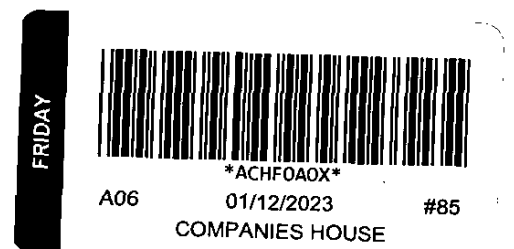


Registration number: 00029423

Whitbread Group PLC

Annual Report and Financial Statements

For the year ended 2 March 2023



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Company information

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Strategic report

Introduction

These consolidated financial statements represent Whitbread Group PLC and all its subsidiaries ('Group'). Whitbread is the owner of Premier Inn, the UK's biggest hotel brand, with over 83,500 rooms in over 840 hotels and a growing presence in Germany with 9,000 rooms in 51 hotels, offering quality accommodation at affordable prices in great locations. People are at the heart of our business. We employ over 40,000 team members in over 1,600 Premier Inn hotels and restaurants across the UK and Germany and serve over five million customers every month.

Our strategy of investing through periods of uncertainty has underpinned our strong performance in the UK and provided real momentum as we continue to expand in Germany. We have a long track record of generating attractive and consistent rates of return for our shareholders whilst also ensuring we remain a Force for Good. We have emerged from the pandemic with a strong balance sheet and significant opportunities for growth, and remain confident in delivering attractive long-term returns for shareholders.

We own, operate and manage a large network of hotels and restaurants. With significant asset-backing, our vertically integrated model ensures the consistent delivery of a high-quality product for our guests, attractive and sustainable rates of return for our shareholders whilst having a positive impact on our other key stakeholders.

Premier Inn currently operates 800+ hotels in the UK (83,500 rooms) and is looking to continue its expansion into Germany through a combination of organic growth and acquisitions. Germany has 51 operational hotels as at 2 March 2023 and a committed pipeline of 37 further hotels that are planned to open over the next few years. Further details can be found in the Strategic Report of the Annual Report and Accounts of Whitbread PLC for the year ended 2 March 2023. The financial year represents the 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

Business Review

Group adjusted* profit before tax was £376.8m (2021/22: loss of £55.7m). Group statutory profit for the year was £249.1m (2021/22: £11.6m). Group revenue for the year was £2,625.2m (2021/22: £1,703.4m).

At 2 March 2023, net debt* was £171.4m (2021/22: net debt of £140.5m).

Liquidity and debt funding facilities

Whitbread PLC received confirmation of its investment grade status on 20 February 2023 and aims to manage to investment grade metrics of lease adjusted net debt* of less than 3.7x¹ funds from operations* over the medium term. During the first half, the Group returned to below this level and as at the end of 2022/23 the ratio was 2.7x.

During the first half of 2022/23, the Group entered into a new £775 million revolving credit facility ('RCF'), replacing the previous £850 million facility that was due to expire in September 2023. The new five-year facility, with two one-year extension options, is a multi-currency revolving credit facility and is provided by a syndicate of seven banks led by Banco Santander, Barclays, NatWest and Bank of China. The RCF has variable interest rates with GBP linked to SONIA and EUR being linked to EURIBOR.

The maturity of the Group's facilities is set out in Note 19 to the consolidated financial statements.

* Alternative performance measure – see page 12 for further detail

¹ The covenant measures are calculated pre-IFRS 16

Strategic report (continued)

Premier Inn UK

Premier Inn UK statutory revenue was 50% ahead of FY22 and 22% up compared to FY20. Comparisons are made to FY22 that was partially impacted by the pandemic and 2019/20, with 2019/20 being the last financial period before the onset of the pandemic.

The impact of the pandemic on the 2021/22 results meant that the 2022/23 comparative performance was stronger than versus 2019/20. Total statutory revenue was 22% ahead of 2019/20, driven by the strength of our UK hotel performance. UK accommodation sales were 37% ahead of 2019/20, driven by a 640bps increase in occupancy and 17% increase in average room rates as well as the addition of over 6,000 rooms to our estate. Factors behind our strong performance included external drivers such as strong consumer demand, a reduced level of supply and a robust pricing environment.

While these factors benefited the M&E (Midscale & Economy) sector as a whole, Premier Inn remained well-ahead of the M&E market throughout the period thanks to the inherent strengths of our vertically integrated operating model, direct distribution, market-leading position and the execution of several commercial initiatives.

Food and Beverage (F&B) sales were well-ahead of 2021/22, driven by the commercial initiatives we implemented during the year and the market recovery following the pandemic. Despite this recovery and the benefits of high hotel occupancy and a number of commercial initiatives helping to drive F&B sales, the value pub restaurant sector remains challenging with the result that overall F&B sales were 4% behind pre-pandemic levels.

Adjusted other income (excluding rental income) of £5 million related to a provision release following the completion of an HMRC review of the Group's COVID-related support claims, for further information see page 49. Whilst in 2021/22, adjusted other income (excluding rental income) of £70 million included £62 million benefit from the Coronavirus Job Retention Scheme and £8 million benefit from other COVID-related grants, no claims for COVID-related Government support were made in 2022/23.

Adjusted operating costs of £1,595 million were 28% higher than 2021/22 driven by increased occupancy across a higher number of rooms, higher inflation, the absence of any benefit received in relation to the Government's business rates holiday (2021/22: £56 million) and after the benefit of our ongoing cost efficiency programme. Adjusted EBITDAR* margins recovered strongly to 37% (2021/22: 29%) and total adjusted EBITDAR* increased to £918 million which was 16% above pre-pandemic levels. Right-of-use asset depreciation was £134 million and lease liability interest was £125 million reflecting the addition of net 1,495 more leasehold rooms during the year. A total of ten new hotels and an extension added 1,722 new rooms while four hotels totalling 432 rooms were closed as the Group continues to optimise its estate when suitable opportunities arise. At the end of the year, the UK and Ireland estate stood at 847 hotels with a total of 83,576 rooms and a committed pipeline of 7,425 rooms.

The increase in adjusted EBITDAR* meant that adjusted profit before tax* increased to £492 million, significantly ahead of 2021/22 and 19% ahead of 2019/20. Despite the challenge of sector-wide inflationary pressures, pre-tax profit margins reached 19.6% which was a marked increase from 2021/22 and almost back to the 20.2% achieved in 2019/20.

The strong profit performance coupled with our disciplined approach to capital allocation fed through into a marked recovery in ROCE* that was 12.9% for the year, up from 2.3% in 2021/22 and 11.2% in 2019/20.

Strategic report (continued)

Premier Inn Germany

With over 9,000 rooms open in 51 hotels, we have established a broad national network. We will continue to pursue an ambitious growth strategy in Germany, both organically and through bolt-on acquisitions. Our total open and committed pipeline stands at 16,000 rooms and we believe there is ample opportunity to grow further.

Pandemic-related restrictions were finally lifted during the first quarter which prompted an uplift in leisure demand throughout the summer months. This continued into the third quarter with leisure demand remaining buoyant, supported by a high number of leisure events, as well as a rebound in business travel including the return of a number of large international trade fairs. Despite the popularity of Christmas markets in a number of German cities, market demand in the seasonally quiet fourth quarter was softer than expected. The net result was that total statutory revenue increased by 234% versus 2021/22, up to £118 million and was significantly ahead of 2019/20 revenue of £12 million, this increase driven by the increase in the size of our estate since 2019/20.

Adjusted other income (excluding rental income) was significantly less than last year, with no claims being made for COVID-related Government support in 2022/23 (2021/22: £44 million).

