WHITBREAD

FY22 Results

28 April 2022

Sustained outperformance in UK with strong current trading momentum; rapid estate growth in Germany; dividend restored

FY22 financial year is a 53 week period ended 3 March 2022. FY21 is a 52 week period. Percentage comparisons are on a 53 week versus 52 week basis unless stated otherwise. Where relevant, comparisons are made to either last year (FY21) or to FY20, the last financial period before the onset of the COVID pandemic which was 52 weeks ended 27 February 2020.

FY22 highlights

- Continued significant market outperformance in the UK, driven by the strength of our commercial and operational initiatives along with the inherent strengths of our brand, scale and direct distribution
- Premier Inn total accommodation sales growth was 14.8pp ahead of the midscale and economy market in FY22, and 17.3pp ahead in H2
- Strong recovery from last year - total UK accommodation sales were 198.0% ahead of FY21 with total UK food and beverage sales 170.2% ahead
- Versus FY20 (pre-COVID):
    - As a result of our business being open to only essential business travel for the majority of the first quarter, UK total accommodation sales were 11.7% behind pre-COVID levels (and like-for-like 15.5% behind). However, from Q2 onwards, performance improved significantly, quickly returning to, and then exceeding pre-COVID levels
    - In H2, total UK accommodation sales were 12.5% ahead (7.9% ahead on a 52-week basis) of pre-COVID levels, and like-for-like 7.5% ahead (3.2% ahead on a 52-week basis, despite the impact of the Omicron COVID variant in Q4
    - Total UK food and beverage sales were 30.9% behind FY20 (32.7% behind on a 52-week basis), again due to lockdown closures, recovering in H2 to 9.7% behind (13.3% behind on a 52-week basis)
- Germany total open and committed pipeline now stands at 78 hotels, with 37 open hotels, compared to 6 open hotels at the start of the pandemic, with the rapid estate growth driving statutory revenue 206.1% ahead of FY21 and 198.3% ahead of FY20
- Resumption of dividend payments with the Board declaring a final dividend per share of 34.7p resulting in a total dividend payment of £70m, payable on 1 July 2022, reflecting both the Group's encouraging trading, and confidence in the outlook

Financial summary

- FY22 statutory revenues were 189.0% ahead of FY21 reflecting the strong recovery in sales post COVID restrictions, and the estate growth in the UK and Germany
- FY22 statutory profit before tax of £58.2m, compared to a loss of £1,007.4m in FY21. Adjusting items before tax in the year were a net credit of £74.0m, including £33.2m profit from property disposals, and £42.0m of net property impairment reversals (FY21: £109.2m charge)
- Both the FY22 statutory profit and the adjusted loss before tax of £15.8m benefitted from £126.5m of COVID related UK Government support schemes, a significant reduction from the prior year (FY21: £260.3m), and £44.3m of COVID related support schemes in Germany (FY21: £11.8m)
- The Group retains a strong balance sheet and liquidity position, as it targets a return to investment grade metrics, enabling on-going investment in our comprehensive growth strategy. Cash inflow before debt repayments was £80.3m in the second half and net cash at the end of the year was £140.5m.

Outlook

- Premier Inn UK's hotel trading in the 7 weeks to 21 April 2022 remains well ahead of the market; total accommodation sales were 326.6% ahead of the same period last year and 29.9% ahead of FY20 (pre-COVID), representing a 28.3pp outperformance of the midscale and economy market
- The Group's network planning exercise has identified an acceleration in the exit of independent operators from the UK market, providing further opportunity for Premier Inn to take market share. The Group expects to add c.1,500 - 2,000 rooms in the UK and c.2,000 - 2,500 rooms in Germany in FY23
- The value pub and restaurant sector in which we operate remains behind pre-COVID levels. Premier Inn UK food and beverage sales improved to be well ahead of FY22 and 4.6% behind FY20 levels in the seven weeks to 21 April 2022

- Sector cost year-on-year inflation in FY23 is now anticipated to be around 8%-9%, c.1% higher than previously guided at our Q3 results. The Group expects to largely offset these higher levels of inflation through cost efficiencies, estate growth and pricing power
- Three-year cost saving programme extended by one year to FY25, delivering c.£140m across FY22 to FY25
- Premier Inn Germany occupancy levels were at 51.2% in the first seven weeks of FY23, performing in-line with the market. Government COVID restrictions acted as a significant headwind in the German hotel market throughout FY22 and into FY23. While restrictions were largely removed at the beginning of April 2022, the market is still some way behind pre-COVID levels. FY23 Germany loss before tax is expected to be c.£60m-£70m, reflecting the slower recovery of the hotel market in Germany, and the maturity impact of our new estate. We have no reason to believe the market won't come back strongly in due course.
- Resumption of dividend payments with the Board declaring a final dividend per share of 34.7p resulting in a total dividend payment of £70m, payable on 1 July 2022, reflecting both the Group's encouraging trading, and confidence in the outlook

Driving long-term value

- In the UK, we will grow by leveraging the powerful competitive advantages of our scale, brand, direct distribution, best-in-class operating model, and broad customer reach, returning to pre-COVID RevPAR levels in the short-term and profit before tax margins thereafter
- In Germany, we are expanding at pace, investing in both organic and inorganic growth, and building the Premier Inn brand proposition as we establish a nationwide footprint
- Whitbread is well-placed to take advantage of both the accelerated supply contraction in the market, that we are now beginning to see, and constrained investment amongst independent and budget branded operators in the UK and Germany
- Our strategy is underpinned by our well-established Force for Good programme, delivering ambitious commitments to operate responsibly and sustainably, and reflecting the positive impact we can make for our employees, customers, suppliers, investors, communities and the environment

FY22 Financial summary

£m	FY22	FY21	FY20	vs FY21	vs FY20
Statutory revenue[1]	1,703.4	589.4	2,071.5	*189.0%*	*(17.8)%*
Adjusted EBITDAR†	472.6	(194.9)	752.7	*342.5%*	*(37.2)%*
Adjusted (loss) / profit before tax†	(15.8)	(635.1)	358.3	*97.5%*	*(104.4)%*
Statutory profit / (loss) before tax	58.2	(1,007.4)	280.0	*105.8%*	*(79.2)%*
Statutory profit / (loss)	42.5	(906.5)	217.9	*104.7%*	*(80.5)%*
Adjusted basic EPS†	(2.5)p	(287.6)p	166.3p	*99.1%*	*(101.5)%*
Statutory basic EPS	21.1p	(481.9)p	125.3p	*104.4%*	*(83.2)%*
Dividend per share	34.7p	0p	32.7p	*0.0%*	*6.1%*
Cash and cash equivalents	1,132.4	1,256.0	502.6	(123.6)	629.8
Net cash / (debt)†	140.5	(46.5)	(322.9)	187.0	463.4
Net cash / (debt) and lease liabilities†	(3,561.3)	(3,278.1)	(2,943.5)	*(8.7)%*	*(21.1)%*

1: Includes revenue relating to the Costa disposal transitional service agreement of £0.5m in FY21 and £9.4m in FY20
† signifies an alternative performance measure (APM) – Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Sales growth comparisons:

	H1 FY22	H2 FY22		FY22	
	vs FY21	vs FY21	vs FY21 excl. wk 53	vs FY21	vs FY21 excl. wk 53
UK					
Total accommodation sales	*204.2%*	*194.0%*	*182.1%*	*198.0%*	*190.8%*
Total food and beverage sales	*105.3%*	*228.8%*	*215.7%*	*170.2%*	*163.4%*
Total UK sales	*167.8%*	*204.3%*	*192.1%*	*188.9%*	*181.9%*
Germany					
Total accommodation sales	*86.0%*	*275.8%*	*261.1%*	*185.3%*	*176.5%*
Total food and beverage sales	*201.0%*	*489.3%*	*464.4%*	*369.2%*	*345.3%*
Total Germany sales	*98.5%*	*301.7%*	*285.7%*	*206.1%*	*195.9%*

	H1 FY22	H2 FY22		FY22	
	vs FY20	vs FY20	vs FY20 excl. wk 53	vs FY20	vs FY20 excl. wk 53
UK					
Total accommodation sales	*(33.1)%*	*12.5%*	*7.9%*	*(11.7)%*	*(13.9)%*
Total food and beverage sales	*(51.2)%*	*(9.7)%*	*(13.3)%*	*(30.9)%*	*(32.7)%*
Total UK sales	*(39.4)%*	*4.3%*	*0.1%*	*(18.6)%*	*(20.6)%*
Germany					
Total accommodation sales	*209.3%*	*192.6%*	*181.1%*	*196.9%*	*189.7%*
Total food and beverage sales	*165.0%*	*219.1%*	*205.6%*	*205.0%*	*191.9%*
Total Germany sales	*197.3%*	*197.0%*	*185.1%*	*198.3%*	*190.1%*

- Week 53 total sales were £41.9m and the estimated profit before tax was c.£4m.

Alison Brittain, Whitbread Chief Executive Officer, commented:

"Whitbread's performance in the year was strong, with revenues and profits recovering exceptionally well from last year. Our hotels traded well-ahead of the market in the UK driven by our 'investing to win' commercial initiatives and the strong appeal of our customer offer. As restrictions eased after the first quarter, high levels of leisure demand and improving business demand helped drive UK accommodation sales ahead of pre-COVID levels throughout the summer and into autumn, with sales remaining resilient through Q4 despite the emergence of the Omicron COVID variant. As we move into the next phase of our COVID recovery, this excellent performance, combined with confidence in the Group's outlook, means that the Board is now proposing the reinstatement of dividend payments.

Our operational performance throughout the year was outstanding and testament to the hard work and dedication of our employees, adapting at short notice to the implementation of Government restrictions, while at all times ensuring the safety of our customers. The summer period in particular saw very high levels of demand in our hotels, with many continuously at full occupancy. Our teams really stepped up, and I am extremely grateful for their commitment and effort during this period.

Whilst our hotel performance was excellent, the value pub and restaurant sector in which we operate has seen a slower recovery post reopening in May 2021. We are seeing an improvement in our UK restaurants performance, and we are confident the commercial initiatives we have recently launched will help drive a further improvement in sales.

We hold a uniquely advantaged position in the UK market as the largest operator with the strongest brand, alongside our direct distribution, best-in-class operating model and broad customer reach. Furthermore, backed by our strong balance sheet, we have invested through the cycle, in new hotels, Premier Plus rooms and high levels of refurbishments, ensuring we maintain our stand-out customer proposition in the budget sector. This, combined with the evidence of an acceleration of supply contraction within the independent hotel sector, presents Premier Inn with the opportunity to accelerate its market share gains, an opportunity on which we are fully capitalising as we continuously strengthen our customer offer.

The hotel market in Germany is recovering at a slower pace than the UK due to the higher level of Government restrictions which have lasted longer. However, we have no reason to believe the market won't come back strongly in due course. During the summer, when restrictions were eased, we saw good trading momentum, particularly in those destinations with a greater leisure exposure. With our open hotel estate now standing at 37 hotels, all now branded Premier Inn, with a further 41 hotels in the pipeline, the foundations of a successful business are already in place. We have great quality hotels in prime locations, appealing to a broad customer base, and scoring highly with our guests. The opportunity for the Group to create value in Germany remains compelling as we look forward to being able to fully trade the estate, in the majority of cases for the first time, in the absence of Government restrictions. We will also continue to take opportunities to grow our German estate, and our commitment to that market will deliver attractive long-term returns.

Our Force for Good sustainability programme underpins everything we do. During the year we set further stretching targets, including accelerating our net zero Carbon target to be achieved by 2040, and setting eight clear diversity and inclusion commitments, including a target of 40% female representation in our senior leadership roles, which we have already surpassed. We are making good progress across our ESG agenda and have worked hard to ensure it is fully embedded within the operations of the business; we look forward to discussing this further at our Force for Good investor teach-in on 24 May 2022.

As we move into the next phase of our post-COVID recovery, Whitbread is well-placed to enhance our market leadership position further in the UK, to accelerate our growth in Germany, and drive long-term value for all our stakeholders."

For more information please contact:

Investor Relations - Whitbread investorrelations@whitbread.com
Paul Tymms paul.tymms@whitbread.com
Abigail Cammack abigail.cammack@whitbread.com
Sophie Nottage sophie.nottage@whitbread.com

Media – Tulchan whitbread@tulchangroup.com
Alison Lygo / Jessica Reid +44 (0) 20 7353 4200

A webcast for investors and analysts will be made available at 8:15 am on 28 April 2022 and will be followed by a live Q&A teleconference at 9:15am. Details of both can be found on Whitbread's website (www.whitbread.co.uk/investors).

Upcoming events

24 May 2022: Force For Good investor teach-in
15 June 2022: AGM and Q1 trading update

†***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. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Business Overview

Driving long-term value

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 faster pace than competitors, delivering a consistently superior customer experience and generating a strong return on capital for shareholders over the 15 years prior to the COVID pandemic. Our strategy is executed across three areas: **continuing to grow and innovate in the UK** and take market share, **growing at scale in Germany,** and enhancing our **capabilities to support long-term growth**.

We hold a uniquely advantaged position in the UK:

- **The UK's largest hotel chain** with over 82k rooms, Premier Inn provides a diverse portfolio of locations where customers want to stay
- **Premier Inn is regularly voted as the UK's favourite hotel brand**, synonymous with high quality and good value, with great customer service
- **Best in class operations**: ownership of all aspects of our hotel and restaurant operations ensures greater control over the customer experience, resulting in a high-quality offering delivered on a consistent basis throughout the estate
- **Industry-leading digital distribution model**: with less than 1% of bookings delivered through third party online travel agents (OTAs) our direct distribution model provides complete ownership of the customer relationship driving substantially lower acquisition and retention costs
- **Broad customer reach**: our customer base is highly diversified with an approximate 50/25/25 split between leisure / trades people / office workers, and with low levels of group bookings, meaning we are far less exposed to those areas of business travel that may be structurally impaired as a result of changing work habits post COVID

The sector and markets in which Premier Inn operates are highly attractive:

- **The budget branded model is structurally advantaged**: The budget branded hotel sector is historically the highest growth segment in the hotel market. It has proved more resilient in previous downturns, and is also outperforming the rest of the hotel market during this recovery period. Premier Inn has historically been a net beneficiary from consumers "trading down" in times when consumer spend has tightened.
- **Long runway for growth:** The Group has a long runway for growth in the UK, with detailed network planning supporting a network target of at least 110,000 rooms, representing a growth opportunity of over 33% compared to our current UK estate of over 82,000 rooms. The UK pipeline stands at over 8,000 rooms of which around 2-3,000 new rooms are opened each year. In the UK we are able to leverage our brand portfolio to ensure the optimal hotel and restaurant offering by location. Our new hotels are larger than the estate average, are more efficient to run, and have a better operating leverage. In Germany we have an estate of over 6,000 rooms and a committed pipeline of over 8,000 rooms, with the potential to replicate our scale in the UK.
- **Enhanced structural opportunities:** Prior to the onset of the COVID pandemic, in 2019 the independent sector still represented 48% of the UK market and 72% of the German market, but both were in long-term decline as customers migrate from independent to budget branded hotels. The Group undertook a detailed network planning exercise in February and March 2022, confirming the levels of independent room supply in over 120 catchment areas in the UK, representing around 35% of the independent market. The findings indicate that the number of independents exiting the market has increased significantly from historic levels, undoubtedly as a result of the COVID pandemic. The Group expects that a heightened level of independent exits will continue for the next 12-36 months, and that this pattern will also be evidenced in Germany. Premier Inn is well-placed to capitalise on this contraction in competitor supply and to take market share in both these markets.

Opportunity to replicate our UK success in Germany:

We believe the UK success factors detailed above are either already present in Germany, or a compelling opportunity exists for Premier Inn to develop those characteristics as the business grows in scale.

We have materially accelerated our growth in Germany since the end of FY20, growing from just over 1,000 open rooms in 6 hotels to our open and committed pipeline of 78 hotels and over 14,000 rooms at the end of FY22. The open and committed pipeline would equate to 1% share of the market in 2019 (compared to 11% in the UK). The market is highly fragmented, and we see the potential to grow to at least 60,000 rooms, which would represent a 6% market share, still only half that of Premier Inn in the UK.

Our enlarged estate now provides us with the foundations of a successful business and a compelling platform from which to grow our brand recognition. We have a growing presence in a number of major towns and cities, meaning the Premier Inn brand can be seen across Germany. As the estate continues to grow, we focus on brand-building, with nationwide marketing campaigns and new business corporate relationships supplementing effective localised brand campaigns. The quality of the hotel and room offering, which is driving very high customer scores, is also a key component in driving brand awareness. We are pursuing an aggressive growth strategy in the German market both organically and inorganically as we look to continue to increase our footprint, and we are confident of the opportunity to acquire assets at prices that will drive good returns.

The Group has the capability to support long term growth:

- **Financial flexibility:** The Group's strong balance sheet, with net cash of £140.5m and access to £1,132.4m of cash and cash equivalents at the end of the year, enables the Group to invest in the Premier Inn proposition when others will be constrained. As the business continues to recover, we expect to return to investment grade leverage metrics. We are "investing to win" in new hotels, new room products, our IT platforms and in marketing, helping to provide a platform for sustained growth in both the UK and Germany. The balance sheet also provides the flexibility to execute bolt-on M&A in Germany, further accelerating our growth. At all times, we operate with capital discipline, ensuring the optimal use of capital to drive the best returns.

