

Registration number: 224163

Whitbread Hotel Company Limited

Annual Report and Financial Statements

for the Year Ended 27 February 2020

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Whitbread Hotel Company Limited

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Whitbread Hotel Company Limited

Company Information

| | |
|--------------------------|---|
| Directors | S Ewins H Patel S Jones |
| Company secretary | D Lowry |
| Registered number | 224163 |
| 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 |

Whitbread Hotel Company 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. Its strategy is to grow leading brands with a clear focus on returns to deliver shareholder value.

Year on year revenue and profit has remained largely flat as we continue to operate in a competitive market and manage our cost base well.

| | Units | 2020 | 2019 | Change % |
|------------------|-------|------|------|----------|
| Revenue | £m | 5.0 | 5.0 | 0.3 |
| Operating profit | £m | 2.4 | 2.4 | 0.8 |

Principal risks and uncertainties

Risk COVID-19 Pandemic: Subsequent to the year end, as a result of the COVID-19 pandemic, the Company closed its hotel on 23 March 2020 and subsequently reopened on 10 July 2020. Following further announcement by the UK Government, the Company again closed its restaurant from 5 November 2020 to 2 December 2020. Despite the mitigating actions the Company is taking, the closure of its hotel will result in a material reduction in revenue for the financial year ending 25 February 2021.

Mitigation In reviewing the mitigating actions taken by the Company it is worth considering the wider Whitbread Group given the Company's reliance on its parent Company.

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 trading arrangements to be 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.

Whitbread Hotel Company Limited

Strategic Report for the Year Ended 27 February 2020 (continued)

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 accessible to customers both online and on site.

Whitbread Hotel Company Limited

Strategic Report for the Year Ended 27 February 2020 (continued)

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 10 December 2020... and signed on its behalf by:



Director

Hemant Patel

Whitbread Hotel Company Limited

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.

Whitbread Hotel Company 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.

Directors of the Company

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

S Ewins

H Patel (appointed 26 March 2019)

S Jones

Principal activity

The principal activity of the Company during the year was that of operating a Premier Inn hotel and a restaurant in Norwich.

Dividends

The directors do not recommend the 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. 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 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 a Premier Inn hotel and restaurant in Norwich.

Going concern

The financial position of the company is set out in these financial statements. The company has considerable financial resources and, as a consequence, the directors believe that the company is well placed to manage its business risk.

The company generates income from interest received on balances held with other entities within the Whitbread Group. The parent company has confirmed its intention to provide support to the company for the twelve months from the approval of these financial statements. 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 22 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 auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

Whitbread Hotel Company Limited

Directors' Report for the Year Ended 27 February 2020 (continued)

- 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 ~~10 December 2020~~.... and signed on its behalf by:



Director
Hemant Patel

Whitbread Hotel Company 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'. 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.

Whitbread Hotel Company Limited

Independent Auditor's Report to the Members of Whitbread Hotel Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Whitbread Hotel Company 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, which comprise:

- the Income Statement;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 22 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 directors are responsible for the 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.

Whitbread Hotel Company Limited

Independent Auditor's Report to the Members of Whitbread Hotel Company 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.

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.

Whitbread Hotel Company Limited

Independent Auditor's Report to the Members of Whitbread Hotel Company Limited (continued)

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: 10th December 2020

Whitbread Hotel Company Limited

Income Statement for the Year Ended 27 February 2020

| | | Year ended 27 February 2020 £ 000 | (As restated) Year ended 28 February 2019 £ 000 |
|--|----------|---|--|
| | Note | | |
| Revenue | 4 | 5,022 | 5,007 |
| Operating costs | | (2,630) | (2,665) |
| Other operating income | 5 | 20 | 52 |
| Operating profit | 6 | 2,412 | 2,394 |
| Finance income | 7 | 6,682 | 7,023 |
| Finance costs | 8 | (59) | (59) |
| | | 6,623 | 6,964 |
| Profit before tax | | 9,035 | 9,358 |
| Tax expense | 11 | (1,731) | (1,813) |
| Profit for the year attributable to the equity shareholder of the company | | 7,304 | 7,545 |

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 16 to 36 form an integral part of these financial statements.