Adjusted operating costs increased by £44 million versus 2021/22 (2021/22: £42 million increase) reflecting the continued growth in our estate and inflationary pressures. We made good progress on continuing to refine our operating model and tailor our customer proposition. We also continued to drive cost efficiencies without compromising our ability to drive revenue growth. The addition of 2,706 new leasehold rooms to the estate meant that right-of-use-asset depreciation increased by 41% to £32 million and lease liability interest increased by 63% to £14 million. During the year we opened ten hotels and acquired six hotels including a freehold hotel in Austria, ending the period with 51 hotels and 9,042 rooms open.

Cash generation

Adjusted EBITDAR increased by 88% to £888 million (2021/22: £473 million), driven by the strength of the trading performance of Premier Inn UK, resulting in an adjusted operating cashflow of £719 million (2021/22: £404 million). Expansionary and maintenance capital expenditure increased to £546 million in 2022/23 (2021/22: £261 million) resulting in total cashflow before shareholder returns and debt repayments of £182 million broadly in line with last year (2021/22: £187 million).

Future likely developments

For details of these please refer to the future likely developments section of the Directors' report.

Risks and uncertainties

The Whitbread PLC Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks Whitbread is willing to take to achieve its objectives. Risk is managed proactively by the Executive Committee of Whitbread PLC. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee of Whitbread PLC, which completes an annual review of the effectiveness of these processes. The business units complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A robust top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. Emerging risk themes and trends from industry and professional bodies, and peer networks, are collated and reviewed biannually by the Executive Committee of Whitbread PLC and managed through the risk management framework as appropriate. The principal risks identified, together with a summary of key mitigations are summarised below.

Risk appetite is defined as the level of risk we are willing to accept in pursuit of our strategic priorities. The level of risk acceptable for principal and emerging risks is assessed on an annual basis by the Executive Committee of Whitbread PLC and Whitbread PLC Board members, who define their risk appetite against key indicators including potential impact of risk, likelihood of risk, and ability to reduce risk through mitigation. This ensures alignment between our view of acceptable risk exposure and the strategic priorities of the Group.

Strategic priorities^ key:

- 1 – innovate and grow in our core UK business
- 2 – focus on our strengths to grow internationally
- 3 – enhance our capability to support long term growth

Strategic report (continued)

Principal risks

Risk	Key mitigations	Strategic priorities ^	Risk appetite	Movement vs prior year
Uncertain economic outlook Uncertain UK and Germany economic outlook with the threat of a recession which is deep and prolonged, exacerbated by the impact from wider macroeconomic trends and current geopolitical conflicts. This is resulting in changeable demand; weak public and consumer confidence; reduced international travel; structural and significant inflation widely impacting our cost base across the business; and the potential inability to meet customer demand. Overall, causing declining cash flows, significant supply chain disruption, impact on property valuations, increasing quantum and cost of borrowing and a strain on balance sheet strength.	<ul style="list-style-type: none"> - We currently have a strong balance sheet with substantial liquidity and a large freehold property base, giving us the option to enter into sale and leaseback agreements if required. - We continue to make good progress with our efficiency programme and rolling utilities hedging, to offset inflationary pressures and maintain rigorous discipline over our capital and cost spend. - We have updated our supplier base to include more local suppliers and opened new warehousing in Germany to minimise supply chain disruption. - There is a rigorous business planning process in place which considers many scenarios with appropriate responses. 	1,2,3	N/A	No change
Cyber and data security Businesses continue to be subject to continuously evolving methods of cyber-attack. Data breaches or operational disruption caused by malware such as ransomware, can result in a loss of brand trust, regulatory fines and an adverse impact on the value of the business.	<ul style="list-style-type: none"> - We have a specialist team and robust Information Security Management in place with a wide range of proactive and reactive security controls including up-to-date antivirus software across the estate, network/ system monitoring and regular penetration testing to identify vulnerabilities. - A continuous security improvement programme is in place with regular internal and independent external review of control effectiveness and Information Security maturity. - Our mature risk process and proactive threat modelling and monitoring allow us to identify and address threats at the earliest opportunity. - We have solid compliance foundations across all countries for data protection and effective collaboration between Information Security and Data Protection teams to minimise data risks and ensure compliance with GDPR. - All IT change and engineering has Information Security built in by design. 	3	Low	Increased due to continuously evolving methods of attack as well as the volume of activity
Technology-led business change and interdependencies The risk that we are unable to successfully deliver major transformational programmes particularly under time bound pressures and realise benefits due to high volume of change. This particularly refers to the replacement of the legacy reservation system in year at a significant pace, our systems networks across the estate, other commercial and people technology driven transformation programmes, and Germany expansion whilst embedding new teams and ways of working.	<ul style="list-style-type: none"> - To help ensure the successful delivery of change projects, we have enhanced internal project delivery expertise and capability and a robust assurance management framework. This is coupled with regular reporting and discussion at the Risk Working Group, Executive Committee and Board. - Utilisation of specialist technology third parties and subject matter experts to provide further independent assurance. 	1,2,3	High	Increased due to criticality of the speed of change and operational impact, as well as recognising the significant investment in technology over the next five years

Strategic report (continued)

Risk	Key mitigations	Strategic priorities ¹	Risk appetite	Movement vs prior year
Germany profitable growth The risk that international expansion in Germany is impacted by a prolonged downturn in the German economic climate, or a failure to achieve our market revenue growth or cost assumptions making it harder to achieve a level of return in a timeframe that satisfies stakeholder expectations. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.	<ul style="list-style-type: none"> - We are able to use the deep level of skills and experience used to build the UK business, coupled with our strong development team in country which is able to perform detailed and ongoing assessments of the German market and economic fundamentals at both a micro and a macro level. - Focus is on developing our strong organic and M&A pipelines and reducing capital costs through better buying power and harnessing efficiencies and synergies with the UK business. - A monthly executive meeting reviews the German business in detail, including financial performance, customer feedback, marketing and operations and people, capital and property plans. 	2	High	Increased in line with the increase in investment
Increased and extended focus on food and beverage proposition in Restaurants There is a risk that the current divergence in performance of accommodation and food and beverage drives a disproportional focus in restaurants by the business. The pub restaurant market continues to be highly competitive, with headwinds from inflation and the cost-of-living impact on demand yet to be fully understood. This also highlights an opportunity to focus on the value-led consumer and to continue to benefit from the Premier Inn customer to drive incremental RevPAR.	<ul style="list-style-type: none"> - New menus and propositions including revenue opportunities from focus on daypart trading and premiumisation, and improvement of guest experience by integrating ground floor spaces. - Better buying with supply chain and procurement targets. - Brand-led initiatives and focus on key events. - Extensive market research and customer feedback. - Rejuvenation of brands and associated marketing to optimise spend. 	1	-	New in year
Talent, attraction, and retention The risk of structural changes to the macro labour market where the hospitality sector is considered a less attractive employer, compounded by immigration regulations for specific roles such as chefs and housekeeping and real cost-of-living pressures, along with the transferability of functional expertise especially in the Technology and Digital areas, which could lead to a smaller talent pool and low levels of diversity in the senior leadership team resulting in significant cost inflation and potential disruption.	<ul style="list-style-type: none"> - The success of our businesses would not be possible without the passion and commitment of our teams. Therefore, team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement, along with driving our diversity and inclusion strategy. - Team retention is a key component of our WINcard and Annual Incentive Scheme, with long-term incentive schemes in place for senior team members and an ongoing review of high-risk areas such as IT and Digital remuneration. We regularly benchmark our reward packages against the market and have targeted pay interventions around skills hotspots. - We have invested significantly in our Direct Hire Resourcing team, optimised the model and continuing to drive employer presence with a specific focus on youth. 	3	Medium	No change

Strategic report (continued)