- **Asset backed balance sheet**: The Group owns 56% of its hotel estate with the remaining 44% operated as leasehold. Hotel freehold ownership provides:
  - control over the initial development of the hotel, and subsequent maintenance and redevelopment
  - a strong financial covenant, resulting in both favourable lease terms with landlords, and financing terms with lenders
  - a reduction in earnings volatility during downturns
  - a flexible source of funding

- **Lean and agile cost model:** Market-wide inflationary pressures mean the focus on cost efficiency has never been more important. The Group's three-year £100m cost saving programme, initially announced in April 2021, has now been extended by one year to FY25 with increased targeted savings of c£140m across FY22 to FY25. Savings will be achieved across the business, delivered through both operating and procurement efficiencies.

- **Operating responsibly and sustainably:** Our long-established Force For Good sustainability programme covers large aspects of our ESG agenda and ensures that doing the right thing is embedded in everything that we do. We have a number of industry-leading sustainability targets, including an ambition to reach net-zero carbon emissions by 2040.

FY22 financial performance – a return to profitability

FY22 adjusted loss before tax of £15.8m compares to a loss of £635.1m in FY21, largely reflecting the strong recovery the business has delivered with FY22 statutory revenues 189% ahead of FY21. The FY21 financial year commenced at the start of March 2020, just as the impact of the COVID pandemic started to be felt in both the UK and Germany. Lockdown closures led to a material reduction in revenues, and combined with impairment charges on some of our properties and goodwill, resulted in the significant statutory loss for the year. The COVID lockdown impact continued into the first quarter of FY22, however following the relaxation of restrictions in Q2, our subsequent revenue recovery was very strong, with sales recovering to and then exceeding pre-pandemic levels in the UK.

Combined with the benefit of £170.8m of Government support and £74.0m of adjusting items credits, including £33.2m profit from property disposals, and £42.0m of net property impairment reversals, this has enabled the Group to record a small statutory profit before tax in FY22 of £58.2m, an improvement of over £1bn on FY21 (loss of £1,007.4m). While this is still behind FY20 statutory profit before tax of £280.0m, the strength of our revenue recovery, means we are confident of a return to pre-pandemic UK profit levels and profit margins, despite the inflationary cost headwinds that we currently see in the market.

The Group retains a strong balance sheet and liquidity position as we target a return to investment grade metrics. The business recorded a cash inflow before debt repayments of £80.3m in the second half, and net cash at the end of the year was £140.5m. This balance sheet position is enabling investment in our comprehensive growth strategy.

The combination of the Group's strong balance sheet, encouraging trading and confidence in the outlook means that dividend payments will now resume, with the Board declaring a final dividend per share of 34.7p resulting in a total dividend payment of £70m, payable on 1 July 2022.

UK hotels outperformance, recovering restaurant sales

All percentage comparisons in this section are on a 52-week basis

Premier Inn's total UK accommodation sales growth continued to outperform the midscale and economy market, with total sales growth 14.8pp ahead of the market in FY22, and 17.3pp ahead in H2. Leisure overnight stays were permitted from 17 May 2021, and subsequent demand was strong across the majority of the estate.

Throughout FY21 our UK hotels and restaurants were subject to long periods of lockdown closures and when permitted to open, periods of significant COVID Government restrictions. Restrictions remained in place into the start of FY22, with our hotels closed to all but essential business guests for the vast majority of the first quarter. The release of most restrictions in Q2 saw a strong rebound in demand, while Q3 and Q4 total accommodation sales recovered to be well-ahead of pre-COVID levels, with both Average Room Rates ("ARR") and occupancy levels recovering well. High ARRs were achieved in those areas with high demand, while lower ARR was used to successfully drive occupancy rates in those areas of weaker demand, such as city centre locations and airports.

In the UK regions, total accommodation sales were 182.0% ahead of FY21, and 6.5% down versus FY20 (H1 down 25.8%, H2 up 16.0%). The recovery in the London market lagged the regions during the year, as a result of very low levels of inbound international travel, and subdued business commuting, however trends improved during Q2, helped by the domestic leisure bounce, and then in to Q3 as offices reopened. Overall, London total accommodation sales were 247.1% ahead of FY21, and 38.6% down versus FY20 (H1 down 59.0%, H2 down 17.6%).

Total UK food and beverage sales were 163.4% ahead of FY21, but 32.7% behind FY20 reflecting the fact that all restaurants were closed from the start of the year until 12 April, when outdoor service only was permitted in England. The estate was largely reopened on 17 May, with total food and beverage sales improving to 13.3% behind FY20 levels in the second half of the year, as the pub and restaurant value-sector sees a slower return to pre-COVID levels.

Premier Inn remains by far the largest hotel chain in the UK. During the year, 30 new hotels and 3 extensions were opened totalling 3,787 rooms and 6 hotels were exited and disposed, totalling 219 rooms, as we continue to optimise the estate when opportunities arise, taking our total estate to over 82,000 rooms.

Accelerated growth in Germany

Premier Inn Germany has grown in a transformational way during the COVID pandemic. At the start of the pandemic we had 6 open hotels, and through a combination of bolt-on M&A and rapid organic growth, our estate now stands at 37 open hotels, and a total open and committed estate of 78 hotels.

Premier Inn Germany total accommodation sales were 176.5% ahead of FY21 reflecting the rapid growth in the size of the estate. The German market operated under higher levels of restrictions than in the UK, that acted as a significant drag on market demand throughout the year. During the summer, when restrictions were minimised, we saw good trading momentum, especially in those destinations with a greater leisure exposure, such as Berlin, Freiburg and Hamburg. Overall, our hotels achieved occupancy rates of over 60% in August. Despite the weaker market, Premier Inn is delivering higher levels of occupancy versus our competitors sets, as we build occupancy levels and, in turn, brand awareness.

We have no reason to doubt that the market will come back strongly following the easing of restrictions. We now have a significant business of high quality hotels in prime locations with excellent guest scores and we are looking forward to fully trading the estate for the first time from Q2.

Our Teams

Our teams are the most important part of our business, enabling us to deliver our winning customer proposition and drive our excellent business performance. A combination of very high occupancy levels, supply chain issues, COVID related absences, and market-wide labour shortages have made the last year's operational environment extremely challenging. I am extremely grateful to our teams who responded brilliantly and delivered an outstanding performance, as evidenced by our recovering revenues and our strong guest and brand scores.

We believe a talented, motivated and diverse team are critical in delivering our very high levels of customer service and experience. We have no barriers to entry when recruiting new team members, and no limits to ambitions when team members progress through the business.

We are committed to supporting our teams in their mental, physical and financial wellbeing. We have invested in our team members pay, including an additional pay increase in October 2021, meaning that all team members are paid ahead of the National Living Wage and National Minimum Wage, and in an "end of summer" bonus for colleagues to thank them for their efforts through the summer. We continue to invest in our training and development programmes and have expanded our wellbeing support including the provision of mental health first aiders and support services. We are delighted that 85% of our employees are proud to work for Whitbread and we have been recognised as a "Top Employer" for the 12th year running.

Our Customers

We put our customers at the heart of our business, and everything we do is aimed at providing them with a great experience in our hotels and restaurants, while ensuring their safety and comfort at all times. We invest in new hotels in new locations, new formats and services, ensuring our offering remains first choice for both our business and leisure guests. Our winning customer proposition is built on choice, value, quality, service and very high hygiene standards, and our flexible booking policy provides peace of mind allowing customers to book with us in uncertain times. We have very high guest scores, and market-leading brand and value for money ratings. Premier Inn has a long track-record of winning industry awards in recognition of our customer offering, and we have taken the top spot in some awards for the first time this year.

Investing to win

The Group's flexible balance sheet has enabled a programme of investment in expansion and commercial initiatives that are driving market share gains. The "Rest Easy" multi-channel marketing campaign launched in April 2021, helping further improve our already high brand recognition scores and driving increased numbers of customers to the Premier Inn website. Our targeted refurbishment capex is ahead of pre-COVID levels, albeit disrupted in the second half of FY22 by short-term supply chain issues. These high levels of spend will ensure that our hotel estate remains well-invested, at a time when others will be constrained. We now have over 2,000 Premier Plus rooms and will roll-out a further 1,200 in FY23. These upgraded rooms were initially targeted at business customers, but they have also proved popular with our leisure guests and are delivering a good ARR

uplift. We are extending our business customer reach through an improved business booker portal and utilising a wider network of travel management companies, and we will also continue to invest in our IT platforms, helping further enhance our digital capability, including a new Customer Relationship Management platform that will be introduced in the next two years.

Current trading - seven weeks to 21 April 2022

In the current trading period, total UK sales were 498.0% ahead of the same period in FY22, and 17.3% ahead of FY20. Total accommodation sales were 326.6% ahead of FY22 and 29.9% ahead of FY20, with occupancy at 81.0%, despite the increase in VAT on hospitality products and services from 12.5% to 20% on 1 April 2022. Total UK accommodation sales were 28.3pp ahead of the market.

Trading during the Easter holiday period was robust with strong domestic leisure demand and increasing levels of inbound international demand. Business demand continues to improve, and our booked position into summer, albeit still a relatively small proportion of total sales for the period, is encouraging.

The value pub and restaurant sector in which we operate remains behind pre-COVID levels. Premier Inn UK food and beverage sales improved to be well ahead of FY22 and 4.6% behind FY20 levels in the seven weeks to 21 April 2022.

Germany total sales were 774.7% ahead of the same period in FY22 and 745.0% ahead of FY20, with total accommodation sales 716.4% ahead of FY22 and 761.4% ahead of FY20, and occupancy at 51.2%, with the adverse impact of COVID restrictions offset by the larger estate.

Outlook

As we move through the year in the UK, we expect international inbound demand to increase, alongside recovering office-based corporate demand, complimenting the already high levels of leisure and business trade demand. We have good visibility throughout Q1 and somewhat into Q2, but the short booking lead-time nature of our business means we have less visibility into the second half of the year.

In our restaurants, we anticipate that the rollout of new menus, combined with targeted marketing initiatives, will help drive an improvement in food and beverage sales as we move through the year.

Sector cost inflation in FY23 is anticipated to be above historic average levels at c.8-9%, about 1% higher than previously guided due to the impact of the Ukraine conflict on utility and food costs. We expect to be able to offset some of these higher levels of inflation through our extended cost efficiency programmes, estate growth and pricing power.

Our ability to take market share, both through our own growth and the increased pressures faced by competitors, and our wide-ranging investment in commercial initiatives, will drive growth and operating leverage improvements. In addition, our pricing power in an inflationary cycle, the ARR uplift from our refurbishment programme, investment in Premier Plus rooms, the higher profitability of new hotels and our long-standing cost reduction efficiency programme, combine to give a substantial profit margin potential, enabling a return to pre-pandemic UK profit margins in the medium term, and drive attractive returns on capital deployed.

In Germany, COVID restrictions acted as a significant headwind in the German hotel market throughout FY22 and into FY23. While the majority of restrictions were largely removed at the beginning of April 2022, the market is still some way behind pre-COVID levels. The weaker market will dampen our trading performance in the short term, and combined with the maturity impact of our new estate, will adversely impact profits in FY23, with a loss before tax expected to be c.£60m-£70m. As we move into summer, we expect a rebound in leisure demand, and a steady build in business demand, and there is no change in our view of the medium and long-term value creation opportunity for Premier Inn in Germany.

FY23 Guidance

UK:

- Investment driving market share gains: additional £20m in marketing and refurbishment spend. This was previously guided as additional spend in FY22 that would continue in FY23 and beyond. This amount was subsequently not spent in FY22 and will now commence in FY23

- UK new rooms: 1,500-2,000

Germany:
- Germany: FY23 loss before tax expected to be c.£60m-£70m
- Germany new rooms: c.2,000 - 2,500

Costs:
- Expected year-on-year cost inflation on 8-9%, an increase of 1% or net c.£15m from Q3 as a result of the impact of the Ukraine conflict on utility and food costs
- Three-year cost saving programme extended by one year to FY25, delivering increased savings of c.£140m across FY22 to FY25

Balance sheet:
- Capex: £350m-£400m depending on M&A and leasehold / freehold mix
- Dividend: Declared final dividend of £70m, payable in July 2022

A Force for Good

Whitbread's sustainability programme, Force for Good, is embedded across our business functions, ensuring that being a responsible business is integrated across our operations, which is crucial to our long-term success. It is an ambitious programme, with the overarching objective to enable everyone to live and work well. Following another challenging year, we are proud to have kept our Force for Good commitments and ambition central to our response and how we rebuild after the global pandemic has been of critical importance to us.

Following on from an ambitious move to bring our net zero carbon target forward from 2050 to 2040, we have also brought forward our interim target to align to a 1.5° pathway, meaning that we are targeting an 80% emissions reduction against our baseline by 2030. We have also committed to the Science Based Target initiative (SBTi) and have been working hard to embed the changes that need to be made in order to achieve this bold ambition. We know that a large proportion of our carbon emissions are linked to our use of gas, particularly related to cooking, heating, and hot water, so the reduction of gas usage within our estate will be key to unlocking our net zero future. As at the end of FY21, we have achieved a carbon reduction of 50.1% and we are already working hard on moving further forward with net zero hotel trials planned and new technology being tested and rolled out across our estate. We have also set Scope 3 targets this year, to reduce the carbon emissions in our supply chain by 50% by 2035 and 64% by 2050. We continue to report our progress against this target through the Carbon Disclosure Project (CDP) and all progress is externally assured.

We are making good progress against our target to cut food waste in half by 2030, reporting a 32% reduction against our baseline year of FY19, bringing the total amount of meals donated to charity partners through FareShare to 620,000. Our target to eliminate unnecessary single use plastics by 2025 remains a challenge as many of our supplies are delivered to us in plastic packaging, but we will be working closely with all of our suppliers as a priority in FY23 to achieve this target.

We also continued to fundraise for Great Ormond Street Hospital ("GOSH") bringing the total raised to £20 million since our partnership began in 2012. A highlight this year was the opening of the Sight and Sound Centre supported by Premier Inn, which is the UK's first dedicated medial facility for children with sight and hearing loss. Having met our fundraising target of £20m, a company-wide vote was held to decide the future direction of our charity partnership. With over 12,000 employee votes cast, GOSH was selected for a renewed term demonstrating the commitment and engagement this partnership represents for our teams. While we review and relaunch this partnership, we have diverted all fundraising to go to supporting the humanitarian aid in Ukraine through DEC. We have underwritten £500,000 to this cause and also offered matched-funding for each of our sites up to £100.

Recognising the increased risk to worker rights brought about not only by the pandemic itself but also by the pressure on global supply chains that we continue to face as we emerge from the COVID pandemic, we have bolstered our focus on responsible sourcing. We have been working hard with our partner "Stop the Traffik" to continue to assess our risk and begin deploying an 'enhanced due diligence' tool, responding to new and emerging risks across our lower tier suppliers. As factories open up again, we have been rolling this out across our higher risk supply chains, with a focus on forced labour indicators, worker engagement and remediation

tools. We have also focused on our responsible sourcing agenda for our products and commodities, maintaining our MSC sustainable fish status across core dishes and becoming Roundtable for Sustainable Palm Oil (RSPO) Chain of Custody certified, a first for the budget hotel industry.

This year we have published our first full report in line with the Taskforce for Climate-related Financial Disclosures (TCFD). We have identified and ranked our climate related risks and opportunities within different areas of the business. From those, we have taken priority risks and opportunities to climate-related scenario planning and financial quantification where feasible. This process demonstrated no immediate material concern, in part due to the strong mitigating activity already in place to manage our risks. Our aim is to develop this disclosure year-on-year as we build on the granularity of our data and processes in line with the TCFD. We also continue to report against the Carbon Disclosure Project (CDP) for water and carbon, Sustainability Accounting Standards Board (SASB) and Dow Jones Sustainability Index (DJSI).

We are also taking significant steps to improve our diversity and inclusion agenda. This year we have accelerated our progress against our Diversity and Inclusion commitments and have already hit, and subsequently extended, our target for female representation in our leadership population. We are also making good progress towards our 2023 targets for ethnic minority representation in our leadership population. During the year we also launched two new networks: “enable” - a network for those with disabilities, and “Gender Equality” which both join “GLOW” (LGBTQ+) and “Race, Religion and Cultural Heritage” networks, all helping drive change by amplifying the voices of many of our minority groups and celebrating key cultural events.

In September we celebrated National Inclusion Week for the second time and In February 2022 our work on inclusion was recognised through our 2022 Stonewall Workplace Equality Index score, where we were placed 1st in the leisure, travel and tourism sector and received a gold award for excellence to LGBTQ+ inclusion. This year we were also recognised for our diversity and inclusion by The Financial Times Diversity Index and in the FTSE Women’s Leaders Index.

We have also published our first allocation report for Whitbread’s Green Bond. Of the full £550m issued last year, we have allocated £404m against green projects as outlined in our Green Bond Framework. This includes spend on renewable energy, sustainably sourced products, and our green building programme across the UK and Germany. The remaining £146m will be allocated over the remaining two years of the Bond lifespan.

