Registration number: 05137608

Premier Inn Hotels Limited

Annual Report and Financial Statements

for the Year Ended 2 March 2023

Premier Inn Hotels Limited

Contents

Premier Inn Hotels Limited

Company Information

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

Premier Inn Hotels Limited

Strategic Report for the Year Ended 2 March 2023

The directors present their strategic report for the year ended 2 March 2023.

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 and Beefeater, with a strong FY23 performance that exceeded pre-pandemic levels.

The Group's unique vertically integrated operating model gives it a sustainable platform to outperform in the structurally attractive markets in which it operates, built on its scale, brand strength, direct distribution and its leading customer offering. The Group has a long track-record of generating a strong return on capital for its shareholders, all the while staying true to its Force for Good ambitions.

The Group's trading momentum in the UK continues to be strong as it enters the year ahead.

The Group's strategy is to provide sustainable long-term value for its shareholders by growing its successful hotel and restaurant brands in structurally appealing markets, whilst delivering an attractive return on capital. The Group's strategic priorities are: to continue to grow and innovate in the UK and take market share; and to enhance its capabilities to support long-term growth.

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

	Units	2023	2022	Change %
Revenue	£m	1,211	773	56.7
Operating profit	£m	487	241	101.9
Operating profit excluding adjusting items	£m	447	187	138.7

Company revenue was £1,210.8m (2021/22: £772.8m). Operating profit for the year was £486.6m (2021/22: profit of £241.0m) and operating profit before adjusting items for the year was £446.8m (2021/22: profit of £187.2m).
The strong performance during the year was driven by increased occupancy, higher average room rate ('ARR') and estate growth.
As at 2 March 2023, net assets were £1,312.5m (2022: £1,001.5m).

As set out in note 6, adjusting items comprise of:
• Net impairment reversal of £36.7m.
• Profit on disposal of property, plant and equipment of £3.0m.

The financial year represents 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

Principal risks and uncertainties

Risk Uncertain economic outlook: Uncertain UK economic outlook with the threat of a recession which is deep and prolonged, exacerbated by the impact from wider macroeconomic trends and current geopolitical conflicts. This is resulting in changeable demand; weak public and consumer confidence; reduced international travel; structural and significant inflation widely impacting our cost base across the business; and the potential inability to meet customer demand. Overall, causing declining cash flows, significant supply chain disruption, impact on property valuations, increasing quantum and cost of borrowing and a strain on balance sheet strength.
Mitigation › We currently have a strong balance sheet with substantial liquidity and a large freehold property base, giving us the option to enter into sale and leaseback agreements if required.
› We continue to make good progress with our efficiency programme and rolling utilities hedging, to offset inflationary pressures and maintain rigorous discipline over our capital and cost spend.
› We have updated our supplier base to include more local suppliers and opened new warehousing in Germany to minimise supply chain disruption.
› There is a rigorous business planning process in place which considers many scenarios with appropriate responses.

Risk Cyber and data security: Businesses continue to be subject to continuously evolving methods of cyber-attack. Data breaches or operational disruption caused by malware such as ransomware, can result in a loss of brand trust, regulatory fines and an adverse impact on the value of the business.
Mitigation › We have a specialist team and robust Information Security Management in place with a wide range of proactive and reactive security controls 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 with regular internal and independent external review of control effectiveness and Information Security maturity.
› Our mature risk process and proactive threat modelling and monitoring allow us to identify and address threats at the earliest opportunity.
› We have solid compliance foundations across all countries for data protection and effective collaboration between Information Security and Data Protection teams to minimise data risks and ensure compliance with GDPR.
› All IT change and engineering has Information Security built in by design.

Risk Technology-led business change and interdependencies: The risk that we are unable to successfully deliver major transformational programmes particularly under time bound pressures and realise benefits due to high volume of change. This particularly refers to the replacement of the legacy reservation system in year at a significant pace, our systems networks across the estate, other commercial and people technology driven transformation programmes whilst embedding new teams and ways of working.
Mitigation › To help ensure the successful delivery of change projects, we have enhanced internal project delivery expertise and capability and a robust assurance management framework. This is coupled with regular reporting and discussion at the Risk Working Group, Executive Committee and Board.
› Utilisation of specialist technology third parties and subject matter experts to provide further independent assurance.

Risk Increased and extended focus on food and beverage proposition in Restaurants: There is a risk that the current divergence in performance of accommodation and food and beverage drives a disproportional focus in restaurants by the business. The pub restaurant market continues to be highly competitive, with headwinds from inflation and the cost-of-living impact on demand yet to be fully understood. This also highlights an opportunity to focus on the value-led consumer and to continue to benefit from the Premier Inn customer to drive incremental RevPAR.
Mitigation › New menus and propositions including revenue opportunities from focus on daypart trading and premiumisation, and improvement of guest experience by integrating ground floor spaces.
› Better buying with supply chain and procurement targets.
› Brand-led initiatives and focus on key events.
› Extensive market research and customer feedback.
› Rejuvenation of brands and associated marketing to optimise spend.

