Resilient FY20. Decisive actions to position Whitbread for long-term growth

FY20 performance was in line with expectations with commercial initiatives driving an improved H2. We have taken decisive action in response to the COVID-19 pandemic, to protect our teams, guests and the business. We have enhanced our liquidity position and agreed a range of covenant waivers that mean we are able to withstand many months of our hotels being closed or at low occupancy. We are ready to re-open quickly and safely, and the business is well positioned to return to strength. The Rights Issue to raise £1bn, launched today, will enhance both our financial flexibility and our ability to successfully execute our strategy in the UK and Germany, where we can drive attractive returns on investment in the long-term. Winning business models such as ours are well-placed to thrive as the situation normalises, and our long-term strategy places Premier Inn[1] in a position to succeed.

FY20 Operational Highlights:

- Resilient FY20 performance delivered in-line with expectations; improved UK trading in H2
- Quarterly performance improving sequentially through the year, with Q4 total UK accommodation sales growth 20bps ahead of the market
- Premier Inn customer scores continued to improve demonstrating best-in-class operational performance
- Material acceleration in network growth in Germany – open and committed pipeline now stands at 9,800 rooms across 52 hotels.

COVID-19: Protecting the business through rapid and decisive action

- Robust operational response to protect our teams, guests and the continuity of the business
- All restaurants and the vast majority of hotels closed in the last week of March 2020
- Decisive action taken to reduce cash outflows and further enhance liquidity, including significant reductions in capital expenditure and discretionary spend, voluntary pay cuts for Board and management team and use of UK and German Government support packages
- Dividend payment suspended
- Covenant waivers granted from lenders for 18 months
- Strong balance sheet as we entered FY21; cash of £503m and undrawn Revolving Credit Facility (RCF) of £950m
- Confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF)
- c.27k furloughed staff remain on full pay and full refunds provided for customers
- Supporting the community and national effort by making rooms available to NHS staff and other key workers at selected hotels, passing fleet delivery capacity to supermarkets and donating enough food to make over 335k meals to charities following our restaurant closures.

COVID-19: Positioning the business for a successful recovery

- UK hotels ready to open when the government advises; internal scenarios include the assumption that hotels are closed, or at low levels of occupancy, until September 2020. German hotels re-opened 11 May 2020
- Revised operational protocols tested and working in 39 open hotels. Our operating model ensures strict social distancing, significantly enhanced hygiene standards and specific staff training can be rigorously and consistently enforced across the estate
- Well positioned to return to strength as customers seek value and expected to rely on their most trusted brands
- Flexibility to adapt our operating model in a post-lockdown world:
    - Direct distribution model provides early visibility on consumer behaviour and dynamics, supporting rapid adaptation of the consumer proposition

  - More flexible-rate products launched to provide booking confidence
- Leading brand, network scale, direct bookings, domestic customer bias and value focus will all support a strong return in a weakened competitor environment.

Post COVID-19: Driving long-term value

- Whitbread had significant liquidity as we entered FY21 and the COVID-19 crisis
- Intention to raise £1bn by way of a fully underwritten Rights Issue, alongside 18-month covenant waivers, providing a strong platform for future growth and investment to drive share gains
- In the UK, we will continue to grow and innovate, by leveraging the powerful competitive advantages of our operating model and capitalising on the enhanced structural opportunities that are expected to exist post COVID-19
- In Germany, our aim is for Premier Inn to be the number one budget hotel operator, replicating our UK success story. We will continue to invest in growing our German pipeline and believe we have a long-term line-of-sight to over 60k rooms through both organic and inorganic investment
- Opportunity remains to make value-accretive investment at attractive returns, ensuring Whitbread is well-positioned to resume its long-term growth and value creation when conditions and operations normalise.

Financial highlights

	FY20	FY19[(a)]	*Change*
Statutory revenue[(b)]	£2,072m	£2,049m	*1.1%*
Adjusted EBITDAR†	£753m	£794m	*(5.2)%*
Adjusted EBITDA (Pre-IFRS 16)†	£567m	£626m	*(9.4)%*
Statutory profit before tax	£280m	£218m	*28.4%*
Adjusted profit before tax (Pre-IFRS 16)†	£389m	£432m	*(9.9)%*
Adjusted profit before tax†	£358m	£390m	*(8.2)%*
Statutory profit for the year*	£218m	£177m	*23.2%*
Statutory basic EPS	145.9p	96.7p	*50.9%*
Adjusted basic EPS†	193.6p	172.0p	*12.6%*
Dividend	32.7p	99.7p	*(67.2)%*
Discretionary free cash flow†	£317m	£498m[(a)]	*£(181)m*
Cash and cash equivalents	£503m	£3,403m[(a)]	*(£2,900)m*
Lease adjusted net debt / Funds from operations* (FFO)†	2.6x	(0.4)x	*3.0x*
UK return on capital†	11.2%	13.3%	*(210)bps*
Group return on capital†	9.5%	12.2%	*(270)bps*

(a) FY19 restated for the adoption of a new adjusting items policy where in FY19 IAS19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business, with the exception of discretionary free cashflow and lease adjusted net debt : FFO which include Costa in FY19. Further information can be found in the Notes to the accompanying financial statements

(b) Includes £9m of revenue relating to the transitional service agreement that was in place with Costa (FY19: £2m)

† signifies an alternative performance measure (APM) – see the Financial Review of this statement and Notes to the accompanying financial statements for further details

- Statutory revenue up 1.1% to £2,072m supported by contribution from new capacity and improvement in absolute and relative performance through the second half, despite continued weak market conditions
- Adjusted profit before tax decreased by 8.2% to £358m, as a result of weaker UK travel market conditions, particularly in the regions, the high rate of industry-wide inflation, despite mitigating cost saving actions, and the start-up nature of our German operations

- Statutory profit before tax increased 28.4% to £280m and statutory profit for the year increased 23.2% to £218m primarily due to separation costs incurred in the prior year from the disposal of the Costa business
- Lease adjusted leverage / FFO of 2.6x; significant liquidity with cash on deposit of £503m, undrawn RCF of £950m at the balance sheet date, and currently £600m limit available under the CCFF scheme
- High levels of early investment in Germany (including the cash payment on the last day of the financial year towards the acquisition of the Foremost Hospitality Group) and the weaker UK market conditions driving a reduction in return on capital; remain confident in future performance of recent investments.

Alison Brittain, Whitbread Chief Executive Officer, commented:

"Whitbread delivered a resilient financial performance in FY20 in line with expectations, against a backdrop of low UK business and consumer confidence which particularly impacted the regional hotel market. The commercial initiatives we implemented during H1 helped drive a particularly strong end to the year, when we were trading ahead of the market and achieving very strong guest scores. In Germany, we completed the acquisition of the Foremost Hotels on 28 February 2020, growing the number of open and pipeline hotels to 52.

However, the period after the year-end has been dominated by the impact of the rapidly evolving COVID-19 pandemic. In response, the business took rapid and decisive action to protect our teams and our guests, and to secure our business to ensure that we will be in the best possible position to rebound strongly.

We are pleased to have been able to help in the national effort, by keeping 39 hotels open that are located near hospitals for use by NHS staff and other front-line key workers. We transferred our vehicle delivery capacity to supermarkets to help their supply chains, and also donated over 158 tonnes of food to charities, producing over 335,000 meals for those in need.

I would like to take this opportunity to thank all our employees for their hard work over the last year, and the resilience they have shown in the face of the current very challenging situation. I am extremely proud of, and grateful to, all our teams and in particular those colleagues who have volunteered to work in our open hotels.

Having taken every step we could to ensure that we have the financial capability to withstand the initial period of lockdown, our focus has turned to re-opening and positioning ourselves for a successful recovery. The hotels that we have re-opened in Germany and the UK have given us a head start in implementing new and comprehensive safety, health and hygiene protocols that will give our teams and guests the re-assurance that we can continue to deliver the very high quality standards that they expect from Premier Inn.

Despite the challenges the industry faces, Whitbread's strategy to drive long-term value has not changed and remains compelling. We have a significant opportunity to continue to build out our pipeline in the UK, along with optimising our large network of hotels by investing in upgraded formats such as our Premier Plus rooms, which are proving very popular with both our business and leisure guests. Germany offers an enormous opportunity for structural growth, with a large domestic market and a fragmented and declining independent sector. As a result of the current crisis, we expect there to be an impact on the competitive landscape and to see a material slowdown in the supply of rooms in both our key markets, and potentially an acceleration in the decline of the large independent sector. Our ownership and operating model underpins a winning customer proposition, that we believe will thrive as customers return to travelling domestically and continue to seek value and to rely on their most trusted brands.

Our strong balance sheet has for many years been a source of competitive advantage and has underpinned our long-term success. To enable us to continue to invest with confidence in the compelling structural growth opportunities that we see in the UK and Germany, we are raising £1bn through a fully underwritten rights issue. Optimising the balance sheet in this way will enable the business to be in the best possible position to continue investing and taking market share in our fragmented sector when the current situation normalises.

Whitbread is a strong and much-loved business that has successfully navigated numerous turbulent periods during its proud 278-year history. The combination of the strengths of our people, business model and our brands, alongside a strong balance sheet and the decisive action that we have taken, means that when the COVID-19 situation passes, we will be in a position of strength to continue to increase market share, support our colleagues and guests and create further significant value for shareholders."

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Footnotes and definitions are contained immediately prior to the financial statements.

A webcast for investors and analysts will be made available at 8.15am on 21 May 2020 and will be followed by a live Q&A teleconference at 9:30am. Details of both can be found on Whitbread's website (www.whitbread.co.uk/investors).

†*Alternative performance measures*

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 that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

** Funds from operations (FFO) = Net cash flows from operating activities, adding back changes in working capital, property rent & cash interest*
** Statutory profit for the year is for the continuing business unless specified*

CEO Overview | A business well-placed to withstand turbulent times

COVID-19: Protecting the business through rapid and decisive action

Whitbread was performing well prior to the COVID-19 situation. The business delivered a resilient financial performance during FY20, with performance improving in H2, in particular in Q4 when total accommodation sales growth was 20bps ahead of the market. Statutory revenue grew 1.1% to £2,072m supported by the contribution from new capacity and the improved performance through the second half of the year, despite continued weak market conditions. Adjusted profit before tax decreased by 8.2% to £358m, as a result of low business confidence driving weaker UK travel market conditions, particularly in the regions, the high rate of industry-wide inflation, and the start-up nature of our German operations. Our already high brand strength and guest scores also improved during the year.

Impact on the business to date

Trading in the period subsequent to the year-end has however been materially adversely impacted by COVID-19. In the 11-week period to 14 May 2020, total accommodation and F&B revenues were down 75% year-on-year. Following the closure of all of our restaurants and the majority of our hotel network, on the Government's guidance, at the end of March, total accommodation and F&B revenues were down 99% in the last seven weeks. The COVID-19 situation is rapidly changing, and while we were able to reopen 16 hotels in Germany on 11 May 2020, our internal scenario planning currently assumes that our UK hotels and restaurants will remain closed, or operating at low levels of occupancy, until September. Demand recovery is then expected to be slow as social distancing restrictions are gradually relaxed.

Decisive action to protect the business and preserve cash

The business has a well-developed set of contingency plans. As the global pandemic progressed throughout February 2020, and then rapidly escalated in March 2020, the business deployed its contingency plans in full response to COVID-19. Following the series of Government announcements on social distancing in the week commencing 16 March 2020 and also the further announcements and guidance from the UK Prime Minister on 23 March 2020, the business implemented a range of operational actions to prioritise the safety and well-being of customers and staff, including:

- The temporary closure of all restaurant and pub operations on 21 March 2020
- The temporary closure of the majority of Premier Inn hotels in the UK and Germany, with 39 Premier Inn hotels in the UK remaining open specifically to provide accommodation for NHS staff and other front-line key workers.

We are an operationally leveraged business which benefits us in the good times, but in times like these will result in a material adverse impact on profitability. As previously guided, a 1% fall in RevPAR equates to a £12m-£15m adverse impact on earnings. This increases to £18m when the impact of the closure of restaurants is included and as fixed costs become a higher proportion of the overall cost base at lower revenue levels.

We have therefore taken immediate action to reduce cash outflows during this year:

- All discretionary P&L spend has been eliminated, including our room refurbishment plans, marketing, non-essential training and staff recruitment and the postponement of the previously announced incremental investment of £25m
- We have placed over 27,000 of our employees on temporary furlough, with the Government support package paying up to 80% and a maximum of £2,500 of the furloughed employees' salaries per employee per month

- Capital expenditure will only be incurred for essential hotel maintenance, or where a site is significantly complete, including the refurbishment and rebranding of the acquired Foremost hotels in Germany, and to maintain core IT programmes and infrastructure. After these actions, total capital expenditure for the year is expected to be c.£250m
- Voluntary pay cuts have been taken by the Board and senior management team
- The Board has also decided not to declare a final dividend for the full year FY20 and to suspend future dividend payments until the COVID-19 situation is clearer and when the existing lender covenant waiver period ends.

We will also benefit from the Government's decision to stop the payment of business rates for a 12-month period, which would have cost c.£120m over the year.

Whilst our reaction to the COVID-19 crisis has been robust, our actions have been taken with a view to the long-term impact on the business. We believe it is important to act responsibly in times of crisis and treat our stakeholders fairly. Examples of these actions include:

- Providing full cash refunds to our customers for all cancelled bookings
- Continuing to pay our suppliers, many of which are small or medium sized businesses, in a timely manner, including our March rent being paid on time and in full
- Furloughed staff remaining on full pay, as we pay the additional 20% of salaries on top of the Government furlough credit
- National minimum wage increases made for our hourly paid staff
- Supporting the community and national effort by making rooms available to NHS staff and other key workers at selected hotels, passing fleet delivery capacity to supermarkets and donating over 158 tonnes of food to charities following our restaurant closures
- Reducing Executive and Non-Executive Directors pay and a pay freeze for all other salaried staff.

COVID-19: Positioning the business for a successful recovery

Ready to reopen safely

We tentatively reopened 16 hotels in Germany on 11 May 2020, and our UK hotels and restaurants are ready to reopen when the Government advises. Our internal scenario planning assumes our UK hotels are closed, or at low levels of occupancy, until September 2020. When safe and practical to do so, we are able to reopen each of our hotels and restaurants quickly, in what will be a phased reopening to help match supply against levels of demand.

Our experience in operating the 39 hotels that are currently open for NHS staff has given us a head-start in implementing workable solutions for social distancing and enhanced hygiene measures. These include social distancing signage and protocols, health screening and illness response procedures, correct use and regular changing of PPE equipment and enhanced cleaning standards. Our operating model and end-to-end ownership will ensure that these new standards and ways of working can be rigorously enforced across our entire estate.

Our operational focus prior to, and during, the reopening phase includes increased engagement with our customers to help leverage brand loyalty and emphasise our high standards, maintaining our focus on both B2B and leisure customers, and the active management of our supply chain to ensure we are able to provide a near-full customer offering. We have introduced a wider range of cancellation options into our booking conditions, giving our customers greater confidence when they book. Overall, we believe our leading customer proposition positions us very well to attract customers in a post-lockdown environment, as customers seek value and are expected to rely on their most trusted brands.

Liquidity and balance sheet

Whitbread entered the new financial year with balance sheet headroom, with lease adjusted net debt to FFO of 2.6x, net debt of £323m, substantial liquidity through its accessible cash of £503m and access to an undrawn Revolving Credit Facility of £950m. Subsequently, Whitbread has been confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600m.The business is also backed by a valuable freehold property estate.

Elements of the business' financing are subject to financial covenants. At the year-end, the business had significant headroom to these covenants. However, given that we are not currently able to assess the full year impact of COVID-19, we entered into discussions with lenders and have successfully negotiated waivers for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants, and an 18-month waiver on the current EBITDA related covenants for both the Revolving Credit Facility and the US private placement debt. The arrangements between the Group and the Trustee of the Whitbread Group Pension Fund contain similar financial covenants, in respect of which we have also negotiated an 18-month covenant waiver. The current covenants have been replaced with debt and liquidity tests that are covered in more detail in the Finance Director's review.