Business Review | Market share gain in the UK and rapid estate growth in Germany

Premier Inn UK[1]

£m	FY22	FY21	FY20	vs FY21	vs FY20
Statutory Revenue	**1,668.2**	**577.4**	**2,050.3**	***188.9%***	***(18.6)%***
Other income (excl rental income)[2]	70.1	142.5	13.6	*(50.8)%*	*415.4%*
Operating costs before depreciation, amortisation & rent	(1,248.6)	(861.7)	(1,270.2)	*(44.9)%*	*1.7%*
Adjusted EBITDAR†	**489.8**	**(141.8)**	**793.7**	***445.4%***	***(38.3)%***
Net turnover rent and rental income	3.9	4.5	2.1	*(13.3)%*	*85.7%*
Depreciation: Right-of-use asset	(125.2)	(109.9)	(103.2)	*(13.9)%*	*(21.3)%*
Depreciation and amortisation: Other	(168.9)	(168.5)	(163.2)	*(0.2)%*	*(3.5)%*
Adjusted operating profit/ (loss)†	**199.6**	**(415.7)**	**529.4**	***148.0%***	***(62.3)%***
Interest: Lease liability	(124.7)	(117.1)	(115.1)	*(6.5)%*	*(8.3)%*
Adjusted profit/(loss) before tax†	**74.9**	**(532.8)**	**414.3**	***114.1%***	***(81.9)%***

Premier Inn UK[1] key performance indicators

	FY22	FY21	FY20	vs FY21	vs FY21 *excl. Wk 53*	vs FY20	vs FY20 *excl. Wk 53*
Number of hotels	841	817	820	*2.9%*	-	*2.6%*	-
Number of rooms	82,286	78,718	78,547	*4.5%*	-	*4.8%*	-
Committed pipeline (rooms)	8,332	12,256	13,011	*(32.0)%*	-	*(36.0)%*	-
Direct booking	99%	99%	97%	*0bps*	-	*200bps*	-
Occupancy	68.3%	29.4%	76.3%	*3890bp*	*3870bp*	*(800)bp*	*(820)bp*
Average room rate†	£56.67	£46.16	£61.50	*22.8%*	*22.4%*	*(7.9)%*	*(8.1)%*
Revenue per available room†	£38.69	£13.57	£46.91	*185.1%*	*183.6%*	*(17.5)%*	*(17.9)%*
Sales growth:							
Accommodation				*198.0%*	*190.8%*	*(11.7)%*	*(13.9)%*
Food & beverage				*170.2%*	*163.4%*	*(30.9)%*	*(32.7)%*
Total				*188.9%*	*181.9%*	*(18.6)%*	*(20.6)%*
Like-for-like† sales growth:							
Accommodation				*189.8%*	*182.9%*	*(15.5)%*	*(17.5)%*
Food & beverage				*166.6%*	*160.6%*	*(32.6)%*	*(34.3)%*
Total				*182.2%*	*175.6%*	*(21.6)%*	*(23.5)%*

1: Includes one site in each of: Guernsey, the Isle of Man and Jersey and two sites in Ireland
2: Includes Government support – see note 8 of the accompanying financial statements for further details

Total statutory revenue was 188.9% ahead of FY21 and 18.6% down compared to FY20, with H1 statutory revenues down 39.4% versus FY20, improving to up 4.3% in H2.

On a 52-week basis, total accommodation sales were 190.8% ahead of FY21, and down 13.9% compared to FY20 (H1 down 33.1%, H2 ahead 7.9%).

COVID restrictions materially impacted the performance of the UK business during the first half of the year. Only essential business guests were permitted to stay overnight until 17 May, at which point overnight leisure stays were permitted. Our restaurants were also not permitted to open for indoor service until the same date, with the majority remaining temporarily closed until then. Our hotels and restaurants then operated largely restriction-free from 19 July, driving a strong improvement in revenues from that date.

Leisure demand in the UK Regions was strong post 17 May and throughout the rest of the financial year, with tradespeople business demand also resilient throughout. Office-based business demand remained behind pre-COVID levels, largely reflecting the various work-from-home guidelines that were in place during the year.

The London market, and in particular central London (c.7% of Premier Inn rooms) has lagged the regions during the COVID pandemic as a result of the low levels of inbound international travel and subdued business commuting, however trends improved during Q2, helped by the domestic leisure bounce, and then in to Q3 as offices reopened.

The emergence of the Omicron COVID variant dampened overall demand in December 2021 and into January 2022, however Premier Inn UK total accommodation sales continued to outperform the market, with trends improving again in February as most remaining Government COVID restrictions were lifted.

Premier Inn total UK accommodation sales growth was consistently ahead of the Midscale and Economy market through the year driving significant market share gains versus the total market, and demonstrating the strengths of our scale, brand, direct distribution model and our winning customer proposition.

UK outperformance vs M&E market

	H1	Sept	Oct	Nov	Dec	Jan	Feb[1]	FY22	Q1 to Date
PI accommodation sales outperformance (vs FY20)[2]	+12.5pp	+13.3pp	+17.1pp	+19.0pp	+20.3pp	+16.5pp	+19.4pp	+14.8pp	+28.3p
PI market share[3]	11.2%	9.5%	9.5%	9.2%	8.7%	10.6%	10.6%	10.2%	9.9%
PI market share gains pp (vs FY20)[3]	+3.9pp	+2.4p	+2.1pp	+1.9pp	+2.4pp	+3.3pp	+2.7pp	+3.0pp	2.4pp

1: Excluding 53rd week in FY22
2:STR data, full inventory basis, 26 February 2021 to 14 April 2022, M&E excludes Premier Inn - restated in line with STR M&E room stock reclassification
3: STR data, revenue share of total UK market, 26 February 2021 to 14 April 2022

On a 52-week basis, total food and beverage sales were 163.4% ahead of FY21 and down 32.7% compared to FY20 (H1 down 51.2%, H2 down 13.3%) with the vast majority of the estate only reopening on 17 May. The overall value pub and restaurant sector's recovery has been slower than other restaurant sectors, and greater impacted in Q4 by the impact of the Omicron variant. New menus, enhanced drinks offering, and improved digital marketing will help drive an improvement in Premier Inn food and beverage sales into FY23.

Other income of £70.1m reflects a £62.0m benefit from the Coronavirus Job Retention Scheme ("CJRS") and other wage support schemes in Ireland and Jersey and an £8.2m benefit from other grants. The Group ceased claiming under the CJRS in May following the full reopening of our hotels and restaurants. Operating costs of £1,248.6m were in-line with expectations and 44.9% higher than FY21, driven by the impact of estate growth, an increase in revenue related variable costs (primarily food and beverage costs of sales), lower levels of the Government's business rates benefit, partly offset by cost efficiencies.

Right-of-use asset depreciation was £125.2m and lease liability interest was £124.7m. During the year, 30 new hotels and 3 extensions were opened, totalling 3,787 rooms and 6 hotels were exited, including 6 disposals, totalling 219 rooms, as the Group continues to optimise the estate when opportunities arise. At the end of the period, the total estate stood at 841 hotels. The committed pipeline of over 8,000 rooms underpins our opportunity to take market share in the UK in the medium to long-term as competitor supply contracts.

Adjusted profit before tax in the UK was £74.9m reflecting the strong increase in statutory revenues compared to FY21 driven by the lower level of COVID restrictions in place, and the subsequent higher levels of demand.

Premier Inn Germany

£m	FY22	FY21	FY20	vs FY21	vs FY20
Statutory revenue	**35.2**	**11.5**	**11.8**	**206.1%**	***198.3%***
Other income (excl rental income)[1]	44.3	11.5	0.3	285.2%	*14,666.7%*
Operating costs before depreciation, amortisation and rent	(65.8)	(43.9)	(23.9)	(49.9)%	*(175.3)%*
Adjusted EBITDAR†	**13.7**	**(20.9)**	**(11.8)**	**165.6%**	**216.1%**
Net turnover rent and rental income	3.7	3.9	0.8	(5.1)%	362.5%
Depreciation: Right-of-use asset	(22.9)	(16.4)	(0.8)	(39.6)%	*(2,762.5)%*
Depreciation and amortisation: Other	(9.9)	(5.4)	(1.6)	(83.3)%	*(518.8)%*
Adjusted operating loss†	**(15.4)**	**(38.8)**	**(13.4)**	**60.3%**	***(14.9)%***
Interest: Lease liability	(8.5)	(6.1)	(0.2)	(39.3%)	*(4,150.0)%*
Adjusted loss before tax†	**(23.9)**	**(44.9)**	**(13.6)**	**46.8%**	***(75.7)%***

Premier Inn Germany key performance indicators

	FY22	FY21	FY20	vs FY21	vs FY21 excl Wk 53	vs FY20	vs FY20 excl Wk 53
Number of hotels	35	30	6	*16.7%*	-	*483.3%*	-
Number of rooms	5,875	4,880	1,085	*20.4%*	-	*441.5%*	-
Committed pipeline (rooms)	8,454	8,420	8,709	*0.4%*	-	*(2.9)%*	-
Direct bookings	97%	99%	91%	*(200)bps*	-	*600bps*	-
Occupancy	40.7%	22.5%	58.3%	*1820bps*	*1810bps*	*(1760)bp*	*(1770)bp*
Average room rate†	£40.53	£40.17	£69.47	*0.9%*	*0.8%*	*(41.7)%*	*(41.7)%*
Revenue per available room†	£16.49	£9.02	£40.53	*82.8%*	*82.2%*	*(59.3)%*	*(59.5)%*
Sales growth:							
Accommodation				*185.3%*	*176.5%*	*196.9%*	*189.7%*
Food & beverage				*369.2%*	*345.3%*	*205.0%*	*191.9%*
Total				*206.1%*	*195.9%*	*198.3%*	*190.1%*
Like-for-like† sales growth:							
Accommodation				*114.6%*	*108.4%*	*(38.9)%*	*(41.1)%*
Food & beverage				*249.6%*	*238.7%*	*(40.9)%*	*(43.3)%*
Total				*129.6%*	*122.9%*	*(39.2)%*	*(41.5)%*

1: Includes Government support – see note 8 of the accompanying financial statements for further details

Total statutory revenue in Germany was up 206.1% compared to FY21 driven by the growth in the size of the hotel estate. COVID restrictions in Germany are administered through a complex framework of national and federal guidelines, resulting in more wide-ranging restrictions than in the UK, both in terms of nature and duration during the year.

Total accommodation sales were 176.5% ahead of FY21 on a 52-week basis, reflecting the larger estate. At the end of the year, the open estate stood at 35 hotels, compared to 30 open hotels at the end of FY21 and 6 open hotels at the end of FY20. As in the UK, leisure demand was strong in the summer, and our hotels in leisure-led locations performed well. Business demand remained low as a result of the COVID work from home directives that were in place for most of the year, and the absence of most trade fairs. A digital marketing campaign, aimed at establishing the Premier Inn brand credentials in Germany saw favourable results, with brand recognition scores improving, albeit still at low levels.

Other income reflects £43.6m of COVID grants from the German Government. Operating costs increased by £21.9m to £65.8m due to the investment in the business and the increased estate size, partially offset by £0.7m relief from the Kurzabeit Job Support Scheme in Germany. Right-of-use asset depreciation costs increased by £6.5m to £22.9m over the same period, reflecting the fact that the majority of new opened properties are leasehold. Other depreciation and amortisation costs were £9.9m, and lease liability interest costs were £8.5m. The adjusted loss before tax for the year decreased by £21.0m, compared to FY21, to £23.9m.

During the year, 5 hotels were opened in Stuttgart, Lübeck, Düsseldorf, Leipzig and Nürnberg and eight were added to the pipeline (with one site being removed). The open and committed pipeline now stands at 78 hotels and over 14,000 rooms, and we are continuing to assess opportunities to accelerate growth organically and through acquisitions.

Central and other costs

£m	FY22	FY21	FY20	vs FY21	vs FY20
Operating costs before depreciation, amortisation and rent	(31.3)	(26.2)	(27.1)	*(19.5)%*	*(15.5)%*
Share of profit/(loss) from joint ventures	0.4	(6.0)	(2.1)	*106.7%*	*119.0%*
Adjusted operating loss†	**(30.9)**	**(32.2)**	**(29.2)**	***4.0%***	***(5.8)%***
Net finance costs	(35.9)	(25.2)	(13.2)	*(42.5)%*	*(172.0)%*
Adjusted loss before tax†	**(66.8)**	**(57.4)**	**(42.4)**	***(16.4)%***	***(57.5)%***

Central operating costs of £31.3m were £5.1m higher than FY21 primarily driven by increased staff costs and the impairment of a loan to a joint venture. Net finance costs increased by £10.7m to £35.9m primarily as a result of interest costs on the £550m Green Bonds issued in February 2021, and by higher commitment fees in relation to the updated Revolving Credit Facility.

Financial review

Financial highlights

£m	FY22	FY21	FY20	vs FY20
Statutory revenue	**1,703.4**	**589.4**	**2,071.5**	***(17.8)%***
Transitional service agreement revenue	0.0	0.5	9.4	*(100.0)%*
Adjusted revenue†	**1,703.4**	**588.9**	**2,062.1**	***(17.4)%***
Other income (excl rental income)[1]	114.5	154.0	13.9	*723.7%*
Operating costs before depreciation, amortisation and rent	(1,345.3)	(937.8)	(1,323.3)	*(1.7)%*
Adjusted EBITDAR†	**472.6**	**(194.9)**	**752.7**	***(37.2)%***
Net turnover rent and rental income	7.6	8.4	2.9	*162.1%*
Depreciation: Right-of-use asset	(148.1)	(126.3)	(104.0)	*(42.4)%*
Depreciation and amortisation: Other	(178.8)	(173.9)	(164.8)	*(8.5)%*
Adjusted operating profit/(loss)†	**153.3**	**(486.7)**	**486.8**	***(68.5)%***
Net finance costs (excl lease liability interest)	(35.9)	(25.2)	(13.2)	*(172.0)%*
Interest: Lease liability	(133.2)	(123.2)	(115.3)	*(15.5)%*
Adjusted (loss)/profit before tax†	**(15.8)**	**(635.1)**	**358.3**	***(104.4)%***
Adjusting items	74.0	(372.3)	(78.3)	*194.5%*
Statutory profit/(loss) before tax	**58.2**	**(1,007.4)**	**280.0**	*(79.2)%*
Tax (expense)/credit	(15.7)	100.9	(62.1)	*74.7%*
Statutory profit/(loss) for the year	**42.5**	**(906.5)**	**217.9**	***(80.5)%***

1: Includes UK and German Government support – see note 8 of the accompanying financial statements for further details

Statutory Revenue

Statutory revenue was 189.0% ahead compared to FY21, largely reflecting the removal of restrictions in the UK in the second half of the year and the business continuing to trade ahead of the UK hotel market.

Adjusted EBITDAR

Other income of £114.5m includes £62.0m of benefit recognised in respect of the Coronavirus Job Retention Scheme ("CJRS") and other wage support schemes in Ireland and Jersey, £8.2m of other UK hospitality grants and £43.6m of benefit in relation to German Government grants. The Group ceased claiming under the CJRS in May 2021 following the full reopening of our hotels and restaurants Operating costs of £1,345.3m were 43.5% higher than last year driven by the increase in revenue-related variable costs, the growth in the estate in both the UK and Germany, the reduced benefit from the UK Government's business rates holiday (£56.3m credit in FY22 compared to £117.8m credit in FY21) and £0.7m relating to the German Job Support Scheme (£0.9m credit in FY21). Adjusted EBITDAR of £472.6m (H1: £178.3m, H2: £294.3m) was £667.5m up on FY21 as a result of the strong recovery in statutory revenues.

Adjusted operating profit

The leasehold estate grew by net 27 sites in the UK and by 4 sites in Germany compared to the same period in FY21. This resulted in a £21.8m or 17.3% increase in right-of-use depreciation charges to £148.1m. Other depreciation and amortisation charges increased by £4.9m to £178.8m, driven by new hotel openings. The adjusted operating profit of £153.3m compared to a loss of £486.7m in FY21 and a profit of £486.8m in FY20.

Net finance costs

Net finance costs (excluding lease liability interest) were £35.9m compared to £25.2m in FY21. This increase of £10.7m was driven by the current year interest costs for the £550m Green Bonds issued in February 2021, and by higher commitment fees in relation to the updated Revolving Credit Facility.

Lease liability interest of £133.2m was £10.0m above FY21 primarily driven by the opening of net 27 leasehold sites in the UK and 4 leasehold sites in Germany.

Adjusting items

Total adjusting items were a credit of £74.0m. On 28 June 2021, the Group disposed of a hotel in Putney, London, as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. During the period, the Group has recorded profits on other property disposals of £5.7m.

FY21 adjusting items included a £109.2m impairment charge as a result of the COVID pandemic, primarily relating to property, plant and equipment and right of use assets. Subsequent impairment reviews, reflecting the improved outlook for the Group, have resulted in an element of the FY21 charge being reversed, and a net £42.0m impairment credit being recognised in FY22.

In August 2021, HMRC confirmed it would not appeal the ruling of the First-tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2005 to 2013. The Group has submitted claims which are substantially similar and expects to receive overpaid VAT of £8.7m.

In addition, during the year, the Group recognised provisions of £4.4m relating to historic indirect tax matters.

Taxation

The tax credit of £10.7m on the loss before adjusting items (FY21: £94.1m tax credit) represents an effective tax rate on the loss before adjusting items of 67.7%. This is higher than the statutory tax rate largely due to adjustments to management's estimate of deferred tax arising in respect of prior years, offset by expenditure not deductible for tax purposes and the impact of German tax losses not recognised.

The statutory tax charge for the period was £15.7m (FY21: £100.9m tax credit), representing an effective tax rate of 27.0% (FY21: 10.0%). The effective rate is driven by the deferred tax charge of £13.1m relating to the enactment of the increase to the UK corporation tax rate from 19% to 25%, effective from 1 April 2023, the non-recognition of German tax losses, offset by the prior year credit.

Statutory profit after tax

The statutory profit for the year was £42.5m, compared to a loss of £906.5m in FY21, largely driven by the strong recovery in statutory revenue, reflecting the removal of restrictions in the UK in the second half of the year and the £74.0m of adjusting items credits, compared to a charge of £372.3m in FY21.