Risk	Key mitigations	Strategic priorities ¹	Risk appetite	Movement vs prior year
Third-party arrangements Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including IT, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption.	<ul style="list-style-type: none"> - We continually review our suppliers and business continuity arrangements, with demand planning and enhanced supplier performance monitoring allowing proactive action when required. - We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored through our supplier management arrangements. - We have business continuity plans in place for all critical suppliers. 	2.3	Medium	No change
Structural shifts and threat from disruptors This risk is particularly focused on customer demand and the Premier Inn brand strength. The potential for disruptors to exploit current consumer price sensitivity due to the cost-of-living crisis along with the permanent or long-term structural shift in working practices, utilising online meeting technology and the reduction in international travel resulting in a loss of market share. The combined impact of these factors presents a risk to returns, cash flow and property asset valuations, particularly of sites located in metropolitan areas.	<ul style="list-style-type: none"> - We perform extensive scenario modelling, fed by regular competitor and market analysis, allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward. - We have Customer and Trading Committees which track Brand Index, NPS, customer satisfaction and feedback, and we are continually improving our digital marketing to both leisure and business to business customers. - We are continually optimising the customer proposition around our estate, upgrading rooms and churning suboptimal sites. - We are also taking a cautious approach to further expansion, beyond our existing pipeline, slowing signing of new sites in the UK until the environment is more certain, with our focus shifting to lower risk market share trading initiatives. 	1.2.3	N/A	No change
Extended stagnation of the UK property market slows UK growth The stagnation in the UK property market continues for longer than expected and impacts our ability to maintain the UK pipeline, putting pressure on our returns and UK growth in subsequent years. This is driven by the slowdown in developer-led opportunities, due to weak sentiment and possible fall in value of land; construction inflation; increased cost of debt; and investment yields. Whitbread could potentially take on a risk premium to acquire sites by assuming a future value from sale and leaseback arrangements. Opportunities may become available due to less competition to buy land and to build out, or developers may look to release properties in the short term.	<ul style="list-style-type: none"> - Strong financial covenants make us more attractive to investment funds as a preferred hotel tenant. - Experienced and well-networked Property team. - Robust capital investment framework with updated analysis, including yield ranges (+/-50bps) to support decisions. - Sale and leaseback yields tested with continual monitoring of the market. - Solid committed pipeline of 7,425 rooms across 40 hotels. 	1	N/A	New in year

Strategic report (continued)

Risk	Key mitigations	Strategic priorities ¹	Risk appetite	Movement vs prior year
<p>Health and safety</p> <p>Adverse publicity and brand damage due to death or serious injury as a result of Company negligence or a significant incident resulting from food, in particular the risk from allergens, fire, terrorism or another safety failure. This could be due to a failure in safety standards, building standards, supply chain provenance, responsible sourcing, poor hygiene standards or a direct targeted terrorism attack, all of which could lead to adverse publicity, brand damage and sudden or prolonged downturn in demand in key markets and locations.</p>	<ul style="list-style-type: none"> - The safety of our guests and employees is of paramount importance. NSF, an independent specialist, undertakes unannounced health and safety audits on sites, covering food, fire, and general health and safety requirements. - We have robust fire safety policies, procedures and training for our team members. We work closely with independent fire safety consultants, regarding fire safety in our hotels. - We have stringent food safety and sourcing policies with robust traceability and testing requirements in place in respect of meat and other products. We invest considerable resources in employee training along with allergen information which is also made easily accessible both online and at sites. - Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Risk Working Group, the Executive Committee and the Board. - We invest in ongoing site level training to help identify hostile reconnaissance activities or potential terrorism, and to ensure we have an appropriate response should such events take place. The executive team also holds crisis management exercises to ensure we are prepared for such events. 	1,2,3	Low	No change
<p>Environmental, Social and Governance</p> <p>As a business, we have an impact on and are impacted by a wide range of environmental issues, such as an inability to meet carbon targets, natural resource scarcity, and social trends such as veganism. There is uncertainty as to how these collective risks will evolve and the expectations of our wide stakeholder group to deliver on our commitments and embed them within the business model wholly could impact our reputation and performance.</p> <p>There is also the risk of an issue within the supply chain materialising which is unethical or lacks traceability, which would impact our sustainability credentials.</p>	<ul style="list-style-type: none"> - Our TCFD response helps us to identify and assess key risks, opportunities and impacts of climate change to the business. - Our Force for Good programme covers large aspects of our ESG agenda, with targets around emissions, food waste, and single-use plastics, ensuring our accountability for positive change. - We continue to manage and monitor the use of proceeds against the projects outlined in our Green Bond Framework. The proceeds have been allocated against our green energy, sustainable procurement, and green building projects. - We champion inclusivity and improving diversity across the organisation and have set eight diversity and inclusion targets to ensure our teams feel supported and engaged as part of this process. - Regular ethical supplier audits combined with our responsible sourcing policies and initiatives ensure ethical end to end buying. 	1,2,3	N/A	Increased in recognition of potential time bound pressures

Strategic report (continued)

Section 172 statement

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

Maintaining and developing positive relations with all the stakeholders who may be impacted by the decisions we make is a critical factor in ensuring long-term sustainable success for our business. Stakeholder engagement is central to the formulation and delivery of our strategy. As the strategy for the Group is developed, the views and interests of various stakeholders are factored in to the strategic options, including the views of customers, employees, shareholders and suppliers. Equally, the impact of Group strategy on the communities in which we operate, and on the environment, is considered. That way, the strategy of the Group is developed directly with those interests in mind.

Equally, the interests of all relevant stakeholders are carefully considered by the Board and the Executive Committee as and when specific decisions are made throughout the year. In its decision making, the Board considers what is most likely to promote the success of the Company for its stakeholders in the long-term.

Our directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. Some examples of how the Board considers these groups during Board meetings and discussions include the following:

- As part of the monthly Key Performance Indicators (KPI) pack, the Board considers data relating to customer feedback and team retention, as well as data on shareholders and themes from investor relations meetings.
- The Chief Financial Officer's Board reports give details on recent engagement with shareholders and Pension Trustees discussions, and qualitative feedback on specific concerns.
- The Chief People Officer's Board reports provides details of all relevant employee-related matters, including recruitment, retention, diversity and inclusion, listening, wellbeing, training and reward.
- The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste. It also includes best practice guidance on section 172 compliance.
- The Chief Executive's report gives details of any relevant interaction with Government or regulators, and key issues with suppliers and landlords.
- The Board debate on possible mergers and acquisitions include wider impact assessments, considering issues such as integration with the current business, management capabilities, the impact on team members, and the ability of our supply chain to react with the plan.

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

Further information and examples of how Whitbread's Board engages with, and considers interactions with key stakeholders can be found below.

Employees

- Over the year, the Whitbread PLC Board has focused discussions on team member pay. Taking into consideration the current cost of living and the impact on our entry level workers in particular
- The Whitbread PLC Board receives monthly data in the monthly KPI pack regarding team retention, and the monthly data is considered carefully
- The Whitbread PLC Chief Executive in his report specifically mentions team retention and reward strategies, and makes proposals for approval
- 'Our Voice', a body made up of elected representatives across the business, represent the views of employee constituencies to senior management. The Board receives reports of these meetings
- Review of the Speaking Out process, as requested by the audit committee of Whitbread PLC to ensure a better platform for employees to raise concerns
- The Board has set eight specific Diversity and Inclusion targets to ensure that the business is properly representative of the communities in which we operate. Good progress has been made in relation to these targets
- In the monthly CPO report, the Whitbread PLC Board receives detail around all areas of the People strategy
- Diversity and inclusion is considered as part of all Whitbread PLC Board appointments. This is guided by the Whitbread PLC Board Diversity Policy, which was introduced in 2021 and the Gender and Ethnicity Pay Gap Report 2022. More detail on this can be found on the Whitbread website
- The Whitbread PLC Board reviewed diversity and inclusion as part of the succession planning and People strategy. This also included focus around creating a diverse pipeline at the senior management level. The Whitbread PLC Board discussed the various diversity inclusion networks, Glow, RRCH, eNable and Gender Equality
- The Board receives reports on health and safety management bi-annually; statistics are included in the KPI pack, and any incidents are reported straight away to the Board.