Despite all of the mitigating actions the business has taken, in the first half of FY21 Whitbread expects cash outflows of approximately £600m, including operating cash outflows of c.£80m per month during the period of closure or low occupancy, an initial £100m outflow from the refunding of customer deposits, and c.£130m capital expenditure outflows on committed projects including the refurbishment of the Germany Foremost hotels acquired this year. These outflows will be partially offset by approximately £70m-85m of furlough benefits during H1. While the business currently has significant liquidity to withstand a prolonged period of materially reduced or no demand, the impact of COVID-19 will have a significant impact on its profitability, the leverage of the business, and our ability to execute our strategy with confidence. The Rights Issue, announced today, to raise gross proceeds of £1bn is designed to ensure that the business emerges from the COVID-19 pandemic with a strong balance sheet and in the best position possible. The Right Issue proceeds will:

- Help replace the imminent cash outflow resulting from our hotels and restaurants being closed
- Return our balance sheet to a position of strength that will give Whitbread a real competitive advantage
- Allow us to invest with confidence and flexibility in our strategy especially in Germany, opening our committed pipeline in the UK, and keeping our products ahead of the competition
- Provide liquidity headroom in the event of a COVID-19 resurgence.

The Rights Issue is expected to further enhance Whitbread's competitive advantage when others may be financially constrained, enabling the business to leverage the advantages of our ownership and operating model, and to fully capitalise on the compelling structural opportunities in both the UK and German markets.

Post COVID-19: Driving long-term value

Whitbread's long-term strategy is highly relevant post COVID-19

The impact of COVID-19 will be material on our sector, especially on the significant independent sector and on new branded supply growth. Despite this, Whitbread's long-term strategy for value creation in the UK and internationally remains unchanged and our operating model structurally and competitively advantaged.

Whitbread's vertically integrated model, which combines the ownership of property, hotel operations, brand, and inventory distribution has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders over the last 15 years. The business believes this operating model is the optimal approach to access the growth opportunity in the budget sector.

Whitbread's strategic priorities remain consistent with its proven plan to create sustainable shareholder value over the long-term. Whitbread expects to achieve long-term growth in earnings and dividends, combined with strong return on capital through disciplined execution in three key areas:

- Continuing to grow and innovate Premier Inn in its core UK market, by leveraging the competitive advantages of our operating model and capitalising on the enhanced structural opportunities that are expected to exist post COVID-19
- Focusing on Premier Inn's strengths to grow at scale internationally, by replicating Premier Inn's UK success story in Germany
- Enhancing the capabilities to support long-term growth, by ensuring we have financial flexibility, the appropriate cost-base to reflect the post COVID-19 world, and acting responsibly through our Force for Good programme.

We are confident in our ability to deliver long-term sustainable returns on incremental investment:

- We believe our ability to capitalise on the enhanced structural opportunities that are likely to exist, combined with the competitive advantage of our ownership and operating model, and ongoing initiatives including segmentation and site optimisation, will help offset the adverse impact of a weaker macro-economic environment on demand
- Sector-wide cost headwinds can be countered by the benefits both organic and inorganic growth and an efficiency programme that will ensure the cost base of the business reflects demand.

These factors will enable the business to perform well in the UK and take market share and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, will enable Whitbread to drive long-term value.

Compelling structural growth opportunities

The UK and German markets are characterised by long-term migration from independent to budget branded hotels. Between 2010 and 2019 independent hotels' market share fell 9 percentage points in the UK, while Premier Inn's market share grew from 6% to 11%. Despite this decline, the independents sector still represents 48% of the UK market, and over 70% of the German market. Post COVID-19, the decline in independents' share of the market is expected to accelerate as demand significantly weakens and structural cost pressures persist. Other branded competitors are also likely to be financially constrained. Premier Inn is well-placed to capitalise on the expected contraction in competitor supply and to take market share. Premier Inn will also benefit from its 92%/8% domestic to inbound customer skew, as customers choose more domestic travel both through choice and as a result of international travel restrictions.

Operating model is a clear competitive advantage

Premier Inn's vertically integrated model provides a clear competitive advantage, enabling the delivery of a winning customer proposition that will have a strong appeal to customers in a post lock-down and post COVID-19 world. The key components of the model that drive our competitive advantage are:

Brand Strength: Premier Inn is recognised as one of the world's strongest hotel brands, achieving excellent quality and best in value scores[2] in the YouGov Hotel Brand Index survey, ranking in first place for satisfaction, impression, value and likelihood-to-recommend. The strength of the brand makes Premier Inn the first choice for more travellers.

Scale advantage: Our vertically integrated model provides increased control of network planning and property development aspects of our hotel operations. This means we can efficiently access locations where we see opportunities to expand, which has enabled Premier Inn to almost double its number of rooms in the UK since 2010 to become the UK's largest hotel network. We therefore have more hotels in locations where our customers want to stay, and we are able to drive economies of scale by leveraging our scale to keep unit costs low and by rationalising management overheads.

Operational control: Ownership of all aspects of our hotel operations ensures greater control over the customer experience, resulting in a high-quality offering delivered on a relentlessly consistent basis throughout the estate. The offering is also continually evolving through innovative new products such as hub and Premier Plus. The operating model delivers best-in-class operational performance, as evidenced by high staff retention levels and the very high customer satisfaction scores the business regularly achieves.

Direct Distribution: Premier Inn's 97% direct distribution is industry-leading and ensures that Premier Inn's gross RevPAR is the same as net RevPAR achieved after cost of sales, unlike independents or most other brands, which pay high commission rates to third parties such as online travel agents.

Property Flexibility: A willingness to be flexible with respect to freehold or leasehold acquisition ensures new sites are in the best locations and have the optimal size and format. Ownership of around 60% of the hotel estate gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. Further opportunities remain to optimise the network by individual asset, as well as more broadly through catchment optimisation and creating a more optimal portfolio of assets. Whitbread's asset-backed balance sheet also supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Freehold ownership also reduces earnings volatility through the cycle and could provide a flexible source of funding for the future when the market recovers.

These components combine to deliver a winning customer proposition, providing the customer with more choice, value for money, outstanding product quality, excellent customer service and consistently high hygiene standards. Going forward, this offering positions us very well to take market share in a post-lockdown environment, as customers are likely to seek value, quality, and the familiarity of their most trusted brands.

International growth - Germany

Premier Inn's aim in Germany is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the structurally attractive German hotel market. This includes the same flexible approach to property to gain superior site access, encouraging direct distribution and delivering a best-in-class value for money proposition.

The German hotel market is a third larger than the UK and even more fragmented, with almost three-quarters of the market still consisting of small independent operators, which are experiencing a structural decline to the benefit of branded hotels. Despite this, the branded budget hotel sector still only represents a 9% market share, compared to 28% in the UK, as franchise operators have historically struggled to expand with limited property financing options available. Consequently, Premier Inn's vertically integrated model and willingness to invest capital in expansion provides a strong advantage in the budget market, supported by replicating the strong quality and value credentials from the UK. As in the UK, the impact of COVID-19 is expected to accelerate the decline of independents, and the post COVID-19 environment is likely to present greater opportunities to invest in or acquire assets that will deliver strong returns in the long-term.

Premier Inn's rate of expansion in Germany has materially accelerated over the last six months, culminating in the completion of the acquisition from the Foremost Hospitality Group on 28 February 2020 which had 13 open hotels (with an additional 6 hotels in the committed pipeline). The open and committed pipeline in Germany now stands at almost 10,000 rooms across 52 hotels. At the end of FY20, 6 hotels were open and all performing ahead of expectations. Despite COVID-19, we were able to refurbish and rebrand 10 of the acquired hotels during the lock-down period, and opened these hotels, alongside the reopening of the 6 already operational hotels, on 11 May 2020.

While the pace of our organic and acquisitive growth in Germany is expected to slow temporarily in response to COVID-19, given the scale and characteristics of the German hotel market, together with the performance of our open hotels in Germany to date, we remain focused on continuing our expansion in Germany in the medium-term.

Efficiencies

In 2016, Whitbread began a five-year programme to generate £150m of efficiency savings and mitigate inflationary cost pressures. This ambition was achieved in less than three years from a combination of procurement benefits and shared services, across both Premier Inn and Costa. Following the successful early delivery of this programme, and the continued high inflation rates in our sector, Whitbread stated that its new target was to generate £220m of operating expenditure and capital expenditure savings during FY20, FY21 and FY22. £45m of this operational efficiency savings was delivered in FY20. This efficiency programme will now evolve as the Group considers further cost reductions as it responds to COVID-19 and to drive longer term efficiency savings once the market starts to recover.

A Force for Good

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates, by supporting its guests, local communities, team members and suppliers to live and work well. The 2019 Dow Jones Sustainability Index (DJSI) score ranked Whitbread as second in the European Travel & Leisure industry, for the second year in a row. Whitbread also qualified for inclusion in the Sustainability Yearbook 2020. These are excellent results that highlight our commitment to become a more sustainable business.

In the current COVID-19 situation, we have been able to help in the national effort by keeping hotels open that are located near hospitals for use by NHS staff and other front-line key workers. We also transferred our vehicle delivery capacity to supermarkets to help their supply chains, and we have donated over 158 tonnes of food to charities, producing c.335,000 meals, following our restaurant closures.

Whitbread's 'Opportunity' strategy aims to provide all employees with a platform to reach their full potential. This includes removing barriers to entry and promoting inclusivity and diversity throughout the organisation, as well as leading training and development schemes. Investment continues in the Whitbread apprenticeship programme with the creation of more than 4,500 apprenticeships since 2014/15.

Through the 'Community' strategy, Whitbread has supported Great Ormond Street Hospital since 2012 with £7.5 million raised towards the Premier Inn Clinical Building which opened in 2018. A further £10 million pledge was made and raised towards a new state of the art Sight and Sound Centre due to open in 2020, which will provide a world-class facility for children with sight and hearing problems.

Whitbread's nutrition strategy supports the Government's aims to tackle childhood obesity. Customers are provided with informed menu choices and progress towards Public Health England's sugar reduction target of 20% by 2020 is well underway. So far, Beefeater has achieved 29% and Brewers Fayre 34% sugar reductions in their desserts range.

As part of Whitbread's commitment to operate in a responsible way, we have set stretching sustainability targets including the removal of all single use plastics by 2025 and a 50% reduction in food waste by 2030. All Premier Inn owned hotels and restaurants in the UK are powered by 100% renewable energy, and over 20% of hotels have electricity generating solar panels. Premier Inn's operating model enables us to take meaningful actions consistently across the entire network, and we are the largest hospitality company in Europe to set a science-based carbon reduction target that will see the business reduce its carbon emissions by 50% by 2025, having already reached a 39% reduction against this target.

Operating a traceable and sustainable supply chain is vital for the hospitality industry and Whitbread has been recognised by NGO Development International as the leading accommodation provider in the FTSE 100 for compliance and conformance with the UK Modern Slavery Act and good practice in human rights.

Outlook for FY21

Given the unprecedented situation and the material adverse impact on revenues to date, it is not currently possible to confidently assess the full-year impact on the business' revenues. Our internal scenario planning assumes that our UK hotels and restaurants will remain closed, or operating at low levels of occupancy, until September. Demand recovery is expected to be slow as social distancing restrictions are gradually relaxed.

The approximate expected impact of both the self-help measures the business has implemented and Government support measures are summarised in the table below.

		Previous guidance[a]	**Updated guidance**
Sales	Total RevPAR† pp change	1% = £12-15m PBT (based on total RevPAR, excluding restaurants	1% = £18m PBT including restaurants
Cost *(includes savings from gov support schemes)*	Inflation / one-off investment /efficiencies / cost reductions	(£60)m	Significant reduction in discretionary spend offsetting inflationary headwinds
	Business rates holiday[b]	-	c.£120m
	Job retention scheme grant[b]	-	£70-85m during H1 FY21
Capital	Capital spend – development	c.(£300)m	c.(£180)m
	Capital spend – refurbishment/R&M	c.(£150)m	c.(£70)m

Dividend	Dividend	-	Future dividend payments suspended until COVID-19 situation is clearer and lender covenant waivers end

(a) 16 January 2020 (b) Government support scheme

COVID-19 is expected to result in a very material loss of revenue during FY21 and, despite the actions the Group is taking, this is likely, given the Group's high fixed and semi-variable costs, to have a material impact on earnings which may result in the Group not making any profit during the financial year, with the clear possibility that it is materially loss-making during that period. As a result, FFO leverage ratio is expected to increase significantly.

The greater impact on PBT for every 1% of RevPAR compared to previous guidance is due to the inclusion of the impact from restaurants and the higher proportion of fixed costs at the expected lower occupancy levels.

In the first half of FY21, operating cash outflows of c.£80m per month are expected during the period of closure or low occupancy. In addition, in H1 the business will incur an initial £100m outflow from the refunding of customer deposits, and c.£130m capital expenditure on committed projects including the refurbishment of the acquired Foremost sites in Germany. These outflows will be partially offset by approximately £70m-85m of furlough benefits during the period to the end of August.

While the near-term outlook is uncertain, we believe the business is well-placed to overcome these challenges. We entered the year with leverage headroom and significant liquidity, and have taken decisive action to protect cash flows and further augment liquidity through access to CCFF funds. These measures and the Rights Issue announced today will ensure our balance sheet is optimised for growth in the post COVID-19 environment. A strong financial position combined with our leading operating model and the power of our brands, means that when the market starts to recover, we will be in the best possible position to take advantage of any supply weaknesses that may exist post COVID-19, driving both profitability in the UK and fast growth in Germany. We are confident in our ability to drive attractive returns on investment in the long-term, and winning business models such as ours are well-placed to thrive. Our long-term strategy places Premier Inn in a position to succeed.

FY20: Whitbread was performing well prior to the COVID-19 situation: Financial performance in FY20 was resilient with a strong end to the year

The business delivered a resilient financial performance during FY20, with performance improving in H2 and in particular in Q4 when total accommodation sales were 20bps ahead of the market. Statutory revenue grew 1.1% to £2,072m supported by the contribution from new capacity and the improved performance through the second half of the year, despite continued weak market conditions.

Over the year, the UK regional market was challenging, with Brexit uncertainty leading to declines in business and consumer confidence, in-turn driving lower demand for short-stay, domestic travel. Premier Inn's performance was impacted more than the market, reflecting a higher regional presence and a higher proportion of domestic and business customers. The London market was strong, with Premier Inn's total accommodation sales growth outperforming the market in London during the second half of the year.

Adjusted profit before tax decreased by 8.2% to £358m, as a result of the weaker UK travel market conditions, particularly in the regions, that tracked low business confidence following protracted

Brexit negotiations. We also experienced a high rate of industry-wide inflation, that we partially mitigated with our cost saving actions including the delivery of approximately £45m of cost efficiencies, and additional costs in Germany as we expanded our operations. Statutory profit before tax increased 28.4% to £280m and statutory profit for the year increased 23.2% to £218m primarily driven by the prior year including £172m of adjusting items, mostly relating to the cost incurred in the disposal of Costa.

Return on capital for the UK of 11.2% was 210bps lower than last year due to the weaker UK market and sector-wide inflationary pressures. Ongoing significant capital investment in Germany, including the cash payment on the last day of the year for the acquisition of the Foremost Hospitality Group, resulted in a total Group return on capital of 9.5%, 270bps down from last year. At the year end, Whitbread had 6 open hotels in Germany (4 of which opened during the year) with total invested capital of around £350m including £170m paid to date for the Foremost acquisition.