Earnings per share

	FY22	FY21	FY20[1]	vs FY20
Adjusted basic (loss)/ earnings per share[†]	(2.5)p	(287.6)	166.3	*(101.5)%*
Statutory basic profit/ earnings per share	21.1p	(481.9)	125.3	*(83.2)%*

1: Restated to include the impact of the Rights Issue completed in June 2020

Adjusted basic loss per share of 2.5p reflects the adjusted statutory loss for the year. Statutory profit benefitted from an adjusting items credit for the year resulting in a statutory basic profit per share of 21.1p.

Dividend

At the start of the pandemic the Group negotiated covenant waivers on its revolving credit, which prevented the payment of a dividend until March 2023 or such time as the Group reverted to and passed its original covenants. Following the release of these financial statements, and in line with the continued dialogue the Group maintains with its lending banks, the Group will notify its lending banks of its intention to remove these covenant waivers, and will subsequently issue a compliance certificate to reinstate the original pre-COVID covenants.

Dividend payments can then recommence, with the Board declaring a final dividend of 34.7 pence per share on 27 April 2022, reflecting both the Group's strong balance sheet, encouraging trading, and confidence in the recovery outlook. This will result in a dividend payment of £70m. The final dividend will be paid on 1 July 2022 to all shareholders on the register at the close of business on 27 May 2022. Shareholders will again be offered

the option to participate in a dividend re-investment plan. The Group's dividend policy has been reinstated to grow the dividend broadly in line with earnings across the cycle. Full details are set out in note 11 to the accompanying financial statements.

Cashflow

£m	FY22	FY21
Adjusted EBITDAR†	**472.6**	**(194.9)**
Change in working capital	182.5	(99.8)
Net turnover rent and rental income	7.6	8.4
Lease liability interest and principal lease payments	(258.3)	(202.2)
Operating cashflow†	**404.4**	**(488.5)**
Interest (excl lease liability interest)	(18.0)	(20.8)
Corporate taxes	(0.1)	19.1
Pension	(14.8)	(14.8)
Capital expenditure: maintenance	(93.5)	(69.9)
Capital expenditure: expansionary[1]	(167.5)	(159.6)
Acquisitions	-	(1.1)
Disposal Proceeds	56.4	2.6
Other	20.1	28.4
Cashflow before shareholder returns / receipts and debt repayments	**187.0**	**(704.6)**
Proceeds from Rights Issue	-	981.0
Proceeds from green bond	-	546.8
Repayment of long-term borrowings	(303.9)	(75.1)
Net cash flow	**(116.9)**	**748.1**
Opening net debt†	(46.5)	(322.9)
Issuance of green bond	-	(546.8)
Repayment of long-term borrowings	303.9	75.1
Closing net cash†	**140.5**	**(46.5)**

1: FY22 includes £1.8m loans advanced to joint ventures, £36.3m payment of contingent consideration (FY21: £3.8m) and £1.4m capital contributions to joint ventures (FY21: £1.3m)

Total net cashflow before shareholder returns and debt repayments was an inflow of £187.0m, driven by a recovery in adjusted EBITDAR to £472.6m, which compared to a loss of £194.9m in FY21, a working capital inflow of £182.5m and £56.4m property disposal proceeds. The net cashflow also benefitted from the credit of £170.8m COVID Government grants and support schemes.

The £182.5m working capital inflow was primarily driven by a £101.8m increase in customer deposits and a £44.0m increase in trade creditors and accruals following the strong trading across the last quarter and the business returning to more normal levels of trading. This has resulted in current trade and other payables increasing to £570.7m (FY21: £316.5m) and an increase in trade and other receivables to £116.4m (FY21: £74.2m).

Corporation taxes outflow of £0.1m related to Germany. No corporation tax was paid in relation to UK profits due to taxable losses being incurred.

Lease liability interest and lease repayments increased by £56.1m to £258.3m driven by the higher number of leasehold properties entering the estate, particularly in Germany, and reflect the delayed payment of a proportion of the December 2020 quarter rent payment that would normally have been paid in FY21.

Maintenance capital expenditure was £93.5m and expansionary capital expenditure was £167.5m, resulting in overall full year spend of £261.0m. The £20.1m other inflow is driven by an £8.7m VAT claim, £12.9m of share-based payments and £4.3m of other provision movements.

Disposal proceeds of £56.4m relate to the sale and leaseback transaction of a hotel in Putney, London, the sale of an unused corporate office and the disposal of six hotels, as the Group continues to take the opportunity to optimise the estate when opportunities arise.

During the year £283.5m of US private placements were repaid, incurring £21.2m of make-whole fees partly offset by a £0.8m credit relating to foreign exchange movements. There are now no outstanding US private placements. Net cash at the end of the period was £140.5m.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
Bond	(450.0)	*(450.0)*	2025
Green Bond	(300.0)	*(300.0)*	2027
Green Bond	(250.0)	*(250.0)*	2031
Revolving Credit Facility	(125.0)	*0.0*	2022
Revolving Credit Facility	(725.0)	*0.0*	2023
	(1,850,0)	***(1,000.0)***	
Cash and cash equivalents		1,132.4	
Total facilities utilised, net of cash[1]		**132.4**	
Net cash†		***140.5***	
Net cash and lease liabilities†		***(3,561.3)***	

The Group's aim is to manage to investment grade metrics of FFO lease adjusted debt of <3.5x Net Debt over the medium term. Whilst the Group remains below its historic profit levels, the strong balance sheet cash position and freehold assets support our investment grade rating.

Following the release of these financial statements, The Group will notify its lending banks of its intention to remove the covenant waivers that exist on the revolving credit facility, and issue a compliance certificate to reinstate the original covenants, being:

- Net Debt[2] / EBITDA[2] < 3.5x,
- EBITDA[2] / Interest[2] >3.0x

The Revolving Credit Facility which is currently £850.0m, will step down to £725.0m at 7 September 2022.

During the year, £200.0m US private placement notes were repaid on 26 March 2021, with £25m US private placement notes repaid on 6 September 2021 and the remaining US private placement notes of £58.5m repaid on 14 December 2021. There are now no outstanding US private placements

1: Excludes unamortised fees associated with debt instrument
2: Adjusted Pre-IFRS 16

Capital investment

£m	FY22	FY21
UK maintenance and product improvement	91.3	68.6
New / extended UK hotels[1]	79.7	63.2
Germany and Middle East[2]	90.0	98.8
Total	**261.0**	**230.6**

1: FY22 includes £1.8m loans advanced to joint ventures
2: FY22 includes £36.3m payment of contingent consideration (FY21: £3.8m) and £1.4m capital contributions to joint ventures (FY21: £1.3m)

Total capital expenditure in FY22 was £261.0m, this is lower than expectations (£275m) as a result of the Group's refurbishment programme being delayed by supply chain issues.

Expenditure included £79.7m on developing new sites and extending existing sites in the UK. In Germany, spend was driven by the acquisition of a hotel at Berlin Airport and deferred consideration relating to the Foremost acquisition in FY20.

Property, plant and equipment of £4,227.1m was in-line with FY21 (£4,213.1m), with capital expenditure largely offset by depreciation charges.

Property backed balance sheet

Freehold / leasehold mix	Open estate	Total estate including pipeline
Premier Inn UK	58%:42%	55%:45%
Premier Inn Germany	26%:74%	23%:77%
Group	56%:44%	50%:50%

The current UK estate is 58% freehold and 42% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is delivered. The higher leasehold mix in Germany reflects the start-up nature of the business, where securing optimal site location, particularly in city centres to help build brand strength, is key.

The new site openings in Germany and continued expansion in the UK has resulted in right-of-use assets increasing to £3,267.6m and lease liabilities increasing to £3,701.8m.

Return on Capital

The Group remains 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 any adverse structural impact as a result of the COVID crisis. Sector-wide cost headwinds can be countered by our long-standing efficiency programme, pricing power and the benefits of both organic and inorganic growth.

Events after the Balance Sheet date

On 7 March 2022, the Group entered into a sale and leaseback transaction in relation to a property in Marylebone, London receiving proceeds of £46.4m.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 Employee Benefits surplus of £522.6m at the end of the year (FY21: £188.0m). The improved funding position was primarily driven by an increase in corporate bond yields resulting in an increase in the discount rate and asset performance being higher than the discount rate. Aligning the discount rate methodology to

reflect common market practice has also contributed to the improved position. This was partially offset by higher than expected inflation during the year and an increase in the expectations for future inflation.

The triennial actuarial valuation of the Pension Fund as at 31 March 2020 has been completed. This resulted in a surplus of assets relative to Technical Provisions of £55m. As a result, no deficit reduction contributions are due, however annual contributions of approximately £10m will continue to paid to the Pension Fund through the Scottish Partnership arrangements.

As part of the valuation discussion, Whitbread and the Pension Fund Trustee have agreed changes to the security package that supports the Pension Fund. The EBITDA related covenant, which was due to have been tested in March 2022 and if breached would have resulted in a cash payment to improve the funding position to the value of the Secondary Funding Target, has been permanently removed. The security that the Trustee holds over £500m of Whitbread's freehold property (and which was due to reduce to £450m in March 2022) increased to £531.5m and will remain at this level until no further obligations are due under the Scottish Partnership arrangements, which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit.

Going concern

The directors have concluded that it is appropriate for the consolidated financial statements to be prepared on the going concern basis. Full details are set out in note 2 of the attached financial statements.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group, summarised below:

- Pandemic - impact of future variants and vaccine efficacy of COVID or any other pandemic and the resulting restrictions on the hospitality sector
- Uncertain economic recovery - a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting business operations, heightened more recently from geopolitical conflicts
- Cyber and data security - attacks resulting in operational disruption, reduced effectiveness of systems or a loss of data
- Structural shifts - uncertainty of customer demand and Premier Inn brand strength as a result of long-term structural shift in working practices and reduction in international travel along with the threat of disruptors taking market share
- Germany growth - the inability to successfully execute our strategy in Germany
- Business change and interdependencies - the inability to execute the planned significant volume of change
- Leadership, succession and talent retention – structural changes to the macro labour market, high levels of competition for talent and low levels of diversity in the senior leadership team resulting in significant cost inflation
- Third party arrangements and supply chain rigour - business interruption as a result of the withdrawal or provision of services below acceptable standards, or reputational damage due to unethical supplier practices
- Health and safety - adverse publicity and brand damage due to death or serious injury as a result of company negligence or a significant incident resulting from food, fire, terrorism or another safety failure
- Environmental, Social and Governance, including climate change risk – the inability to embed practices and deliver on commitments, impacting reputation and performance

We consider a wide range of emerging risks and their potential impact on our ability to successfully deliver on our strategic objectives. The most notable currently is the widening and varied potential impact of increased geopolitical tensions across the global economy, that could result in more country specific sanctions, limiting the movement of key resources, a reduction in consumer sentiment and willingness to travel. Our approach to identifying and managing this is embedded into the risk management framework and integrated through policies and risk control mechanisms.

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).

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 adjusted revenue, like-for-like sales, revenue per available room (RevPAR), average room rate, direct bookings/ distri bution, adjusted operating (loss)/ profit, adjusted (loss)/ profit before tax, adjusted basic earnings per share, net debt, net debt and lease liabilities, operating cashflow, adjusted EBITDA (pre IFRS 16) and adjusted EBITDAR. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Consolidated income statement
Year ended 3 March 2022

		53 weeks to 3 March 2022			52 weeks to 25 February 2021		
	Notes	**Before adjusting items £m**	**Adjusting items (Note 6) £m**	**Statutory £m**	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Revenue	3	**1,703.4**	**-**	**1,703.4**	588.9	0.5	589.4
Other income	4	**122.4**	**8.7**	**131.1**	161.8	6.3	168.1
Operating costs	5	**(1,671.1)**	**65.3**	**(1,605.8)**	(1,231.4)	(351.7)	(1,583.1)
Impairment of loans to joint ventures		**(1.8)**	**-**	**(1.8)**	-	(5.8)	(5.8)
Operating profit/(loss) before joint ventures		**152.9**	**74.0**	**226.9**	(480.7)	(350.7)	(831.4)
Share of profit/(loss) from joint ventures		**0.4**	**-**	**0.4**	(6.0)	(1.7)	(7.7)
Operating profit/(loss)		**153.3**	**74.0**	**227.3**	(486.7)	(352.4)	(839.1)
Finance costs	7	**(173.6)**	**-**	**(173.6)**	(153.8)	(21.2)	(175.0)
Finance income	7	**4.5**	**-**	**4.5**	5.4	1.3	6.7
(Loss)/profit before tax		**(15.8)**	**74.0**	**58.2**	(635.1)	(372.3)	(1,007.4)
Tax credit/(expense)	9	**10.7**	**(26.4)**	**(15.7)**	94.1	6.8	100.9
(Loss)/profit for the year attributable to parent shareholders		**(5.1)**	**47.6**	**42.5**	(541.0)	(365.5)	(906.5)

	53 weeks to 3 March 2022			52 weeks to 25 February 2021		
Earnings per share (Note 10)	**pence**	**pence**	**pence**	pence	pence	pence
Basic	**(2.5)**	**23.6**	**21.1**	(287.6)	(194.3)	(481.9)
Diluted	**(2.5)**	**23.4**	**20.9**	(287.6)	(194.3)	(481.9)

Consolidated statement of comprehensive income
Year ended 3 March 2022

	Notes	**53 weeks to 3 March 2022 £m**	52 weeks to 25 February 2021 £m
Profit/(loss) for the year		**42.5**	(906.5)
Items that will not be reclassified to the income statement:			
Remeasurement gain/(loss) on defined benefit pension scheme	25	**318.8**	(16.3)
Current tax on defined benefit pension scheme	9	**(2.3)**	2.7
Deferred tax on defined benefit pension scheme	9	**(88.0)**	(2.4)
		228.5	(16.0)
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**2.4**	2.3
Deferred tax on cash flow hedges	9	**(0.5)**	(0.6)
Net gain/(loss) on hedge of a net investment		**9.0**	(8.5)
Deferred tax on net (gain)/loss on hedge of a net investment	9	**(0.8)**	0.8
Cost of hedging		**2.5**	-
		12.6	(6.0)
Exchange differences on translation of foreign operations		**(16.0)**	19.3
Deferred tax on exchange differences on translation of foreign operations		**2.7**	(1.5)
		(13.3)	17.8
Other comprehensive income/(loss) for the year, net of tax		**227.8**	(4.2)
Total comprehensive income/(loss) for the year, net of tax		**270.3**	(910.7)

Consolidated statement of changes in equity
Year ended 3 March 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m
At 27 February 2020	112.9	90.8	50.2	5,861.9	18.6	(2,385.6)	3,748.8
Loss for the year	-	-	-	(906.5)	-	-	(906.5)
Other comprehensive income	-	-	-	(16.0)	10.1	1.7	(4.2)
Total comprehensive income	-	-	-	(922.5)	10.1	1.7	(910.7)
Ordinary shares issued on exercise of employee share options	0.1	2.8	-	-	-	-	2.9
Ordinary shares issued on rights issue	51.7	929.3	-	-	-	-	981.0
Loss on ESOT shares issued	-	-	-	(6.7)	-	6.7	-
Accrued share-based payments	-	-	-	14.0	-	-	14.0
Tax on share-based payments	-	-	-	(1.9)	-	-	(1.9)
At 25 February 2021	164.7	1,022.9	50.2	4,944.8	28.7	(2,377.2)	3,834.1
Profit for the year	**-**	**-**	**-**	**42.5**	**-**	**-**	**42.5**
Other comprehensive income	**-**	**-**	**-**	**228.5**	**(4.4)**	**3.7**	**227.8**
Total comprehensive income	**-**	**-**	**-**	**271.0**	**(4.4)**	**3.7**	**270.3**
Ordinary shares issued on exercise of employee share options (Note 23)	**0.1**	**1.8**	**-**	**-**	**-**	**-**	**1.9**
Loss on ESOT shares issued	**-**	**-**	**-**	**(3.2)**	**-**	**3.2**	**-**
Accrued share-based payments	**-**	**-**	**-**	**12.9**	**-**	**-**	**12.9**
Tax on share-based payments	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
At 3 March 2022	**164.8**	**1,024.7**	**50.2**	**5,225.3**	**24.3**	**(2,370.3)**	**4,119.0**

Consolidated balance sheet
At 3 March 2022

	Notes	3 March 2022 £m	25 February 2021 £m
Non-current assets			
Intangible assets	12	**159.3**	159.1
Right-of-use assets – property, plant and equipment		**3,267.6**	2,738.4
Right-of-use assets – investment property[1]		**-**	65.0
Property, plant and equipment	13	**4,227.1**	4,213.1
Investment property	13	**-**	21.6
Investment in joint ventures		**41.1**	37.3
Derivative financial instruments		**15.8**	6.6
Defined benefit pension surplus	25	**522.6**	188.0
		8,233.5	7,429.1
Current assets			
Inventories	15	**19.4**	12.1
Derivative financial instruments		**-**	8.2
Trade and other receivables	16	**116.4**	74.2
Cash and cash equivalents	17	**1,132.4**	1,256.0
		1,268.2	1,350.5
Assets classified as held for sale	13	**64.8**	19.0
Total assets		**9,566.5**	8,798.6
Current liabilities			
Borrowings	18	**-**	312.0
Lease liabilities		**129.3**	112.1
Provisions	20	**19.6**	30.5
Derivative financial instruments		**-**	2.4
Current tax liabilities		**-**	1.8
Trade and other payables	22	**570.7**	316.5
		719.6	775.3
Non-current liabilities			
Borrowings	18	**991.9**	990.5
Lease liabilities		**3,572.5**	3,119.5
Provisions	20	**11.7**	9.0
Deferred tax liabilities	9	**150.6**	44.6
Trade and other payables	22	**1.2**	25.6
		4,727.9	4,189.2
Total liabilities		**5,447.5**	4,964.5
Net assets		**4,119.0**	3,834.1
Equity			
Share capital	23	**164.8**	164.7
Share premium		**1,024.7**	1,022.9
Capital redemption reserve		**50.2**	50.2
Retained earnings		**5,225.3**	4,944.8
Currency translation reserve		**24.3**	28.7
Other reserves		**(2,370.3)**	(2,377.2)
Total equity		**4,119.0**	3,834.1