Risk Talent, attraction, and retention: The risk of structural changes to the macro labour market where the hospitality sector is considered a less attractive employer, compounded by immigration regulations for specific roles such as chefs and housekeeping and real cost-of-living pressures, along with the transferability of functional expertise especially in the Technology and Digital areas, which could lead to a smaller talent pool and low levels of diversity in the senior leadership team resulting in significant cost inflation and potential disruption.
Mitigation › The success of our businesses would not be possible without the passion and commitment of our teams. Therefore, team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement, along with driving our diversity and inclusion strategy.
› Team retention is a key component of our WINcard and Annual Incentive Scheme, with long-term incentive schemes in place for senior team members and an ongoing review of high-risk areas such as IT and Digital remuneration. We regularly benchmark our reward packages against the market and have targeted pay interventions around skills hotspots.
› We have invested significantly in our Direct Hire Resourcing team, optimised the model and continue to drive employer presence with a specific focus on youth.

Risk Third-party arrangements: Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including IT, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption.
Mitigation › We continually review our suppliers and business continuity arrangements, with demand planning and enhanced supplier performance monitoring allowing proactive action when required.
› We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored through our supplier management arrangements.
› We have business continuity plans in place for all critical suppliers.

Risk Structural shifts and threat from disruptors: This risk is particularly focused on customer demand and the Premier Inn brand strength. The potential for disruptors to exploit current consumer price sensitivity due to the cost-of-living crisis along with the permanent or long-term structural shift in working practices, utilising online meeting technology and the reduction in international travel resulting in a loss of market share. The combined impact of these factors presents a risk to returns, cash flow and property asset valuations, particularly of sites located in metropolitan areas.
Mitigation › We perform extensive scenario modelling, fed by regular competitor and market analysis, allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward.
› We have Customer and Trading Committees which track Brand Index, NPS, customer satisfaction and feedback, and we are continually improving our digital marketing to both leisure and business to business customers.
› We are continually optimising the customer proposition around our estate, upgrading rooms and churning suboptimal sites.
› We are also taking a cautious approach to further expansion, beyond our existing pipeline, slowing signing of new sites in the UK until the environment is more certain, with our focus shifting to lower risk market share trading initiatives.

Risk Extended stagnation of the UK property market slows UK growth: The stagnation in the UK property market continues for longer than expected and impacts our ability to maintain the UK pipeline, putting pressure on our returns and UK growth in subsequent years.This is driven by the slowdown in developer-led opportunities, due to weak sentiment and possible fall in value of land; construction inflation; increased cost of debt; and investment yields.Whitbread could potentially take on a risk premium to acquire sites by assuming a future value from sale and leaseback arrangements.Opportunities may become available due to less competition to buy land and to build out, or developers may look to release properties in the short term.
Mitigation › Strong financial covenants make us more attractive to investment funds as a preferred hotel tenant.
› Experienced and well-networked Property team.
› Robust capital investment framework with updated analysis, including yield ranges (+/-50bps) to support decisions.
› Sale and leaseback yields tested with continual monitoring of the market.
› Solid committed pipeline of 7,425 rooms across 40 hotels.

Risk Health and safety: Adverse publicity and brand damage due to death or serious injury as a result of Company negligence or a significant incident resulting from food, in particular the risk from allergens, fire, terrorism or another safety failure. This could be due to a failure in safety standards, building standards, supply chain provenance, responsible sourcing, poor hygiene standards or a direct targeted terrorism attack, all of which could lead to adverse publicity, brand damage and sudden or prolonged downturn in demand in key markets and locations.
Mitigation › The safety of our guests and employees is of paramount importance. NSF, an independent specialist, undertakes unannounced health and safety audits on sites, covering food, fire, and general health and safety requirements.
› We have robust fire safety policies, procedures and training for our team members. We work closely with independent fire safety consultants, regarding fire safety in our hotels.
› We have stringent food safety and sourcing policies with robust traceability and testing requirements in place in respect of meat and other products. We invest considerable resources in employee training along with allergen information which is also made easily accessible both online and at sites.
› Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Risk Working Group, the Executive Committee and the Board.
› We invest in ongoing site level training to help identify hostile reconnaissance activities or potential terrorism, and to ensure we have an appropriate response should such events take place. The executive team also holds crisis management exercises to ensure we are prepared for such events.