Premier Inn UK | *Resilient performance with commercial initiatives driving improved H2*

- Total UK adjusted revenue up 0.4% to £2,050m driven by capacity additions and improved performance
- Commercial initiatives including improved yield management, the opening of over 500 Premier Plus rooms and B2B targeting starting to improve performance, particularly in H2
- Industry-leading direct distribution rate of 97%
- Capacity additions (2,906 rooms added) and weak market resulting in a reduction in occupancy.

Premier Inn UK estate metrics[a]

	FY20	FY19	*Change*
# hotels	821	804	*2.1%*
# rooms	78,547	76,171	*3.1%*
Direct booking	97%	97%	-
Occupancy	76.3%	77.9%	*(160)bps*
Average room rate	£61.50	£62.91	*(2.2)%*
Revenue per available room†	£46.91	£49.00	*(4.3)%*
Total accommodation sales growth	(0.1)%	3.5%	
Like-for-like accommodation sales growth	(2.4)%	(0.6)%	
Total food & beverage sales growth	1.3%	(0.3)%	
Like-for-like food & beverage sales growth	(0.3)%	(2.0)%	
UK return on capital	11.2%	13.3%	*(210)bps*
Committed pipeline (rooms)	13,011	12,996	

(a) Includes one site in each of: Jersey, Ireland & the Isle of Man

Premier Inn UK total accommodation sales declined by 0.1% driven by weak regional market conditions, mostly offset by the contribution from capacity additions. A decline in like-for-like accommodation sales was driven by a combination of both lower occupancy and a lower average room rate. The weakness in business and leisure consumer demand persisted throughout FY20, especially in the regions, where total accommodation sales declined by 1.6% and RevPAR declined 5.3%. In London, Premier Inn's total accommodation sales growth was good at 5.2%, driven by over 30% capacity growth over the last three years, which continues to mature.

Premier Inn's performance versus the market improved throughout FY20, as the positive commercial actions implemented in the first half of the year started to deliver. This included the roll-out of over 500 Premier Plus rooms, an increased focus on the B2B segment, and changes to yield management, with refinements to event and short-lead time pricing.

Premier Inn's total accommodation sales growth outperformed the market in London for the final three quarters of the year and narrowed the gap to the regional market to only 20bps in the final quarter.

UK total accommodation sales growth comparison

	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	FY20
London					
Premier Inn	1.7%	8.2%	4.8%	6.0%	5.2%
Midscale and economy hotel market[3]	3.3%	7.1%	3.7%	3.6%	4.5%
London performance	**(160)bps**	**110bps**	**110bps**	**240bps**	**70bps**

Regions					
Premier Inn	(2.4)%	(1.9)%	(2.0)%	0.6%	(1.6)%
Midscale and economy hotel market[3]	(1.9)%	(0.9)%	(1.2)%	0.8%	(0.9)%
Regions performance	**(50)bps**	**(100)bps**	**(80)bps**	**(20)bps**	**(70)bps**
Total UK					
Premier Inn	(1.5)%	0.1%	(0.4)%	1.9%	(0.1)%
Midscale and economy hotel market[3]	(0.4)%	1.2%	0.1%	1.7%	0.6%
Total UK performance	**(110)bps**	**(110)bps**	**(50)bps**	**20bps**	**(70)bps**

The business has continually innovated and enhanced the customer experience, and during the year a trial of Premier Plus rooms was launched in 27 hotels. These upgraded rooms are targeted especially at business customers and provide an even more comfortable stay at great value for money. The initial trial has been successful, and while the roll-out is currently on-hold due to the extreme market conditions, when we are past the COVID-19 crisis, the next stage of the trial will see that capacity increase to over 2,000 rooms.

During the year, Premier Inn opened a further 25 hotels including 2 hub hotels bringing the UK hotel network now to 821 hotels. Although the market is currently extremely challenging, investment in the existing estate will continue to give the opportunity to win market share from the fragmented independent sector. In the short-term, a proportion of the committed pipeline of over 13,000 rooms, of which around 80% is leasehold, is expected to be delayed, as third-party hotel builds are slowed or paused.

Premier Inn Germany | *Increasing capabilities to build a strong hotel network*

Premier Inn's aim in Germany is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the structurally attractive German hotel market. This includes the same flexible approach to property to gain superior site access, encouraging direct distribution and delivering a best-in-class value for money proposition.

Premier Inn's rate of expansion materially accelerated in the second half of FY20, culminating in the completion of the acquisition of the Foremost Hospitality Group on 28 February 2020. This Group comprised of 13 open hotels, 10 of which have now been refurbished and opened under the Premier Inn brand, and 6 pipeline hotels which are planned to open over the next 24 months. The Premier Inn Germany open and committed pipeline now stands at almost 10,000 rooms across 52 hotels.

We re-opened 16 hotels on 11 May 2020, 6 of which were open at the end of FY20 and pre-lockdown closures. These hotels were performing ahead of expectations with market leading satisfaction scores. The Frankfurt, Munich & Hamburg sites all score highly on TripAdvisor at 4.5/5. As the sites continue to mature, we are seeing good rates of occupancy and returns are developing as expected.

The pace of organic and acquisitive growth will slow temporarily in response to the COVID-19 situation, however given the scale and attractive nature of the opportunity in Germany, there is a clear appetite to continue the fast pace of expansion in the medium term, once this crisis has abated.

The pipeline of new capacity in Germany (reflecting the Foremost acquisition which completed on the day following the year-end) is a mix of acquired hotels and the organic pipeline of new leasehold and freehold sites:

Premier Inn Germany network	Organic	Acquired	Total
Open and trading[a]	4 hotels *(780 rooms)*	12 hotels *(1,940 rooms)*	**16 hotels** ***(2,720 rooms)***
Committed pipeline	26 hotels *(5,450 rooms)*	10 hotels *(1,630 rooms)*	**36 hotels** ***(7.080 rooms)***
Total	**30 hotels** ***(6,230 rooms)***	**22 hotels** ***(3,570 rooms)***	**52 hotels** ***(9,800 rooms)***

(a) Open as at 11th May 2020

Premier Inn Middle East | *Estate increased to 10 hotels*

Premier Inn has a productive partnership with Emirates in the Middle East, with two new hotels opened during the year, bringing the total operation to ten hotels. The market continued to be competitive, with a high level of new capacity being added in advance of the planned World Expo in Dubai in 2020. Losses from our 49% share of the joint-venture amounted to £1m, in-line with the prior year. As in other markets, revenue has been significantly impacted by COVID-19 and the subsequent impact on the World Expo.

Financial review | Resilient financial performance

- Statutory revenue 1.1% ahead of last year at £2,072m, supported by capacity additions and improved performance in H2
- Adjusted profit before tax of £358m was 8.2% behind last year, due to a weaker UK market and sector-wide inflation, partly offset by the ongoing efficiency programme and lower net finance costs
- Statutory profit before tax increased 28.4% to £280m and profit for the year increased 23.2% to £218m, primarily due to adjusting items in the prior year of £172m of which £108m related to the disposal of the Costa business
- Retained strong balance sheet following completion of £2.5bn Costa capital return programme
- Lease adjusted leverage / FFO of 2.6x; significant liquidity through cash on deposit of £503m, undrawn RCF of £950m at the balance sheet date, and eligibility for the CCFF scheme in April 2020 with an issuer limit of £600m. Net debt of £323m, with net debt / adjusted EBITDA (pre-IFRS 16) of 0.6x
- Return on capital declined 270bps to 9.5% driven by the investment in Germany, the weaker UK market conditions and sector-wide inflation.

Financial highlights

	FY20	FY19[a]	*Change*
Statutory revenue[b]	£2,072m	£2,049m	*1.1%*
Transitional service agreement revenue	£9m	£2m	*n.m.*
Adjusted revenue[†]	£2,062m	£2,047m	*0.7%*
Operating costs excl depreciation & amortisation	(£1,309)m	(£1,253)m	*(4.5)%*
Adjusted EBITDAR[†]	**£753m**	**£794m**	***(5.2)%***
Net turnover rent & rental income[c]	£3m	£2m	*81.3%*
Depreciation & amortisation	(£165)m	(£160)m	*(3.0)%*
IFRS 16 right of use asset depreciation	(£104)m	(£98)m	*(5.8)%*
Adjusted operating profit[†]	**£487m**	**£538m**	***(9.5)%***
Net finance costs	(£13)m	(£34)m	*61.5%*
IFRS 16 lease liability interest	(£115)m	(£113)m	*(1.9)%*
Adjusted profit before tax[†]	**£358m**	**£390m**	***(8.2)%***
Adjusting items	(£78)m	(£172)m	*54.5%*
Statutory profit before tax	**£280m**	**£218m**	***28.4%***
Tax	(£62)m	(£41)m	*(50.4)%*
Statutory profit for the year excluding Costa	**£218m**	**£177m**	***23.2%***
Profit from discontinued operations	£0m	£3,555m	*n.m.*
Statutory profit from the year including Costa	**£218m**	**£3,731m**	***(94.2)%***

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business, with the exception of discretionary free cashflow and lease adjusted net debt : FFO which include Costa in FY19. Further information can be found in the Notes to the accompanying financial statements

(b) Includes £9m of revenue relating to the transitional service agreement that was in place with Costa (FY19: £2m)

(c) Turnover rent and rental income continue to be recognised in the P&L post IFRS 16

Operating performance | Resilient results delivered in challenging market conditions

- Total UK accommodation sales were broadly flat and like-for-like accommodation sales declined 2.4%, impacted by continued weak regional market conditions
- London accommodation total sales growth of 5.2%, 70bps ahead of the market, driven by new capacity maturing
- Regional accommodation total sales decline of 1.6%, 70bps behind the market, with the gap narrowing throughout the year and resulting in total Premier Inn accommodation sales being ahead of the market by 20bps in Q4
- Revenue more than doubled in Germany to £12m driven by maturity of two existing sites and the opening of four further sites
- UK return on capital of down 210bps from 13.3% to 11.2% due to market conditions and net cost inflation.

Financial highlights

	FY20	FY19[a]	*Change*
Statutory revenue[b]	**£2,072m**	**£2,049m**	***1.1%***
Transitional service agreement revenue	£9m	£2m	*n.m.*
UK[c]	£2,050m	£2,042m	*0.4%*
Germany	£12m	£5m	*140.8%*
Adjusted EBITDAR†	**£753m**	**£794m**	***(5.2)%***
UK[c]	£766m	£802m	*(4.5)%*
Germany	(£12)m	(£7)m	*(76.1)%*
Middle East[d]	(£1)m	(£1)m	-
Rent[e]	(£185)m	(£168)m	*(10.2)%*
Adjusted EBITDA (Pre-IFRS 16)†	**£567m**	**£626m**	***(9.4)%***
UK[c]	£581m	£634m	*(8.4)%*
Germany	(£12)m	(£7)m	*(70.0)%*
Middle East[d]	(£1)m	(£1)m	-
UK return on capital[c]	**11.2%**	**13.3%**	***(210)bps***
Other metrics[c]			
UK accommodation total sales growth	(0.1)%	3.5%	
UK accommodation like-for-like sales growth	(2.4)%	(0.6)%	
UK F&B total sales growth	1.3%	(0.3)%	
UK F&B like-for-like sales growth	(0.3)%	(2.0)%	

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business
(b) Includes £9m of revenue relating to the transitional service agreement that was in place with Costa (FY19: £2m)
(c) Includes one site in each of; Jersey, Ireland & the Isle of Man
(d) EBITDAR/EBITDA for Middle East represents the share of losses from a joint-venture operation
(e) Rent = property rent, turnover rent, car leases & rental income

Premier Inn in the UK held revenue broadly flat at £2,050m, supported by new capacity with 2,906 rooms being added in the year. Adjusted EBITDA (pre-IFRS 16) decreased by 8.4% to £581m as a result of the weak regional market and net cost inflation which was primarily driven by National Living Wage increases and higher energy costs, partially offset by c.£45m of cost efficiencies.

Market conditions continued to be challenging in the UK hotel sector, particularly in the regions, and as a result total accommodation sales declined by 0.1% and like-for-like sales declined by 2.4%. Commercial initiatives, including improved yield management, an increased focus on the B2B segment and continued product innovation helped close the gap to the midscale and economy market[3] in H2 to 20bps, with Q4 performance beating the market by 20bps. Continued investment in the F&B proposition across the estate, in terms of both the offering and price points, helped drive sales growth of 1.3% and support improvements in like-for-like sales.

Premier Inn's expansion in Germany accelerated in the second half of the year, culminating in the completion of the Foremost Hospitality Group acquisition on the first day of FY21. Losses in the year signify the start-up nature of the current operations, with central costs supporting the ability to rapidly expand the open and committed pipeline hotel network of 52 hotels, whilst currently only supported by revenues from six open hotels.

Premier Inn's business in the Middle East is operated through a joint venture with Emirates. The market has seen supressed demand and significant new supply additions ahead of Expo20, and losses in the Middle East were in-line with last year at £1m, representing a 49% share of the joint-venture's losses after tax.

Return on capital for the UK was down 210bps year on year to 11.2% due to the weak regional market conditions and the high inflation in the sector. Return on capital for the Group was 9.5% reflecting the timing of continued material investment in Germany.

Adjusting items

Total adjusting items before tax were £78m (FY19: £172m), including £15m relating to the disposal and separation of Costa. An impairment of £10m has been recognised following a fire at a hotel in Bristol offset by the related anticipated insurance claim proceeds of £16m covering property and loss of trade. A write-off and impairment charge of £69m was recorded against, underperforming hotels, hotels held for sale, other property costs and IT intangible assets. Further detail on adjusting items can be found in Note 5 of the accompanying financial statements.

Net finance costs

Net finance costs for the year were £128m (FY19: £147m), including IFRS 16 lease interest of £115m. This was £19m lower than the prior period due to higher interest received on the cash balance held from the sale of Costa proceeds and non-occurrence of the pension finance cost, resulting from the pension moving to an IAS 19 surplus. Further details are contained in Note 9 in the Annual Report and Accounts.

Taxation

Adjusted tax for the year of £69m (FY19: £76m) represented an adjusted effective tax rate of 19.3% (FY19: 19.4%). The statutory tax expense charge was £62m (FY19: £41m) with the year-on-year increase driven by the increase in statutory profit as a result of FY19 adjusting items relating to the disposal of Costa.

Earnings per share

	FY20	FY19[(a)]	*Change*
Continuing operations			
Adjusted basic earnings per share	193.6p	172.0p	*12.6%*
Statutory basic earnings per share	145.9p	96.7p	*50.9%*

(a) FY19 restated for the adoption of a new adjusting items policy where IAS 19 Pension interest is no longer adjusted for. Measures are presented for the continuing business which excludes the performance of the Costa business

Adjusted basic earnings per share increased 12.6% to 193.6p, benefitting from the reduction in the weighted average number of ordinary shares from 182.8m to 149.4m following the share buyback programme and tender offer. Statutory basic earnings per share increased 50.9% to 145.9p primarily due to the higher separation costs incurred in the prior year from the disposal of Costa together with the reduction in the weighted average number of ordinary shares. Full details are set out in Note 7 of the accompanying financial statements.

Dividend

Whitbread's dividend policy is to grow the dividend broadly in line with earnings across the cycle. However, in light of the impact of the COVID-19 situation, the Board has decided not to declare a final dividend for FY20. Dividends will not be paid during the current covenant waiver period, as a condition agreed with Whitbread's lenders and pension trustees. The Board hopes to return to paying dividends again following the normalisation of the Group's financial position and performance.