[1] *Right-of-use assets – investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which was subleased to a third party.*

Consolidated cash flow statement
Year ended 3 March 2022

	Notes	53 weeks to 3 March 2022 £m	52 weeks to 25 February 2021 £m
Cash generated from/(used in) operations	24	**693.7**	(227.0)
Payments against provisions		**(18.9)**	(24.4)
Pension payments	25	**(14.8)**	(14.8)
Interest paid – lease liabilities		**(133.2)**	(123.2)
Interest paid – other		**(20.2)**	(22.0)
Interest received		**2.2**	1.2
Corporation taxes (paid)/received		**(0.1)**	19.1
Net cash flows from/(used in) operating activities		**508.7**	(391.1)
Cash flows used in investing activities			
Purchase of property, plant and equipment and investment property	3	**(200.4)**	(217.4)
Proceeds from disposal of property, plant and equipment		**56.4**	2.6
Investment in intangible assets	12	**(21.1)**	(10.8)
Acquisition of a subsidiary, net of cash acquired		**-**	1.4
Cash flows on aborted acquisition		**-**	1.3
Payment of deferred and contingent consideration	22	**(36.3)**	(3.8)
Capital contributions to joint ventures		**(1.4)**	(1.3)
Loans advanced to joint ventures		**(1.8)**	-
Net cash flows used in investing activities		**(204.6)**	(228.0)
Cash flows (used in)/from financing activities			
Proceeds from issue of shares on exercise of employee share options		**1.9**	2.9
Proceeds from issue of shares on rights issue, net of fees		**-**	981.0
Drawdowns of long-term borrowings		**50.0**	596.8
Repayments of long-term borrowings		**(353.9)**	(125.1)
Costs of long-term borrowings		**-**	(5.5)
Lease incentives received/(paid)		**2.0**	(7.3)
Payment of principal of lease liabilities		**(127.1)**	(71.7)
Net cash flows (used in)/from financing activities		**(427.1)**	1,371.1
Net (decrease)/increase in cash and cash equivalents	19	**(123.0)**	752.0
Opening cash and cash equivalents	19	**1,256.0**	502.6
Foreign exchange differences	19	**(0.6)**	1.4
Closing cash and cash equivalents	17	**1,132.4**	1,256.0

Notes to the consolidated financial statements

1. General information

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 3 March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 27 April 2022.

The financial year represents the 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

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 25 February 2021 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 3 March 2022 will be delivered to the Registrar of Companies in advance of the Group's annual general meeting.

The statutory accounts for the year ended 25 February 2021, 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 accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

2. 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 25 February 2021, except for the adoption of the new standards and interpretations that are applicable for the year ended 3 March 2022.

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.

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 CEO overview section within the preliminary results announcement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review within the preliminary results announcement. The principal risks of the Group are set out in the other information within the preliminary results announcement. In addition, Note 21 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. Details of the Group's available and drawn facilities are included in Note 18. At 3 March 2022, the Group had a cash balance of £1,132.4m with available borrowing facilities of £1,850.0m for use in the going concern assessment, of which £1,000.0m had been drawn down.

The Group's forecasts indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its covenants as outlined in Note 18 for at least a period of 12 months from the date of these financial statements. Various downside scenarios over and above those already included in the base case have been considered in respect of these forecasts. Under these downside scenarios, the Group can meet its liquidity requirements through available funds and is able to meet the original covenants in place on its revolving credit facility, allowing the Group to terminate the covenant test waiver period and be able to make a dividend payment. The Group has no further financial covenants in place.

In the event that it was necessary to access additional funding, the directors have a reasonable expectation that this could be achieved.

The directors have also determined that, over the period of the going concern assessment, there is not expected to be a significant impact as a result of climate change.

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements.

2. Accounting policies (continued)

Adjusting items and use of 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 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 changes to the UK defined benefit scheme practices;
- net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- 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.

Sale and leaseback
A sale and leaseback transaction occurs when the Group sells an asset and immediately reacquires the use of the same asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the carrying value relating to the right retained. Any gain or loss arising relates to the rights transferred to the buyer.

Changes in accounting policies
The Group has adopted the following standards and amendments for the first time for the annual reporting period commencing 26 February 2021:

Covid-19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16)
In the prior year, the Group early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
c) there is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2021) in advance of its effective date.

2. Accounting policies (continued)

Impact of adoption
As a result of early adopting these requirements, rent deferrals which would otherwise have been treated as lease modifications have been accounted for as if the change was not a lease modification. The adoption of the amendments had no impact on the consolidated income statement.

Other standards and interpretations
In addition, the Group has also adopted Interest Rate Benchmark Reform - Phase 2 which has been assessed as having no financial impact or disclosure at this time.

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 3 March 2022.

Critical accounting judgements
Adjusting items
During the year certain items are identified and separately disclosed as adjusting items. Judgement is applied as to whether the item meets the necessary criteria as per the accounting policy disclosed earlier in this note. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. Reversals of previous adjusting items are assessed based on the same criteria. Note 6 provides information on all of the items disclosed as adjusting in the current year and comparative financial statements.

Key sources of estimation uncertainty
Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 25 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Impairment testing – Goodwill, property, plant and equipment and right-of-use assets
The performance of the Group’s impairment review requires management to make a number of estimates. These are set out below:

Identification of indicators of impairment and reversal
Where there are indicators of impairment or reversal, management performs an impairment assessment. The speed at which the Group’s sites will recover from the impact of the COVID-19 pandemic is uncertain and as a result, all of the Group’s sites have been tested for impairment.

Inputs used to estimate value in use
The estimate of value in use is most sensitive to the following inputs:

- Five-year business plan – Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management’s assumptions of the impact of the pandemic and expected recovery period.
- Discount rate – Judgement is required in estimating the Weighted Average Cost of Capital (WACC) of a typical market participant and in assessing the specific country and currency risks associated with the Group. The rate used is adjusted for the Group’s gearing, including equity, borrowings and lease liabilities.
- Immature sites – Judgement is required to estimate the time taken for sites to reach maturity and the sites’ trading level once they are mature.

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

Key estimates and sensitivities for impairment of assets are disclosed in Note 14.

Notes to the consolidated financial statements (continued)

3. Segment information

The Group provides services in relation to accommodation, food and beverage both in the UK and internationally. Management monitors the operating results of its operating segments separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on adjusted operating profit before joint ventures. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of profit/(losses) from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the years ended 3 March 2022 and 25 February 2021.

	Year to 3 March 2022				Year to 25 February 2021			
Revenue	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**1,157.8**	**29.1**	**-**	**1,186.9**	388.5	10.2	-	398.7
Food, beverage and other items[1]	**510.4**	**6.1**	**-**	**516.5**	188.9	1.3	-	190.2
Revenue before adjusting items	**1,668.2**	**35.2**	**-**	**1,703.4**	577.4	11.5	-	588.9
Adjusting revenue (Note 6)				**-**				0.5
Revenue				**1,703.4**				589.4

[1] Revenue from food, beverage and other items for the UK & Ireland segment includes £nil (2020/21: £12.0m) of consideration receivable from HM Revenue & Customs under the Eat Out to Help Out Scheme.

	Year to 3 March 2022				Year to 25 February 2021			
Profit/(loss)	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures[1]	**199.6**	**(15.4)**	**(31.3)**	**152.9**	(415.7)	(38.8)	(26.2)	(480.7)
Share of profit/(loss) from joint ventures	**-**	**-**	**0.4**	**0.4**	-	-	(6.0)	(6.0)
Adjusted operating profit/(loss)	**199.6**	**(15.4)**	**(30.9)**	**153.3**	(415.7)	(38.8)	(32.2)	(486.7)
Net finance costs	**(124.7)**	**(8.5)**	**(35.9)**	**(169.1)**	(117.1)	(6.1)	(25.2)	(148.4)
Adjusted profit/(loss) before tax	**74.9**	**(23.9)**	**(66.8)**	**(15.8)**	(532.8)	(44.9)	(57.4)	(635.1)
Adjusting items before tax (Note 6)				**74.0**				(372.3)
Profit/(loss) before tax				**58.2**				(1,007.4)

[1] Adjusted operating profit/(loss) for the UK & Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £56.3m (2020/21: £117.8m), income from Hospitality and Leisure Grant provided by the UK Government of £8.2m (2020/21: £3.5m) and income from the job retention schemes in the UK, Ireland and Jersey of £62.0m (2020/21: £139.0m). Adjusted operating loss for the German segment includes £1.0m (2020/21: £1.5m) from the Kurzarbeit scheme and other Government grants of £43.3m (2020/21: £10.3m).

	Year to 3 March 2022				Year to 25 February 2021			
Other segment information	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Capital expenditure:								
Property, plant and equipment and investment property – cash basis	**148.1**	**52.3**	**-**	**200.4**	121.0	96.4	-	217.4
Property, plant and equipment and investment property – accruals basis	**165.8**	**54.2**	**-**	**220.0**	105.9	93.2	-	199.1
Intangible assets	**21.1**	**-**	**-**	**21.1**	10.8	-	-	10.8
Cash outflows from lease interest and payment of principal of lease liabilities	**234.5**	**25.8**	**-**	**260.3**	173.0	21.9	-	194.9
Depreciation – property, plant and equipment and investment property	**148.3**	**9.6**	**-**	**157.9**	145.2	5.1	-	150.3
Depreciation – right-of-use assets	**125.2**	**22.9**	**-**	**148.1**	109.9	16.4	-	126.3
Amortisation	**20.6**	**0.3**	**-**	**20.9**	23.3	0.3	-	23.6

Segment assets and liabilities are not disclosed because they are not reported to, or reviewed by, the Chief Operating Decision Maker.

3. Segment information (continued)

Revenues from external customers are split geographically as follows:	**2021/22 £m**	2020/21 £m
United Kingdom	**1,661.8**	575.5
Germany	**35.2**	11.5
Other	**6.4**	2.4
	1,703.4	589.4

Non-current assets[1] are split geographically as follows:	**2022 £m**	2021 £m
United Kingdom	**6,571.3**	6,343.6
Germany	**1,009.1**	809.3
Other	**114.7**	81.6
	7,695.1	7,234.5

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

4. Other income

An analysis of the Group's other income is as follows:

	2021/22 £m	2020/21 £m
Rental income	**7.9**	7.8
Government grants (Note 8)	**113.8**	153.4
Other	**0.7**	0.6
Other income before adjusting items	**122.4**	161.8
Insurance proceeds (Note 6)	**-**	1.8
VAT settlement (Note 6)	**8.7**	4.5
Other income	**131.1**	168.1

5. Operating costs

	2021/22 £m	2020/21 £m
Cost of inventories recognised as an expense[1]	**146.6**	72.2
Employee benefit expense[2] [3]	**678.9**	581.5
Amortisation of intangible assets (Note 12)	**20.9**	23.6
Depreciation – property, plant and equipment and investment property (Note 13)	**157.9**	150.3
Depreciation – right-of-use-assets	**148.1**	126.3
Utilities	**87.8**	51.2
Rates	**71.2**	10.9
Other site property costs	**277.3**	158.7
Variable lease payment expense/(credit)	**0.3**	(0.6)
Net foreign exchange differences	**2.1**	0.4
Other operating charges[2]	**80.0**	56.9
Adjusting operating costs[2] (Note 6)	**(65.3)**	351.7
	1,605.8	1,583.1

[1] Cost of inventories recognised as an expense includes £6.1m (2020/21: £14.6m) of inventory write downs recorded during the year.

[2] Adjusting operating costs includes a credit for net impairments and write offs of £36.2m (2020/21: charge of £350.4m), a credit of £28.8m (2020/21: credit of £9.0m) relating to other operating charges and a credit of £0.3m (2020/21: charge of £10.3m) relating to employee benefit expenses.

[3] Employee costs are split between hourly paid and salaried employees as below:

	2021/22 £m	2020/21 £m
Employee costs - hourly paid	**440.3**	391.7
Employee costs - salaried	**238.6**	189.8
	678.9	581.5

6. Adjusting items

As set out in the policy in Note 2, 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.

	2021/22 £m	2020/21 £m
Adjusting items were as follows:		
Revenue:		
TSA income (a)	**-**	0.5
Other income:		
Insurance proceeds (b)	**-**	1.8
VAT settlement (c)	**8.7**	4.5
Adjusting other income	**8.7**	6.3
Operating costs:		
TSA costs (a)	**-**	(0.5)
Costa disposal - separation costs and other costs (d)	**-**	6.4
Impairment – goodwill (e)	**-**	(238.8)
Net impairment reversals/(write offs) – property, plant and equipment, right-of-use assets and other intangible assets (f)	**36.2**	(109.2)
Impairment – investment in joint ventures (g)	**-**	(8.2)
Guaranteed minimum pension (h)	**-**	(1.1)
Aborted acquisition costs (i)	**-**	(12.4)
UK restructuring (j)	**0.3**	(12.1)
Gains on disposals, property and other provisions (k)	**28.8**	18.4
Adjusting operating costs	**65.3**	(357.5)
Share of loss of joint ventures:		
Impairment (l)	**-**	(1.7)
Finance (costs)/income:		
Early prepayment charge (Note 18) (m)	**-**	(21.2)
VAT settlement (c)	**-**	1.3
Adjusting finance costs	**-**	(19.9)
Adjusting items before tax	**74.0**	(372.3)

Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:

	2021/22 £m	2020/21 £m
Tax on adjusting items	**(13.3)**	19.3
Impact of change in tax rates	**(13.1)**	(12.5)
Adjusting tax (charge)/credit	**(26.4)**	6.8

(a) Following the sale of Costa to The Coca-Cola Company on 3 January 2019, 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. The agreements ended in FY21 and the Group earned £nil (2020/21: £0.5m) during the year.

(b) During 2020/21, the Group recognised insurance claim proceeds of £1.8m in other income covering property and loss of trade in relation to a fire at a site in FY19/20.

(c) In August 2021, HMRC confirmed it would not appeal the ruling of the First Tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2006 to 2013. The Group has submitted claims for the repayment of overpaid VAT amounting to £8.7m which are substantially similar. During the prior year, the Group submitted claims to HMRC in relation to similar matters and recognised £4.5m within other income and £1.3m within finance income.

(d) During 2020/21, the Group recognised a credit of £6.4m for costs the Group no longer expects to incur relating to the separation of Costa and the impact of the disposal on the continuing business.

(e) During 2020/21, the Group recorded a goodwill impairment charge of £238.8m in relation to its operations in Germany. The goodwill was recognised on the acquisition of Foremost Hospitality Hiex GmbH which the Group entered into in the year ended 1 March 2018 and was impaired as a result of the impact of the COVID-19 pandemic on growth rates.

6. Adjusting items (continued)

(f) The Group identified impairment indicators and indicators of impairment reversals relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a net impairment reversal of £42.0m. This is made up of an impairment loss on trading sites of £10.5m (£10.1m relating to property, plant and equipment and £0.4m relating to right-of-use assets) offset by impairment reversals of £52.5m (£30.4m relating to property, plant and equipment and £22.1m relating to right-of-use assets). In addition, an impairment charge of £5.8m was recorded in relation to assets classified as held for sale. Further information is provided in Note 14. During 2020/21, a total charge of £109.2m was recorded, made up of £97.9m of impairment losses on trading sites (£61.2m relating to property, plant and equipment and £36.7m relating to right-of-use assets), £3.9m relating to assets classified as held for sale, £1.7m relating to the cancellation of significant IT projects and £5.7m following a review of early stage expansion projects where the Group decided not to proceed with the project.

(g) During 2020/21, as a result of the COVID-19 pandemic, the Group identified impairment indicators relating to its investment in its UK joint venture, Healthy Retail Limited. Following an impairment review, a charge of £8.2m was recorded within adjusting items. Further information is available in Note 14.

(h) A High Court ruling in November 2020 confirmed that pension schemes should extend the equalisation of guaranteed minimum pension benefits for men and women to those who transferred benefits to other plans after 1990. The cost of reflecting this decision in the obligations of the Whitbread Group defined benefit scheme in FY21 was estimated at £1.1m, which has been recognised as a past service cost in the income statement. The treatment of this is consistent with the GMP equalisation adjustment in FY18/19. Any future revisions to the estimate will be recognised in other comprehensive income.

(i) At 27 February 2020, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. During 2020/21, as a result of the COVID-19 pandemic, the Group decided not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations resulting in a charge of £12.4m, including fees, being recorded in the income statement during 2020/21.

(j) During 2020/21, the Group restructured its Support Centre and site operations and recognised redundancy and project costs of £12.1m. Following the completion of the restructuring, the remaining provision of £0.3m was released to the income statement.

(k) During the year, the Group disposed of a single property as part of a sale and leaseback transaction for gross proceeds of £40.0m. The Group will continue to rent the property for a period of five years. A profit on disposal of £27.5m was recognised on disposal of the property. In addition, during the year, the Group made a profit on other property disposals of £5.7m and recognised other provisions of £4.4m relating to historic indirect tax matters. From FY18 to FY20 the Group established a provision for the performance of remedial work on cladding material at a small number of the Group's sites. During 2020/21, the Group released provisions of £3.3m for costs which were no longer expected to be incurred and received reimbursements of costs of remedial work on cladding material from property developers totalling £13.4m. In addition, during 2020/21, the Group made a loss on disposal of £1.1m and released other provisions of £2.8m.