Risk Environmental, Social and Governance ('ESG'): As a business, we have an impact on and are impacted by a wide range of environmental issues, such as an inability to meet carbon targets, natural resource scarcity, and social trends such as veganism. There is uncertainty as to how these collective risks will evolve and the expectations of our wide stakeholder group to deliver on our commitments and embed them within the business model wholly could impact our reputation and performance.There is also the risk of an issue within the supply chain materialising which is unethical or lacks traceability, which would impact our sustainability credentials.
Mitigation › Our Taskforce on Climate-related Financial Disclosures ('TCFD') response helps us to identify and assess key risks, opportunities and impacts of climate change to the business.
› Our Force for Good programme covers large aspects of our ESG agenda, with targets around emissions, food waste, and single-use plastics, ensuring our accountability for positive change.
› We continue to manage and monitor the use of proceeds against the projects outlined in our Green Bond Framework. The proceeds have been allocated against our green energy, sustainable procurement, and green building projects.
› We champion inclusivity and improving diversity across the organisation and have set eight diversity and inclusion targets to ensure our teams feel supported and engaged as part of this process.
› Regular ethical supplier audits combined with our responsible sourcing policies and initiatives ensure ethical end to end buying.

Corporate Governance
The Company has not applied a corporate governance code, as the ultimate parent undertaking, Whitbread Plc applied the UK Corporate Governance Code and this was applied throughout the Group.
The following section 172 statement explains how the Group's governance arrangements have been applied to the Company. Refer to the Group's section 172 statement on page 54 and details of stakeholder engagement on pages 55 to 58 of the Whitbread Annual Report and Accounts 2022/23.

Section 172 statement
In accordance with section 172 of the UK Companies Act 2006, in its decision making, the Board considers the interests of the Group's employees and other stakeholders.

Maintaining and developing positive relations with all stakeholders who may be impacted by the decisions the Board makes is a critical factor in ensuring long-term sustainable success for the business. Stakeholder engagement is central to the formulation and delivery of the Group's strategy.

The directors understand the importance of taking into account the views of all relevant stakeholders and consider the impact of the Company's activities on the communities in which Whitbread operates, the environment and the Group's reputation. In its decision making, the directors also consider what is most likely to promote the success of the Group for its stakeholders in the long term.

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company and the wider Group. 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 Chief Financial Officer's report gives details on recent interactions with shareholders and Pension Trustees discussions, and qualitative feedback on specific concerns.
• The Chief People Officer's report gives details of all relevant employee-related matters, including feedback from the 'Our Voice' forums.
• The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste. It also includes best practice guidance on section 172 compliance.
• The Chief Executive's report gives details of any relevant interaction with Government or regulators, and key issues with suppliers and landlords.

Approved by the Board on 27 July 2023 and signed on its behalf by:

Daniel Levere

D Levere
Director

Premier Inn Hotels Limited

Directors' Report for the Year Ended 2 March 2023

The directors present their report and the financial statements for the period from 4 March 2022 to 2 March 2023.

Principal activity
The principal activity of the company is to operate Premier Inn hotels and branded restaurants.

Directors of the Company
The directors who held office during the year and to the date of signing were as follows:

H Patel (resigned 21 March 2022)

S Ewins

S Jones

D Levere (appointed 21 March 2022)

Dividends
The directors do not recommend payment of a dividend for the year (2022: £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 2 March 2023 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 2 March 2023 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 and branded restaurants.

Going concern
The Company has access to considerable financial resources and, as a consequence, the Directors believe that the Company is well placed to manage its business risk.

The accounts have been prepared on the going concern basis on the grounds that the parent company has confirmed its current intention to provide support so the Company may continue operations for the next twelve months from the date of the approval of these accounts. Further details may be found in Note 2 of these financial statements.

Financial risk management

Liquidity risk
The Company has policies in place to manage its liquidity risks which relate to its ability to pay its trade and other payables, as well as its lease liabilities. In addition, it is party to the intercompany indebtedness agreement with Whitbread Group Plc, which provides access to funds if necessary.

Credit risk
The Company is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the balance sheet date.

Events after the balance sheet date
There were no significant events after the balance sheet date which would require disclosure in these accounts.

Streamlined Energy and Carbon Reporting (SECR)
This Company is exempt from the requirements of Streamlined Energy and Carbon Reporting (SECR) Statutory Instrument: 2018/1155 through virtue of it being a subsidiary consolidated into Whitbread PLC which discloses the information required by SECR.

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

Approved by the Board on 27 July 2023 and signed on its behalf by:

Daniel Levere

D Levere
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 2 March 2023 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 24.