Whitbread Hotel Company Limited

(Registration number: 224163)
Balance Sheet as at 27 February 2020

| | Note | 27 February 2020 £ 000 | (As restated) 28 February 2019 £ 000 |
|--|------|------------------------------|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 21,957 | 20,650 |
| Investments | 14 | 21,024 | 21,024 |
| Right of use assets | 13 | 395 | 398 |
| | | <u>43,376</u> | <u>42,072</u> |
| Current assets | | | |
| Inventories | 15 | 15 | - |
| Trade and other receivables | 16 | 179,383 | 173,065 |
| Cash and cash equivalents | | 14 | 28 |
| | | <u>179,412</u> | <u>173,093</u> |
| Total assets | | <u>222,788</u> | <u>215,165</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | (390) | - |
| Current tax liabilities | 11 | (1,708) | (1,809) |
| Current portion of long term lease liabilities | | - | - |
| | | <u>(2,098)</u> | <u>(1,809)</u> |
| Non-current liabilities | | | |
| Long term lease liabilities | | <u>(518)</u> | <u>(511)</u> |
| Deferred tax liabilities | 11 | <u>(74)</u> | <u>(51)</u> |
| Total liabilities | | <u>(2,690)</u> | <u>(2,371)</u> |
| Net assets | | <u>220,098</u> | <u>212,794</u> |
| Equity | | | |
| Called up share capital | 19 | 15,006 | 15,006 |
| Share premium reserve | | 126,236 | 126,236 |
| Capital redemption reserve | | 3,294 | 3,294 |
| Retained earnings | | 75,562 | 68,258 |
| Total equity | | <u>220,098</u> | <u>212,794</u> |

The notes on pages 16 to 36 form an integral part of these financial statements.

Whitbread Hotel Company Limited

(Registration number: 224163)

Balance Sheet as at 27 February 2020 (continued)

Approved and authorised for issue by the Board on 10 December 2020 and signed on its behalf by:



Director
Hemant Patel

The notes on pages 16 to 36 form an integral part of these financial statements.

Whitbread Hotel Company Limited

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

| | Share capital £ 000 | Share premium £ 000 | Capital redemption reserve £ 000 | Retained earnings £ 000 | Total equity £ 000 |
|----------------------------|------------------------|------------------------|---|-------------------------------|-----------------------|
| At 1 March 2019 | 15,006 | 126,236 | 3,294 | 68,258 | 212,794 |
| Profit for the year | - | - | - | 7,304 | 7,304 |
| Total comprehensive income | - | - | - | 7,304 | 7,304 |
| At 27 February 2020 | 15,006 | 126,236 | 3,294 | 75,562 | 220,098 |

| | Share capital £ 000 | Share premium £ 000 | Capital redemption reserve £ 000 | Retained earnings £ 000 | Total equity £ 000 |
|------------------------------|------------------------|------------------------|---|-------------------------------|-----------------------|
| At 2 March 2018 | 15,006 | 126,236 | 3,294 | 60,798 | 205,334 |
| IFRS 16 Restatement (Note 2) | - | - | - | (85) | (85) |
| At 2 March 2018 (restated) | 15,006 | 126,236 | 3,294 | 60,713 | 205,249 |
| Profit for the year | - | - | - | 7,545 | 7,545 |
| Total comprehensive income | - | - | - | 7,545 | 7,545 |
| At 28 February 2019 | 15,006 | 126,236 | 3,294 | 68,258 | 212,794 |

The notes on pages 16 to 36 form an integral part of these financial statements.

Whitbread Hotel Company 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 Whitbread Hotel Company Limited for the year ended 27 February 2020 were authorised for issue by the Board of Directors on 10 December 2020

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).

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

Going concern

The company has considerable financial resources and, as a consequence, the directors believe that the company is well placed to manage its business risk.

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 intercompany loan interest and recoverability of intercompany receivables. The parent company has confirmed its intention to provide support to the company for the twelve months from the approval of these financial statements.