Strategic report (continued)

Section 172 statement (continued)

Customers

- The Whitbread PLC Board receives data on customer satisfaction scores each month
- The Whitbread PLC Board receives a monthly report on commercial, pricing and operational performance each month
- Quarterly deep dives are provided into pricing and commercial strategies in the UK and Germany as part of the strategy day presentations
- The Whitbread PLC Board approves the refurbishment schedule and repairs and maintenance programmes. The Whitbread PLC Board also continued with a programme of investment through the cycle, to ensure the portfolio retains the high quality our guests expect
- The Whitbread PLC Board considers room innovations periodically, e.g. Premier Plus rooms, twin rooms
- The Whitbread PLC Board considers marketing campaigns and digital strategies
- The Remuneration Committee of Whitbread PLC includes customer measures in the remuneration structures for key team members

Suppliers

- Given the supply chain issues and increased costs as we have emerged from COVID-19, the Whitbread PLC Board has received regular updates on issues such as shortages, security of supply, the impact on the business and on other stakeholders, cost inflation and strategies to tackle each
- The Whitbread PLC Board has discussed inflation along the supply chain as part of the CFOs report.
- The Whitbread PLC Board approves a Modern Slavery Act Statement each year
- The Whitbread PLC Board approves material contracts with suppliers each year if they are of significant size and importance. This year, the Board has reviewed and approved contracts with Oracle, Fujitsu, laundry providers and energy suppliers
- The Whitbread PLC Board has received presentations on sustainability, which includes the responsible sourcing of critical commodities, Scope 3 carbon emissions, the reduction of single-use plastics, and the reduction of food waste
- This year, the Whitbread PLC Board has approved the delivery of over 42,000 meals to FareShare, a charity which delivers food which would otherwise be wasted, to foodbanks

Communities and the environment

- The Whitbread PLC Board has received presentations regarding our sustainability programme, Force for Good, and has challenged the targets which were proposed
- The Whitbread PLC Board receives regular updates on key developments in the Force for Good programme and provides comment and view on material issues
- The Whitbread PLC Board reviewed the Company's Charity partnership and has received information on the amount of fundraising, with our chosen charity partner, Great Ormond Street Hospital Children's Charity

Lenders

- Once a year the Chief Executive and Chief Financial Officer of Whitbread PLC meet the key lenders within the revolving credit facility to discuss the annual results and business performance
- The Group holds a fixed income call with our bondholders after the annual results presentation
- The Whitbread PLC Group Financial Controller is in regular contact with our banks' relationship teams, discussing operational and strategic financing requirements, and our Treasury team engages to manage the Group's operational requirements
- We continue to monitor and discuss with the banks their strategy and ability to lend to the Group in the future and any changes that may impact this

Pensions Trustees

- The Chief Financial Officer of Whitbread PLC attends a Trustee meeting annually to present, and answer questions on, the Company's annual results and its ability to meet its obligations to the pension scheme
- The Chief Financial Officer of Whitbread PLC regularly interacts with the Chair of the Trustee
- A Company representative attends the Trustee's Benefit Sub-Committee and the Funding & Investment Sub-Committee meetings. Attendance at the latter enables an understanding of any investment changes that are planned and can provide a Company view where appropriate
- Each quarter, the UK Finance Director of Whitbread PLC meets with the Funding & Investment Sub-Committee to give an update on Company performance and answer any questions
- The Whitbread PLC Board receives presentations in relation to pension issues, including regarding the funding position, triennial valuation and investment performance
- During the year, the Whitbread PLC Board received updates on the pensioner buy-in transaction, having previously confirmed it was supportive of the Trustee entering into a buy-out policy to further derisk the pension scheme. The UK Finance Director of Whitbread PLC was part of the Joint Working Group established to progress the transaction

Strategic report (continued)

Financial and non-financial key performance indicators

This Group is exempt from the requirements of section 464(cb) of the Companies Act 2006 to report a non-financial information statement. This information is presented on page 59 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 2 March 2023. The table below shows the consolidated financial key performance indicators of Whitbread Group PLC.

		2022/23	2021/22
Revenue growth	%	54.1%	189.0%
Revenue	£m	2,625.2	1,703.4
Profit before tax	£m	338.3	18.3
Adjusted profit/(loss) before tax*	£m	376.8	(55.7)
Total rooms - UK and Ireland	No.	83,500	82,200
Premier Inn UK occupancy	%	83%	68%

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

Adjusted profit before tax* represents profit before tax before adjusting items. The closest IFRS measure is profit before tax. See the consolidated income statement for a reconciliation.

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.

For further information relevant to the use of APMs by the Group refer to the Adjusting items and use of alternative performance measures Accounting Policy in these financial statements.

The strategic report was approved by the directors on 25 July 2023 and signed on its behalf.



Hemant Patel
Chief Financial Officer

Directors' report

The directors present their Annual Report and audited financial statements for the year ended 2 March 2023.

Principal activities

The principal activity of the Group is the operation of hotels and restaurants, located in the UK and internationally.

Dividends

The directors did not declare or pay a dividend in the year (2021/22: £nil). No further dividends were proposed (2021/22: £nil).

Directors

The directors who served during the year were:

- M Anderson
- A J Brittain (resigned 17 January 2023)
- N T Cadbury (resigned 22 March 2022)
- R M Howarth
- H K Patel (appointed 22 March 2022)
- D J Paul (appointed 17 January 2023)
- C A Thomas (appointed 22 June 2023)

Employee involvement

All employee services are provided to the Company by Whitbread Group PLC. For further information on employee involvement please refer to the Annual Report and Accounts of Whitbread PLC for the year ended 2 March 2023.

Political donations

No political donations were made during the year (2021/22: £nil).

Future likely developments

The Group remains committed to pursuing its ambitious growth milestones. The plan is to grow Premier Inn UK rooms from 83,500 at the year-end with around 7,500 rooms in a committed UK pipeline. The Group's ambition is to reach 125,000 rooms in the UK. We plan to open rooms in locations where we currently have no hotels and also in high demand locations where we already have a presence.

In Germany, Premier Inn has an estate of 9,000 rooms, with a committed pipeline of 7,000 rooms. We believe the opportunity to create substantial value in Germany is significant. The German hotel market today is very similar to where the UK was 15-20 years ago: it is highly fragmented, with a large independent hotel sector and a relatively small branded budget hotel segment, but with a large, prosperous economy and significant volumes of business and leisure travel.

For further information on future likely developments please see the business review included in the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 2 March 2023.

Employment policies

Whitbread has a range of employment policies covering such issues as diversity, employee well-being, engagement, participation and equal opportunities.

The Company takes its responsibilities to disabled persons seriously and seeks not to discriminate under any circumstances (including in relation to training, career development and promotion) against current or prospective employees because of any disability. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Employees who become disabled during their career at Whitbread will be retained in employment wherever possible and given support with rehabilitation and training.

Financial risk management

Information on the Company's use of financial instruments, financial risk management objectives and policies and exposure is given in Note 23 and Note 24.

Directors' report (continued)

Going concern

The Group's and Company's business activities, financial position, borrowing facilities and performance for the year are set out in the strategic report on pages 3 to 12. The net debt, borrowing facilities and the maturity of those facilities are set out in Note 19 to the consolidated financial statements.

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

Directors' indemnity

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

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Events after the balance sheet date

Information on events after the balance sheet date is provided in Note 33 to the consolidated financial statements.

Streamlined Energy and Carbon Reporting (SECR)

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

Reappointment of auditors

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

The consolidated financial statements of Whitbread Group PLC for the year ended 2 March 2023 were approved and authorised by the Board of directors on 25 July 2023.

On behalf of the board



Hemant Patel
Chief Financial Officer

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (adopted international accounting standards).

The directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the group's ability to continue as a going concern.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The responsibility statement was approved by the board of directors and is signed on its behalf by:

By order of the Board,



Hemant Patel
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHITBREAD GROUP PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Whitbread Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 March 2023 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Parent Company balance sheets;
- the Consolidated and Parent Company statements of changes in equity;
- the Consolidated cash flow statement;
- the related notes to the consolidated financial statements 1 to 34, including the accounting policies; and
- the related notes to the Parent Company financial statements 1 to 21.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Impairment and impairment reversals of property, plant and equipment and right-of-use assets <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ⚠ Newly identified ⬆ Increased level of risk ↔ Similar level of risk ⬇ Decreased level of risk
Materiality	<p>The materiality that we used for the Group financial statements was £20.0 million (2022: £16.0 million) which was determined based on 5.3% of adjusted profit before tax which represents 0.64% of net assets (2022: 0.57% of net assets).</p> <p>The materiality that we used for the parent company only financial statements is £19 million (2022: £15.2 million) which was determined on the basis of 0.86% of net assets (2022: 0.63% of net assets).</p>
Scoping	<p>We focused our Group audit scope primarily on all significant trading entities at Premier Inn in the UK and the Group head office, with specified audit procedures performed for the Germany business.</p> <p>These locations represent the principal business units and account for 95.1% of the Group's revenues and 99.8% of the Group's net assets.</p>
Significant changes in our approach	<p>In terms of Group materiality, we have used adjusted profit before tax as our benchmark in the current year. In the prior year, the materiality benchmark was net assets. The reason for this change was the impact of COVID-19 which continued to affect the Group's financial performance in the prior year.</p> <p>Our audit report no longer includes the following as a key audit matter:</p>

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- *Recognition of UK and Germany government grants* – In the prior period, we identified a key audit matter relating to the presentation and accuracy of amounts received from government support in the UK and Germany. No further claims have been made in relation to government grants during the year and therefore we do not consider this to be a key audit matter in the current year.
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4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included consideration of the following matters:

- Obtained an understanding of the relevant controls relating to the Group's budgeting and forecasting process;
- Obtained an understanding of the current economic market conditions relating to the Group's market;
- Verified the mechanical accuracy and assessed the model used to prepare the Group's forecast;
- Challenged, with reference to external data, recent performance and historic forecasting accuracy, the key assumptions used /applied in the group forecast;
- Assessed the mitigating actions available to the Group;
- Evaluated the impact of the proposed dividend payment on the Group's going concern assessment; and
- Assessed the appropriateness of the Group's disclosure concerning the going concern.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment and impairment reversals of property, plant and equipment and right-of-use assets

Key audit matter description	As described in Note 14 (Impairment), Note 13 (Property, plant and equipment) and Note 21 (Lease Agreements) of the financial statements, the Group held £4,554.2 million (2022: £4,227.1 million) of Property, plant and equipment and £3,504.6 million (2022: £3,267.6 million) of Right-of-use assets at 3 March 2023.
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Under IAS 36 Impairment of Assets, the Group is required to complete an impairment review of its site portfolio where there are indicators of impairment. In the prior year, the Group recognised a net impairment reversal of £33.4 million as a result of the recovery in financial performance ahead of previous forecasts following the COVID-19 pandemic.

In the current year, although accommodation sales have significantly increased compared to the prior year, uncertainty in the macroeconomic environment has driven higher market interest rates which has subsequently led to an increase in market-based discount rates for both the UK and Germany. The discount rates are a key assumption in the valuation of the Group's portfolio of sites. Food and Beverage ("F&B") sales are yet to recover to the levels achieved before the COVID-19 pandemic and this has led to judgement and complexity in the cash flow forecasting, particularly for sites which are standalone restaurants and those specific sites where F&B sales represent a more significant proportion of total sales.

In the current year, the Group recognised impairment losses in the UK of £54.2 million driven by the higher discount rate and lower cash flow forecasts for F&B related sites. Impairment reversals were also recognised in the UK of £54.9 million, on accommodation sites where anticipated cash flows have increased significantly following the COVID-19 pandemic. In Germany, impairment losses of £30.8 million have been recognised driven by the higher discount rate and lower forecast cash flows on specific sites. The net impairment charge for the year of £33.4 million (£30.1 million from the impairment assessment and £3.3 million from the impairment of assets held for sale) has been recognised through the consolidated income statement.

Estimation is required in determining the recoverable amount of the Group's portfolio of sites. There is a risk that the carrying value of sites (including the Property, plant and equipment and Right-of-use assets) may be higher than the recoverable amount, which would indicate an impairment is required. There is also a risk that the recoverable value of previously impaired sites is higher than the carrying value, which would indicate an impairment reversal is required. Where an impairment review is performed, the recoverable amount is determined based on the higher of 'value-in-use' or 'fair value less costs of disposal' (which is determined through the use of either a discounted cash flow method using a market based discount rate or an industry valuation methodology).

Key audit matter description (continued)	<p>There are several judgements in assessing the appropriate valuation, which are set out below:</p> <ul style="list-style-type: none"> • Determining the cash-generating units (“CGUs”) that show indicators of impairment or impairment reversal. A CGU is determined to be each individual trading outlet; • Assessing the appropriate discount and long-term growth rates; • Estimating of future trading earnings and cash flow projections, including the recovery profile of F&B sales; • Assessing the future growth profile of sites which have not yet reached maturity; • Assessing appropriateness of the valuation methodology, as well as inputs to these; and • Estimating a reasonable possible change in assumptions for the purpose of sensitivity analysis. <p>The Group’s accounting policy on impairment and key sources of estimation uncertainty in relation to impairment testing are set out in Note 2. In addition, impairment testing – property, plant and equipment and right-of-use assets is also a significant matter considered by the Board of Directors.</p>
How the scope of our audit responded to the key audit matter	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls relating to the impairment review process and determination of cash flow forecasts; • Assessed the valuation methodologies adopted by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36 and IFRS 13 Fair Value Measurement; • Tested the mechanical accuracy of the impairment models, with input from our analytics and modelling specialists; • Assessed the completeness of CGUs displaying impairment indicators or impairment reversal indicators by challenging a sample of CGUs for which no indicators had been identified; • Assessed the appropriateness of the discount rates applied with involvement of our internal valuation specialists and compared the rates applied with our internal benchmarking data; • Assessed the appropriateness of forecast revenue and margin growth rates through comparison to board approved plans with reference to historical forecasting accuracy and external market data (such as industry forecasts); • Performed testing on a sample of sites where impairment had been recognised, sites where impairment indicators had been identified, but no impairment recognised and sites which indicated an impairment reversal was required; we challenged the individual circumstances of these sites and whether the rationale for management’s conclusion was appropriate. In order to perform this assessment, we reviewed the trading history of the site, understood its current performance with reference to market data and assessed the appropriateness of Group-wide forecasts being applied; • Assessed the sensitivity analysis performed by management; and • Assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRS, in particular Note 14.