Capital discipline | Leverage headroom at the end of FY20

	FY20	**FY19**
Cash and cash equivalents	£503m	£3,403m
Adjusted EBITDA (pre-IFRS 16)†	£567m	£626m
Funds From Operations (FFO)†	£706m	£902m
Net (debt) / cash	(£323)m	£2,583m
Adjusted net (debt) / cash†	(£333)m	£2,573m
Lease debt (8x rent)†	(£1,490)m	(£2,193)m
Lease-adjusted net (debt) / cash†	(£1,823)m	£380m
Leverage ratios:		
Net debt : adjusted EBITDA (Pre-IFRS 16)†	0.6x	(4.1)x
Lease-adjusted net debt : FFO†(a)	2.6x	(0.4)x
Freehold / leasehold mix	61:39%	62:38%

(a) FY20 funds from operations excludes the second phase of the accelerated pension settlement of £274m (FY19: excludes first accelerated payment of £107m)

Debt funding facilities | Diverse funding, enhanced through COVID Corporate Finance Facility

	Facility £m(c)	**Utilised £m**	**Maturity Year**
US private placement notes(a)	(£75)m	*(£75)m*	2020
US private placement notes(a)	(£25)m	*(£25)m*	2021
US private placement notes(a)	(£59)m	*(£59)m*	2022
Revolving Credit Facility	(£950)m	*£0m*	2022
Bond	(£450)m	*(£450)m*	2025
US private placement notes(a)	(£200)m	*(£200)m*	2027
	(£1,759)m	***(£809)m***	
CCFF (uncommitted and undrawn)(b)	(£600)m	*£0*	2021
	(£2,359)m	***(£809)m***	
Cash and cash equivalents		£503m	
	(£2,359)m	***(£306)m***	

(a) Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instruments (b) Confirmed as an eligible issuer under the CCFF in-line with Fitch rating of BBB/F2 (c) £1,683m is due to mature in more than one year from the balance sheet date

Whitbread entered the new financial year with lease adjusted net debt / FFO of 2.6x, substantial liquidity through its accessible cash of £503m and access to an undrawn Revolving Credit Facility of £950m. Whitbread has subsequently been confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600m. The business is also backed by a valuable freehold property estate.

Elements of the business's financing are subject to financial covenants including net det to EBITDA and interest cover. At the year-end, the business had significant headroom to these covenants. However, given that we are not currently able to assess the full year impact of COVID-19, we entered into discussions with lenders and have successfully negotiated waivers for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants as a result of COVID-19, and an 18-month covenant waiver for both the Revolving Credit Facility and the US private placement debt. The existing covenants have been replaced during the covenant waiver period with two new tests: net debt (excluding lease liabilities) must be less than £2bn and liquidity headroom to available facilities must be greater than £400m.

In the first half of FY21, operating cash outflows of c.£80m per month are expected during the period of closure or low occupancy. In addition, in H1 the business will incur an initial £100m outflow from the refunding of customer deposits, and c.£130m capital expenditure outflows on committed projects including the refurbishment of the acquired Foremost sites in Germany. These outflows will be partially offset by approximately a total of £70m-85m of furlough benefits during H1. While the business has significant liquidity to withstand a prolonged period of materially reduced or no demand, the Rights Issue, announced today, to raise £1bn will ensure that the business emerges from the COVID-19 pandemic with a strong balance sheet and is able to continue investing at appropriate levels in the highly attractive UK and German markets. This will enhance Whitbread's competitive advantage when others may be financially constrained, and ensure that the business emerges from the current crisis in the strongest position possible.

Cash generation | Business model deliver strong cashflows

	FY20	FY19 Including Costa
Adjusted EBITDAR†	**£753m**	**£1,103m**
Net turnover rent & rental income (a)	£3m	(£22)m
Depreciation and amortisation	(£269)m	(£364)m
Adjusted operating profit†	**£487m**	**£717m**
Depreciation and amortisation	£269m	£364m
Other & non-cash items	(£5)m	(£14)m
Change in working capital	(£13)m	(£5)m
Transaction and separation costs(b)	(£51)m	£0m
Cash generated from operations	**£686m**	**£1,062m**
Maintenance capital expenditure	(£154)m	(£192)m
IFRS 16 interest and lease repayments	(£187)m	(£247)m
Interest	(£20)m	(£34)m
Tax	(£9)m	(£90)m
Discretionary free cash flow	**£317m**	**£498m**
Pension(c)	(£288)m	(£194)m
Expansionary capital expenditure	(£242)m	(£365)m
Acquisition of subsidiaries	(£192)m	£0m
Proceeds from disposal of PPE	£12m	£9m
Proceeds from disposal of subsidiaries	£0m	£3,809m
Other	(£24)m	£16m
Cashflow before shareholder returns	**(£418)m**	**£3,773m**
Dividends	(£160)m	(£187)m
Shares purchased through buyback programme & tender offer	(£2,328)m	(£170)m
Net cash flow	**(£2,906)m**	**£3,416m**

Opening net (debt) / cash	£2,583m	(£833)m
Closing net (debt) / cash	**(£323)m**	**£2,583m**

(a) Turnover rent and rental income continue to be recognised in the P&L post IFRS 16 ; (b) £51m of costs associated to the timing of payments relating to the sale of Costa; (c) Includes the second phase of the one-off pension settlement of £274m

Cash generated from operations of £686m was £376m lower than the prior year due to the contribution of Costa in FY19 and the timing of transaction and separation costs of £51m relating to the disposal of Costa in FY19. Discretionary cash flow of £317m benefited from reduced finance costs resulting from the cash balance received from the sale of Costa, and a lower tax charge driven by the tax relief granted on the one-off pension contributions made during the year. FY20 includes the second phase of the one-off pension settlement of £274m and capital expenditure supporting organic and M&A growth across UK and Germany equated to £434m. FY20 net debt was £323m, a reduction of £2,906m primarily driven by the cash used to purchase shares through the buyback programme and tender offer, pension cash outflows including the one-off pension settlement of £274m and increased spend on expansionary capital.

Capital investment | Cashflow enables material investment

	FY20	**FY19***	***Last 2 years***
UK maintenance and product improvement	£154m	£151m	£305m
New / extended UK hotels	£167m	£226m	£392m
Premier Inn Germany & Middle East	£268m	£85m	£352m
Total	**£588m**	**£462m**	**£1,049m**

*FY19 excludes discontinued operations

Capital expenditure totalled £588m in FY20 (FY19: £462m). This includes £167m developing new sites and extending existing sites in the UK. Capital expenditure for Premier Inn Germany includes spend relating to the portfolio acquisition of 19 hotels from the Foremost Hospitality Group. The total cost of that transaction is around £300m of which £170m has been paid to date, with the remaining costs incurred depending on the timings of both the refurbishment schedule and the delivery of six pipeline hotels. £154m of capital was spent refurbishing and maintaining hotels and restaurants and on our IT systems.

The Group's capital expenditure requirements vary from year-to-year based on, among other factors, different capital intensity in different operations and markets and specific reinvestment requirements in relation to its hotels. The Group's capital spend will reduce significantly in FY21 in response to the COVID-19 situation but is expected to return to normal levels when the market starts to normalise.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 surplus of £190m (FY19: £(120m)). The primary reasons for the improved IAS19 funding position were asset performance and Whitbread's one-off contribution to the Pension Fund of £381m (£107m in FY19 and £274m in FY20) which was part of an agreement with the Trustee following the sale of Costa. The agreement released Costa from its obligations to the Pension Fund and included some contingent protection, which has enabled the Trustee to significantly reduce the Pension Fund's investment risk. This replaced the previous protection and previously agreed deficit recovery plan, which would have required Whitbread to make total payments of £326m to the Pension Fund over the following four years. Additional contributions to the Pension Fund of approximately £10m per year continue to be made through the Scottish Partnership arrangements.

As part of the agreement with the Trustee, in the event that Whitbread breaches an EBITDA related covenant, Whitbread is required to make a cash payment to improve the funding position. If Whitbread does not settle this contribution the Trustee can realise the equivalent value through the security it holds over £450m of Whitbread's freehold property. Whitbread has reached agreement with the Trustee for a covenant waiver period for the EBITDA related covenant which will now not be tested until March 2022. New covenants have been introduced during the period of the waiver in line with those given to Whitbread's lenders described above. An additional £50m of security has also been given to the Trustee for the duration of the covenant waiver period. In the event the security is not in place within a defined timeframe, a £50m additional cash contribution will become payable. A waiver for the same period has also been agreed with the Trustee for any possible technical breach that may have resulted from the temporary closure of our hotels and restaurants.

Return on capital | Consistently delivering above cost of capital

	FY20	FY19	Change
Total ROCE†	9.5%	12.2%	*(270)bps*
UK ROCE†	**11.2%**	**13.3%**	***(210)bps***
Impact on the Group of capital invested for future openings	(90)bps	(130)bps	40*bps*

UK Return on capital declined by 210bps to 11.2%. The impact of the weak regional market on like-for-like revenue performance and also the timing of investment in the UK estate, was partly offset by net capacity additions, and accounted for 130bps of the decline. Staff costs, primarily National Living Wage increases, drove a 70bps decline, while the impact of other cost inflation and property costs, including business rates, were broadly offset by the ongoing costs efficiency programme. There is currently £384m of capital invested for future openings which has an adverse impact on Whitbread's continuing reported return on capital of 90bps.

Post Balance sheet events

In light of the COVID-19 pandemic and the impact on Whitbread we have disclosed a number of Post Balance Sheet Events. These include but are not limited to, with full details shown in Note 12 of the accompanying financial statements; the timing of the impact of the pandemic on the Group, the closure of our hotels and restaurants following Government guidance and subsequent customer refunds and potential impairments, the sensitivities around interest rates, exchange rates and the pension fund, the updated position on acquisitions, Lender and Pension trustee covenant waivers and covenant replacements, and the benefit from the Coronavirus Job Retention scheme, the business rate holiday and acceptance for the COVID-19 Corporate Funding Facility with an issuer limit of £600m.

On 28 February 2020, post the balance sheet date, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH. Further details on the acquisition are in Note 35 in the Annual Report and Accounts.

The Group has announced its intention to raise £1bn by way of a fully underwritten rights issue. This will provide an appropriate capital structure and a strong platform from which to deliver on the Group's growth strategy

Costa Disposal | Successful completion of return of capital programme

Following the sale of Costa Limited to The Coca-Cola Company for £3.9bn, which completed in January 2019, Whitbread announced its plans to return £2.5bn surplus capital to shareholders. The first phase was a share buyback programme conducted from 17 January 2019 to 10 May 2019. This first phase completed with a total of £486m of Ordinary Shares repurchased. Of this amount £316m of Ordinary Shares were repurchased in FY20.

The second phase was a tender offer, which resulted in £2bn of Ordinary Shares being repurchased in July 2019. The completion of the tender offer resulted in a total of £2.5bn being returned to shareholders and the repurchase and cancellation of 49m shares. There is currently no further surplus capital to be returned to shareholders.

IFRS 16 Leases | Non-cash financial reporting changes in FY20

The impact of the new accounting standard for leases, which is fully adopted in FY20, is outlined below. Whilst there is a significant impact on the statutory income statement and balance sheet, there will be no change to Whitbread's cashflows and its growth plans, including the ongoing disciplined approach to capital allocation. Furthermore, no detrimental impact is expected to Whitbread's covenants or ability to satisfy its liabilities.

IFRS 16 - Summary of changes and impacts

Under IFRS 16, lease liabilities and associated 'right-of-use' assets are recognised on the balance sheet using discounted cash flows. As many of Whitbread's leases are long property leases, these changes have significantly increased both total assets and total liabilities, and had a material impact on key performance metrics, including earnings per share.

In the income statement, rental charges for operating leases are replaced with depreciation of the newly recognised asset and interest on the newly recognised lease liability. This in turn impacts some of Whitbread's key reporting measures, including adjusted operating profit, which has increased as a pre-interest measure, and profit before tax, which has decreased as a disproportionate amount of interest is applied at the start of a lease.

FY20 IFRS 16 impact on Balance Sheet

	Pre-IFRS 16	**Add lease liabilities***	**Add right-of-use asset***	**Post-IFRS 16**
Total assets	£5,564m	-	£2,262m	£7,826m
Total liabilities	(£1,533)m	(£2,544)m	-	(£4,077)m
Net assets	£4,031m	(£2,544)m	£2,262m	£3,749m

*Includes working capital adjustments, see supplementary information for further detail

FY20 IFRS 16 impact on Income Statement

	Pre-IFRS 16	**Remove rent**	**IFRS 16 adjusted to depreciation & interest**	**Post-IFRS 16**
EBITDAR†	£753m	-	-	£753m
Rental income	£3m	£2m	-	£5m
Rent payable	(£188)m	£186m	-	(£2)m
EBITDA†	**£567m**	**£188m**	**-**	**£756m**
Depreciation & amortisation	(£165)m	-	(£104)m	(£269)m
Adjusted operating profit†	**£403m**	**£188m**	**(£104)m**	**£487m**
Net finance costs	(£13)m	-	(£115)m	(£129)m
Adjusted profit before tax†	**£389m**	**£188m**	**(£219)m**	**£358m**

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Key performance measures under IFRS 16

Under IFRS 16, EBITDAR will not be impacted and will therefore provide a good indicator for continuing operating performance. In addition, certain adjustments will be required to ensure the important return on capital measure remains a meaningful and consistent metric going forward.

FY20 IFRS 16 impact

	Pre-IFRS 16	Post-IFRS 16	*Change*
EBITDAR†	£753m	£753m	£0m
Adjusted operating profit†	£403m	£487m	£84m
Adjusted profit before tax†	£389m	£358m	(£31)m
Statutory profit before tax	£311m	£280m	(£31)m
Adjusted basic earnings per share†	210.5p	193.6p	*(16.9)p*
Statutory basic earnings per share	162.7p	145.9p	*(16.8)p*

Other information

Going concern

The directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. This assessment is considered to be a critical accounting judgement. Full details are set out in Note 2 of the Annual Report and Accounts.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group as reported on pages 54 to 57 of the Annual Report and Accounts 2019/20 and these include:

- Pandemic – impact of COVID-19 or any other pandemic on the business;
- Economic Climate – results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans;
- Cyber and Data Security – reduces the effectiveness of systems or results in loss of data;
- International growth – the inability to successfully execute our strategy in Germany
- Change – ability to execute the significant volume of change;
- Retention and wage inflation – failure to maintain staff engagement and retention in a tightening labour market;
- Third party arrangements – business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices;
- Terrorism – impacts the safety and security of customers or staff and the consequent impact on trading;
- Health and safety – death or serious injury as a result of company negligence;
- Food safety and hygiene – the preparation and storage of food and/or supply chain failure results in food poisoning and reputational damage.

The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is considered under the Group's assessment of Economic Climate risk.

Climate risks, of which sustainably is key area, is an emerging risk for Whitbread and our approach to identifying and managing this is embedded into the risk management framework and integrated through policies and the risk control mechanisms. Further information on our sustainability work can be found in the Force for Good update on pages 48 to 53 of the Annual Report and Accounts 2019/20.

Supplementary information

Further information is available in Microsoft Excel from: www.whitbread.co.uk/investors/results-reports-and-presentations. This information includes:

- Premier Inn network data;
- Premier Inn sales & financial information;
- IFRS 16 adjustments and impact to financial statements; and
- Adjusting items.

American Depositary Receipts

Whitbread has established a sponsored Level 1 American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level 1 ADR programme trades on the U.S. over-the-counter (OTC) markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).

Rounding

Certain financial data contained in this document have been rounded and accordingly may not add up to 100 per cent. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Where applicable, year-on-year growth percentages have been calculated from the financial data presented in the year end accounts, which are reported to one decimal place. Where year-on-year growth percentages are immaterial or do not provide an appropriate measure of performance, the designation "n.m." (not measured) is included.

Notes

†The Group uses certain APMs to help evaluate the Group's financial performance, position and cash flows, and believes that such measures provide an enhanced understanding of the Group's results and related trends and allow for comparisons of the financial performance of the Group's businesses either from one period to another or with other similar businesses. However, APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures. APMs used in this announcement include like-for-like sales, adjusted operating profit, adjusted profit, adjusted basic earnings per share, net debt, return on capital, discretionary free cash flow, lease-adjusted (debt) / cash : FFO and EBITDAR. We have new / revised APMs as a direct result of the adoption of the new adjusting items accounting policy (see Note 2 in the Annual Reports & Accounts for further details). For full definitions please refer to the glossary at the end of the document.