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. At the date of signing these financial statements the majority of the Group's hotels and restaurants had reopened subject to local tier restrictions, 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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

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 Company 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:

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

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 | | 20,650 | - | 20,650 |
| Right of use assets | 13 | - | 398 | 398 |
| Investments | 14 | 21,024 | - | 21,024 |
| | | <u>41,674</u> | <u>398</u> | <u>42,072</u> |
| Current assets | | | | |
| Trade and other receivables | 16 | 173,050 | 15 | 173,065 |
| Cash and cash equivalents | | 28 | - | 28 |
| | | <u>173,078</u> | <u>15</u> | <u>173,093</u> |
| Total assets | | <u>214,752</u> | <u>413</u> | <u>215,165</u> |
| Equity and liabilities | | | | |
| Equity | | | | |
| Called up share capital | 19 | (15,006) | - | (15,006) |
| Share premium reserve | | (126,236) | - | (126,236) |
| Capital redemption reserve | | (3,294) | - | (3,294) |
| Retained earnings | | (68,339) | 81 | (68,258) |
| Total equity | | <u>(212,875)</u> | <u>81</u> | <u>(212,794)</u> |
| Non-current liabilities | | | | |
| Long term lease liabilities | | - | (511) | (511) |
| Deferred tax liabilities | 11 | (67) | 16 | (51) |
| | | <u>(67)</u> | <u>(495)</u> | <u>(562)</u> |
| Current liabilities | | | | |
| Lease liabilities (current) | | - | 0 | 0 |
| Current tax liabilities | 11 | (1,809) | - | (1,809) |
| | | <u>(1,809)</u> | <u>0</u> | <u>(1,809)</u> |
| Total liabilities | | <u>(1,877)</u> | <u>(495)</u> | <u>(2,371)</u> |
| Total equity and liabilities | | <u>(214,752)</u> | <u>(413)</u> | <u>(215,165)</u> |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

Impact on Income Statement for the year ended 28 February 2019

| | | As originally reported 28 February 2019 £ 000 | IFRS 16 adjustments £ 000 | As restated 28 February 2019 £ 000 |
|---------------------------------|------|---|---------------------------------|---|
| | Note | | | |
| Revenue | 4 | 5,007 | - | 5,007 |
| Operating costs | | (2,677) | 12 | (2,665) |
| Gross profit | | <u>2,330</u> | <u>12</u> | <u>2,342</u> |
| Other operating income | 5 | - | 52 | 52 |
| Operating profit | | <u>2,330</u> | <u>64</u> | <u>2,394</u> |
| Finance income | 7 | 7,023 | - | 7,023 |
| Finance costs | 8 | - | (59) | (59) |
| Net finance income / (cost) | | <u>7,023</u> | <u>(59)</u> | <u>6,964</u> |
| Profit before tax | | <u>9,353</u> | <u>5</u> | <u>9,358</u> |
| Tax expense | 11. | (1,812) | (1) | (1,813) |
| Profit for the financial period | | <u>7,541</u> | <u>4</u> | <u>7,545</u> |

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

- Other operating income - Rental income of £52,000 was reclassified from operating costs to be shown separately as other operating income.
- Operating costs - A net credit of £12,000 was recognised, being the reversal of previously recognised rent expense of £67,000 offset by the £52,000 reclassified to other operating income and the depreciation charge on the right-of-use assets of £3,000.
- Finance costs - Interest costs of £59,000 were recognised on IFRS 16 lease liabilities.
- Tax expense - Tax expense has increased by £1,000 reflecting the tax effect of these changes.
- Right-of-use assets of £398,000 were recognised and presented separately in the balance sheet.
- Lease liabilities of £511,000 were recognised in non-current liabilities on the face of the balance sheet.
- Deferred tax liabilities reduced by £16,000.
- Net working capital movements of £15,000 were recognised relating to prepaid rent.

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

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised at fair value, separately from goodwill if the asset is separable, or arises from contractual or other legal rights, and its fair value can be measured reliably.

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 |

The residual values are reviewed annually.

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

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.

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

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 to provide 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.

Borrowing 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.

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

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.

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

2 Accounting policies (continued)

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.

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.

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.

Defined benefit pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Management services agreement

The Company is party to a Management Services Agreement with Whitbread Group PLC, under which some services are provided to it, the costs of which are settled via intercompany.