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.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the relevant controls relating to the Group's budgeting and forecasting process;
- Obtaining an understanding of the current economic market conditions relating to the Group's market;
- Verifying the mechanical accuracy of the models used to prepare the Group's forecast;
- Challenging, with reference to external data, recent performance and historic forecasting accuracy, the key assumptions underpinning the Group's forecasts;
- Considering and challenging the mitigating actions available to the Group;
- Considering and challenging the impact of the proposed dividend payment on the Group's going concern assessment;
- Assessing the sufficiency of the Group's disclosure concerning the adoption of the going concern basis of accounting; and
- Assessing the liquidity positions of the entities as well as the trading performance for each of the entities for the first quarter of the year.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's Responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team as well as our Tax and Impairment specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the company's impairment review. Under IAS 36 Impairment of Assets, the company is required to complete an impairment review of its site portfolio where there are indicators of impairment or impairment reversal. In the current year, accommodation sales have significantly increased compared to the prior year, whilst Food and Beverage ("F&B") sales are yet to recover to the levels achieved before the COVID-19 pandemic. There is uncertainty in the macroeconomic environment which has driven higher market interest rates and subsequently led to an increase in market-based discount rates. There is judgement and complexity in the cash flow forecasting and in the determination of the WACC assumption. We have therefore identified a fraud risk in this area. The additional procedures performed to address the specifically identified fraud risk include:

- assessing the appropriateness of the valuation methodology, as well as inputs to these, with engagement from our specialists;
- assessing the appropriate discount and long-term growth rates; and
- assessing significant judgements adopted by management in relation to the future growth profile of sites which have not yet reached maturity.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report.

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.

Emma O'Keefe

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Emma O'Keefe (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

27 July 2023

Premier Inn Hotels Limited

Income Statement for the Year Ended 2 March 2023

	Note	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Revenue	4	1,210,845	772,806
Operating costs		(765,005)	(610,442)
Other operating income	5	956	24,830
Adjusting items	6	39,772	53,791
Operating profit	6	**486,568**	**240,985**
Finance income	7	1,268	60
Finance costs	8	(107,487)	(109,110)
Profit before tax		**380,349**	**131,935**
Tax expense	11	(69,378)	(15,642)
Profit for the year attributable to the equity shareholder of the company		**310,971**	**116,293**

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 20 to 44 form an integral part of these financial statements.

Premier Inn Hotels Limited

(Registration number: 05137608)
Statement of Financial Position as at 2 March 2023

	Note	2 March 2023 £ 000	3 March 2022 £ 000
Assets			
Non-current assets			
Intangible assets	12	8,013	8,023
Property, plant and equipment	13	1,665,666	1,607,227
Investments	14	60,475	45,528
Deferred tax assets	11	281	2,689
Right of use assets	15	1,941,495	1,856,942
		3,675,930	3,520,409
Current assets			
Inventories	16	3,171	2,701
Trade and other receivables	17	135,417	24,558
Cash and short-term deposits		3,531	7,373
		142,119	34,632
Assets held for sale	6	906	9,662
Total assets		3,818,955	3,564,703
Liabilities			
Current liabilities			
Trade and other payables	20	(174,973)	(369,874)
Income tax liability	11	(58,747)	(10,498)
Provisions	19	(6,343)	(5,810)
Lease liabilities	18	(78,905)	(74,095)
		(318,968)	(460,277)
Non-current liabilities			
Lease liabilities	18	(2,187,500)	(2,100,167)
Provisions		-	(2,743)
		(2,187,500)	(2,102,910)
Total liabilities		(2,506,468)	(2,563,187)
Net assets		1,312,487	1,001,516

The notes on pages 20 to 44 form an integral part of these financial statements.

Premier Inn Hotels Limited

(Registration number: 05137608)
Statement of Financial Position as at 2 March 2023 (continued)

	Note	2 March 2023 £ 000	3 March 2022 £ 000
Equity			
Called up share capital	21	200,000	200,000
Retained earnings		1,112,487	801,516
Total equity		1,312,487	1,001,516

Approved and authorised for issue by the Board on 27 July 2023 and signed on its behalf by:

Daniel Levere

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Director

The notes on pages 20 to 44 form an integral part of these financial statements.

Premier Inn Hotels Limited

Statement of Changes in Equity for the Year Ended 2 March 2023

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 26 February 2021	200,000	685,223	885,223
Profit for the year	-	116,293	116,293
Total comprehensive income	-	116,293	116,293
At 3 March 2022	**200,000**	**801,516**	**1,001,516**

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 4 March 2022	200,000	801,516	1,001,516
Profit for the year	-	310,971	310,971
Total comprehensive income	-	310,971	310,971
At 2 March 2023	**200,000**	**1,112,487**	**1,312,487**

The notes on pages 20 to 44 form an integral part of these financial statements.

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 8.

The financial statements of Premier Inn Hotels Limited for the year ended 2 March 2023 were authorised for issue by the Board of Directors on 27 July 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

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.

2 Accounting policies (continued)

Going concern

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

As at the year end, the Company is in a net current liability position as shown on the balance sheet.The accounts have been prepared on the going concern basis on the grounds that the parent Company has confirmed its current 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 credit risk of Whitbread Group PLC given the reliance of the Company for support in meetings its liabilities as they fall due.