(l) During 2020/21, the Group recorded a cost of £1.7m representing its share of a site level impairment in the accounts of its Middle East joint venture, Premier Inn Hotels LLC.

(m) On 25 February 2021, the Group exercised an early repayment option associated with the Series A loan notes and Series B loan notes issued in 2017 and originally due for repayment on 16 August 2027. As a result, an early repayment charge of £21.2m was recognised during 2020/21.

7. Finance (costs)/income

	2021/22 £m	2020/21 £m
Finance costs		
Interest on bank loans and overdrafts	**(7.4)**	(5.3)
Interest on other loans	**(30.0)**	(24.1)
Interest on lease liabilities	**(133.2)**	(123.2)
Unwinding of discount on contingent consideration (Note 22)	**(1.4)**	(2.1)
Interest capitalised	**0.9**	0.9
Impact of ineffective portion of cash flow and fair value hedges and cost of hedging	**(2.5)**	-
	(173.6)	(153.8)
Finance income		
Bank interest receivable	**0.7**	1.2
Other interest receivable	**0.2**	0.8
Impact of ineffective portion of cash flow and fair value hedges	**-**	0.4
IAS 19 pension finance income (Note 25)	**3.6**	3.0
	4.5	5.4
Adjusted net finance costs	**(169.1)**	(148.4)
Adjusting net finance (costs)/income:		
Early prepayment charge (Note 18)	**-**	(21.2)
VAT settlement (Note 6)	**-**	1.3
Total net finance costs	**(169.1)**	(168.3)

8. Government grants and assistance

During the year, the Group has received Government support designed to mitigate the impact of COVID-19.

Grants received during the year consisted of:

	2021/22 £m	2020/21 £m
UK Coronavirus Job Retention Scheme	**61.7**	138.3
Ireland Employment Wage Subsidy Scheme	**0.2**	0.5
Jersey Co-Funded Payroll Scheme	**0.1**	0.2
UK Hospitality and Leisure Grant	**8.2**	3.5
German Fixed Cost Grant	**43.3**	10.3
German Kurzarbeit Scheme - compensation for social security payments	**0.3**	0.6
Included in other income	**113.8**	153.4

The Group benefitted from the following schemes which led to savings in operating costs:

	2021/22 £m	2020/21 £m
German Kurzarbeit Scheme - employees support	**0.7**	0.9
UK Business Rate Relief	**56.3**	117.8
Reduction in operating costs	**57.0**	118.7

In the UK, the Government has provided funding towards the salary costs of employees who have been 'furloughed' through the Coronavirus Job Retention Scheme. The scheme rules have evolved during the period and remain complex to interpret and apply to the claims. This funding meets the definition of a Government grant under IAS 20 *Government Grants* and a total of £61.7m (2020/21: £138.3m) has been recorded within other income. The Group has recognised income from job retention schemes in Ireland and Jersey totalling £0.2m and £0.1m respectively within other income (2020/21: £0.5m and £0.2m). The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

The UK Government also provided grants to support businesses in the retail, hospitality and leisure sector who had been impacted by closures and other restrictions. The Group has recognised £8.2m (2020/21: £3.5m) in other income relating to these grants and no further grants are expected to be received.

In Germany, the Government has provided financial support to cover certain fixed costs incurred by companies in sectors which have been significantly impacted by the COVID-19 pandemic and related restrictions. The Group has recognised a total of £43.3m (2020/21: £10.3m) in relation to the schemes within other income.

The German Government also provides enhanced benefits directly to individual employees with employers partially compensated for continued social security payments under Kurzarbeit. Support provided directly to employees reduced the Group's operating costs by £0.7m (2020/21: £0.9m) and a total of £0.3m (2020/21: £0.6m) was recognised in other income relating to compensation for social security payments.

The UK Government and devolved administrations introduced business rates holidays for retail, hospitality and leisure businesses. Relief in England ended in July 2021 and the holiday in Northern Ireland, Wales and Scotland continued until April 2022. The relief has allowed the Group to reduce operating costs by £56.3m in the year (2020/21: £117.8m).

The Group was confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF) with an initial limit of £600.0m. The limit was reduced to £300.0m following the reduction in the Group's credit rating to BBB-. The Group did not draw down on the facility during the year or prior to its expiry on 22 March 2021.

The UK Government announced on 8 July 2020, that a reduced rate of VAT would apply to certain supplies in the hospitality and hotel accommodation sector and this was extended by the Budget in 2021. As a result, for the period from 15 July 2020 to 30 September 2021, the Group's sales of accommodation, food and beverage (excluding alcohol) was charged at 5% VAT. A new reduced rate of 12.5% was introduced from 1 October 2021 and ended on 31 March 2022. The standard VAT rate of 20% returned on 1 April 2022.

The Group took part in the COVID-19 VAT deferral scheme, allowing it to defer VAT payments totalling £14.9m into the current year which would ordinarily have fallen due during FY21. These have been repaid during the period.

The Group registered with the Government's Eat Out to Help Out Scheme during August 2020, which provided Government funding for 50% of food and non-alcoholic beverage purchases, capped at £10 per head. The Group claimed £12.0m as part of the scheme which has been recognised as revenue in the year to 25 February 2021.

9. Taxation

Consolidated income statement	2021/22 £m	2020/21 £m
Current tax:		
Current tax credit	**-**	(10.7)
Adjustments in respect of previous periods	**(1.0)**	11.9
	(1.0)	1.2
Deferred tax:		
Origination and reversal of temporary differences	**16.5**	(109.4)
Effect of rate change	**13.1**	12.5
Adjustments in respect of previous periods	**(12.9)**	(5.2)
	16.7	(102.1)
Tax reported in the consolidated income statement	**15.7**	(100.9)

The adjustments in respect of prior periods arise mainly due to a reassessment of deferred tax on property, plant and equipment.

Consolidated statement of other comprehensive income	2021/22 £m	2020/21 £m
Current tax:		
Defined benefit pension scheme	**2.3**	(2.7)
Deferred tax:		
Cash flow hedges	**0.5**	0.6
Tax on net gain on hedge of a net investment	**0.8**	(0.8)
Tax on exchange differences on translation of foreign operations	**(2.7)**	1.5
Defined benefit pension scheme	**88.0**	2.4
	86.6	3.7
Tax reported in other comprehensive income	**88.9**	1.0

A reconciliation of the tax (credit)/charge applicable to adjusted (loss)/profit before tax and (loss)/profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 3 March 2022 and 25 February 2021 respectively is set out below. All items have been tax effected at the UK statutory rate of 19%, with the exception of the effect of unrecognised losses in overseas companies, which has been tax effected at the statutory rate in the relevant jurisdictions with an adjustment to account for the differential tax rates included in the effect of different tax rates.

	2021/22 Tax on adjusted profit £m	2021/22 Tax on profit £m	2020/21 Tax on adjusted profit £m	2020/21 Tax on profit £m
(Loss)/profit before tax as reported in the consolidated income statement	**(15.8)**	**58.2**	(635.1)	(1,007.4)
Tax at current UK tax rate of 19% (2020/21: 19%)	**(3.0)**	**11.1**	(120.7)	(191.4)
Effect of different tax rates	**(3.8)**	**(3.8)**	(6.9)	(6.9)
Unrecognised losses in overseas companies	**11.8**	**11.8**	14.7	17.0
Effect of joint ventures	**-**	**-**	0.3	0.3
Effect of super deduction in respect of tax relief for fixed assets	**(2.7)**	**(2.7)**	**-**	**-**
Expenditure not allowable	**3.6**	**1.9**	10.0	59.1
Adjustments to current tax expense in respect of previous years	**(1.0)**	**(1.0)**	9.0	11.9
Adjustments to deferred tax expense in respect of previous years	**(13.8)**	**(12.9)**	(1.7)	(5.2)
Impact of deferred tax being at a different rate from current tax rate	**-**	**13.1**	**-**	12.5
Other movements	**(1.8)**	**(1.8)**	1.2	1.8
Tax (credit)/expense reported in the consolidated income statement	**(10.7)**	**15.7**	(94.1)	(100.9)

9. Taxation (continued)

Deferred tax
The major deferred tax (liabilities)/assets 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	Losses £m	Other £m	Total £m
At 27 February 2020	(54.3)	(64.4)	(56.3)	43.3	-	(6.1)	(137.8)
Charge to consolidated income statement	10.0	6.6	(3.8)	0.7	84.4	4.2	102.1
Charge to statement of comprehensive income	-	-	(2.4)	-	(0.7)	(0.6)	(3.7)
Charge to statement of changes in equity	-	-	-	-	-	(1.9)	(1.9)
Transfer	-	-	-	(4.7)	-	4.7	-
Arising on acquisitions	-	-	-	(3.5)	-	-	(3.5)
Foreign exchange and other movements	0.1	-	-	0.2	-	(0.1)	0.2
At 25 February 2021	(44.2)	(57.8)	(62.5)	36.0	83.7	0.2	(44.6)
(Charge)/credit to consolidated income statement (a)	**(28.3)**	**(34.7)**	**(15.4)**	**12.6**	**53.7**	**(4.6)**	**(16.7)**
(Charge)/credit to statement of comprehensive income (b)	**-**	**-**	**(88.0)**	**-**	**1.9**	**(0.5)**	**(86.6)**
Charge to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Foreign exchange and other movements	**-**	**-**	**-**	**0.1**	**-**	**(2.5)**	**(2.4)**
At 3 March 2022	**(72.5)**	**(92.5)**	**(165.9)**	**48.7**	**139.3**	**(7.7)**	**(150.6)**

(a) The total charge to the consolidated income statement of £16.7m comprises a rate change charge of £13.1m, being the largest component of the net charge. This has arisen due to the substantively enacted increase in the UK corporation tax rate from 19% to 25%. A decision made to utilise capital allowances in the FY21 tax computation has caused a £21.0m movement between the Accelerated capital allowances and Losses categories above.
(b) The total charge to other comprehensive income of £86.6m includes a rate change charge of £27.5m and a charge of £60.6m driven by actuarial gains on the defined benefit pension scheme.

The Group has unrecognised German tax losses of £128.2m (2021: £84.8m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, 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 £40.9m (2021: £26.2m).

At 3 March 2022, no deferred tax liability is recognised (2021: £nil) on gross temporary differences of £13.9m (2021: £3.0m) 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 £0.2m (2020/21: £0.2m).

Factors affecting the tax charge for future years
The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. The change has resulted in the remeasurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystallise after this effective date, using the higher tax rate. A charge of £13.1m has been recorded in the consolidated income statement and a charge of £27.5m in the consolidated statement of comprehensive income based on the Group's current estimate of how the balances will unwind. However, the Group has some ability to control the timing of this unwinding and could vary the value of the deferred tax liability by up to £11.0m.

10. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net profit/(loss) 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 year. 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. There are 0.7m (2021: 2.3m) shares options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

The number of shares used for the earnings per share calculations are as follows:

	2021/22 million	2020/21 million
Basic weighted average number of ordinary shares	**201.9**	188.1
Effect of dilution – share options	**1.0**	-
Diluted weighted average number of ordinary shares	**202.9**	188.1

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 214.5m, less 12.5m treasury shares held by Whitbread PLC and 0.2m held by the ESOT (2021: 214.4m, less 12.5m treasury shares held by Whitbread PLC and 0.4m held by the ESOT).

The profits/(losses) used for the earnings per share calculations are as follows:

	2021/22 £m	2020/21 £m
Profit/(loss) for the year attributable to parent shareholders	**42.5**	(906.5)
Adjusting items before tax (Note 6)	**(74.0)**	372.3
Adjusting tax charge/(credit) (Note 6)	**26.4**	(6.8)
Adjusted loss for the year attributable to parent shareholders	**(5.1)**	(541.0)

	2021/22 pence	2020/21 pence
Basic EPS on profit/(loss) for the year	**21.1**	(481.9)
Adjusting items before tax (Note 6)	**(36.7)**	197.9
Adjusting tax charge/(credit) (Note 6)	**13.1**	(3.6)
Basic EPS on adjusted loss for the year	**(2.5)**	(287.6)
Diluted EPS on profit/(loss) for the year	**20.9**	(481.9)
Diluted EPS on adjusted loss for the year	**(2.5)**	(287.6)

11. Dividends paid and proposed

	2021/22 pence per share	2021/22 £m	2020/21 pence per share	2020/21 £m
Equity dividends on ordinary shares:				
Final dividend, proposed and paid, relating to the prior year	**-**	**-**	-	-
Interim dividend, proposed and paid, for the current year	**-**	**-**	-	-
		-		-
Dividends on other shares:				
B share dividend	**0.30**	**-**	0.90	-
C share dividend	**-**	**-**	0.90	-
Total dividends paid		**-**		-
Proposed for approval at annual general meeting:				
Final equity dividend for the current year	34.70	70.0	-	-

Following the publication of these financial statements, the Group is able to demonstrate compliance with covenant metrics agreed with its lenders, being net debt/adjusted EBITDA < 3.5x and adjusted EBITDA/interest > 3.0x. The Group will notify its lending banks of its intention to remove the covenant waivers which are currently in place, and will subsequently issue a compliance certificate to reinstate the original covenants.

As a result, a final dividend of 34.70p per share amounting to a dividend of £70.0m was recommended by the directors at their meeting on 27 April 2022. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

12. Intangible assets

	Goodwill £m	IT software and technology £m	Total £m
Cost			
At 27 February 2020	111.3	108.8	220.1
Additions	-	10.8	10.8
Recognised on acquisition of a subsidiary	224.2	-	224.2
Assets written off	-	(9.7)	(9.7)
Foreign currency adjustment	14.6	0.1	14.7
At 25 February 2021	**350.1**	**110.0**	**460.1**
Additions	**-**	**21.1**	**21.1**
Assets written off	**-**	**(10.8)**	**(10.8)**
Foreign currency adjustment	**-**	**(0.1)**	**(0.1)**
At 3 March 2022	**350.1**	**120.2**	**470.3**
Amortisation and impairment			
At 27 February 2020	(0.8)	(46.5)	(47.3)
Amortisation during the year	-	(23.6)	(23.6)
Impairment during the year	(238.8)	-	(238.8)
Amortisation on assets written off	-	8.7	8.7
At 25 February 2021	**(239.6)**	**(61.4)**	**(301.0)**
Amortisation during the year	**-**	**(20.9)**	**(20.9)**
Amortisation on assets written off	**-**	**10.8**	**10.8**
Foreign currency adjustment	**-**	**0.1**	**0.1**
At 3 March 2022	**(239.6)**	**(71.4)**	**(311.0)**
Net book value at 3 March 2022	**110.5**	**48.8**	**159.3**
Net book value at **25 February 2021**	110.5	48.6	159.1

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology assets, which are made up entirely of internally generated assets, have been assessed as having finite lives and are amortised under the straight-line method over periods ranging from three to ten years from the date the asset became fully operational.

Capital expenditure commitments
Capital expenditure commitments in relation to intangible assets at the year-end amounted to £7.3m (2021: £0.5m).

13. Property, plant & equipment and investment property

	Land and buildings £m	Plant and equipment £m	Total property, plant and equipment £m	Investment property £m	Total £m
Cost					
At 27 February 2020	3,538.1	1,536.0	5,074.1	20.4	5,094.5
Additions	116.0	82.4	198.4	0.7	199.1
Acquisitions of a subsidiary	-	6.0	6.0	-	6.0
Interest capitalised	0.9	-	0.9	-	0.9
Movements to held for sale in the year	(11.2)	(2.5)	(13.7)	-	(13.7)
Disposals	(0.2)	-	(0.2)	-	(0.2)
Assets written off	(8.1)	(104.1)	(112.2)	-	(112.2)
Foreign currency adjustment	5.1	(0.2)	4.9	0.7	5.6
At 25 February 2021	**3,640.6**	**1,517.6**	**5,158.2**	**21.8**	**5,180.0**
Additions	**92.0**	**128.0**	**220.0**	**-**	**220.0**
Interest capitalised	**0.9**	**-**	**0.9**	**-**	**0.9**
Movements to held for sale in the year	**(62.2)**	**(4.5)**	**(66.7)**	**-**	**(66.7)**
Disposals	**(8.8)**	**-**	**(8.8)**	**-**	**(8.8)**
Assets written off	**(4.1)**	**(57.9)**	**(62.0)**	**-**	**(62.0)**
Transfers	**21.4**	**-**	**21.4**	**(21.4)**	**-**
Foreign currency adjustment	**(17.8)**	**(2.5)**	**(20.3)**	**(0.4)**	**(20.7)**
At 3 March 2022	**3,662.0**	**1,580.7**	**5,242.7**	**(0.0)**	**5,242.7**
Depreciation and impairment					
At 27 February 2020	(211.2)	(630.9)	(842.1)	(0.1)	(842.2)
Depreciation charge for the year	(16.1)	(134.1)	(150.2)	(0.1)	(150.3)
Impairment (Note 14)	(63.8)	(0.6)	(64.4)	-	(64.4)
Movements to held for sale in the year	3.8	1.4	5.2	-	5.2
Depreciation on assets written off	-	106.2	106.2	-	106.2
Foreign currency adjustment	-	0.2	0.2	-	0.2
At 25 February 2021	**(287.3)**	**(657.8)**	**(945.1)**	**(0.2)**	**(945.3)**
Depreciation charge for the year	**(22.9)**	**(135.0)**	**(157.9)**	**-**	**(157.9)**
Impairment reversal/(charge) (Note 14)	**16.9**	**(2.4)**	**14.5**	**-**	**14.5**
Movements to held for sale in the year	**7.3**	**2.4**	**9.7**	**-**	**9.7**
Disposals	**0.6**	**-**	**0.6**	**-**	**0.6**
Depreciation on assets written off	**4.1**	**57.9**	**62.0**	**-**	**62.0**
Transfers	**(0.2)**	**-**	**(0.2)**	**0.2**	**-**
Foreign currency adjustment	**0.1**	**0.7**	**0.8**	**-**	**0.8**
At 3 March 2022	**(281.4)**	**(734.2)**	**(1,015.6)**	**-**	**(1,015.6)**
Net book value at 3 March 2022	**3,380.6**	**846.5**	**4,227.1**	**-**	**4,227.1**
Net book value at 25 February 2021	3,353.3	859.8	4,213.1	21.6	4,234.7

Included above are assets under construction of £260.5m (2021: £289.9m).