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

3 Key accounting judgements and estimates

The preparation of the 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. However, the nature of estimation means that the actual outcomes could differ from those estimates. In the process of applying the Company's accounting policies, the Directors have considered whether there are any such sources of key estimation or critical accounting judgements in forming the financial statements and do not consider there to be any for the purposes of disclosure.

4 Revenue

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

| | Year ended 27 February 2020 | Year ended 28 February 2019 |
|---------------------------|--------------------------------|--------------------------------|
| | £ 000 | £ 000 |
| Sale of food and beverage | 1,260 | 1,250 |
| Sale of accomodation | 3,762 | 3,757 |
| | <u>5,022</u> | <u>5,007</u> |

The whole of the revenue is attributable to the operation of a Premier Inn hotel and a restaurant in the United Kingdom.

5 Other operating income

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

| | 2020 £ 000 | 2019 £ 000 |
|--|---------------|---------------|
| Sub- lease income on right of use assets | <u>20</u> | <u>52</u> |

6 Operating profit

Arrived at after charging/(crediting)

| | Year ended 27 February 2020 | Year ended 28 February 2019 |
|---|--------------------------------|--------------------------------|
| | £ 000 | £ 000 |
| Cost of inventories recognised as an expense | 299 | 295 |
| Depreciation expense (Note 12) | 384 | 384 |
| Variable lease payments | 2 | 1 |
| Depreciation on right of use assets (Note 13) | 3 | 3 |

7 Finance income

| | 2020 £ 000 | 2019 £ 000 |
|---|---------------|---------------|
| Interest receivable from group undertakings | <u>6,682</u> | <u>7,023</u> |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

8 Finance costs

| | Year ended 27 February 2020 £ 000 | (As restated) Year ended 28 February 2019 £ 000 |
|----------------------------|---|--|
| Interest expense on leases | 59 | 59 |

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | Year ended 27 February 2020 £ 000 | Year ended 28 February 2019 £ 000 |
|--|---|---|
| Wages and salaries | 834 | 890 |
| Social security costs | 44 | 18 |
| Pension costs, defined contribution scheme | 14 | 3 |
| | <u>892</u> | <u>911</u> |

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

All employees are under an employment contract with Whitbread Group PLC who provided services to Whitbread Hotel Company Limited during the year. All fees paid to directors as remuneration are borne by a parent company Whitbread Group PLC and it is not practical to allocate the amount for services in respect of this Company.

10 Auditors' remuneration

Fees for the audit of the financial statements for the year of £1,000 (2019: £1,000) were paid by a 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.

11 Taxation

Tax charged/(credited) in the income statement

| | 2020 £ 000 | (As restated) 2019 £ 000 |
|--|---------------|--------------------------------|
| Current taxation | | |
| UK corporation tax | 1,724 | 1,810 |
| UK corporation tax adjustment to prior periods | (16) | (1) |
| | <u>1,708</u> | <u>1,809</u> |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

11 Taxation (continued)

| | (As restated) | |
|--|---------------|---------------|
| | 2020 £ 000 | 2019 £ 000 |
| Deferred taxation | | |
| Arising from origination and reversal of temporary differences | 12 | 17 |
| Arising from changes in tax rates and laws | - | (9) |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | 11 | (4) |
| Total deferred taxation | <u>23</u> | <u>4</u> |
| Tax expense in the income statement | <u>1,731</u> | <u>1,813</u> |

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2019 - higher 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 | <u>9,035</u> | <u>9,358</u> |
| Corporation tax at standard rate | <u>1,717</u> | <u>1,778</u> |
| Decrease in current tax from adjustment for prior periods | (16) | (1) |
| Increase from effect of capital allowances depreciation | 20 | 49 |
| Decrease from effect of expenses not deductible in determining tax loss/taxable profit (tax loss) | - | (9) |
| Deferred tax expense/(credit) from unrecognised temporary difference from a prior period | 10 | (4) |
| Total tax charge | <u>1,731</u> | <u>1,813</u> |

The Finance Act 2016 reduced the main rate of UK corporation tax to 17% 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 future cash tax payments to be made by the Company.

The corporation tax balance is a liability of £1,708,000 (2019: £1,809,000).

