During the year, the Company received a legal settlement of £2.3m in relation to leases entered in prior periods.

Following a fire at a Premier Inn site, the Company has recorded an impairment of £9.6m and other costs of £0.7m. As the fire represents an insurable event, the Company has recognised anticipated insurance claim proceeds of £16.0m covering property and loss of trade in other income.

7 Finance costs

	Year ended 27 February 2020 £ 000	(As restated) Year ended 28 February 2019 £ 000
Interest expense on other financing liabilities	(18)	(113)
Foreign exchange (gains) / losses	(7)	-
Interest payable to group companies	24,775	31,637
Interest capitalised	(1,713)	(2,091)
Interest expense on leases	80,673	78,390
	103,710	107,823

8 Staff costs

The Company has no employees (2019 - no employees) other than the directors, who did not receive any remuneration (2019 - £NIL). All fees paid to directors as remuneration are borne by the parent company Whitbread Group PLC and it is not practical to allocate the amount for services in respect of this Company.

The Company is party to a Management Services Agreement with Whitbread Group PLC, under which all services are provided to it.

9 Auditors' remuneration

Fees for the audit of the financial statements for the year of £6,000 (2019: £6,000) were paid by the parent Company, Whitbread Group PLC. Information about the total audit fees paid by the Group can be found in the Whitbread PLC Annual Report and Accounts for the year ended 27 February 2020.

10 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	(As restated) 2019 £ 000
Current taxation		
UK corporation tax	31,612	46,940
UK corporation tax adjustment to prior periods	439	288
	32,051	47,228

10 Taxation (continued)

		(As restated)
	2020 £ 000	**2019 £ 000**
Deferred taxation		
Arising from origination and reversal of temporary differences	3,731	(4,173)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	206	885
Total deferred taxation	3,937	(3,288)
Tax expense in the income statement	35,988	43,940

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

		(As restated)
	2020 £ 000	**2019 £ 000**
Profit before tax	163,149	219,626
Corporation tax at standard rate	30,998	41,729
Increase in current tax from adjustment for prior periods	439	288
Increase from effect of expenses not deductible in determining taxable profit	452	1,817
Deferred tax expense from unrecognised temporary difference from a prior period	206	885
Deferred tax expense/(credit) relating to changes in tax rates or laws	1,727	(50)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	2,166	(729)
Total tax charge	35,988	43,940

10 Taxation (continued)

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17.

In his budget of 11 March 2020, the Chancellor of the Exchequer announced an increase in the main rate of UK corporation tax to 19% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements. The rate change will impact the amount of the future cash tax payments to be made by the Company.

The corporation tax balance is a liability of £32,051,000 (2019: liability of £47,228,000).

Tax relief on interest capitalised amounts to £325,000 (2019: £397,000).

Whitbread has a Group Payment Arrangement in place with HMRC which allows Whitbread Group Plc as nominated company to make corporation tax payments on behalf of all other UK group companies.

Deferred tax

Deferred tax movement during the period:

	At 1 March 2019 £ 000	Recognised in income £ 000	At 27 February 2020 £ 000
PPE and intangible assets	(30,016)	(3,642)	(33,658)
Deferred capital gains	(25,988)	795	(25,193)
Leases	27,964	(1,090)	26,874
Net tax (liabilities)/assets	(28,040)	(3,937)	(31,977)

Deferred tax movement during the prior period:

	At 2 March 2018 £ 000	Recognised in income £ 000	At 28 February 2019 £ 000
PPE and intangible assets	(28,706)	(1,310)	(30,016)
Deferred capital gains	(26,870)	882	(25,988)
Leases	32,564	(4,600)	27,964
Net tax (liabilities)/assets	(23,012)	(5,028)	(28,040)

Other items relates to adjustments to the tax charge in respect of previous periods.

11 Intangible assets

	Goodwill £ 000	Internally generated software development costs £ 000	Total £ 000
Cost			
At 1 March 2019	10,669	357	11,026
Additions	-	15	15
Assets written off	-	(65)	(65)
At 27 February 2020	10,669	307	10,976
Amortisation and impairment			
At 1 March 2019	2,667	194	2,861
Amortisation charge	-	84	84
Assets written off	-	(65)	(65)
At 27 February 2020	2,667	213	2,880
Carrying amount			
At 27 February 2020	8,002	94	8,096
At 28 February 2019	8,002	163	8,165

12 Right of use assets

	Property £ 000	Total £ 000
Cost or valuation		
At 2 March 2018	1,796,570	1,796,570
Additions	134,910	134,910
At 28 February 2019	1,931,480	1,931,480
At 1 March 2019	1,931,480	1,931,480
Additions	148,128	148,128
At 27 February 2020	2,079,608	2,079,608
Depreciation		
At 2 March 2018	414,082	414,082
Charge for period	66,902	66,902
At 28 February 2019	480,984	480,984
At 1 March 2019	480,984	480,984
Charge for the period	71,573	71,573
Impairment	14,443	14,443
At 27 February 2020	567,000	567,000
Carrying amount		
At 27 February 2020	1,512,608	1,512,608
At 28 February 2019	1,450,496	1,450,496