As at 2 March 2023, Whitbread Group PLC had a cash balance of £1,164.8m with available borrowing facilities of £1,775.0m for use in their going concern assessment, of which £1,000.0m had been drawn down. The Group's forecasts indicated that it will continue to have sufficient financial resources, continue to settle its debts as they fall due and operate well within its covenants for at least a period of 12 months from the date of those financial statements, 25 July 2023.

The Directors have performed enquiries with the Directors of Whitbread plc as to whether there have been any significant changes in performance or circumstances that may affect the uncertainties that are relevant to the Company's ability to continue as a going concern during the going concern assessment period.

Based on these enquires and the above, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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:
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018-2020 Cycle

Goodwill

Goodwill arising on acquisition is capitalised and represents the excess of the fair value of consideration over the value of the Group's interest in the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is not amortised but reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

2 Accounting policies (continued)

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.

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 and estimated useful lives 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.

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.

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.

Assets held for sale

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

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.

2 Accounting policies (continued)

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.

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.

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 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.

Government Grants
A Government grant is recognised in the balance sheet within other receivables when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. Grants are recognised within other income in the income statement at a point in time to match the timing of the recognition of the related expenses they are intended to compensate. Where cash is received in advance of the associated conditions being met, the grant is recorded within trade and other payables in the balance sheet.

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.

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.

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

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is included in the Annual Report and Accounts of Whitbread PLC for the year ended 2 March 2023.

The term adjusted profit is not defined under IFRS and may not be directly 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 Group makes certain adjustments to the statutory profit measures in order to derive many of its APMs. The Group'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 Group.

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

• net charges associated with the strategic review of the Group's hotel and restaurant property estate;

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

• significant pension charges arising as a result of the changes to UK defined benefit scheme practices;

• net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value 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 Group's ongoing trading results;

• transformation and change costs associated with the implementation of the Group's strategic IT programme;

• 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; 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.

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee.

Cash and cash equivalents

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.

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.

2 Accounting policies (continued)

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.

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*
The performance of the Group's impairment review requires management to make a number of estimates. These are set out below:

Identification of indicators of impairment and reversal:
The Group assesses each of its CGUs for indicators of impairment or reversal on an annual basis and, where there are indicators of impairment or reversal, management performs an impairment assessment.

Inputs used to estimate value in use:
The estimate of value in use is most sensitive to the following inputs:
• Five-year business plan – forecast cash flows for the initial five-year period are based on the five-year business plan, which is based on results from FY23.

• Discount rate – Judgement is required in estimating the Weighted Average Cost of Capital (WACC) of a typical market participant and in assessing the specific country and currency risks associated with the Group. The rate used is adjusted for the Group's gearing, including equity, borrowings and lease liabilities.

• Immature sites – Judgement is required to estimate the time taken for sites to reach maturity and the sites' trading level once they are mature.

Methodology used to estimate fair value:
Fair value is determined using a range of methods, including present value techniques using assumptions consistent with the value in use calculations and market multiple techniques using externally available data.

Key estimates and sensitivities for impairment of assets are disclosed in Note 13.

4 Revenue

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

	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Sale of food and beverage	209,075	138,353
Sale of accommodation	1,001,770	634,453
	1,210,845	772,806

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

5 Other operating income

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

	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Government grants	-	23,689
Rental income	956	1,141
	956	24,830

During the year, no government support has been claimed or recognised by the Company.

In the prior year, the UK Government provided funding towards the salary costs of employees who were 'furloughed' through the Coronavirus Job Retention Scheme. The scheme rules evolved during the period and remained complex to interpret and apply to the claims. This funding met the definition of a Government grant under IAS 20 Government Grants and a total of £22.1m was recorded within other income. The related salary costs which are compensated by the scheme were included within operating costs in the income statement.

Further, the UK Government also provided grants to support businesses in the retail, hospitality and leisure sector who had been impacted by closures and other restrictions. The Company has recognised nil (2021/22: £1.6m) in other income relating to these grants and no further grants have been received.

In the prior year, the Company also received Business rates Relief which resulted in a reduction in operating costs.

6 Operating profit

Arrived at after charging/(crediting)

	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Cost of inventories recognised as an expense	58,623	33,262
Depreciation expense (Note 13)	70,458	65,094
Amortisation expense (Note 12)	14	34
Foreign exchange losses/(gains)	1	(1)
Variable leases	408	(20)
Adjusting items	(39,762)	(53,791)
Depreciation on right of use assets (Note 15)	95,701	87,461

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 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Net impairment reversal	(36,702)	(26,187)
Profit on disposal of property, plant and equipment	(3,060)	(27,604)
	(39,762)	(53,791)

During the year, the Company identified indicators of impairment and impairment reversals relating to CGU assets held by the Company. An impairment review of those assets was undertaken, resulting in a net impairment reversal of £24.1m (refer to Note 13). This is made up of a net impairment reversal on trading sites of £25.5m and impairment charge in relation to assets held for sale for £1.4m (2022: Impairment reversal of £18.7m). The Company also identified indicators of impairment reversal relating to its Investments in Subsidiaries. An impairment review of those assets was undertaken, resulting in an impairment reversal of £12.6m (2022: £7.5m).