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.

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

11 Taxation (continued)

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 | (90) | (31) | (121) |
| Deferred capital gains | 23 | 8 | 31 |
| Leases | 16 | - | 16 |
| Net tax assets/(liabilities) | <u>(51)</u> | <u>(23)</u> | <u>(74)</u> |

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 | (90) | - | (90) |
| Deferred capital gains | 26 | (3) | 23 |
| Leases | 16 | - | 16 |
| Net tax assets/(liabilities) | <u>(48)</u> | <u>(3)</u> | <u>(51)</u> |

12 Property, plant and equipment

| | Land and buildings £ 000 | Plant and equipment £ 000 | Total £ 000 |
|--------------------------|--------------------------------|---------------------------------|----------------|
| Cost or valuation | | | |
| At 1 March 2019 | 19,284 | 4,706 | 23,990 |
| Additions | 1,598 | 93 | 1,691 |
| Assets written off | - | (125) | (125) |
| At 27 February 2020 | <u>20,882</u> | <u>4,674</u> | <u>25,556</u> |
| Depreciation | | | |
| At 1 March 2019 | 906 | 2,434 | 3,340 |
| Charge for the period | 46 | 338 | 384 |
| Assets written off | - | (125) | (125) |
| At 27 February 2020 | <u>952</u> | <u>2,647</u> | <u>3,599</u> |
| Carrying amount | | | |
| At 27 February 2020 | <u>19,930</u> | <u>2,027</u> | <u>21,957</u> |
| At 28 February 2019 | <u>18,378</u> | <u>2,272</u> | <u>20,650</u> |

Included above are assets under construction of £1,685,000 (2019: £36,000).

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

12 Property, plant and equipment (continued)

The net book value of land and buildings can all be attributed to long-leasehold properties.

13 Right of use assets

| | Property £ 000 | Total £ 000 |
|--------------------------|-------------------|----------------|
| Cost or valuation | | |
| At 2 March 2018 | 482 | 482 |
| At 28 February 2019 | 482 | 482 |
| At 1 March 2019 | 482 | 482 |
| At 27 February 2020 | 482 | 482 |
| Depreciation | | |
| At 2 March 2018 | 81 | 81 |
| Charge for period | 3 | 3 |
| At 28 February 2019 | 84 | 84 |
| At 1 March 2019 | 84 | 84 |
| Charge for the period | 3 | 3 |
| At 27 February 2020 | 87 | 87 |
| Carrying amount | | |
| At 27 February 2020 | 395 | 395 |
| At 28 February 2019 | 398 | 398 |

14 Investments

| | Investment in subsidiary companies £ 000 |
|------------------------|---|
| Subsidiaries | |
| Cost | |
| At 1 March 2019 | 21,024 |
| At 27 February 2020 | 21,024 |
| Carrying amount | |
| At 27 February 2020 | 21,024 |
| At 28 February 2019 | 21,024 |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

14 Investments (continued)

Details of the Company's subsidiaries, which are directly held, as at 27 February 2020 are as follows:

| Name of subsidiary | Principal activity (Class of shares held) | Country of incorporation and registered office | Proportion of ownership interest and voting rights held | |
|--|--|---|---|-------|
| | | | 2020 | 2019 |
| Advisebegin Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Alastair Campbell & Company Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Autumn Days Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Finite Hotel Systems Limited | Dormant (A Ordinary £1.00 & B Ordinary £1.00) | England | 100% | 100% |
| Forest of Arden Golf & Country Club Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Gable Care Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| James Bell & Company Limited | Dormant (Deferred ordinary £0.25 & Ordinary £0.01) | England | 100% | 100% |
| Kingsmills Hotel Company Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Lambtons Ale Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Leisure and Retail Resources Limited | Dormant (Ordinary £1.00) | England | 99.6% | 99.6% |
| London International Hotel Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Lorimer & Clark Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Meon Valley Golf & Country Club Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Morris's Wine Stores Limited | Dormant (Ordinary £1.00) | England | 99.6% | 99.6% |
| Norseman Lager Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Percheron Properties Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Respotel Limited | Dormant (Ordinary £2.00) | England | 100% | 100% |
| S.H. Ward & Company Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Small & Co. Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Spring Soft Drinks Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