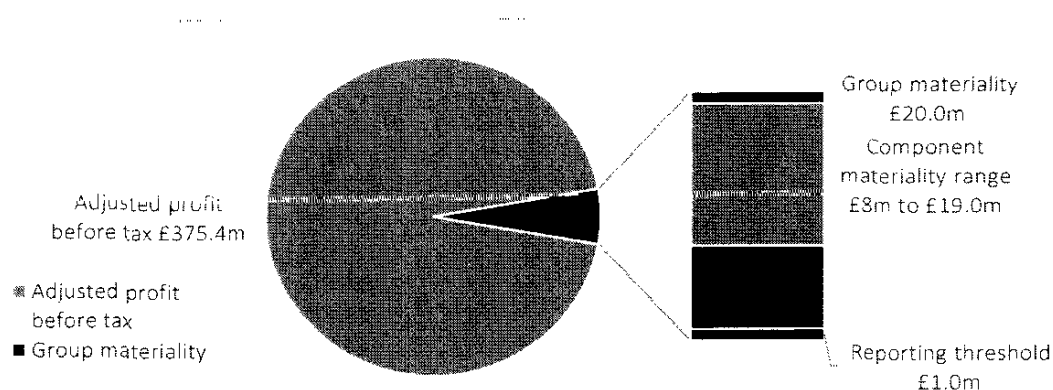
Key observations	Based on the audit procedures performed, we are satisfied that the impairment and impairment reversals recognised in the year are appropriate. We consider the disclosures, including the sensitivities in Note 14, to be appropriate.
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6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£20.0 million (2022: £16.0 million)	£19.0 million (2022: £15.2 million)
Basis for determining materiality	We have determined materiality to be £20 million, which represents 5.3% of adjusted profit before tax. This represents 5.9% of statutory profit before tax and 0.68% of net assets. Determined materiality in the prior year was £16.0 million represented 0.57% of net assets.	Materiality was determined on the basis of Parent Company's net assets. This was then capped at 95% (2022: 95%) of group materiality. This is consistent with the prior year. This represents 0.86% of net assets (2022: 0.63% of net assets).
Rationale for the benchmark applied	In the previous year, we applied net assets as the benchmark for determining materiality given the continued impact of COVID-19 on the Group's financial performance. In determining the benchmark for the current year, we have considered the focus of the users of the financial statements on the Group's trading performance and determined that use of adjusted profit before tax is the most appropriate benchmark. The use of adjusted profit before tax is consistent with our approach prior to COVID-19.	As well as trading, the parent company primarily acts as a holding company and financing entity for the wider group. The entity holds external debt and contains an investment in all of the Group's trading components and as a result, in line with the prior year, we have determined materiality on the basis of net assets for the current year



6.2. Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> • Our risk assessment, including our assessment of the Group's overall control environment; and • Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods. 	

6.3. Error reporting threshold

We agreed with the Board of Directors that we would report to the Board all audit differences in excess of £1.0 million (2022: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

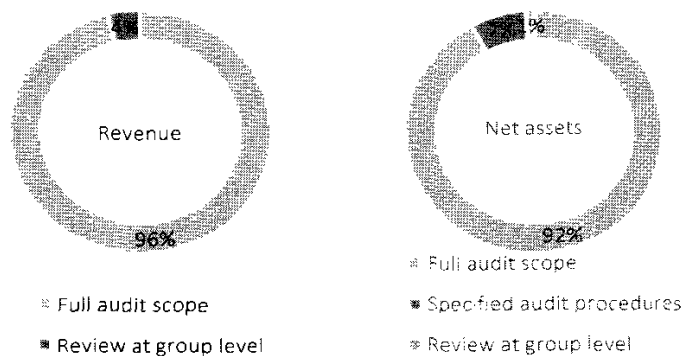
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Components were selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement.

Based on our assessment, we have focused our audit on the UK business, which was subject to full audit procedures, and performed specified audit procedures in the German business. Our component work was performed by the Group audit team, with the assistance of component auditors in Germany. These locations represent the principal business units and account for 95.1% of the Group's revenues and 99.8% of the Group's total assets. For the UK business, component materiality was assessed at £19.0 million and for Germany this was assessed at £8.0 million which was based on revenue.

At the Group level, we also tested the consolidation process and carried out analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures. We have also performed analytical review procedures on other wholly owned and joint venture businesses.



7.2. Our consideration of the control environment

The Whitbread IT landscape contains a number of IT systems, applications and tools used to support business processes and for reporting. In line with our scoping of components (refer to section 7.1) our work in relation to IT controls focuses on the UK component. We perform an independent risk assessment of the systems, applications and tools to determine those which are of greatest relevance to the Group's financial reporting, including those that contain system configured automated controls that host financially relevant data and associated reports.

With involvement of our IT specialists we tested general IT Controls ("GITCs") of these systems, typically covering controls over user access management, change management and interfaces with other systems relating to in scope IT systems (such as Oracle Fusion) as well as controls over key reports generated from the IT systems and their supporting infrastructure (database and operating system).

In order to evaluate IT controls, we performed walkthrough procedures of relevant controls in key business cycles, including revenue, property, plant and equipment, intangible assets and expenditure (processed through Oracle Fusion) to understand whether the purpose of the control was effectively designed to address the IT related risk. We then performed testing of the relevant controls across the audit period, to determine whether the control had been consistently applied as designed.

Our procedures enabled us to place reliance on IT controls, as planned, in the audit approach across a number of business cycles, where audit quality and effectiveness are enhanced by doing so. Based on the testing performed, we adopted a controls reliance approach over the processes supporting revenue, expenditure (processed through Oracle Fusion), additions to property plant and equipment and intangible assets.

7.3 Our consideration of climate-related risks

The full TCFD report is disclosed on page 52 of the Annual report and Accounts of Whitbread PLC (The ultimate parent company) for the year ended 2 March 2023. The full TCFD report outlines the process they have taken to identify the principal climate-related issues which have affected and will potentially affect the business. We have considered the impact of these risks and the opportunities on the financial statements and their conclusion that there is no material impact on the financial performance and position of the Group (as described in Note 2 to the financial statements). We also reviewed the full Whitbread PLC TCFD report to consider whether it is materiality consistent with the financial statements and our knowledge obtained in the audit.

As part of our risk assessment procedures, we have performed the following:

- Obtained an understanding of management's process and controls in considering the impact of climate risks;
- Performed enquiries of management and those charged with governance to understand the impact of climate-related risks;
- Assessed whether the risks identified are complete and consistent with our understanding of the Group's business;
- Performed a review of the climate change risk assessment and related documentation prepared by management and assessed whether it is consistent with the ESG disclosure on page 9 of the Group's accounts and our knowledge obtained in the audit; and
- Evaluated whether appropriate disclosures have been made in relation to climate-related risks in the financial statements.

7.4 Working with other auditors

The Group audit team is responsible for the scope and direction of the audit process and provides direct oversight, review and coordination of our component audit teams. During the current year we engaged component auditors from the Deloitte member firm in Germany to perform specific procedures on the German entities. This approach allowed us to engage local auditors who have appropriate knowledge of local regulations to perform this audit work. We issued detailed instructions to the component auditor and directed and supervised their work.

We interacted regularly with the component Deloitte team during each stage of the audit and reviewed key working papers. We maintained continuous and open dialogue with our component teams in addition to holding formal meetings so that we were fully aware of their progress and results of their procedures.

8. Other information

The other information comprises the information included in the annual report, being the strategic reports on pages 3 to 12, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies applicable to the group, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, General Counsel, Whitbread PLC Audit Committee and the Board of Directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: impairment and impairment reversals of property, plant and equipment and right-of-use assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, , pensions legislation and UK and overseas tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified Impairment and impairment reversals of property, plant and equipment and right-of use assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board of Directors and General Counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the board of directors of Whitbread Group PLC, we were appointed by the members on 21 June 2015 to audit the financial statements for the year ending 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 3 March 2016 to 2 March 2023.