7 Finance income

	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Interest received from group undertakings	-	60
Foreign exchange gains	1,268	-
	1,268	60

8 Finance costs

	Year ended 2 March 2023 £ 000	Year ended 3 March 2022 £ 000
Interest on bank overdrafts and borrowings	3	-
Foreign exchange losses	-	121
Interest payable to group companies	18,182	20,730
Interest capitalised	(166)	(229)
Interest expense on leases	89,468	88,488
	107,487	109,110

9 Staff costs

The Company has no employees (2022: no employees) other than the directors, who did not receive any remuneration (2022: £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.

10 Auditors' remuneration

Fees for the audit of the financial statements for the year of £6,000 (2022: £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 2 March 2023.

11 Taxation

Tax charged/(credited) in the income statement

	2 March 2023 £ 000	3 March 2022 £ 000
Current taxation		
UK corporation tax	59,098	13,844
UK corporation tax adjustment to prior periods	(626)	(3,346)
	58,472	10,498
Deferred taxation		
Arising from origination and reversal of temporary differences	12,654	12,358
Arising from changes in tax rates and laws	(1,975)	83
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	227	(7,297)
Total deferred taxation	10,906	5,144
Tax expense in the income statement	69,378	15,642

The tax on profit for the period is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2 March 2023 £ 000	3 March 2022 £ 000
Profit before tax	380,349	131,935
Corporation tax at standard rate	72,266	25,068
Decrease in current tax from adjustment for prior periods	(626)	(3,347)
Income not taxable	(2,388)	(1,425)
Adjustments to deferred tax charge in respect of prior period	227	(7,297)
Deferred tax (credit)/expense relating to changes in tax rates or laws on opening balances	(1,975)	83
Deferred tax expense relating to changes in tax rates or laws on current year rate differential	3,037	2,551
Other tax effects for reconciliation between accounting profit and tax (income)/expense	(1,163)	9
Total tax charge	69,378	15,642

11 Taxation (continued)

The current rate of corporation tax is 19%. The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. This was substantively enacted in May 2021 and remains the position at the signing of these financial statements. As such, the Company continues to estimate that all UK deferred tax balances expected to be utilised or crystallise after 1 April 2023 should be recognised at the rate of 25%.

The corporation tax balance is a liability of £58.8m (2022: liability of £10.5m).

Tax relief on interest capitalised amounts to £32,000 (2022: £44,000).

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 4 March 2022 £ 000	Recognised in income £ 000	Transfer £ 000	At 2 March 2023 £ 000
PPE and intangible assets	(36,926)	(8,926)	(97)	(45,949)
Deferred capital gains	(38,670)	(3,308)	8,595	(33,384)
Leases	37,814	(712)	-	37,103
Losses	40,471	2,040	-	42,511
	2,689	(10,906)	8,498	281

Deferred tax movement during the prior period:

	At 26 February 2021 £ 000	Recognised in income £ 000	Transfer £ 000	At 3 March 2022 £ 000
PPE and intangible assets	(34,671)	(2,255)	-	(36,926)
Deferred capital gains	(22,588)	(17,764)	1,682	(38,670)
Leases	30,335	7,479	-	37,814
Losses	33,075	7,395	-	40,470
	6,151	(5,144)	1,682	2,689

[1] Amounts shown in the transfer column relate to the transfer of deferred tax balances between Premier Inn Hotels Limited, Whitbread Group Plc and Premier Inn Manchester Trafford Limited.

12 Intangible assets

	Goodwill £ 000	Internally generated software development costs £ 000	Total £ 000
Cost			
At 4 March 2022	10,669	313	10,982
Additions	-	4	4
At 2 March 2023	10,669	317	10,986
Amortisation and impairment			
At 4 March 2022	2,667	292	2,959
Amortisation charge	-	14	14
At 2 March 2023	2,667	306	2,973
Carrying amount			
At 2 March 2023	8,002	11	8,013
At 3 March 2022	8,002	21	8,023

13 Property, plant and equipment

	Land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost			
At 4 March 2022	1,328,037	610,322	1,938,359
Additions	28,614	96,322	124,936
Transfers in	2,180	5,675	7,855
Disposals	(5,843)	(1,427)	(7,270)
Movements to held for sale	(3,507)	(205)	(3,712)
Assets written off	(3,325)	(23,236)	(26,561)
At 2 March 2023	1,346,156	687,451	2,033,607
Depreciation and impairment			
At 4 March 2022	100,534	230,598	331,132
Charge for the period	12,609	57,849	70,458
Eliminated on disposal	(978)	(1,427)	(2,405)
Impairment (reversal)/charge	(7,844)	1,013	(6,831)
Movements to held for sale	(299)	(129)	(428)
Transfers in	920	1,656	2,576
Assets written off	(3,325)	(23,236)	(26,561)
At 2 March 2023	101,617	266,324	367,941
Carrying amount			
At 2 March 2023	1,244,539	421,127	1,665,666
At 3 March 2022	1,227,503	379,724	1,607,227

During the year, the net assets of Premier Inn Manchester Trafford Limited amounting to £5.3m were transferred into the company.