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2021: £500.0m). See Note 25 for further information.

Investment property
During 2019/20, the Group acquired a freehold site which was leased to a third party and was recorded within investment property. The Group recognised rental income of £0.2m (2020/21: £0.4m) within other income and £0.1m (2020/21: £0.1m) of direct operating expenses in relation to this property.

During the year, the property was transferred to property, plant and equipment as the lease ended and the Group took over the operations of the hotel.

Capital expenditure commitments

	2022 £m	2021 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**106.4**	82.5

13. Property, plant & equipment and investment property (continued)

Capitalised interest
Interest capitalised during the year amounted to £0.9m, using an average rate of 2.7% (2020/21: £0.9m, using an average rate of 2.9%).

Assets held for sale
During the year, four property assets with a combined net book value of £57.0m (2020/21: seven at £9.1m) were transferred to assets held for sale. No property was transferred back to property, plant and equipment (2020/21: one with a net book value of £0.6m). Seven property assets sold during the year had a net book value of £11.2m (2020/21: three at £3.9m). An impairment loss of £nil (2020/21: £0.7m) was recognised relating to assets classified as held for sale. By the year end there were eleven sites with a combined net book value of £64.8m (2021: 14 at £19.0m) classified as assets held for sale. There are no gains or losses recognised in other comprehensive income with respect to these assets. Sites are transferred to assets held for sale when there is an expectation that they will be sold within 12 months. If the site is not expected to be sold within 12 months it is subsequently transferred back to property, plant and equipment.

Included within assets held for sale are assets which were written down to fair value less costs to sell of £15.4m (2021: £11.4m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available management considers information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. The key inputs under this approach are the property size and location.

14. Impairment

During the year, net impairment reversals of £34.4m (2020/21: impairment losses £348.8m) and asset write offs of £nil (2020/21: £7.4m) were recognised within operating costs. These impairment reversals are primarily driven by an increase in anticipated cash flows, and a decrease in the discount rate reflecting reduced market risk and volatility. The losses/(reversals) were recognised on the following classes of assets:

	2021/22 £m	2020/21 £m
Impairment losses/(reversals)		
Property, plant and equipment – impairment loss	**10.1**	61.2
Property, plant and equipment – impairment reversal	**(30.4)**	-
Property, plant and equipment – transfer to assets held for sale	**5.8**	3.2
Intangible assets – goodwill	**-**	238.8
Right-of-use assets – impairment charge	**0.4**	36.7
Right-of-use assets – impairment reversal	**(22.1)**	-
Investments in joint ventures	**1.8**	8.2
Assets held for sale	**-**	0.7
Asset write offs		
Property, plant and equipment – early stage expansion projects	**-**	5.7
IT assets	**-**	1.7
Total (credit)/charge for impairment and asset write offs	**(34.4)**	356.2

All of the impairment assessments take account of expected market conditions which include future risks including climate change and climate change related legislation.

Property, plant and equipment and right-of-use assets – impairment review
As a result of the COVID-19 pandemic and subsequent easing of restrictions, the Group identified indicators of both impairment and impairment reversals and as a result performed an impairment assessment of all trading sites. This resulted in net impairment reversals of £20.3m (2020/21: impairment loss of £61.2m) being recorded in relation to property, plant and equipment in the UK and net impairment reversals of £21.7m (2020/21: impairment loss £36.7m) being recorded in relation to right-of-use assets in the UK.

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

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

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

Discount rates
The discount rate is based on the Weighted Average Cost of Capital (WACC) of a typical market participant, taking into account specific country and currency risks associated with the Group. The average pre-tax discount rate used is 8.7% in the UK, and 7.3% in Germany (2021: 9.5% UK and 8.9% Germany). The discount rate has decreased reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

14. Impairment (continued)

Approved budget period
Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management's assumptions of the impact of the pandemic and expected recovery period. The key assumptions used by management in setting the Board approved financial budgets for the initial five-year period were as follows:

- Normalised trading: Actual results from FY20 have been used as a basis for the budget as they represent normalised trading before the impact of COVID-19.
- Forecast growth rates: Forecast growth rates are based on the Group business plan which includes assumptions around the timing and profile of the UK and German economies' recovery from the COVID-19 pandemic.
- Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost saving initiatives.
- Local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

Long-term growth rates
A long-term growth rate of 2.0% (2021: 2.0%) was used for cash flows subsequent to the five-year approved budget/plan period. This long-term growth rate is a conservative rate and is considered to be lower than the long-term historical growth rates of the underlying territories in which the CGUs operate and the long-term growth rate prospects of the sectors in which the CGUs operate.

The key assumptions used by management in estimating the FVLCD were:

EBITDAR multiple
An EBITDAR multiple is estimated based on a normalised trading basis and market data obtained from external sources. This resulted in a multiple in the range of 9 to 11 times.

Discounted cash flows
The key assumptions used by management in estimating the FVLCD on a discounted cashflow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 8.7% to 9.7%.

Sensitivity to changes in assumptions
The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonable possible change in assumptions to the growth rates used in the five-year business plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge/(reversal) in the year to 3 March 2022 of:

	Total £m
Increase to impairment charge/(reversal) if discount rate increased by 2%	24.9
Increase to impairment charge/(reversal) if long-term growth rates reduced by 1%	18.9
Increase to impairment charge/(reversal) if EBITDAR multiple reduced by 10%	3.1

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

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

Goodwill
Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. An analysis of goodwill by operating segment is:

	UK £m	Germany £m	Total £m
At 27 February 2020	110.5	-	110.5
Recognised on acquisition of a subsidiary	-	224.2	224.2
Foreign exchange	-	14.6	14.6
Impairment	-	(238.8)	(238.8)
At 25 February 2021 and 3 March 2022	**110.5**	**-**	**110.5**

In the prior year an impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH, reflecting the impact of the COVID-19 pandemic on current and future growth rates.

14. Impairment (continued)

The recoverable amount is the higher of fair value less costs of disposal and value in use using the same assumptions as those used in the site level impairment reviews. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the approved budget and cover a five-year period. These forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% (2021: 2.0%) growth rate. The pre-tax discount rate applied to cash flow projections is 8.7% for the UK and 7.3% for Germany (2021: 9.5% UK and 8.9% Germany).

As a result of the German goodwill being impaired in the prior year and the level of headroom within the UK segment, there is no reasonable possible change that could result in a further material impairment of goodwill.

Investments in joint ventures
The COVID-19 pandemic has had a significant impact on trading and future forecasts for trading at the Group's joint ventures. An impairment review was carried out during the year ended 25 February 2021 and an impairment charge of £8.2m recorded in the financial statements relating to the Group's investment in Healthy Retail Limited. Additional loan funding of £1.8m has been provided to Healthy Retail Limited in the year to 3 March 2022 and subsequently impaired.

Property, plant and equipment – assets held for sale
During the period, four hotels were transferred to assets held for sale, resulting in an impairment charge of £5.8m (2020/21: seven hotels resulting in an impairment charge of £3.2m). In addition, during 2020/21, an impairment charge of £0.7m was recorded in relation to assets which had previously been classified as held for sale as a result of a reduction in expected sales proceeds.

15. Inventories

	2022 £m	2021 £m
Finished goods held for resale	**15.0**	7.5
Consumables	**4.4**	4.6
	19.4	12.1

The carrying value of inventories is stated net of a provision of £2.5m (2021: £5.5m).

16. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**45.5**	22.1
Prepayments and accrued income	**24.2**	17.6
Other receivables	**46.7**	34.5
	116.4	74.2

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £44.2m (2021: £16.0m) relating to contracts with customers. Other receivables include £14.7m (2021: £14.0m) in relation to grants and other support receivable from the UK and German governments (see Note 8).

The allowance for expected credit loss relating to trade and other receivables at 3 March 2022 was £2.0m (2021: £1.3m). During the year, credit losses of £2.7m (2020/21: £0.7m) were recognised within operating costs in the consolidated income statement.

17. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	43.5	19.2
Money market funds	757.3	1,011.8
Short term deposits	331.6	225.0
	1,132.4	1,256.0

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates.

The Group does not have material cash balances which are subject to contractual or regulatory restrictions.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

18. Borrowings

Amounts drawn down on the Group's borrowing facilities are as follows:

	Current		Non-current	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Revolving credit facility	**-**	-	**-**	-
Private placement loan notes	**-**	312.0	**-**	-
Senior unsecured bonds	**-**	-	**991.9**	990.5
	-	312.0	**991.9**	990.5

Covenants
The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. 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. Following the publication of these financial statements, the Group is able to demonstrate compliance with covenant metrics agreed with its lenders, being net debt/ EBITDA < 3.5x and EBITDA/interest > 3.0x. The Group will notify its lending banks of its intention to remove the covenant waivers which are currently in place, and will subsequently issue a compliance certificate to reinstate the original covenants.

Revolving credit facility (£850m)
On 29 January 2021, the Group agreed to amend and extend its revolving credit facility (RCF). The agreement gives total committed credit of £850.0m available until 7 September 2022 and £725.0m available until 7 September 2023. The facility is a Multicurrency Revolving Facility Agreement and has variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

At 3 March 2022, the Group had available £850.0m (2021: £950.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Private placement loan notes
On 26 March 2021, the Group repaid loan notes with a principal value of £200.0m originally due for repayment in August 2027. An early repayment charge of £21.2m was recorded in the financial statements for the year ended 25 February 2021. As a result of the hedging arrangements in place, the total cash outflow recorded by the Group was £220.4m.

On 6 September 2021, the Group repaid loan notes on maturity with a principal values of £25.0m. On 14 December 2021, the group repaid loan notes with a principal value of US$93.5m originally due for repayment in January 2022. As a result of the hedging arrangements in place, the total cash outflow recorded by the Group was £83.5m.

Senior unsecured bonds
The Group has issued senior unsecured bonds with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
2025 senior unsecured bonds	2015	£450.0m	16 October 2025	3.375%
2027 senior unsecured green use of proceeds bond	2021	£300.0m	31 May 2027	2.375%
2031 senior unsecured green use of proceeds bond	2021	£250.0m	31 May 2031	3.000%

The 2027 green use of proceeds bonds were issued on 10 February 2021. Interest is payable annually on 31 May. The bonds were initially priced at 99.516% of face value and are unsecured.

The 2031 green use of proceeds bonds were issued on 10 February 2021. Interest is payable annually on 31 May. The bonds were initially priced at 99.327% of face value and are unsecured.

On issue of these bonds, the Group received net proceeds of £546.8m and incurred arrangement fees of £2.8m. The bonds contain an early prepayment option which meets the definition of an embedded derivative. This was assessed to have a value of £nil as at the year end.

Arrangement fees of £3.4m (2021: £3.9m) directly incurred in relation to the bond facilities are included in the carrying value and are being amortised over the term of the facilities.

UK Government CCFF
The Group's eligibility to issue commercial paper under the UK Government Covid Corporate Financing Facility expired on 22 March 2021. The Group's issuer limit was £300.0m, reduced from an initial limit of £600.0m following the reduction in Whitbread's credit rating to BBB-. The Group did not draw down on the facility during the year or prior to its expiry on 22 March 2021.

19. Movements in cash and net debt

Year ended 3 March 2022	25 February 2021 £m	Cost of borrowings £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	3 March 2022 £m
Cash and cash equivalents	**1,256.0**	-	(123.0)	-	(0.6)	-	-	1,132.4
Liabilities from financing activities:								
Borrowings	**(1,302.5)**	-	303.9	-	8.1	-	(1.4)	(991.9)
Lease liabilities	**(3,231.6)**	-	127.1	(619.4)	22.1	-	-	(3,701.8)
Derivatives held to hedge financing activities	**5.8**	-	-	-	-	(5.8)	-	0.0
Total liabilities from financing activities	**(4,528.3)**	-	431.0	(619.4)	30.2	(5.8)	(1.4)	(4,693.7)
Less: Lease liabilities	**3,231.6**	-	(127.1)	619.4	(22.1)	-	-	3,701.8
Less: Derivatives held to hedge financing activities	**(5.8)**	-	-	-	-	5.8	-	(0.0)
Net (debt)/cash	**(46.5)**	-	180.9	-	7.5	-	(1.4)	140.5

Year ended 25 February 2021	27 February 2020 £m	Cost of borrowings £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	25 February 2021 £m
Cash and cash equivalents	502.6	-	752.0	-	1.4	-	-	1,256.0
Liabilities from financing activities:								
Borrowings	(825.5)	5.5	(471.7)	-	5.8	7.5	(24.1)	(1,302.5)
Lease liabilities	(2,620.6)	-	79.0	(686.9)	(3.1)			(3,231.6)
Derivatives held to hedge financing activities	17.7	-	-	-	-	(11.9)	-	5.8
Total liabilities from financing activities	(3,428.4)	5.5	(392.7)	(686.9)	2.7	(4.4)	(24.1)	(4,528.3)
Less: Lease liabilities	2,620.6	-	(79.0)	686.9	3.1		-	3,231.6
Less: Derivatives held to hedge financing activities	(17.7)	-	-	-	-	11.9	-	(5.8)
Net (debt)/cash	(322.9)	5.5	280.3	-	7.2	7.5	(24.1)	(46.5)

20. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance claims £m	Government payments £m	Other £m	Total £m
At 27 February 2020	2.0	11.1	31.9	-	-	3.4	48.4
Created	5.8	4.9	-	2.2	3.6	-	16.5
Transferred	-	-	-	6.8	-	-	6.8
Utilised	(5.8)	(4.3)	(12.9)	(1.8)	-	(0.3)	(25.1)
Released	(0.9)	(1.6)	(3.3)	-	-	(1.3)	(7.1)
At 25 February 2021	1.1	10.1	15.7	7.2	3.6	1.8	39.5
Created	**0.4**	**0.9**	**-**	**3.0**	**11.8**	**-**	**16.1**
Transferred	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Utilised	**(0.8)**	**(5.3)**	**(9.1)**	**(2.0)**	**(3.8)**	**-**	**(21.0)**
Released	**(0.3)**	**(0.7)**	**-**	**-**	**(2.3)**	**-**	**(3.3)**
At 3 March 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Analysed as:							
Current	**0.4**	**2.5**	**5.2**	**0.4**	**9.3**	**1.8**	**19.6**
Non-current	**-**	**2.5**	**1.4**	**7.8**	**-**	**-**	**11.7**
At 3 March 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**

Restructuring
A provision of £1.1m was brought forward in relation to the restructure of the Groups support centre and site operations announced as a result of the COVID-19 pandemic. During the year the Group utilised £0.8m of the provision and £0.3m was released to the income statement.

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

Onerous contract provisions are discounted using a discount rate of 2.0% (2021: 2.0%) based on an approximation for the time value of money.

Property
The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 12 years and £0.3m has been utilised in the year.

Software
Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. At the year-end, a provision of £0.8m (2021: £3.0m) was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

A provision of £1.1m was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. During the year, the Group utilised £0.4m of the provision.

20. Provisions (continued)

Supplier contracts
Certain supplier contract arrangements were deemed to be onerous where, as a result of the reduced trading brought on by the COVID-19 pandemic restrictions minimum order commitments were not going to be met. A provision of £3.3m was brought forward in relation to these contracts. During the year the Group utilised £2.4m of the provision and released £0.7m of the provision to the income statement.

Property costs
From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of the Group's sites. As a result, a provision of £15.7m was brought forward in relation to these costs. During the year £9.1m of the provision has been utilised and £nil of costs have been released. £5.2m of the remaining provision is expected to be utilised within one year.

In addition, the Group has recognised £nil (2021/21: £13.4m) reimbursements of those costs from property developers. The Group continues to pursue further reimbursements which are not recognised as the recovery is not certain.

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

Insurance
A provision of £7.2m was brought forward in relation to the estimate of the cost of future claims against the Group from employees and the public. The claims covered typically relate to accidents and injuries sustained in Whitbread's sites. During the year further provisions of £3.0m were created and £2.0m of the provision was utilised.

20. Provisions (continued)

Government payments
The Group has made various claims for government support which are subject to the review by relevant agencies. The provision recognised represents the Group's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £3.6m was brought forward in relation to these claims. During the year further provisions of £11.8m were created and £3.8m of the provision was utilised. Due to the complex nature and fast pace of changes in the rules around certain government payments, the Group has endeavoured to apply and adhere to the rules in place. In certain areas where a rule interpretation was required, the Group has claimed in accordance with its assumptions. Subsequent 3rd party review has highlighted an alternative assumption could be formed and on the basis of a probable outflow a provision based on that approach has been made.