14 Investments (continued)

| | | | | |
|--|---|---------|------|------|
| Square October 1 Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Square October 2 Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Square October 3 Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| St Andrews Homes Limited | Management of claims in relation to property contracts (Ordinary £1.00) | England | 100% | 100% |
| Summerfields Care Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Swift (Lurchrise) Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Swift Hotels (1995) Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Swift Hotels (Management) Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Swift Inns and Restaurants Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Swift Profit Sharing Scheme Trustees Limited | Dormant (Ordinary £1.00) | England | 50% | 50% |
| Swift Quest Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Tewkesbury Park Golf and Golf Club Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| The Four Seasons Hotel Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Whitbread (G.C) Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Whitbread Sunderland (1995) Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| Whitbread Sunderland Limited | Dormant (Ordinary £5.00) | England | 100% | 100% |
| Whitbread Sunderland 2 Limited | Dormant (Ordinary £1.00) | England | 100% | 100% |
| W. M. Darley Limited | Dormant (Ordinary £1.00, Preference £1.00 & Preferred ordinary £0.01) | England | 100% | 100% |
| W. R. Wines Limited | Dormant (Deferred £1.00 & Ordinary £0.01) | England | 100% | 100% |

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

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

15 Inventories

| | 27 February 2020 £ 000 | 28 February 2019 £ 000 |
|-------------------------------------|---------------------------------------|---------------------------------------|
| Finished goods and goods for resale | <u>15</u> | <u>-</u> |

16 Trade and other receivables

| | 27 February 2020 £ 000 | (As restated) 28 February 2019 £ 000 |
|---|---------------------------------------|---|
| Trade receivables | 121 | - |
| Amounts owed by group undertakings | 179,262 | 173,065 |
| Total current trade and other receivables | <u>179,383</u> | <u>173,065</u> |
| Total receivables | <u>179,383</u> | <u>173,065</u> |

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

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

17 Leases

Leases included in creditors

| | (As restated) | |
|--|------------------------------|------------------------------|
| | 27 February 2020 £ 000 | 28 February 2019 £ 000 |
| Current portion of long term lease liabilities | - | - |
| Long term lease liabilities | 518 | 511 |

Lease liabilities maturity analysis

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

| | 27 February 2020 £ 000 | 28 February 2019 £ 000 |
|--|------------------------------|------------------------------|
| Less than one year | 59 | 59 |
| 1-5 years | 236 | 236 |
| More than 5 years | 6,584 | 6,626 |
| Total lease liabilities (undiscounted) | <u>6,879</u> | <u>6,921</u> |

Total cash outflows related to leases

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

| | 27 February 2020 £ 000 | 28 February 2019 £ 000 |
|-------------------------|------------------------------|------------------------------|
| Payment | | |
| Right of use assets | 17 | 1 |
| Interest | 59 | 59 |
| Variable lease payments | 2 | 1 |
| Total cash outflow | <u>78</u> | <u>61</u> |

18 Trade and other payables

| | 27 February 2020 £ 000 | 28 February 2019 £ 000 |
|------------------|------------------------------|------------------------------|
| Trade payables | 238 | - |
| Accrued expenses | 106 | - |
| Other payables | 46 | - |
| | <u>390</u> | <u>-</u> |

Whitbread Hotel Company Limited

Notes to the Financial Statements for the Year Ended 27 February 2020 (continued)

19 Share capital

Allotted, called up and fully paid shares

| | 27 February 2020 | | 28 February 2019 | |
|---|-----------------------------|---------------|-----------------------------|---------------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| 150,057,127 Ordinary shares of £0.10 each | <u>150,057</u> | <u>15,006</u> | <u>150,057</u> | <u>15,006</u> |

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

20 Related party transactions

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(8(k)) not to disclose transactions with other wholly owned group companies.

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

21 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.

22 Events after the balance sheet date

Subsequent to the year end, as a result of the COVID-19 pandemic, the Company closed its hotel on 23 March 2020 and subsequently reopened on 13 July 2020. Despite the mitigating actions the Company is taking, the closure of its hotel will result in a material reduction in revenue for the financial year ending 25 February 2021.

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.