Included above are assets under construction of £77.9m (2022: £53.7m).

Capital expenditure commitments for which no provision has been made amount to £15.5m (2022: £7.5m).

Capitalised interest amounted to £165,992 using an average rate of 2.5% (2022: £229,000 using an average rate of 2.7%).

13 Property, plant and equipment (continued)

Impairment

Property plant and equipment and RoU

The net impairment reversal for the year is £24.1m (2022: Impairment reversal £18.7m). This is broken down as follows:

- £17.1m PPE assets impairment charge from impairment review
- £18.7m ROU assets impairment reversal from impairment review
- £23.9m PPE impairment reversal from impairment review
- £1.4m PPE impairment charge on a site that has moved to assets held for sale

The amount of impairment loss included in the income statement is £18.5m (2022: £12.8m).
The amount of reversal of impairment included in the income statement is £42.6m (2022: £31.5m)

£m	Property, plant and equipment	Right of use assets	Total
Impairment reversal	23.9	18.7	42.6
Impairment charge	(17.1)	-	(17.1)
Net impairment reversal/(charge)	**6.8**	**18.7**	**25.5**

The Company considers each trading site to be a CGU. Where indicators of impairment are identified, an impairment assessment is undertaken. In assessing whether an asset has been impaired, the carrying amount of the site is compared to its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs of disposal.

The Company calculates a value in use (VIU) for each site. Where the VIU is lower than the carrying value of the CGU, the Company uses a range of methods for estimating the fair value less costs of disposal (FVLCD). These include applying a market multiple to the CGU EBITDAR and, for leasehold sites, present value techniques using a discounted cash flow method. Both FVLCD methods rely on inputs not normally observable by market participants and are therefore level 3 measurements in the fair value hierarchy.

The key assumptions used by management in estimating value in use were:

Discount rates

The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The average pre-tax discount rate used is 11.1% (2022: 8.7%). The discount rate has increased, reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for FY23 and applying management's assumptions of the performance of the Group over the next five years. The key assumptions used by management in setting the Board approved financial budgets for the initial five-year period were as follows:

13 Property, plant and equipment (continued)

- Forecast period cash flows: The initial five-year period's cash flows are drawn from the five-year business plan, which is based on results from FY23.
- Forecast growth rates: Forecast growth rates are based on the Group business plan, which includes assumptions around the UK and German economies over the next five years.
- Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost saving initiatives.
- Local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

Long-term growth rates
A long-term growth rate of 2.0% (2022: 2.0%) was used for cash flows subsequent to the five-year approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

The key assumptions used by management in estimating the FVLCD on a market multiple were:

EBITDAR multiple
An EBITDAR multiple is estimated based on a normalised trading basis and market data obtained from external sources. This resulted in a multiple in the range of 7 to 11 times.

Discounted cash flows
The key assumptions used by management in estimating the FVLCD on a discounted cashflow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 11.1% to 12.3% in the UK.

Sensitivity to changes in assumptions
The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge in the year to 2 March 2023 of:

	Property, plant and equipment and right-of use assets (£m)
Increase to impairment charge/(reversal) if year one's cash flows reduced by 10%	0.8
Increase to impairment charge/(reversal) if discount rates increased by 2%	2.1
Increase to impairment charge/(reversal) if long-term growth rates reduced by 1%	2.7
Increase to impairment charge/(reversal) if EBITDAR multiple reduced by 10%	2.9
Decrease to impairment charge/(reversal) if year one's cash flows increased by 10%	(2.0)
Decrease to impairment charge/(reversal) if discount rates decreased by 2%	(8.3)

13 Property, plant and equipment (continued)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

The impairment sensitivities above show the downside risk from a reasonable possible change in the modelled assumptions and are in line with disclosure requirements.

14 Investments

Subsidiaries	Investments in subsidiary companies £ 000	Loans to subsidiaries £ 000	Total £ 000
Cost or valuation			
At 4 March 2022	57,625	10,972	68,597
Additions	-	1,167	1,167
Foreign exchange	-	1,210	1,210
At 2 March 2023	57,625	13,349	70,974
Provision for impairment			
At 4 March 2022	23,069	-	23,069
Provision	(12,569)	-	(12,569)
At 2 March 2023	10,500	-	10,500
Carrying amount			
At 2 March 2023	47,125	13,349	60,474
At 3 March 2022	34,556	10,972	45,528

These investments are directly held by the Company.