1 *Unless otherwise stated, "Premier Inn" includes Premier Inn UK, Premier Inn Germany, Premier Inn International and food & beverage revenue. This was previously referred to as Premier Inn & Restaurants.*

2 *Source: Business Travel Awards 2020 – Best budget hotel brand*

Source: Business Traveller Awards 2019 – Best budget hotel brand

Source: YouGov BrandIndex. Scores measured on 28/2/19 – 27/2/20 on a 12-week moving average

3 *Source: STR Global*

Consolidated income statement
Year ended 27 February 2020

		52 weeks to 27 February 2020			52 weeks to 28 February 2019 (restated[1])		
	Notes	**Before adjusting items £m**	**Adjusting items (Note 5) £m**	**Statutory £m**	Before adjusting items £m	Adjusting items (Note 5) £m	Statutory £m
Continuing operations							
Revenue		**2,062.1**	**9.4**	**2,071.5**	2,047.1	2.0	2,049.1
Other income		**18.8**	**18.3**	**37.1**	5.8	-	5.8
Operating costs		**(1,592.0)**	**(105.6)**	**(1,697.6)**	(1,514.6)	(174.2)	(1,688.8)
Operating profit before joint ventures		**488.9**	**(77.9)**	**411.0**	538.3	(172.2)	366.1
Share of loss from joint ventures		**(2.1)**	**(0.4)**	**(2.5)**	(0.6)	-	(0.6)
Operating profit		**486.8**	**(78.3)**	**408.5**	537.7	(172.2)	365.5
Finance costs		**(144.4)**	**-**	**(144.4)**	(152.1)	-	(152.1)
Finance income		**15.9**	**-**	**15.9**	4.7	-	4.7
Profit before tax		**358.3**	**(78.3)**	**280.0**	390.3	(172.2)	218.1
Tax expense	6	**(69.1)**	**7.0**	**(62.1)**	(75.8)	34.5	(41.3)
Profit for the period from continuing operations		**289.2**	**(71.3)**	**217.9**	314.5	(137.7)	176.8
Discontinued operations							
Profit for the period from discontinued operations		**-**	**-**	**-**	122.3	3,432.3	3,554.6
Profit for the period attributable to parent shareholders		**289.2**	**(71.3)**	**217.9**	436.8	3,294.6	3,731.4
Earnings per share (Note 7)		**pence**	**pence**	**pence**	pence	pence	pence
From continuing operations							
Basic		**193.6**	**(47.7)**	**145.9**	172.0	(75.3)	96.7
Diluted		**192.4**	**(47.4)**	**145.0**	171.2	(75.0)	96.2
From continuing and discontinued operations							
Basic		**193.6**	**(47.7)**	**145.9**	238.9	1,802.3	2,041.2
Diluted		**192.4**	**(47.4)**	**145.0**	237.8	1,793.4	2,031.2

[1] The prior year consolidated income statement has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* and re-presented to reflect the introduction of a new alternative performance measure (see Note 3).

Consolidated statement of comprehensive income
Year ended 27 February 2020

	Notes	**52 weeks to 27 February 2020 £m**	52 weeks to 28 February 2019 (restated[1]) £m
Profit for the year		**217.9**	3,731.4
Items that will not be reclassified to the income statement:			
Re-measurement gain / (loss) on defined benefit pension scheme	10	**19.7**	(1.9)
Current tax on defined benefit pension scheme	6	**18.3**	34.5
Deferred tax on defined benefit pension scheme	6	**(19.6)**	(34.6)
Share of other comprehensive loss of joint ventures		**(2.8)**	-
		15.6	(2.0)
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**3.5**	4.8
Deferred tax on cash flow hedges	6	**(0.6)**	(1.1)
Net gain on hedge of a net investment		**13.0**	-
		15.9	3.7
Exchange differences on translation of foreign operations		**(12.1)**	(9.4)
Exchange differences recycled to the income statement on disposal of business		**-**	(1.9)
		(12.1)	(11.3)
Other comprehensive income / (loss) for the year, net of tax		**19.4**	(9.6)
Total comprehensive income for the year, net of tax		**237.3**	3,721.8

[1] Prior year profit for the year has been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 3).

Consolidated statement of changes in equity
Year ended 27 February 2020

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m
At 1 March 2018 (as reported)	150.4	73.2	12.3	4,594.7	29.0	(2,057.1)	**2,802.5**
IFRS 16 transition (Note 3)	-	-	-	(220.4)	-	-	**(220.4)**
At 2 March 2018 (restated[1])	150.4	73.2	12.3	4,374.3	29.0	(2,057.1)	**2,582.1**
Profit for the year (restated[1])	-	-	-	3,731.4	-	-	**3,731.4**
Other comprehensive income	-	-	-	(3.1)	(11.3)	4.8	**(9.6)**
Total comprehensive income (restated[1])	**-**	**-**	**-**	**3,728.3**	**(11.3)**	**4.8**	**3,721.8**
Ordinary shares issued	0.2	8.3	-	-	-	-	**8.5**
Loss on ESOT shares issued	-	-	-	(4.6)	-	4.6	**-**
Accrued share-based payments	-	-	-	22.4	-	-	**22.4**
Tax on share-based payments	-	-	-	5.3	-	-	**5.3**
Equity dividends (Note 8)	-	-	-	(187.4)	-	-	**(187.4)**
Shares purchased in share buyback[2] (Note 11)	-	-	-	-	-	(169.9)	**(169.9)**
Future irrevocable commitment – share buyback (restated[3])	-	-	-	-	-	(330.1)	**(330.1)**
At 28 February 2019 (restated[1,3])	**150.6**	**81.5**	**12.3**	**7,938.3**	**17.7**	**(2547.7)**	**5,652.7**
Profit for the year	**-**	**-**	**-**	**217.9**	**-**	**-**	**217.9**
Other comprehensive income	**-**	**-**	**-**	**15.6**	**0.9**	**2.9**	**19.4**
Total comprehensive income	**-**	**-**	**-**	**233.5**	**0.9**	**2.9**	**237.3**
Ordinary shares issued	**0.2**	**9.3**	**-**	**-**	**-**	**-**	**9.5**
Loss on ESOT shares issued	**-**	**-**	**-**	**(3.3)**	**-**	**3.3**	**-**
Accrued share-based payments	**-**	**-**	**-**	**11.6**	**-**	**-**	**11.6**
Tax on share-based payments	**-**	**-**	**-**	**(4.1)**	**-**	**-**	**(4.1)**
Reserves transfer[4]	**-**	**-**	**-**	**(1.4)**	**-**	**1.4**	**-**
Equity dividends (Note 8)	**-**	**-**	**-**	**(159.9)**	**-**	**-**	**(159.9)**
Release of irrevocable commitment – share buyback[3]	**-**	**-**	**-**	**-**	**-**	**330.1**	**330.1**
Shares purchased in share buyback[2] (Note 11)	**-**	**-**	**-**	**-**	**-**	**(315.8)**	**(315.8)**
Shares purchased under tender offer (Note 11)	**(31.0)**	**-**	**31.0**	**(2,012.6)**	**-**	**-**	**(2,012.6)**
Shares cancelled (Note 11)	**(6.9)**	**-**	**6.9**	**(140.2)**	**-**	**140.2**	**-**
At 27 February 2020	**112.9**	**90.8**	**50.2**	**5,861.9**	**18.6**	**(2,385.6)**	**3,748.8**

[1] Amounts have been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 3).

[2] Following the completion of the sale of Costa on 3 January 2019, the Group announced its intention to start an irrevocable share buyback programme for a total commitment of £500.0m. In the year to 27 February 2020, the Group purchased 6.5m (2018/19: 3.5m) ordinary shares representing approximately 3.3% (2018/19: 1.8%) of the issued ordinary share capital at an average price of £48.00 per share (2018/19: £48.87), and an aggregate cost of £315.8m (2018/19:£169.9m) under the share buyback programme.

[3] Amounts have been restated to reflect the Group's irrevocable commitment for the purchase its own shares. This has the impact of recognising the full value of the Group's commitment to repurchase shares in the year to 28 February 2019 (see Note 13).

[4] Tax on cash flow hedges which had previously been recognised within retained earnings, has been transferred to other reserves.

Consolidated balance sheet
At 27 February 2020

	Notes	27 February 2020 £m	28 February 2019 (restated[1,2]) £m	2 March 2018 (restated[1]) £m
Non-current assets				
Intangible assets		**172.8**	175.6	300.7
Right-of-use assets		**2,273.7**	2,141.7	2,517.3
Property, plant and equipment		**4,232.0**	4,090.0	4,176.0
Investment property		**20.3**	-	-
Investment in joint ventures		**54.8**	56.6	50.4
Derivative financial instruments		**28.6**	14.5	9.2
Defined benefit pension surplus	10	**190.3**	-	-
Trade and other receivables		**5.1**	-	5.8
		6,977.6	6,478.4	7,059.4
Current assets				
Inventories		**13.7**	14.5	48.8
Derivative financial instruments		**9.0**	1.9	12.5
Current tax asset		**14.9**	12.6	-
Trade and other receivables		**292.8**	111.5	180.3
Cash and cash equivalents		**502.6**	3,403.2	90.6
		833.0	3,543.7	332.2
Assets classified as held for sale		**14.9**	12.2	7.3
Total assets		**7,825.5**	10,034.3	7,398.9
Current liabilities				
Borrowings		**84.0**	-	108.9
Lease liabilities		**79.9**	68.8	126.6
Provisions		**40.8**	40.9	26.7
Derivative financial instruments		**2.2**	2.1	2.6
Current tax liabilities		**-**	-	44.8
Trade and other payables		**440.0**	508.0	622.4
Other financial liabilities	13	**-**	330.1	-
		646.9	949.9	932.0
Non-current liabilities				
Borrowings		**741.5**	819.9	814.5
Lease liabilities		**2,540.7**	2,403.0	2,718.4
Provisions		**7.6**	14.4	18.8
Derivative financial instruments		**2.2**	3.7	5.3
Deferred tax liabilities	6	**137.8**	71.1	37.0
Defined benefit pension liability	10	**-**	119.6	288.6
Trade and other payables		**-**	-	2.2
		3,429.8	3,431.7	3,884.8
Total liabilities		**4,076.7**	4,381.6	4,816.8
Net assets		**3,748.8**	5,652.7	2,582.1
Equity				
Share capital	11	**112.9**	150.6	150.4
Share premium		**90.8**	81.5	73.2
Capital redemption reserve		**50.2**	12.3	12.3
Retained earnings		**5,861.9**	7,938.3	4,374.3
Currency translation reserve		**18.6**	17.7	29.0
Other reserves		**(2,385.6)**	(2,547.7)	(2,057.1)
Total equity		**3,748.8**	5,652.7	2,582.1

[1] Prior year consolidated balance sheets have been restated to reflect the impact of the adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 3).

[2] The prior year balance sheet has been restated to reflect the Group's irrevocable commitment for the purchase its own shares. This has the impact of recognising the full value of the Group's commitment to repurchase shares in the year to 28 February 2019 (see Note 13).

Consolidated cash flow statement
Year ended 27 February 2020

	Notes	**52 weeks to 27 February 2020 £m**	52 weeks to 28 February 2019 (restated[1]) £m
Profit for the year		**217.9**	3,731.4
Adjustments for:			
Tax expense		**62.1**	76.1
Net finance costs		**128.5**	165.0
Share of loss from joint ventures before adjusting items		**2.1**	1.4
Profit on disposal of discontinued operations		**-**	(3,404.5)
Adjusting items before tax	5	**78.3**	144.4
Cash outflow from adjusting items		**(21.1)**	(25.0)
Depreciation and amortisation		**268.8**	363.7
Share-based payments before adjusting items		**11.6**	15.4
Other non-cash items		**2.2**	(1.3)
Cash generated from operations before working capital changes		**750.4**	1,066.6
Decrease / (increase) in inventories		**0.9**	(2.1)
Increase in trade and other receivables		**(4.1)**	(57.6)
(Decrease) / increase in trade and other payables		**(60.8)**	54.9
Cash generated from operations		**686.4**	1,061.8
Payments against provisions		**(20.1)**	(10.7)
Pension payments	10	**(288.4)**	(193.9)
Interest paid – lease liabilities		**(115.3)**	(129.9)
Interest paid – other		**(31.9)**	(38.8)
Interest received		**12.0**	4.9
Corporation taxes paid		**(8.5)**	(90.2)
Net cash flows from operating activities		**234.2**	603.2
Cash flows from investing activities			
Purchase of property, plant and equipment and investment property		**(372.7)**	(479.6)
Proceeds from disposal of property, plant and equipment		**11.9**	8.9
Investment in intangible assets		**(20.7)**	(67.7)
Proceeds from disposal of subsidiaries, net of cash disposed		**-**	3,809.3
Acquisition of a subsidiary, net of cash acquired		**(22.3)**	-
Cash paid in advance of acquisitions[2]		**(170.0)**	-
Capital contributions to joint ventures		**-**	(6.9)
Loans advanced to joint ventures		**(2.0)**	(2.4)
Net cash flows from investing activities		**(575.8)**	3,261.6
Cash flows from financing activities			
Proceeds from issue of share capital		**9.5**	8.5
Shares purchased in tender offer	11	**(2,012.6)**	-
Shares purchased in share buyback	11	**(315.8)**	(169.9)
Drawdowns of long-term borrowings		**50.0**	-
Repayments of long-term borrowings		**(50.0)**	(85.6)
Payment of principal of lease liabilities		**(72.1)**	(117.5)
Dividends paid	8	**(159.9)**	(187.4)
Net cash flows from financing activities		**(2,550.9)**	(551.9)
Net (decrease) / increase in cash and cash equivalents		**(2,892.5)**	3,312.9
Opening cash and cash equivalents	9	**3,403.2**	90.6
Foreign exchange differences		**(8.1)**	(0.3)
Closing cash and cash equivalents	9	**502.6**	3,403.2

[1] The prior year cash flows have been restated to reflect the impact of adopting a new accounting policy in respect of IFRS 16 *Leases* (see Note 3).

[2] Cash paid in advance of acquisitions for the 52 weeks ended 27 February 2020 includes £157.2m paid in advance of the year end relating to the post year end acquisition of Foremost Hospitality Hiex GmbH and a £12.8m deposit in relation to an acquisition which was written off subsequent to the year-end following the decision not to proceed with the acquisition (see Note 12).

The cash flow statement above includes the entire Group, including, for 2018/19, cash flows relating to the Costa business.

Notes to the accounts

1. Basis of accounting and preparation

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 27 February 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 21 May 2020.

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

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 27 February 2020 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 27 February 2020 will be delivered to the Registrar of Companies in advance of the Group's annual general meeting.

The statutory accounts for the year ended 28 February 2019, have been delivered to the Registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

The consolidated financial statements of Whitbread PLC, and all its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

2. Basis of consolidation

The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures incorporated using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies.

A subsidiary is an entity controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

3. Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 28 February 2019 except for the adoption of new standards and interpretations that are applicable for the year ended 27 February 2020.

Going concern
The Group's and Company's (the "Group") business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 57 of the Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 30 to 37 of the Annual Report. The principal risks of the Group are set out on pages 55 to 57 of the Annual Report. In addition, Note 24 of the Annual Report includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern.

In considering these areas, the directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. This assessment is considered to be a critical accounting judgement as set out below. On reaching the conclusion on the Going Concern assessment, in line with the information set out above, the Directors have specifically considered the following:

- At 27 February 2020 the Group had immediately available cash and facilities due to mature in more than one year of £1,683.0m for consideration in the going concern assessment.

- From 21 March 2020 the Group closed all of its restaurants and from 24 March 2020 the majority of its hotels following government instruction aimed at containing the spread of COVID-19, with 39 Premier Inn hotels in the UK remaining open specifically to provide accommodation for NHS staff and other front-line key workers.