14.2. Consistency of the audit report with the additional report to the Board of Directors

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate J Houldsworth FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

25 July 2023

Consolidated income statement

Year ended 2 March 2023

	Notes	52 weeks to 2 March 2023			53 weeks to 3 March 2022		
		Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Continuing operations							
Revenue	3	2,625.2	-	2,625.2	1,703.4	-	1,703.4
Other income	4	8.0	4.7	12.7	122.4	8.7	131.1
Operating costs	5	(2,089.0)	(43.2)	(2,132.2)	(1,669.6)	65.3	(1,604.3)
Impairment of loans to joint ventures	15	(1.5)	-	(1.5)	(1.8)	-	(1.8)
Operating profit/(loss) before joint ventures		542.7	(38.5)	504.2	154.4	74.0	228.4
Share of profit from joint ventures	15	2.3	-	2.3	0.4	-	0.4
Operating profit/(loss)		545.0	(38.5)	506.5	154.8	74.0	228.8
Finance costs	8	(205.0)	-	(205.0)	(215.0)	-	(215.0)
Finance income	8	36.8	-	36.8	4.5	-	4.5
Profit/(loss) before tax		376.8	(38.5)	338.3	(55.7)	74.0	18.3
Tax (expense)/credit	10	(78.3)	(10.9)	(89.2)	17.8	(24.5)	(6.7)
Profit/(loss) for the year attributable to parent Shareholders		298.5	(49.4)	249.1	(37.9)	49.5	11.6

Whitbread Group PLC

Consolidated statement of comprehensive income

Year ended 2 March 2023

	Notes	52 weeks to 2 March 2023 £m	53 weeks to 3 March 2022 £m
Profit for the year		249.1	11.6
Items that will not be reclassified to the income statement:			
Remeasurement (loss)/gain on defined benefit pension scheme	31	(223.6)	318.8
Current tax on defined benefit pension scheme	10	0.7	-
Deferred tax on defined benefit pension scheme	10	54.7	(88.0)
		(168.2)	230.8
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on cash flow hedges	24	(1.3)	2.4
Deferred tax on cash flow hedges	10	-	(0.5)
Net (loss)/gain on hedge of a net investment	24	(22.2)	9.0
Deferred tax on net loss/(gain) on hedge of a net investment	10	2.1	(0.8)
Cost of hedging	24	1.1	2.5
		(20.3)	12.6
Exchange differences on translation of foreign operations		37.3	(16.0)
Deferred tax on exchange differences on translation of foreign operations		(4.0)	2.7
		33.3	(13.3)
Other comprehensive (loss)/income for the year, net of tax		(155.2)	230.1
Total comprehensive income for the year, net of tax		93.9	241.7

Consolidated statement of changes in equity

Year ended 2 March 2023

	Share capital £m	Share premium £m	Retained earnings £m	Currency translation reserve £m	Hedging reserve £m	Total £m
At 25 February 2021	133.7	207.7	2,208.6	28.7	(1.9)	2,576.8
Profit for the year	-	-	11.6	-	-	11.6
Other comprehensive income	-	-	230.8	(4.4)	3.7	230.1
Total comprehensive income	-	-	242.4	(4.4)	3.7	241.7
Accrued share-based payments (Note 30)	-	-	12.9	-	-	12.9
Tax on share-based payments	-	-	(0.2)	-	-	(0.2)
At 3 March 2022	133.7	207.7	2,463.7	24.3	1.8	2,831.2
Profit for the year	-	-	249.1	-	-	249.1
Other comprehensive income	-	-	(168.2)	10.7	2.3	(155.2)
Total comprehensive income	-	-	80.9	10.7	2.3	93.9
Accrued share-based payments (Note 30)	-	-	17.9	-	-	17.9
Tax on share-based payments	-	-	(0.1)	-	-	(0.1)
At 2 March 2023	133.7	207.7	2,562.4	35.0	4.1	2,942.9

Whitbread Group PLC

Consolidated balance sheet

At 2 March 2023

	Notes	2 March 2023 £m	3 March 2022 £m
Non-current assets			
Intangible assets	12	179.6	159.3
Right-of-use assets	21	3,504.6	3,267.6
Property, plant and equipment	13	4,554.2	4,227.1
Investment in joint ventures	15	48.2	41.1
Derivative financial instruments	24	-	15.8
Defined benefit pension surplus	31	324.7	522.6
		8,611.3	8,233.5
Current assets			
Inventories	16	21.7	19.4
Current tax asset	10	2.5	7.6
Trade and other receivables	17	141.8	116.4
Cash and cash equivalents	18	1,164.8	1,132.4
		1,330.8	1,275.8
Assets classified as held for sale	13	3.2	64.8
Total assets		9,945.3	9,574.1
Current liabilities			
Borrowings	19	-	-
Lease liabilities	21	144.1	129.3
Provisions	22	20.2	19.6
Trade and other payables	25	1,852.1	1,865.9
		2,016.4	2,014.8
Non-current liabilities			
Borrowings	19	993.4	991.9
Lease liabilities	21	3,814.3	3,572.5
Provisions	22	8.3	11.7
Derivative financial instruments	24	7.8	-
Deferred tax liabilities	10	158.4	150.8
Trade and other payables	25	3.8	1.2
		4,986.0	4,728.1
Total liabilities		7,002.4	6,742.9
Net assets		2,942.9	2,831.2
Equity			
Share capital	26	133.7	133.7
Share premium	27	207.7	207.7
Retained earnings	27	2,562.4	2,463.7
Currency translation reserve	27	35.0	24.3
Other reserves	27	4.1	1.8
Total equity		2,942.9	2,831.2



Hemant Patel
Chief Financial Officer

25 July 2023

Consolidated cash flow statement

Year ended 2 March 2023

	Notes	52 weeks to 2 March 2023 £m	53 weeks to 3 March 2022 £m
Cash generated from operations	28	997.8	695.2
Payments against provisions		(2.7)	(18.9)
Defined benefit pension scheme payments		(15.7)	(14.8)
Interest paid – lease liabilities		(138.7)	(133.2)
Interest paid – other		(32.0)	(20.2)
Interest received		22.6	2.2
Corporation taxes paid		(29.9)	(0.1)
Net cash flows from operating activities		801.4	510.2
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment and investment properties	3	(482.0)	(200.4)
Proceeds from disposal of property, plant and equipment		59.6	56.4
Investment in intangible assets	3	(36.8)	(21.1)
Movement in funding of parent company		(150.3)	0.4
Payment of deferred and contingent consideration	25	(25.3)	(36.3)
Capital contributions to joint ventures	15	-	(1.4)
Loans advanced to joint ventures	15	(1.5)	(1.8)
Net cash flows used in investing activities		(636.3)	(204.2)
Cash flows (used in)/from financing activities			
Drawdowns of long-term borrowings	19	-	50.0
Repayments of long-term borrowings	19	-	(353.9)
Payment of facility fees		(4.2)	-
Net lease incentives received		3.5	2.0
Payment of principal of lease liabilities		(133.9)	(127.1)
Net cash flows used in financing activities		(134.6)	(429.0)
Net increase/(decrease) in cash and cash equivalents	19	30.5	(123.0)
Opening cash and cash equivalents	19	1,132.4	1,256.0
Effect of foreign exchange rate changes	19	1.9	(0.6)
Closing cash and cash equivalents	18	1,164.8	1,132.4

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

Year ended 2 March 2023

1. General Information and authorisation of consolidated financial statements

The consolidated financial statements of Whitbread Group PLC for the year ended 2 March 2023 were authorised for issue by the Board of Directors on 25 July 2023. Whitbread Group PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's senior unsecured bonds are listed on the London Stock Exchange. The address of the registered office is shown on page 2.

Whitbread Group PLC, its subsidiaries and joint ventures, operate hotels and restaurants, located in the UK and internationally.

2. Accounting policies

Basis of accounting and preparation

The consolidated financial statements of Whitbread Group PLC and all its subsidiaries have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period and the defined benefit pension scheme, as explained in the accounting policies below.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

Going concern

A combination of the strong cash flows generated by the business, and the significant available headroom on its credit facilities, support the directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. In reaching this conclusion, the directors have considered all elements of the capital allocation framework. 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.

The assessment of the Group to continue as a going concern is supported by the following:

- Cash and cash equivalents of £1.2bn at the balance sheet date.
- The Group maintains headroom to its current financial covenants in excess of £2.0 billion throughout the going concern period.
- £1.0 billion of sterling bonds maturing outside of the going concern period, between October 2025 and May 2031, with no covenants.

The directors have therefore concluded that the going concern basis of preparation remains appropriate.

Changes in 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 3 March 2022, except for the adoption of the new standards and policies applicable for the year ended 2 March 2023. The significant accounting policies adopted are set out below.