Details of the subsidiaries as at 2 March 2023 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 2023	2022
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%

14 Investments (continued)

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 Clapton 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 Right of use assets

	Property £ 000	Total £ 000
Cost		
At 4 March 2022	2,597,322	2,597,322
Additions	162,725	162,725
Termination	(3,788)	(3,788)
At 2 March 2023	2,756,259	2,756,259
Depreciation and impairment		
At 4 March 2022	740,380	740,380
Charge for the period	95,701	95,701
Impairment reversal	(18,702)	(18,702)
Termination	(2,615)	(2,615)
At 2 March 2023	814,764	814,764
Carrying amount		
At 2 March 2023	1,941,495	1,941,495
At 3 March 2022	1,856,942	1,856,942

16 Inventories

	2 March 2023 £ 000	3 March 2022 £ 000
Finished goods and goods for resale	3,171	2,701

17 Trade and other receivables

	2 March 2023 £ 000	3 March 2022 £ 000
Trade receivables	21,121	18,361
Provision for impairment of trade receivables	(344)	(332)
Net trade receivables	20,777	18,029
Amounts due from group undertakings	101,266	-
Prepayments and accrued income	12,298	4,701
Other receivables	1,076	1,828
	135,417	24,558

18 Leases

Leases included in creditors

	2 March 2023 £ 000	3 March 2022 £ 000
Current portion of long term lease liabilities	78,905	74,095
Long term lease liabilities	2,187,500	2,100,167

Lease liabilities maturity analysis

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

	2 March 2023 £ 000	3 March 2022 £ 000
Less than one year	168,389	158,609
1-5 Years	673,070	638,470
More than 5 years	3,092,412	2,994,529
Total lease liabilities (undiscounted)	3,933,871	3,791,608

18 Leases (continued)

Total cash outflows related to leases

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

Payment	2 March 2023 £ 000	3 March 2022 £ 000
Right of use assets	78,627	57,169
Interest	89,468	85,406
Total cash outflow	168,095	142,575

19 Provisions

	Onerous contracts £ 000	Other provisions £ 000	Total £ 000
At 4 March 2022	2,121	6,432	8,553
Increase in existing provisions	306	-	306
Provisions used	(120)	(1,044)	(1,164)
Unused provision reversed	(252)	-	(252)
Decrease from transfers and other changes	(1,100)	-	(1,100)
At 2 March 2023	955	5,388	6,343
Current liabilities	955	5,388	6,343

Onerous contract provisions relate primarily to property where the contracts have become onerous. Provision is made for property-related costs for the period that a sublet or assignment of the lease is not possible.

From FY18–FY20, 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 £6.4m was brought forward in relation to these costs. During the year £1.0m of the provision has been utilised.

The Company utilises the skills and expertise of both internal and external property experts to determine the provision held.

20 Trade and other payables

	2 March 2023 £ 000	3 March 2022 £ 000
Trade payables	8,551	6,811
Amounts due to group undertakings	-	228,737
Accrued expenses	44,222	46,095
Contract liabilities	108,257	77,882
Other payables	13,943	10,349
	174,973	369,874

20 Trade and other payables (continued)

Amounts due to group undertakings are repayable on demand and carry an average quarterly interest rate of 0.8% (2022: 0.8%) based upon the group funding.

21 Share capital

Allotted, called up and fully paid shares

	3 March 2023 No. 000	3 March 2023 £ 000	25 February 2022 No. 000	25 February 2022 £ 000
Ordinary shares of £1 each	200,000	200,000	200,000	200,000

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

22 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 £74.2m. In addition, Premier Inn Hotels Limited is one of the guarantors of a £450.0m unsecured bond issued by Whitbread Group PLC on the 28th May 2015 and two unsecured green use of proceeds bonds issued by Whitbread Group PLC on 20 February 2021 with a total principal value of £550.0m. This bond has a coupon rate of 3.375pct and a maturity of 16th October 2025. It is also one of the guarantors of the Group's £775.0m revolving credit facility which runs until May 2027. The facility is a Multicurrency Revolving Facility Agreement and has variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR. The Company considers it unlikely that it will be called upon to make any payments under these guarantees.

The Company is a guarantor in the Group's defined benefit pension scheme, the Whitbread Group Pension Fund (details of which are disclosed in Whitbread Group plc's financial statements), in the event of default on payments the pension fund can initially call upon security from the Whitbread Group under a legal charge.

23 Related party transactions

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

23 Related party transactions (continued)

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.

24 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, United Kingdom.

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, United Kingdom.