13 Property, plant and equipment

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost or valuation			
At 1 March 2019	1,261,769	500,831	1,762,600
Additions	66,483	82,972	149,455
Movements to held for sale	(946)	(146)	(1,092)
Assets written off	(9,566)	(29,112)	(38,678)
At 27 February 2020	1,317,740	554,545	1,872,285
Depreciation			
At 1 March 2019	42,281	126,164	168,445
Charge for the period	9,344	51,762	61,106
Impairment	16,724	2,629	19,353
Movements to held for sale	(346)	(90)	(436)
Assets written off	(8,249)	(28,996)	(37,245)
At 27 February 2020	59,754	151,469	211,223
Carrying amount			
At 27 February 2020	1,257,986	403,076	1,661,062
At 28 February 2019	1,219,488	374,667	1,594,155

Included above are assets under construction of £78,800,000 (2019: £93,200,000).

Capital expenditure commitments for which no provision has been made amount to £52,500,000 (2019: £73,300,000).

The net book value of land and buildings can be broken down as follows:

- £709,965,000 - freehold
- £421,371,000 - long leasehold
- £130,018,000 - short-leasehold

Capitalised interest amounted to £1,713,000 using an average rate of 3.3% (2019: £2,091,000 using an average rate of 3.9%).

13 Property, plant and equipment (continued)

Impairment

Property, plant and equipment and right of use assets

The total impairment loss is £34.2m. This is broken down as follows:
- £8.9m PPE assets impairment from impairment review
- £14.4m ROU assets impairment from impairment review
- £9.6m PPE impairment following a fire at a Premier Inn site
- £0.9m PPE impairment from moving assets to held for sale during the year
- £0.4m PPE impairment on sites already moved to assets held for sale

In total the PPE and ROU impairment is £19.8m and £14.4m respectively.
The amount of impairment loss included in profit and loss is £34,200,000 (2019: £7,942,000).
The amount of reversal of impairment recognised in profit and loss is £Nil (2019: £Nil).

14 Investments

Subsidiaries	Investment in subsidiary companies £ 000	Loans to subsidiaries £ 000	Total £ 000
Cost or valuation			
At 1 March 2019	57,625	27,703	85,328
Repayment	-	(16,655)	(16,655)
Foreign exchange	-	139	139
At 27 February 2020	57,625	11,187	68,812
Provision for impairment			
At 1 March 2019	30,569	-	30,569
At 27 February 2020	30,569	-	30,569
Carrying amount			
At 27 February 2020	27,056	11,187	38,243
At 28 February 2019	27,056	27,703	54,759

14 Investments (continued)

These investments are directly held by the Company.

Details of the subsidiaries as at 27 February 2020 are as follows:

Name of subsidiary	Principal activity (Class of shares held)	Country of incorporation and principal place of business	Proportion of ownership interest in ordinary share capital and voting rights held	
			2020	2019
Premier Inn Manchester Trafford Limited	Hotel operations (A Ordinary £1.00)	England	100%	100%
Premier Inn Westminster Limited	Hotel operations (Ordinary £1.00)	England	100%	100%
Premier Inn Ochre Limited	Hotel operations (Ordinary £1.00)	England	100%	100%
Elm Hotel Holdings Limited	Holding company (Ordinary £0.10)	England	100%	100%
Premier Travel Inn India Limited	Holding company (Ordinary £1.00)	England	100%	100%
Stripe Travel Inn Limited	Dormant (Ordinary £1.00)	England	100%	100%
Premier Inn (UK) Limited	Hotel operations (Ordinary £1.00)	England	100%	100%
New Clapham Stadium Company Limited	Dormant (Ordinary £0.05)	England	100%	100%
Premier Inn Troon Limited	Dormant (Ordinary £0.10)	England	100%	100%

The registered office of the subsidiaries listed above is Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire, LU5 5XE.