The impact of the COVID-19 pandemic and the measures put in place to control the virus spreading, have created a number of uncertainties for the Group at the time of signing the financial statements.

The current circumstances are exceptional and the Board expects social distancing restrictions to impact the Group's operations in the United Kingdom and in Germany for some time. UK Government guidelines published on 11 May 2020 indicate that businesses in the hospitality sector (such as food service providers, pubs and accommodation) will re-open as part of the third step of the UK Government's COVID-19 recovery strategy. At the time of publishing its guidance, the UK Government's assumptions were that this step will be reached no earlier than 4 July 2020.

The Group is ready to open its businesses in the United Kingdom when the UK Government advises; the Group's internal scenarios to assess going concern, including downside scenarios, assume its hotels and restaurants in the United Kingdom to remain closed or operating at low occupancy levels until September 2020. The majority of the Group's German hotels re-opened on 11 May 2020. Thereafter, the Group is prudently planning for a gradual recovery scenario through next year in which trading conditions begin to normalise, while allowing for the potential risk of further outbreaks of COVID-19 later in the year as restrictions are relaxed.

Given the uncertainty regarding the duration, extent and ultimate impact of the COVID-19 pandemic, the Group cannot estimate with any precision the impact on its prospective financial performance. The COVID-19 pandemic is expected to result in a material loss of revenue for the financial year ending 25 February 2021. Despite the actions the Group is taking, this is likely, given the Group's high fixed and semi-variable costs, to have a material impact on earnings which may result in the Group not making any profit during the financial year ending 25 February 2021, with the clear possibility that it is materially loss-making during that period.

As a result of the uncertainties surrounding the forecasts due to the COVID-19 pandemic, the Group has also modelled a reverse stress test scenario which shows that the Group has enough liquidity (when taking into account the proceeds of the Rights Issue as discussed below) to continue to meet its obligations as they become due, for at least 12 months if the sites were not to re-open during that period.

The Group has outlined further details on the risks associated with COVID-19 in the principal risks and uncertainties section on pages 55 to 56 of the Annual Report. As a result, it is taking significant steps outlined below to address the potential impacts of the closures.

Financing, covenant compliance and mitigating factors

Covenant compliance

The Group has a number of financing facilities that contain covenants requiring the Group to maintain specified financial ratios and comply with certain other financial covenants. These financial covenants are tested semi-annually and, at the date of this report, the Group is in compliance with all its financial covenants.

As a result of the forecast impact of the COVID-19 pandemic on the results, the Group requested and received covenant test waivers for 18 months for its revolving credit facility (RCF), US Private Placements (USPP) and Pension Scheme. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. These requirements are tested quarterly and are forecast to be met under all scenarios in the going concern period.

Financing actions

The Group has announced its intention to raise gross proceeds of £1.0bn through a rights issue under existing authorities. The proceeds of the rights issues will be available to the Group from 10 June 2020.

At the date of signing these accounts, a number of standard clauses existed within the rights issue underwriting agreement. These allow the underwriting banks to terminate the agreement or invoke a condition during the period from signing to the date that the nil-paid rights are admitted to the official list, an expected period of up to five days. The Directors have assessed the likelihood that these clauses would be exercised. Having concluded that the likelihood is remote they have included the full proceeds of the rights issue within the scenarios modelled.

Mitigating factors

The factors available to the Group, both already utilised and those which could be implemented, are set out below:

- The Group welcomes the Government business rates relief for the 12 months to May 2021 and is participating in government initiatives to protect the viability of the business, including the Coronavirus Job Retention Scheme (CJRS) that is available until the end of October 2020. Although not included within our modelled scenarios, the Directors note the additional funding available as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF) with an issuer limit of £600.0 million.

- The Group is also backed by a valuable freehold property estate and the sale and/or part-sale of these assets could raise significant funds. Although, in the current environment, this may only be possible at lower valuations than the valuations previously achieved.

- A number of self-help measures have already been undertaken, including a significant reduction in the level of capital expenditure in the short term, limiting the outflows to only committed, work in progress, compliance and health and safety related spend, pausing all non-essential discretionary and variable spending, not declaring a final dividend for FY20 and pausing all future dividends during the lenders' covenant waiver period.

In considering the above, the Directors have concluded that the going concern assessment without material uncertainties is appropriate.

The auditor's report in the Group's annual report and financial statements refers to this key audit matter on pages 112 to 113 of the Annual Report.

References to parts of the Annual Report within this going concern statement, other than the financial statements, are for information purposes only.

Changes in accounting policies
The Group has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 March 2019:

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

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

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

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

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

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

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

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

Consolidated income statement and consolidated statement of comprehensive income	52 weeks to 28 February 2019 £m	IFRS 16 transition £m	52 weeks to 28 February 2019 (restated) £m
Continuing operations			
Other income	-	5.8	5.8
Operating costs	(1,754.4)	65.6	(1,688.8)
Finance costs	(39.0)	(113.1)	(152.1)
Tax expense	(49.2)	7.9	(41.3)
Profit for the year from discontinued operations	3,520.0	34.6	3,554.6
Subtotals			
Profit before tax	259.8	(41.7)	218.1
Profit for the year from continuing operations	210.6	(33.8)	176.8
Profit for the period attributable to parent shareholders	3,730.6	0.8	3,731.4
Earnings per share			
Basic EPS from continuing operations	115.2	(18.5)	96.7
Diluted EPS from continuing operations	114.6	(18.4)	96.2

- Other income – Rental income of £4.1m was reclassified from operating expenses to be shown separately as other income. In addition, rebates relating to a prior period of £1.7m which had previously been included in operating costs were re-presented in other income to align with current year presentation.
- Operating costs – A net credit of £65.6m was recognised, being the reversal of previously recognised rent expense of £169.7m off set by the depreciation charge on the right-of-use assets of £98.3m and reclassifications to other income of £5.8m.
- Finance costs – Interest costs of £113.1m were recognised on IFRS 16 lease liabilities.
- Tax expense – Tax expense has reduced by £7.9m reflecting the tax effect of these changes.
- Profit for the year from discontinued operations – A credit of £34.6m was recognised being an increase in the gain on disposal of Costa of £14.3m and an increase in profit from operating activities, net of tax of £20.3m.

Consolidated balance sheet	28 February 2019[1] £m	IFRS 16 transition £m	28 February 2019 (restated) £m	2 March 2018 £m	IFRS 16 transition £m	2 March 2018 (restated) £m
Assets						
Right-of-use assets	-	2,141.7	2,141.7	-	2,517.3	2,517.3
Trade and other receivables – current	123.5	(12.0)	111.5	191.1	(10.8)	180.3
Liabilities						
Lease liabilities – current	-	68.8	68.8	-	126.6	126.6
Lease liabilities – non-current	-	2,403.0	2,403.0	-	2,718.4	2,718.4
Trade and other payables – current	562.2	(54.2)	508.0	668.2	(45.8)	622.4
Trade and other payables - non-current	20.5	(20.5)	-	26.5	(24.3)	2.2
Provisions – non-current	17.0	(2.6)	14.4	21.4	(2.6)	18.8
Deferred tax liabilities	116.3	(45.2)	71.1	82.4	(45.4)	37.0
Subtotals						
Total assets	7,904.6	2,129.7	10,034.3	4,892.4	2,506.5	7,398.9
Total liabilities[1]	2,032.3	2,349.3	4,381.6	2,089.9	2,726.9	4,816.8
Net assets[1]	5,872.3	(219.6)	5,652.7	2,802.5	(220.4)	2,582.1

[1] Prior year restatement - As reported amounts include the impact of the prior year restatement to correctly include the Group's irrevocable commitment to purchase its own shares as described in Note 13. The impact of this adjustment is to increase other financial liabilities by £330.1m with a corresponding reduction in other reserves. There were no changes made to reported profit, earnings per share or cash flows.

- Right-of-use assets of £2,141.7m (2018: £2,517.3m) were recognised and presented separately in the consolidated balance sheet.
- Lease liabilities of £2,471.8m (2018: £2,845.0m) were recognised and split between current and non-current liabilities on the face of the balance sheet.
- Deferred tax liabilities reduced by £45.2m (2018: £45.4m).
- Provisions reduced by £2.6m (2018: £2.6m) reflecting the lease element of the Group's onerous property contracts.
- Net working capital movements of £62.7m (2018: £59.3m) were recognised relating to prepaid and accrued rent.

Consolidated cash flow statement	52 weeks to 28 February 2019 (as reported) £m	IFRS 16 transition £m	52 weeks to 28 February 2019 (restated) £m
Profit for the year	3,730.6	0.8	3,731.4
Tax expense	79.2	(3.1)	76.1
Net finance costs	35.1	129.9	165.0
Profit on disposal of discontinued operations	(3,390.2)	(14.3)	(3,404.5)
Depreciation and amortisation before adjusting items	226.2	137.5	363.7
Increase in trade and other receivables	(58.8)	1.2	(57.6)
Increase in trade and other payables	59.5	(4.6)	54.9
Interest paid – lease liabilities	-	(129.9)	(129.9)
Payment of principal of lease liabilities	-	(117.5)	(117.5)
Subtotals			
Cash generated from operations	814.4	247.4	1,061.8
Net cash flows from operating activities	485.7	117.5	603.2
Net cash flows from financing activities	(434.4)	(117.5)	(551.9)
Net increase in cash and cash equivalents	3,312.9	-	3,312.9

Impact of adopting IFRS 16 on the current year
The implementation of IFRS 16 in the current year has resulted in the recognition of right-of-use assets of £2,273.7m, lease liabilities of £2,620.6m and the replacement of rental expense of £188.2m with depreciation of £104.0m and lease interest of £115.3m.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7
The Group has early adopted the hedge accounting amendments Interest Rate Benchmark Reform, issued by the IASB as a response to issues arising from the planned replacement of interest rate benchmarks in a number of jurisdictions. The amendments confirm that entities applying hedge accounting can continue to assume that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform.

Adjusting items and use of alternative performance measures
On 1 March 2019 the Group adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy is set out below and replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. As a result of the change, IAS19 Pension finance costs/income no longer fall within the definition of adjusting items. Comparative amounts have been re-presented to reflect this change.

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 given at the end of this report.

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 programme in relation to the review of the hotel estate, excluding those relating to financing;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of the previous year's changes to the UK defined benefit scheme practices;
- impairment and related charges for sites which are underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to the legacy privity estate which are deemed to be significant and not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; 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.

Other standards and interpretations
The Group has adopted the following standards and interpretations which have been assessed as having no financial impact or disclosure requirements at this time:

- IFRIC 23 – Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 (Oct 2017) – Prepayment Features with Negative Compensation
- Amendments to IAS 28 (Oct 2017) – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)
- Amendments to IAS 19 (Feb 2018) – Plan Amendment, Curtailment or Settlement

Discontinued operations
In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the consolidated income statement in the comparative period. The disposal completed on 3 January 2019. The consolidated balance sheet as at 28 February 2019 shows the financial position of the continuing group only, whereas the consolidated balance sheet at 2 March 2018 includes the full Group as it was at that date.

Critical accounting judgements and key sources of estimation uncertainty
The critical accounting judgements and key sources of estimation uncertainty are consistent with those disclosed in the Group's annual financial statements for the year ended 28 February 2019 except for the removal of the critical accounting judgement for intangible asset capitalisation – IT software and technology assets and the inclusion of the following additional critical accounting judgements and key sources of estimation uncertainty:

Critical accounting judgements
Impact of coronavirus (COVID-19) – event after the balance sheet date
In light of the rapidly escalating COVID-19 pandemic, the Group has considered whether any adjustments are required to reported amounts in the financial statements.

As at the balance sheet date, no global pandemic had been declared, the UK was still in the 'containment' phase in response to the outbreak and large-scale outbreaks had been limited to South East Asia and Italy. The full impact of COVID-19, and the extent of Government interventions in response, were not apparent. To the extent that there were indicators of some level of disruption observable at the balance sheet date, these have been factored into the Group's financial statements as at 27 February 2020, in particular assessing short-term growth assumptions used in impairment testing of non-current assets.

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March, the UK government moved to a 'delay' phase on 12 March, announced social distancing measures on 16 March, and unprecedented 'stay at home' restrictions on 23 March. The Group, as a result of Government directives, closed all of its restaurants on 21 March, and the majority of its hotels from 24 March.

The Group has concluded that the necessity for large scale Government interventions (in the UK, Germany and UAE) in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. However, given these events are of such significance, further disclosures, including additional sensitivities, are given in Note 12.

Going concern
In concluding that the Going Concern assessment without material uncertainties was appropriate the Directors had to consider the following: that the likelihood of the banks which are underwriting the rights issue exercising the termination rights that apply during the period from the time of signing the accounts until the nil-paid rights are admitted to the official list (a period of 5 days) is remote.

Key areas of estimation uncertainty
Impairment testing – Property, plant and equipment and right-of-use assets
Where there are indicators of impairment, management performs an impairment assessment. Recoverable amounts for cash-generating units are the higher of fair value less costs of disposal, and value in use. Value in use is calculated from cash flow projections based on the Group's five-year business plans and extrapolated beyond five years based on estimated long-term growth rates. Where sites are new, judgement is required to estimate the time taken to reach maturity and the sites' trading level once it is mature. Key estimates and sensitivities for impairment of assets are disclosed in Note 16 of the Annual Report and Accounts. Fair value is determined with the assistance of independent, professional valuers where appropriate.

Lease liability – discount rates
The calculation of lease liabilities requires the Group to determine an incremental borrowing rate (IBR) to discount future minimum lease payments. Judgement is applied in determining the components of the IBR used for each lease including risk free rates, the Group's borrowing margin and any lease specific adjustments. A decrease in IBR by 1% would have increased Right-of-use assets by £270.0m, annual depreciation by £12.0m and lease liabilities by £210.0m and reduced annual finance costs by £15.0m. An increase in IBR by 1% would have reduced Right-of-use assets by £230.0m, annual depreciation by £10.0m and lease liabilities by £180.0m and increased annual finance costs by £12.0m.

4. Segment information

For management purposes, the Group is organised into a single strategic business unit, Premier Inn. Premier Inn provides services in relation to accommodation, food and beverage, both in the UK and internationally.

The UK and International Premier Inn segments have been aggregated on the grounds that the international segment does not currently meet the thresholds of being a reportable segment and meets the aggregation criteria applying IFRS 8 *Operating Segments*.

Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit.

The following table present revenue and profit information and certain asset and liability information regarding the Premier Inn segment for the years ended 27 February 2020 and 28 February 2019.

	Notes	**52 weeks to 27 February 2020 £m**	52 weeks to 28 February 2019 (restated) £m
Revenue before adjusting items		**2,062.1**	2,047.1
Adjusting items – revenue	5	**9.4**	2.0
Revenue from external customers		**2,071.5**	2,049.1
Profit from operations		**645.9**	701.0
Support and central costs		**(159.1)**	(163.3)
Adjusted operating profit		**486.8**	537.7
Net finance costs		**(128.5)**	(147.4)
Adjusted profit before tax		**358.3**	390.3
Adjusting items before tax	5	**(78.3)**	(172.2)
Profit before tax		**280.0**	218.1
Other segment information			
Share of loss from joint ventures		**(2.5)**	(0.6)
Investment in joint ventures		**54.8**	56.6
Capital expenditure:			
Property, plant and equipment and investment property – cash basis		**372.7**	396.3
Property, plant and equipment and investment property – accruals basis		**359.0**	382.2
Intangible assets		**20.7**	55.1
Depreciation – property, plant and equipment and investment property		**145.0**	139.1
Depreciation – right of use assets		**104.0**	98.3
Amortisation		**19.8**	20.9

Revenues from external customers are split geographically as follows:	**2019/20 £m**	2018/19 £m
United Kingdom*	**2,051.6**	2,037.0
Non-United Kingdom	**19.9**	12.1
	2,071.5	2,049.1

** United Kingdom (UK) revenue is revenue where the site is located in the UK.*

Non-current assets** are split geographically as follows:	**2020 £m**	2019 (restated) £m
United Kingdom	**6,326.2**	6,163.0
Non-United Kingdom	**432.5**	300.9
	6,758.7	6,463.9

*** Non-current assets exclude derivative financial instruments and the surplus on the Group's defined benefit pension scheme.*

5. Adjusting items

As set out in the policy in Note 3, 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 APMs which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

On 1 March 2019, the Group adopted a new accounting policy for adjusting items and use of alternative performance measures. This policy replaces the non-underlying items and use of underlying performance measures policy adopted in the previous financial years. As a result of the change, IAS 19 pension finance costs/income no longer fall within the definition of adjusting items. Comparative amounts have been re-presented to reflect this change.