Other
In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the recognition of a provision of £3.7m for risks arising from indemnity agreements. At 3 March 2022, £1.8m of the provision was still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

21. Financial risk management and objectives
The Group's principal financial instruments, other than derivatives, comprise bank loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. The interest rate swaps for sterling were expired in February 2022. At the year-end, £991.9m (100%) of Group debt was fixed for an average of 5.5 years at an average interest rate of 3.0% (2021: £1,302.5m (100%) for 5.3 years at 3.0%).

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 3 March 2022 and 25 February 2021 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move; and
- gains or losses are recognised in equity or the consolidated income statement in line with the Groups accounting policies.

Based on the Group's net debt/cash position at the year-end, a 1% pt increase in interest rates would increase the Group's profit before tax by £11.3m (2021: £12.5m), and have nil impact on equity (2021: £0.8m).

Liquidity risk
In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts and bank loans. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

Excess cash used in managing liquidity is placed on interest-bearing deposit where maturity is fixed at no more than three months. Short-term flexibility is achieved through the use of short-term borrowing on the money markets.

The tables below summarise the maturity profile of the Group's financial liabilities at 3 March 2022 and 25 February 2021 based on contractual undiscounted payments, including interest:

3 March 2022	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**	**Carrying value £m**
Interest-bearing loans and borrowings	**-**	**19.0**	**15.2**	**554.1**	**594.6**	**1,182.9**	**991.9**
Lease liabilities[1]	**-**	**67.3**	**206.5**	**1,116.5**	**4,918.3**	**6,308.6**	**3,701.8**
Trade and other payables	**-**	**163.6**	**12.4**	**1.2**	**-**	**177.2**	**176.9**
	-	**249.9**	**234.1**	**1,671.8**	**5,512.9**	**7,668.7**	**4,870.6**

25 February 2021	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Interest-bearing loans and borrowings	-	221.8	102.4	573.7	609.3	1,507.2	1,302.5
Lease liabilities[1]	-	54.6	175.1	925.5	4,513.4	5,668.6	3,231.6
Derivative financial instruments	-	-	2.4	-	-	2.4	2.4
Trade and other payables	-	71.2	37.7	26.8	-	135.7	134.0
	-	347.6	317.6	1,526.0	5,122.7	7,313.9	4,670.5

[1] Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,324.5m (2021: £1,140.2m) due between 5 and 10 years, £1,925.3m (2021: £1,859.4m) due between 10 and 20 years and £1,668.5m (2021: £1,513.8m) due in more than 20 years.

21. Financial risk management and objectives (continued)

Credit risk
Due to the high level of cash held at the year-end, the most significant credit risk faced by the Group is that arising on cash and cash equivalents. The Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties and dealing in accordance with Group Treasury Policy which specifies acceptable credit ratings and maximum investments for any counterparty.

In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities.

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

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £1,240.4m (2021: £1,327.4m).

Foreign currency risk
Foreign exchange exposure is currently not significant to the Group.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required. In October 2019, the Group entered into a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany.

Capital management
The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See finance review within the preliminary results announcement for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets.

The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. In addition, it has received covenant test waivers for its pension scheme for the period to 3 March 2022 and repaid the private placement loan notes during the year. 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. The covenants which have been waived relate to measurement of adjusted EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis).

The above matters are considered at regular intervals and form part of the business planning and budgeting processes. In addition, the Board regularly reviews the Group's dividend policy and funding strategy.

Interest Rate Benchmark Reform
The Group has assumed that the interest rate benchmark on which the hedged risk or the cash flows of the hedged item or hedging instrument are based is not altered by uncertainties resulting from the proposed interest rate benchmark reform.

The RCF was transitioned to the agreed Risk Free Rate (SONIA) from GBP LIBOR effective 1 January 2022.

22. Trade and other payables

	2022 £m	2021 £m
Trade payables	**73.7**	24.2
Other taxes and social security	**25.8**	26.5
Contract liabilities	**146.2**	41.3
Accruals	**223.0**	140.3
Other payables	**78.1**	47.0
Contingent consideration	**25.1**	62.8
	571.9	342.1
Analysed as:		
Current	**570.7**	316.5
Non-current	**1.2**	25.6
	571.9	342.1

Included with contract liabilities is £141.4m (2021: £37.5m) relating to payments received for accommodation where the stay will take place after the year-end and £4.8m (2021: £3.8m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £41.3m presented as a contract liability in 2021 has been recognised in revenue (2021: £51.0m).

Trade payables typically have maturities up to 60 days depending on the nature of the purchase transaction and the agreed terms.

Contingent consideration

	2021/22 £m	2020/21 £m
Opening contingent consideration	**62.8**	4.4
Recognised on acquisition of a subsidiary	**-**	56.3
Recognised on acquisition of assets	**-**	1.9
Unwinding of discount	**1.4**	2.1
Paid during the year	**(36.3)**	(3.8)
Foreign exchange movements	**(2.8)**	1.9
Closing contingent consideration	**25.1**	62.8

The Group has contingent consideration in relation to 9 pipeline sites from acquisitions in the current and previous years which is held at fair value. The amounts payable are fixed and become payable once development of the site is complete and the site has been handed over to the Group, which is expected to occur within three years. The fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate. A 1% decrease/increase in the discount rate would increase/decrease the value of contingent consideration by £0.1m.

Foreign exchange movements on contingent consideration are recognised within exchange differences on translation of foreign operations in the consolidated statement of comprehensive income.

23. Share capital

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

	million	£m
At 25 February 2021	214.4	164.7
Issued on exercise of employee share options	**0.1**	**0.1**
At 3 March 2022	**214.5**	**164.8**

24. Analysis of cash flows given in the cash flow statement

	2021/22 £m	2020/21 £m
Profit/(loss) for the year	**42.5**	(906.5)
Adjustments for:		
Tax expense/(credit)	**15.7**	(100.9)
Net finance costs (Note 7)	**169.1**	168.3
Share of (profit)/loss from joint ventures	**(0.4)**	7.7
Depreciation and amortisation	**326.9**	300.2
Share-based payments	**12.9**	12.7
Impairment (reversals)/write offs (Note 14)	**(34.4)**	356.2
Gains on disposals, property and other provisions	**(28.8)**	(5.0)
Timing difference on insurance receipts	**-**	14.0
Other non-cash items	**7.7**	26.1
Cash generated from/(used in) operations before working capital changes	**511.2**	(127.2)
(Increase)/decrease in inventories	**(7.3)**	1.5
(Increase)/decrease in trade and other receivables	**(45.4)**	27.8
Increase/(decrease) in trade and other payables	**235.2**	(129.1)
Cash generated from/(used in) operations	**693.7**	(227.0)

Other non-cash items include an inflow of £0.8m representing a bad debt charge, an inflow of £4.3m (2020/21: £9.2m) as a result of net provision movements and an inflow of £2.6m (2020/21: £3.8m) representing non-cash pension scheme administration costs. During 2020/21, other non-cash items also include £12.4m representing the write off of a deposit paid in relation to an acquisition.

25. Retirement benefits

Defined benefit scheme
During the year to 3 March 2022, the defined benefit pension scheme has moved from a surplus of £188.0 to a surplus of £522.6m. The main movements in the (liability)/surplus are as follows:

	£m
Pension surplus at 25 February 2021	188.0
Benefits paid directly by the Company in relation to an unfunded pension scheme	**0.1**
Gains recognised in other comprehensive income	**318.8**
Contributions from employer	**14.7**
Net interest on pension liability and assets	**3.6**
Administrative expenses	**(2.6)**
Pension surplus at 3 March 2022	**522.6**

The 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 2020 of the UK scheme to 3 March 2022 for IAS 19 Employee benefits purposes were:

	2022 %	2021 %
Pre-April 2006 rate of increase in pensions in payment	**3.4**	3.1
Post-April 2006 rate of increase in pensions in payment	**2.3**	2.2
Pension increases in deferment	**3.4**	3.1
Discount rate	**2.6**	1.9
Inflation assumption	**3.6**	3.2

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.0 years (2021: 20.5 years) if they are male and for a further 22.6 years (2021: 23.1 years) if they are female. For a member who retires in 2041 at age 65, the assumptions are that they will live on average for a further 21.1 years (2021: 21.5 years) after retirement if they are male and for a further 23.8 years (2021: 24.3 years) after retirement if they are female.

During the year, the Group has changed its methodology for determining the discount rate to include single-AA corporate bonds.

25. Retirement benefits (continued)

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	
	2022 £m	2021 £m
Discount rate		
1.00% increase to discount rate	**359.0**	421.0
1.00% decrease to discount rate	**(458.0)**	(546.0)
Inflation		
0.25% increase to inflation rate	**(73.0)**	(92.0)
0.25% decrease to inflation rate	**72.0**	90.0
Life expectancy		
Additional one-year increase to life expectancy	**(126.0)**	(130.0)

Funding, charges and covenants
Expected contributions to be made in the next reporting period total £14.6m (2020/21: £13.7m). In 2021/22, contributions were £13.0m with £2.6m from the employer, £10.3m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2020/21: £13.0m, with £2.7m from the employer, £10.2m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2020/21: £1.8m) of investment manager expenses.

A scheme specific actuarial valuation for the purpose of determining the level of cash contributions to be paid into the Whitbread Group Pension Fund was undertaken as at 31 March 2020 by Towers Watson Ltd using the projected unit credit method. The valuation showed a surplus of assets relative to technical provisions of £55.0m (31 March 2017: deficit of £450.0m). As a result, no deficit reduction contributions are due.

As part of the valuation discussion, Whitbread and the Pension Fund Trustee agreed changes to the security package that supports the Pension Fund. The EBITDA related covenant was permanently removed and the security that the Trustee holds over £500.0m of Whitbread's freehold property (and which was due to reduce to £450.0m in March 2022) will increase to £531.5m and will remain at this level until no further obligations are due under the Scottish Partnership arrangements which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500.0m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit.

26. Events after the balance sheet date

Property
On 7 March 2022, the Group entered into a forward funding transaction in relation to one property which was included within assets classified as held for sale at the year end, receiving gross proceeds of £46.4m.

Glossary

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

Basic earnings per share (Basic EPS)
Profit attributable to the parent shareholders divided by the 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.

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

GOSH charity
Great Ormond Street Hospital Children's Charity.

IFRS
International Financial Reporting Standards.

Lease debt
Eight times adjusted property rent.

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

Operating profit
Profit before net finance costs and tax.

OTAS
Online travel agents.

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.

Team retention
The number of permanent new starters that we retain for the first 90 days/three months.

Wincard
Whitbread In Numbers – balanced scorecard to measure progress against key performance targets.

Yoursay
Whitbread's annual employee opinion survey to provide insight into the views of employees.

†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.

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.

REVENUE MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. Reconciliation: Note 3
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude the TSA income. Reconciliation: Consolidated income statement
Average room rate (ARR)	No direct equivalent	Refer to definition	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.

Reconciliation	**2021/22**	2020/21
UK Accommodation sales (£m)	**1,157.8**	388.5
Number of rooms occupied by guests ('000)	**20,430**	8,415
UK average room rate (£)	**56.67**	46.16
Germany Accommodation sales (£m)	**29.1**	10.2
Number of rooms occupied by guests ('000)	**718**	255
Germany average room rate (£)	**40.53**	40.17

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
UK like-for-like revenue growth	Movement in accommodation sales per the segment information (Note 3)	Accommodation sales from non like-for-like	Year over year 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.

Reconciliation	**2021/22**	2020/21
UK like-for-like revenue growth	**189.8%**	(70.9%)
Contribution from net new hotels	**8.2%**	0.5%
UK Accommodation sales growth	**198.0%**	(70.4%)

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Two year UK like-for-like revenue growth	Movement in accommodation sales per segment information (Note 3)	Accommodation sales from non like-for-like	Change in revenue for outlets open for at least two years. This is a temporary measure introduced to provide a comparison between the current year and the comparative period before the impact of the COVID-19 pandemic.

Reconciliation	**2021/22**
UK like-for-like revenue growth	**(15.5%)**
Contribution from net new hotels	**3.8%**
UK Accommodation sales growth	**(11.7%)**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Revenue per available room (RevPAR)	No direct equivalent	Refer to definition	Revenue per available room is also known as 'yield'. This hotel measure is achieved by dividing accommodation sales by the number of rooms available. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.

Reconciliation	**2021/22**	2020/21
UK Accommodation sales (£m)	**1,157.8**	388.5
Available rooms ('000)	**29,928**	28,620
UK REVPAR (£)	**38.69**	13.57
Germany Accommodation sales (£m)	**29.1**	10.2
Available rooms ('000)	**1,765**	1,135
Germany REVPAR (£)	**16.49**	9.02

INCOME STATEMENT MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted* operating profit/(loss)	Profit/loss before tax	Adjusting items (Note 6), finance costs / income (Note 7)	Profit/loss before tax, finance costs/income and adjusting items Reconciliation: Consolidated income statement
Adjusted* tax	Tax charge/credit	Adjusting items (Note 6)	Tax charge/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted* profit/(loss) before tax	Profit/loss before tax	Adjusting items (Note 6)	Profit/loss before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted* EPS	Basic EPS	Adjusting items (Note 6)	Adjusted profit/loss 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). Reconciliation: Note 10

BALANCE SHEET MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. Reconciliation: Note 19
Adjusted net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	Net cash/debt adjusted for cash, assumed by ratings agencies to not be 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.

	2021/22	2020/21
Reconciliation	**£m**	£m
Net (cash)/debt	**(140.5)**	46.5
Restricted cash adjustment	**10.0**	10.0
Adjusted net (cash)/debt	**(130.5)**	56.5

Lease adjusted net debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by rating agencies to not be readily available	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.

	2021/22	2020/21
Reconciliation	**£m**	£m
Adjusted net (cash)/debt	**(130.5)**	56.5
Lease debt	**1,884.7**	1,771.0
Lease adjusted net debt	**1,754.2**	1,827.5

Net cash/debt and lease liabilities	Cash and cash equivalents less total liabilities from financing activities	Refer to definition	Net debt/cash plus lease liabilities. The directors consider this to be a useful measure of the financing position of the Group.

	2021/22	2020/21
Reconciliation	**£m**	£m
Net (cash)/debt	**(140.5)**	46.5
Lease liabilities	**3,701.8**	3,231.6
Net (cash)/debt and lease liabilities	**3,561.3**	3,278.1

CASH FLOW MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and capital contributions to joint ventures.
Funds from operations (FFO)	Net cash flows from operating activities	Refer to definition	Net cash flows from operating activities after deducting payment of principal of lease liabilities and adding back changes in working capital, adjusted property rent and cash interest. A comparative is not disclosed as while the Group's covenant waivers were in place, FFO was not considered to be a key alternative performance measure.

	2021/22
Reconciliation	**£m**
Net cash flow from operations	**508.7**
Payment of principal of lease liabilities	**(127.1)**
Working capital movements	**(182.5)**
Cash interest	**18.0**
Adjusted property rent	**235.6**
Funds from operations	**452.7**

Lease adjusted net debt to FFO	No direct equivalent	Refer to definition	Ratio of lease-adjusted net debt compared to FFO. A comparative is not disclosed as while the Group's covenant waivers were in place, lease adjusted net debt to FFO was not considered to be a key alternative performance measure.

	2021/22
Reconciliation	**£m**
Lease adjusted net debt	**1,754.2**
Funds from operations	**452.7**
Lease adjusted net debt to FFO	**3.9x**

Operating cash flow	Cash generated from operations	Refer to definition	Adjusted operating profit/loss adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth and shareholder returns and before tax, pension and interest payments.

	2021/22	2020/21
Reconciliation	**£m**	£m
Adjusted operating profit/(loss)	**153.3**	(486.7)
Depreciation – right-of-use assets	**148.1**	126.3
Depreciation – property, plant and equipment	**157.9**	150.3
Amortisation	**20.9**	23.6
Adjusted EBITDA (post-IFRS 16)	**480.2**	(186.5)
Interest paid – lease liabilities	**(133.2)**	(123.2)
Payment of principal of lease liabilities	**(127.1)**	(71.7)
Lease incentives received/(paid)	**2.0**	(7.3)
Movement in working capital	**182.5**	(99.8)
Operating cash flow	**404.4**	(488.5)

OTHER MEASURES

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted* EBITDA (post-IFRS 16), Adjusted* EBITDA (pre-IFRS 16) and Adjusted* EBITDAR	Operating profit/loss	Refer to definition	Adjusted EBITDA (post-IFRS 16) is profit before tax, adjusting items, interest, depreciation and amortisation. Adjusted EBITDA (pre-IFRS 16) is further adjusted to remove rent expense. Adjusted EBITDAR is profit before tax, adjusting items, interest, depreciation, amortisation, variable lease payments and rental income. The directors consider these measures to be useful as they are commonly used industry metrics which facilitate comparison between companies on a before and after IFRS 16 basis. The Group's RCF covenants include measures based on Adjusted EBITDA (pre-IFRS 16).

Reconciliation	**2021/22 £m**	2020/21 £m
Adjusted operating profit/(loss)	**153.3**	(486.7)
Depreciation – right-of-use assets	**148.1**	126.3
Depreciation – property, plant and equipment	**157.9**	150.3
Amortisation	**20.9**	23.6
Adjusted EBITDA (post-IFRS 16)	**480.2**	(186.5)
Variable lease expense/(credit)	**0.3**	(0.6)
Rental income	**(7.9)**	(7.8)
Adjusted EBITDAR	**472.6**	(194.9)
Rent expense, variable lease payments and rental income	**(230.7)**	(216.5)
Adjusted EBITDA (pre-IFRS 16)	**241.9**	(411.4)

Return on Capital Employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating loss/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 and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. Return on capital is not disclosed and a reconciliation is therefore not included.

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