15 Inventories

	27 February 2020 £ 000	28 February 2019 £ 000
Finished goods and goods for resale	2,442	2,231

16 Trade and other receivables

	27 February 2020 £ 000	(As restated) 28 February 2019 £ 000
Trade receivables	19,730	18,410
Provision for impairment of trade receivables	(133)	(92)
Net trade receivables	19,597	18,318
Prepayments and accrued income	8,103	8,035
Other receivables	159	1,370
	27,859	27,723

17 Leases

Leases included in creditors

	28 February 2020 £ 000	(As restated) 1 March 2019 £ 000
Current portion of long term lease liabilities	53,087	45,717
Long term lease liabilities	1,707,437	1,613,666

17 Leases (continued)

Lease liabilities maturity analysis
A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	28 February 2020 £ 000	1 March 2019 £ 000
Less than one year	133,143	125,043
1-5 Years	536,794	503,820
More than 5 years	2,717,818	2,684,952
Total lease liabilities (undiscounted)	3,387,755	3,313,815

Total cash outflows related to leases
Total cash outflows related to leases are presented in the table below:

Payment	28 February 2020 £ 000	1 March 2019 £ 000
Interest	80,673	-
Variable Lease payments	1,041	1,345
Total cash outflow	81,714	1,345

18 Provisions

	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 1 March 2019	1,284	9,706	10,990
Increase (decrease) in existing provisions	-	23,528	23,528
Provisions used	-	(5,834)	(5,834)
At 27 February 2020	1,284	27,400	28,684

In the prior year, an onerous lease provision was created in relation to an under-performing site.

During FY18, the Company established a provision for the performance of remedial works on cladding material at a small number of the Company's sites. As a result, a provision of £9.7m was brought forward in relation to these costs. During the year £5.8m of the provision has been utilised, and an additional provision of £23.5m was created as further sites were identified following a change in the relevant regulations.

Both provisions are expected to be used within one year.

19 Trade and other payables

	27 February 2020 £ 000	(As restated) 28 February 2019 £ 000
Trade payables	8,007	3,132
Amounts due to group undertakings	166,181	254,293
Other payables	10,711	15,203
	184,899	272,628

Amounts due to group undertakings are repayable on demand and carry an average quarterly interest rate of 1.0% (2019: 1.1%) based upon the group funding.

20 Share capital

Allotted, called up and fully paid shares

	27 February 2020		28 February 2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £1 each	200,000	200,000	200,000	200,000

The shares carry full voting, dividend and capital distribution rights.

21 Contingent liabilities

The Company has guaranteed the lease payments of some of its subsidiaries. The total outstanding commitment under these leases at the balance sheet date amounted to £63.3m. In addition, Premier Inn Hotels Limited is one of the guarantors of a £450m unsecured bond issued by Whitbread Group PLC on the 28th May 2015. This bond has a coupon rate of 3.375pct and a maturity of 16th October 2025. It is also one of the guarantors of a £950m revolving credit facility provided to Whitbread Group PLC which runs until September 2022. The facility has variable interest rates linked to LIBOR and is multi-currency. The Company considers it unlikely that it will be called upon to make any payments under these guarantees.

22 Related party transactions

As well as the subsidiary undertakings listed in note 14, the Company had the following related undertakings which are indirectly owned:

Name of related undertaking	Place of Incorporation	Class of shares held	Percentage of class of shares held by the Company	Percentage of class of shares held by the group	Percentage of nominal value
Premier Inn Glasgow Limited	England	Ordinary £1.00	-	100	100
Premier Inn Manchester Airport	England	Ordinary £1.00	-	100	100
P I Hotels York Limited	England	Ordinary £1.00	-	100	100
Premier Inn Manchester Holdings Limited	England	Ordinary £1.00	-	100	100

The registered office of the above companies is Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire, LU5 5XE.

The Company is a wholly-owned subsidiary of Whitbread PLC, the ultimate controlling entity, and has taken advantage of the exemption given in Financial Reporting Standard 101 not to disclose transactions with other group companies.

23 Parent and ultimate parent undertaking

The immediate parent undertaking is Whitbread Group PLC. The ultimate parent undertaking is Whitbread PLC.

The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is Whitbread Group PLC, registered in England and Wales. Copies of their accounts can be obtained from the registered office at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member is Whitbread PLC, registered in England and Wales. Copies of their accounts can be obtained from the registered office at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Bedfordshire LU5 5XE.

24 Events after the balance sheet date

Closure of Hotels

Subsequent to the year end, as a result of the COVID-19 pandemic, the Company closed all of its restaurants and the majority of its hotels on 23 March 2020 and subsequently reopened throughout July 2020. Following further announcements by the UK Government, the Company closed all of its restaurants and a number of hotels in England on 5 November 2020 with the majority re-opening on 3 December 2020. This has been followed by further closures in January 2021. Despite the mitigating actions the Company is taking, the temporary closure of its restaurants and hotels will result in a material reduction in revenue for the financial year ending 25 February 2021.

The closure is expected to result in an impairment relating to the Company's property, plant and equipment and right-of-use assets.

Coronavirus Job Retention Scheme and Business Rates Relief

The Company is part of a Group that has utilised the business support measures introduced by the Government in light of the COVID-19 pandemic, including the Coronavirus Job Retention Scheme and business rates relief through May 2021.