	52 weeks to 27 February 2020 £m	52 weeks to 28 February 2019 (restated) £m
Adjusting items are as follows:		
Revenue:		
TSA income (a)	**9.4**	2.0
Other income:		
Insurance proceeds (e)	**16.0**	-
Legal settlement (b)	**2.3**	-
Adjusting other income	**18.3**	-
Operating costs:		
TSA costs (a)	**(8.9)**	(1.9)
Costa disposal - separation costs (c)	**(17.5)**	(19.9)
Costa disposal – impact on continuing business (d)	**2.3**	(80.4)
Costa disposal – review of strategic IT assets (i)	**-**	(7.7)
Guaranteed minimum pension (j)	**-**	(13.1)
Disposal, impairment and write off of intangible assets and property, plant and equipment and property provisions (e)	**(76.3)**	(44.2)
UK restructuring (k)	**0.2**	(7.0)
Employment tax settlement (f)	**(3.0)**	-
Acquisition costs (g)	**(2.4)**	-
Adjusting operating costs	**(105.6)**	(174.2)
Share of loss of joint ventures:		
Impairment (h)	**(0.4)**	-
Adjusting items before tax	**(78.3)**	(172.2)
Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:		
Tax on adjusting items	**7.0**	34.5
Adjusting tax credit	**7.0**	34.5

(a) Following the sale of Costa to The Coca Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

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

(c) In addition to the costs of providing the Transitional Services to Costa, the Group incurred £17.5m of separation costs in relation to the reorganisation of the Group. This included costs of separating IT infrastructure, contract renegotiation and other related activities. Separation activity has been substantially completed during the year, with final costs expected to occur in FY21.

(d) Following the disposal of Costa, the Group announced a restructure to simplify Support Centre operations and recognised a provision at February 2019 of £11.6m in relation to this restructure. During the year the Group assessed the remaining provision and released £2.3m to the income statement. During the prior year, following the disposal of Costa, the Group undertook a full review of the continuing business operations resulting in a total charge of £80.4m.

(e) During the year, the Group made a net gain on asset disposals of £5.2m (2018/19: £2.0m) from disposal of sites previously held for sale. This was offset by impairment losses on hotel sites transferred to assets held for sale of £5.0m (2018/19: £4.8m), impairment losses on trading sites of £36.6m (2018/19: £7.2m) and provisions for other property costs of £14.5m (2018/19: £10.8m). As a result of the cancellation of IT projects, intangible assets of £3.3m (2018/19: £19.9m) and tangible assets of £5.1m were written off , operating costs of £5.6m were incurred and a provision for onerous contracts of £1.1m (2018/19: £3.5m) was created. In addition, following a fire at a Premier Inn site, the

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

(f) During the year, the Group received an enquiry from HMRC into its historic PAYE Settlement Agreements. Whilst the Group believes it has grounds to resist this challenge, it has decided to provide for any potential settlement in full.

(g) During the year, the Group incurred costs of £2.4m of fees in relation to acquisitions which did not proceed to completion.

(h) The Group recorded a cost of £0.4m representing its share of a site level impairment in the accounts of its joint venture, Premier Inn Hotels LLC.

(i) During the prior year, following the disposal of Costa, the Group undertook a review of strategic IT assets and projects that were intended for implementation across both Premier Inn and Costa. This review resulted in an impairment of assets amounting to £7.7m.

(j) In October 2018, following a High Court ruling that pension schemes should equalise guaranteed minimum pension benefits for men and women, a past service cost of £13.1m was recognised in the prior year income statement to reflect this decision in the obligations of the Whitbread Group defined benefit scheme.

(k) During the prior year, the Group restructured its hotel and restaurant operations resulting in redundancy and project costs of £7.0m. An amount of £0.2m was released to the income statement in the current year.

6. Taxation

Consolidated income statement – continuing operations	**2019/20 £m**	2018/19 (restated) £m
Current tax:		
Current tax expense	**24.7**	55.1
Adjustments in respect of previous periods	**-**	(3.3)
	24.7	51.8
Deferred tax:		
Origination and reversal of temporary differences	**34.3**	(11.9)
Adjustments in respect of previous periods	**3.1**	1.4
	37.4	(10.5)
Tax reported in the consolidated income statement	**62.1**	41.3

Consolidated statement of comprehensive income – continuing operations	**2019/20 £m**	2018/19 £m
Current tax:		
Defined benefit pension scheme	**(18.3)**	(34.5)
Deferred tax:		
Cash flow hedges	**0.6**	0.8
Defined benefit pension scheme	**19.6**	34.6
Tax reported in other comprehensive income	**1.9**	0.9

A reconciliation of the tax charge applicable to adjusted profit before tax and profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 27 February 2020 and 28 February 2019 respectively is as follows:

	2019/20 Tax on adjusted profit £m	**2019/20 Tax on profit £m**	2018/19 Tax on adjusted profit (restated) £m	2018/19 Tax on Profit (restated) £m
Profit before tax as reported in the consolidated income statement	**358.3**	**280.0**	390.3	218.1
Tax at current UK tax rate of 19.00% (2018/19: 19.00%)	**68.1**	**53.2**	74.2	41.4
Effect of different tax rates and unrecognised losses in overseas companies	**3.6**	**3.6**	1.4	1.4
Effect of joint ventures	**0.1**	**0.1**	0.1	0.1
Tax credit on defined benefit pension scheme contribution	**(3.8)**	**(3.8)**	-	-
Expenditure not allowable	**2.1**	**6.9**	2.2	-
Adjustments to current tax expense in respect of previous years	**-**	**-**	(2.9)	(3.3)
Adjustments to deferred tax expense in respect of previous years	**-**	**3.1**	0.5	1.4
Impact of deferred tax being at a different rate from current tax rate	**(1.0)**	**(1.0)**	0.3	0.3
Tax expense reported in the consolidated income statement	**69.1**	**62.1**	75.8	41.3

Deferred tax

The major deferred tax assets/(liabilities) recognised by the Group and movements during the current and prior financial years are as follows:

	Accelerated Capital Allowances £m	Rolled over gains and property valuations £m	Pensions £m	Leases £m	Other £m	Total £m
At 2 March 2018 (restated)	(45.3)	(64.3)	28.1	45.4	(0.9)	(37.0)
(Charge)/credit to consolidated income statement	(1.9)	1.3	2.5	7.9	0.7	10.5
Charge to statement of comprehensive income	-	-	(34.6)	-	(0.8)	(35.4)
Credit to statement of changes in equity	-	-	-	-	5.3	5.3
Discontinued operations – amounts charged to income statement	0.9	-	-	-	(0.3)	0.6
Discontinued operations – amounts transferred to disposal group	(7.4)	-	-	(8.1)	0.2	(15.3)
Foreign exchange and other movements	0.3	-	(0.1)	-	-	0.2
At 28 February 2019 (restated)	(53.4)	(63.0)	(4.1)	45.2	4.2	(71.1)
Charge to consolidated income statement	**(0.9)**	**(1.4)**	**(32.6)**	**(1.9)**	**(0.6)**	**(37.4)**
Charge to statement of comprehensive income	**-**	**-**	**(19.6)**	**-**	**(0.6)**	**(20.2)**
Charge to statement of changes in equity	**-**	**-**	**-**	**-**	**(4.4)**	**(4.4)**
Arising on acquisitions	**-**	**-**	**-**	**-**	**(4.9)**	**(4.9)**
Foreign exchange and other movements	**-**	**-**	**-**	**-**	**0.2**	**0.2**
At 27 February 2020	**(54.3)**	**(64.4)**	**(56.3)**	**43.3**	**(6.1)**	**(137.8)**

Total deferred tax liabilities relating to disposals during the year were £nil (2019: £nil).

The Group has incurred overseas tax losses of £30.0m (2019: £26.0m) which can be carried forward indefinitely and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £10.0m (2019: £5.0m).

At 27 February 2020, no deferred tax liability is recognised (2019: £nil) on gross temporary differences of £3.1m (2019: £4.0m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relief on total interest capitalised amounts to £0.4m (2018/19: £0.6m).

Factors affecting the tax charge for future years

The Finance Act 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also impact the amount of the future cash tax payments to be made by the Group.

In his budget of 11 March 2020, the Chancellor of the Exchequer announced an increase in the main rate of UK corporation tax to 19% with effect from 1 April 2020. This change had not been substantively enacted at the balance sheet date and consequently is not included in these financial statements. The effect of the proposed increase would be to increase the net deferred tax liability by £16.2m. The rate changes will also impact the amount of the future cash tax payments to be made by the Group.

7. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options for all disclosed periods was nil.

The numbers of shares used for the earnings per share calculations are as follows. The weighted average number of shares has decreased significantly as a result of the cancellation of shares following completion of the share buyback and tender offer (refer to Note 11):

	2019/20 million	2018/19 million
Basic weighted average number of ordinary shares	**149.4**	182.8
Effect of dilution – share options	**0.9**	0.9
Diluted weighted average number of ordinary shares	**150.3**	183.7

From continuing operations

The profits used for the earnings per share calculations are as follows:

	2019/20 £m	2018/19 (restated) £m
Profit for the year attributable to parent shareholders	**217.9**	3,731.4
Profit from discontinued operations	**-**	(3,554.6)
Profit from continuing operations	**217.9**	176.8
Adjusting items – gross (Note 5)	**78.3**	172.2
Adjusting items – taxation (Note 5)	**(7.0)**	(34.5)
Adjusted profit for the year attributable to parent shareholders	**289.2**	314.5

	2019/20 pence	2018/19 (restated) pence
Basic EPS on profit for the year from continuing operations	**145.9**	96.7
Adjusting items – gross	**52.4**	94.2
Adjusting items – taxation	**(4.7)**	(18.9)
Basic EPS on adjusted profit for the period from continuing operations	**193.6**	172.0
Diluted EPS on profit for the period from continuing operations	**145.0**	96.2
Diluted EPS on adjusted profit for the period from continuing operations	**192.4**	171.2

From continuing and discontinued operations

The profits used for the earnings per share calculations are as follows:

	2019/20 £m	2018/19 (restated) £m
Profit for the year attributable to parent shareholders	**217.9**	3,731.4
Adjusting items– gross (Note 5)	**78.3**	(3,260.4)
Adjusting items – taxation (Note 5)	**(7.0)**	(34.2)
Adjusted profit for the year attributable to parent shareholders	**289.2**	436.8

	2019/20 pence	2018/19 (restated) pence
Basic EPS on profit for the year	**145.9**	2,041.3
Adjusting items – gross	**52.4**	(1,783.6)
Adjusting items – taxation	**(4.7)**	(18.7)
Basic EPS on adjusted profit for the year	**193.6**	239.0
Diluted EPS on profit for the year	**145.0**	2,031.3
Diluted EPS on adjusted profit for the year	**192.4**	237.8

8. Dividends paid

	2019/20 pence per share	**£m**	2018/19 pence per share	£m
Equity dividends on ordinary shares:				
Final dividend, proposed and paid, relating to the prior year	**67.00**	**116.3**	69.75	127.6
Interim dividend, proposed and paid, for the current year	**32.65**	**43.6**	32.65	59.8
		159.9		187.4
Dividends on other shares:				
B share dividend	**0.90**	**-**	0.50	-
C share dividend	**0.60**	**-**	0.60	-
Total dividends paid		**159.9**		187.4

The Board have decided not to declare a final dividend for the year ended 27 February 2020 (2019: a final dividend of 67.00p per share amounting to a dividend of £120.5m was declared).

9. Movements in cash and net debt

Year ended 27 February 2020	**28 February 2019** £m	**Cost of borrowings** £m	**Cash flow** £m	**Foreign exchange** £m	**Fair value adjustments to loans** £m	**Amortisation of premiums and discounts** £m	**27 February 2020** **£m**
Cash at bank and in hand	25.9						**78.9**
Short-term deposits	3,377.3						**423.7**
Cash and cash equivalents	3,403.2	**-**	**(2,892.5)**	**(8.1)**	**-**	**-**	**502.6**
Short-term bank borrowings	-						**-**
Loan capital under one year	-						**(84.0)**
Loan capital over one year	(819.9)						**(741.5)**
Total loan capital	(819.9)	**-**	**-**	**(2.2)**	**(1.8)**	**(1.6)**	**(825.5)**
Net cash/(debt)	2,583.3	**-**	**(2,892.5)**	**(10.3)**	**(1.8)**	**(1.6)**	**(322.9)**

Year ended 28 February 2019	**2 March 2018** £m	**Cost of borrowings** £m	**Cash flow** £m	**Foreign exchange** £m	**Fair value adjustments to loans** £m	**Amortisation of premiums and discounts** £m	**28 February 2019** £m
Cash at bank and in hand	29.2						25.9
Short-term deposits	61.4						3,377.3
Cash and cash equivalents	90.6	-	3,312.9	(0.3)	-	-	3,403.2
Short-term bank borrowings	-	-	-	-	-	-	-
Loan capital under one year	(108.9)						-
Loan capital over one year	(814.5)						(819.9)
Total loan capital	(923.4)	-	97.2	9.5	(1.6)	(1.6)	(819.9)
Net (debt)/cash	(832.8)	-	3,410.1	9.2	(1.6)	(1.6)	2,583.3

Net debt includes US$ denominated loan notes of US$168.5m (2019: US$168.5m) retranslated to £131.3m (2019: £127.4m). These notes have been hedged using cross-currency swaps. At maturity, £108.6m (2019: £108.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £300.1m (2019: net cash would be £2,601.0m).

10. Defined benefit pension surplus/deficit

During the year to 27 February 2020, the defined benefit pension scheme has moved from a liability of £119.6m to a surplus of £190.3m. The main movements in the (liability)/surplus are as follows:

		£m
Pension liability at 28 February 2019		(119.6)
Re-measurement due to:		
Changes in financial assumptions	(389.6)	
Return on plan assets greater than discount rate	409.3	
		19.7
Contributions from employer		288.4
Net interest on pension liability and assets		4.0
Administrative expenses		(2.2)
Pension surplus at 27 February 2020		**190.3**

The above surplus has been recognised as the Group has an unconditional right to receive a refund, assuming the gradual settlement of the scheme liabilities over time until all members and their dependants have either died or left the scheme, in accordance with the provisions of IFRIC14.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 27 February 2020 for IAS 19 Employee benefits purposes were:

	At 27 February 2020 %	At 28 February 2019 %
Pre-April 2006 rate of increase in pensions in payment	**2.8**	3.0
Post-April 2006 rate of increase in pensions in payment	**2.0**	2.1
Pension increases in deferment	**2.8**	3.0
Discount rate	**1.6**	2.6
Inflation assumption	**2.9**	**3.1**

The assumptions in relation to discount rate, mortality and inflation have a significant effect on the measurement of scheme liabilities. The following table shows the sensitivity of the valuation to changes in these assumptions:

	(Increase)/decrease in liability	
	2020 £m	2019 £m
Discount rate		
1.00% increase to discount rate	**467.0**	393.0
1.00% decrease to discount rate	**(610.0)**	(510.0)
Inflation		
0.25% increase to inflation rate	**(101.0)**	(88.0)
0.25% decrease to inflation rate	**98.0**	85.0
Life expectancy		
Additional one-year increase to life expectancy	**(102.0)**	(90.0)

11. Share capital and reserves

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme to return £500m to shareholders. During the year the Group purchased 6.5m ordinary shares (representing approximately 3.3% of the issued ordinary share capital) at an average price of £48.00 per share, and an aggregate cost of £315.8m, including transaction costs of £3.1m, under the share buyback programme. These shares, together with those acquired last financial year (3.5m shares at an average price of £48.87 per share and an aggregate cost of £169.9m), were initially held as treasury shares. The remaining £14.3m, representing the difference between the announced programme and the value repurchased, has been released to other reserves during the year.

During the year the Group cancelled 9.0m ordinary shares that were previously held as treasury shares, creating a capital redemption reserve of £6.9m and transferring the cost of treasury shares of £140.2m to retained earnings.

During the year the Group announced and completed a tender offer to purchase 40.2m ordinary shares at a price of £49.72 per share, and an aggregate cost of £2,012.6m, including transaction costs of £12.6m. The shares acquired under the tender offer were immediately cancelled creating a capital redemption reserve of £31.0m.

During the year, options over 0.3m (2018/19: 0.3m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes for proceeds of £9.5m (2018/19: £8.5m).

Allotted, called up and fully paid ordinary shares of 76.80p each;

	million	£m
At 28 February 2019	195.9	150.6
Issued	0.3	0.2
Cancelled	(9.0)	(6.9)
Tender offer	(40.2)	(31.0)
At 27 February 2020	**147.0**	**112.9**

12. Events after the balance sheet date

COVID-19 pandemic

Closure of hotels and restaurants

The Group closed all of its restaurants on 21 March 2020 and the vast majority of its hotels on 24 March 2020, with 39 in key locations remaining open for key workers. The majority of the Group's German hotels re-opened on 11 May 2020.

Despite the mitigating actions the Group is taking, the closure of our sites will result in a material reduction in revenue for the financial year ending 25 February 2021. Given this, the Group may not make any profit during that period with the clear possibility that it will be loss-making.

Banking and pension covenants and waivers

In order to avoid the impact of a breach of debt covenants in FY21, since the end of the financial year the Group has requested waivers from certain covenants contained within debt facility agreements and pension trustee guarantees.

These waivers cover the period from H1 FY21 to H1 FY22 and ensure any breach of those covenants that would otherwise have occurred will not result in default by the Group. In obtaining the waivers, the Group has agreed to certain other measures including an additional £50.0m of asset security for the pension fund. In the event the security is not in place within a defined timeframe, a £50.0m additional cash contribution will become payable. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn, and these matters are tested quarterly. Dividends will remain suspended until the existing lender covenant waiver period ends.

Rights issue

The Group has announced its intention to raise gross proceeds of £1.0bn by way of a fully underwritten rights issue. This will provide an appropriate capital structure and a strong platform from which to deliver on the Group's growth strategy.

Coronavirus Job Retention Scheme and Business Rates Relief

The Group has utilised the business support measures introduced by the government in light of the COVID-19 pandemic, including the Coronavirus Job Retention Scheme, expected to provide a c.£70.0m-£85.0m benefit for the period from March to August 2020, and business rates relief through to May 2021, which is expected to provide a c.£120.0m benefit to the Group.

Government CCFF Facility

The Group applied for the Bank of England's COVID-19 Corporate Financing Facility (CCFF) with an issuer limit of £600.0m, which was confirmed as successful on 14 April 2020. The facility was undrawn at 20 May 2020.

Acquisition pipeline

At year-end, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. As a result of the COVID-19 pandemic, the Group decided subsequent to the year-end not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations and therefore a charge of £11.4m will be included within statutory profit or loss in the financial year 2020/21.

Impairment
Impairment of property, plant and equipment and right-of-use assets has been assessed during the financial year using growth assumptions from the FY21 budget and 5-year business plan. As a result of the impacts of COVID-19, these assumptions, specifically for FY21, are no longer appropriate. Depending on the length of closures, and in the absence of further improvements, the COVID-19 outbreak will result in further indicators of impairment across the Whitbread business, impacting property, plant and equipment, right-of-use assets, goodwill and investments in joint ventures.

The impairment sensitivities outlined in Note 16 of the Annual Report and Accounts consider the sensitivities historically relevant to the Group. In line with several scenarios modelled these sensitivities have been applied across our site level impairment models. A reduction in FY21 & 22 cash flows against the FY21 budget and the longer-term growth rate (from year 5) would have the following impact on the impairment of property, plant and equipment and right-of-use assets:

	Increase in impairment £m
If cashflows were reduced by 50% for Year 1, 8% for Year 2 and long-term growth reduced to 1%	50.0 – 70.0
If cashflows were reduced by 70% for Year 1, 8% for Year 2 and long-term growth reduced to 1%	55.0 – 75.0

Defined benefit pension surplus
A full valuation of the defined benefit pension scheme as at 31 March 2020 will take place in FY21 as part of the triennial review which will confirm the technical deficit. Since the year-end the fluctuation in the pension surplus as a result of the market volatility has remained within the amount indicated in the sensitivities disclosed in note 10.

Financial risk management
The COVID-19 pandemic has resulted in an increase in interest rate and foreign exchange volatility. Refer to Note 24 of the Annual Report for the Group's approach to financial risk management and sensitivity analysis.

Refund of customer deposits (contract liabilities)
Following the closure of the majority of its hotels, the Group has offered a full refund to customers who had booked and prepaid. This has resulted in the repayment of c.£60.0m in relation to contract liabilities recognised at year-end of £110.0m (as shown in Note 26 of the Annual Report), that will not flow through to revenue in FY21. We expect the majority of this balance to be repaid.

Other
On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8m. The acquisition consists of 13 trading hotels which are currently being rebranded to Premier Inn as well as the leasehold for a further six pipeline sites. The transaction forms part of the Group's strategic priority of international growth. Full details of this transaction are provided in Note 35 to the Annual Report.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

13. Prior year restatement
In late 2019 the Financial Reporting Council (FRC) submitted a request for further information on one aspect of the Group's Annual Report and Accounts for the year ended 28 February 2019. The review conducted by the FRC was based solely on the Group's published report and accounts and does not provide any assurance that the report and accounts are correct in all material respects.

Following completion of this review, the directors have concluded that a liability should have been recorded at 28 February 2019 for the Group's irrevocable commitment to purchase its own shares. At the balance sheet date an irrevocable commitment existed which was not reflected appropriately as a liability. As a result, the consolidated balance sheet for the year ended 28 February 2019 has been restated as follows:

Consolidated balance sheet	28 February 2019 (as reported) £m	Restatement £m	28 February 2019 (restated) £m
Liabilities			
Other financial liabilities	-	330.1	330.1
Total liabilities	1,702.2	330.1	2,032.3
Equity			
Other reserves	(2,217.6)	(330.1)	(2,547.7)
Net assets	6,202.4	(330.1)	5,872.3

The restatement did not result in any change to reported profit, earnings per share or cash flows reported in the 2019 financial year.

Glossary

Accommodation sales
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

Adjusted basic EPS†#
Adjusted profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).
Closest IFRS measure: Basic EPS
Reconciliation: Note 7

Adjusted EBITDA (post IFRS 16)†#
Profit before adjusting items, interest, tax, depreciation and amortisation. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted EBITDA (pre-IFRS 16)†#
Profit before adjusting items, interest, tax, depreciation and amortisation restated to remove the impact of adopting IFRS 16 by deducting rent expense. New measure to enable comparison between periods following adoption of IFRS 16 in the year.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted EBITDAR†#
Profit before adjusting items, interest, tax, depreciation of property, plant and equipment and right-of-use assets, amortisation, variable lease payments and rental income.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Adjusted net debt / (cash)†
Net debt/(cash) adjusted for cash, assumed by ratings agencies to be not readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Refer below

Adjusted operating profit†#
Operating profit before adjusting items.
Closest IFRS measure: Operating profit
Reconciliation: Consolidated income statement

Adjusted operating profit (pre-IFRS 16)†#
Operating profit before adjusting items restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with rent expense under IAS 17. New measure to enable comparison between periods following adoption of IFRS 16 in the year. The directors consider this to be a useful measure as it is aligned with the performance targets of the Group and the basis for executive remuneration.
Closest IFRS measure: Profit before tax
Reconciliation: Refer below

Adjusted profit before tax†#
Profit before tax before adjusting items.
Closest IFRS measure: Profit before tax
Reconciliation: Consolidated income statement

Adjusted profit before tax (pre-IFRS 16)†#
Profit before tax before adjusting items restated to remove the impact of adopting IFRS 16, replacing IFRS 16 right-of-use asset depreciation and lease liability interest with rent expense under IAS 17. New measure to enable comparison between periods following adoption of IFRS 16 in the year. The directors consider this to be a useful measure as it is aligned with the performance targets of the Group and the basis for executive remuneration.
Closest IFRS measure: Profit before tax
Reconciliation: Refer below

Adjusted property rent
Total property rent less a proportion of contingent rent.

Adjusted revenue†#
Revenue adjusted to exclude the TSA income. The Directors consider this to be a useful measure as TSA income is connected to the disposal of Costa which was a non-recurring event.
Closest IFRS measure: Revenue
Reconciliation: Consolidated income statement

Adjusted tax†#
Tax expense before adjusting tax items.
Closest IFRS measure: Tax expense
Reconciliation: Consolidated income statement

Average room rate (ARR)†
Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.
Closest IFRS measure: No direct equivalent
Reconciliation: N/A

Basic earnings per share (Basic EPS)
Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

Committed pipeline
Sites where we have a legal interest in a property (that may be subject to planning/other conditions) with the intention of opening a hotel in the future.

Direct bookings / distribution
Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

Discretionary free cash flow†
Cash generated from operations after payments for interest, tax, payment of principal of lease liabilities and maintenance capital expenditure. The directors consider this to be a useful measure as it is a good indicator of the cash generated which is available to fund future growth or shareholder returns.
Closest IFRS measure: Cash generated from operations
Reconciliation: Financial review

Food and beverage (F&B) sales
Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

Funds from operations (FFO)†
Net cash flows from operating activities, adding back changes in working capital, adjusted property rent & cash interest. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure: Cash flow from operations
Reconciliation: Refer below

Lease debt
Eight times adjusted property rent.

Lease adjusted net debt / (cash)†
Adjusted net debt plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Refer below

Lease-adjusted net debt / (cash) : FFO†
Ratio of lease-adjusted net debt compared to funds from operations (FFO). The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Like-for-like sales†
Period over period change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Net debt / (cash)†
Total borrowings after deducting cash and cash equivalents. The directors consider this to be a useful measure of the financing position of the Group.
Closest IFRS measure: Borrowings less cash and cash equivalents
Reconciliation: Note 9

Occupancy
Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

Operating margin / margins
Operating profit expressed as a percentage of total revenue.

Operating profit
Profit before interest and tax.

Profit from operations
Profit before adjusting items, support and central costs, interest and tax.

Property rent
IFRS 16 property lease liability payments plus variable lease payments, adjusted for deferred rental amounts. This is used as a proxy for rent expense as recorded under IAS 17 in arriving at funds from operations.

Rent expense
Rental costs recognised in the income statement prior to the adoption of IFRS 16.

RevPAR†
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

Return on capital (ROCE)†
Adjusted operating profit (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt, right of use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit, derivative financial assets and liabilities, other financial liabilities and IFRS 16 working capital adjustments. The directors consider this to be a useful measure as it expresses the underlying operating efficiency of the Group and is used as the basis for remuneration targets.
Closest IFRS measure: No direct equivalent
Reconciliation: Refer below

†Alternative Performance Measures
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 that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

 # New APM
Measure represents a new/revised APM as a direct result of the adoption of the new adjusting items accounting policy (refer to Note 3).

Reconciliations of APMs

Adjusted profit before tax (pre-IFRS 16)		**2019/20 £m**	2018/19 £m
Adjusted profit before tax	Income statement	**358.3**	390.3
Depreciation – right-of-use-assets		**104.0**	98.3
Interest on lease liabilities		**115.3**	113.1
Rent expense		**(188.2)**	(169.7)
Adjusted profit before tax (pre-IFRS 16)		**389.4**	432.0

Adjusted operating profit (pre-IFRS 16)		**2019/20 £m**	2018/19 £m
Adjusted operating profit	Income statement	**486.8**	537.7
Depreciation – right-of-use-assets		**104.0**	98.3
Rent expense		**(188.2)**	(169.7)
Adjusted operating profit (pre-IFRS 16)		**402.6**	466.3

Return on capital		**2019/20 £m**	2018/19 £m
Net assets	Balance sheet	**3,748.8**	5,652.7
Net debt/(cash)	Note 9	**322.9**	(2,583.3)
Current tax assets	Balance sheet	**(14.9)**	(12.6)
Deferred tax liabilities	Balance sheet	**137.8**	71.1
Pension (surplus)/deficit	Balance sheet	**(190.3)**	119.6
Other financial liabilities	Balance sheet	**-**	330.1
Derivative financial assets	Balance sheet	**(37.6)**	(16.4)
Derivative financial liabilities	Balance sheet	**4.4**	5.8
Right-of-use assets	Balance sheet	**(2,273.7)**	(2,141.7)
Lease liabilities	Balance sheet	**2,620.6**	2,471.8
IFRS 16 Working capital adjustments		**(65.0)**	(65.3)
Net assets for return on capital		**4,253.0**	**3,831.8**
Return on capital		**9.5%**	12.2%

Adjusted EBITDA and Adjusted EBITDAR		2019/20 £m	2018/19 £m
Adjusted operating profit	Income statement	**486.8**	537.7
Depreciation – right-of-use assets		**104.0**	98.3
Depreciation – property, plant and equipment		**145.0**	139.1
Amortisation		**19.8**	20.9
Adjusted EBITDA		**755.6**	**796.0**
Variable lease payments		**2.0**	2.5
Rental income		**(4.9)**	(4.1)
Adjusted EBITDAR		**752.7**	794.4
Rent expense, variable lease payments and rental income		**(185.3)**	(168.1)
Adjusted EBITDA (pre-IFRS 16)		**567.4**	626.3

Funds from operations and adjusted net debt		2019/20 £m	2018/19 £m
Net cash flow from operating activities	Cash flow statement	**234.2**	603.2
Payment of principal of leases	Cash flow statement	**(72.1)**	(117.5)
Movement in working capital	Cash flow statement	**64.0**	1.4
Cash interest	Cash flow statement	**19.9**	33.9
Adjusted property rent		**186.3**	274.1
Adjustment for one-off pension payment		**274.0**	107.0
Funds from operations		**706.3**	902.1
Net debt/(cash)		**322.9**	(2,583.3)
Restricted cash adjustment		**10.0**	10.0
Adjusted net debt/(cash)		**332.9**	(2,573.3)
Lease debt		**1,490.0**	2,192.8
Lease-adjusted net debt/(cash)		**1,822.9**	(380.5)
Lease-adjusted net debt/(cash) to FFO		**2.6**	(0.4)

Like-for-like sales and RevPAR	2019/20	2018/19	Growth
Accommodation sales – UK* (£m)	**1,311.6**	1,312.8	**(0.1)%**
Accommodation sales – international (£m)	**9.8**	4.3	
Accommodation sales (£m)	**1,321.4**	1,317.2	
LFL UK accommodation sales	**(2.4)%**	(0.6)%	
Contribution from net new hotels	**2.3%**	4.1%	
Total UK accommodation sales growth	**(0.1)%**	3.5%	
Accommodation revenue – UK* (£m)	**1,311.6**	1,312.8	
Available rooms UK (000)	**27,963**	26,794	
RevPAR (£)	**46.91**	49.00	

* Accommodation sales - UK – includes one site in each of Jersey, Ireland and the Isle of Man