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 4 March 2022:

- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use (effective for periods beginning on or after 1 January 2022)
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective for periods beginning on or after 1 January 2022)
- Amendments to IFRS 3 – Reference to the Conceptual Framework (effective for periods beginning on or after 1 January 2022)
- Annual Improvements to IFRS Standards 2018-2020 Cycle

Notes to the consolidated financial statements (continued)

2. Accounting policies (continued)**Standards issued by the IASB not effective for the current year and not early adopted by the Group**

Whilst the following standards and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:

- IFRS 17 *Insurance Contracts* (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Disclosure of Accounting Policies (effective for periods beginning on or after 1 January 2023)
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 – Sale or contribution of Assets Between an Investor and its Associate or Joint Venture
- Amendments to IAS 8 Definition of Accounting Estimate (effective for periods beginning on or after 1 January 2023)
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods beginning on or after 1 January 2023)

The Group does not intend to early adopt any of these new standards or amendments.

Basis of consolidation

The consolidated financial statements incorporate the accounts of Whitbread Group 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. The financial statements of significant trading subsidiaries are prepared for the same reporting year as the parent company.

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.

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and any equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

When the consideration transferred by the Group in a business combination includes contingent consideration, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Changes in the fair value of the contingent consideration at subsequent reporting dates that do not qualify as measurement period adjustments are recognised within finance costs in the consolidated income statement, unless the contingent consideration is classified as equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. Accounting policies (continued)

Goodwill

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

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Amortisation of IT software and technology is calculated on a straight-line basis over the estimated life which varies between three and ten years.

The carrying values are reviewed for impairment if events or changes in circumstances indicate that they may not be recoverable.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Property, plant and equipment

Property, plant and equipment acquired separately from a business are stated at cost or deemed cost at transition to IFRS, less accumulated depreciation and any impairment in value. Gross interest costs incurred on the financing of qualifying assets are capitalised until the time that the assets are available for use. Property, plant and equipment acquired as part of a business combination are recognised at fair value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold land is not depreciated;
- freehold and long leasehold buildings are depreciated to their estimated residual values over periods up to 50 years; and
- plant and equipment is depreciated over three to 25 years.

The residual values and estimated useful lives are reviewed annually.

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

Investment property

Investment property assets, including properties which are owned by the Group and properties which are leased by the Group, are carried at cost less accumulated depreciation and any recognised impairment in value. The depreciation policies for investment property are consistent with those described for property, plant and equipment.

2. Accounting policies (continued)

Leases

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate (e.g. turnover rent) are recognised as an expense in the period over which the event or condition that triggers the payment occurs. The Group incurs service charges on property leases which are non-lease components of the contract under IFRS 16 and therefore these charges are recorded separately within operating costs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental borrowing rates are determined quarterly and depend on the country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including: the risk-free rate based on Government bond rates; a country specific risk adjustment; and a credit risk adjustment based on the Group's credit rating.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification or a change in the lease term. Cash outflows relating to lease interest are recorded within net cash flows from operating activities and cash outflows relating to principal repayments are included within net cash flows from financing activities in the consolidated cash flow statement.

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.

2. Accounting policies (continued)

Rental income

The Group recognises rental income from leases on a straight-line basis over the lease term within other income in the consolidated income statement.

Impairment of non-current assets

Property, plant and equipment and right-of-use assets

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cash flows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such a reversal is recognised in the consolidated income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

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

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at the level management monitors goodwill, which is at an operating segment level. The Group performs an annual review of its goodwill to ensure that its carrying amount is not greater than its recoverable amount. The recoverable amount is determined as the greater of fair value, less costs of disposal and value in use. An impairment is then made to reduce the carrying amount to the recoverable amount.

Investments in joint ventures

The Group assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

Assets held for sale

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

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the net results of discontinued operations are presented separately in the consolidated income statement.

2. Accounting policies (continued)

Inventories

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

Provisions

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

Provisions are discounted to present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructuring costs

A restructuring provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation, in those affected, that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

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 included in the Annual Report and Accounts of Whitbread PLC for the year ended 3 March 2022.

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

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

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

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of the changes to UK defined benefit scheme practices;
- net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- 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 share measure 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.

2. Accounting policies (continued)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate. Translation differences on monetary items are taken to the consolidated income statement.

A number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into sterling in the consolidated financial statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the consolidated income statement are translated using an average rate for the month in which they occur.

The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement. All other currency gains and losses are dealt with in the income statement.

Revenue recognition

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

The Group has analysed its business activities and applied the five step model prescribed by *IFRS 15 Revenue from Contracts with Customers* to each material line of business, as outlined below:

Sale of accommodation

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

Sale of food and beverage

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

Payment terms

Customers may pay in advance for accommodation, food and beverage. In this case the Group has received consideration for services not yet provided. This is treated as a contract liability until the performance obligation is met. The Group has taken advantage of the practical expedient in IFRS 15 to not adjust the consideration for the effects of a financing component as the period between payment and the performance obligation is less than one year.

Payment terms for corporate customers are generally 30 days with amounts recorded in trade and other receivables once the performance obligations have been met.

Consideration receivable from HM Revenue & Customs

Consideration received from HM Revenue & Customs under the Eat Out to Help Out Scheme is recognised within revenue from sales of food and beverage.

Contract costs

The Group applies the practical expedient in paragraph 94 of IFRS 15 and consequently contract costs incurred related to contracts with an amortisation period of less than one year have been expensed as incurred.

2. Accounting policies (continued)**Revenue recognition (continued)***Variable consideration*

The Group makes an estimate, based on historical information, of amounts that will be refunded to customers. The refund liability represents variable consideration under IFRS 15 with revenue recognised reduced by this amount and a corresponding liability recognised in other payables in the consolidated balance sheet.

Certain of the Group's restaurants offer customer loyalty programmes whereby the customer can earn vouchers for historic purchases which are redeemable as discounts on future purchases. The loyalty points issued by the Group are a separate performance obligation providing a material right to a future discount. The sales price of goods is allocated to the loyalty points and the goods sold based on their relative standalone selling prices, with the loyalty points standalone price based on the value of the points to the customer, adjusted for expected redemption rates. The amount allocated to loyalty points is deferred as a contract liability within trade and other payables. Revenue is recognised as the points are redeemed by the customer.

Finance income

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

Borrowing costs

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

Retirement benefits

In respect of the defined benefit pension scheme, the surplus recognised in the consolidated balance sheet represents the fair value of scheme assets, reduced by the present value of the defined benefit obligation. Where the calculation results in a surplus to the Group, the recognised asset is limited to the present value of any future available refunds from the plan.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Re-measurements are recognised in full in the period in which they occur in the statement of comprehensive income and are not reclassified to the consolidated income statement in subsequent periods.

For defined benefit plans, the employer's portion of the past and current service cost is charged to operating profit, with net interest costs reported within finance costs. In addition, all administration costs, other than those relating to the management of plan assets or taxes payable by the plan itself, are charged as incurred to operating costs in the consolidated income statement. Net interest is calculated by applying the opening discount rate to the opening net defined benefit obligation, taking into account the expected contributions and benefits paid.

On 20 November 2020, the High Court ruled that pension schemes will need to revisit and equalise guaranteed minimum pensions for historic individual transfers. The ruling impacted the Group's actuarial surplus as it will lead to an increase in pension obligations. The Group recognised the increase in its defined benefit liability as a charge to the consolidated income statement.

Curtailments and settlements relating to the Group's defined benefit plan are recognised in the period in which the curtailment or settlement occurs.

Payments to defined contribution pension schemes are charged as an expense as they fall due.

Government grants

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

2. Accounting policies (continued)**Share-based payment transactions***Equity-settled transactions*

Certain employees and directors of the Group receive equity-settled remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares in the immediate and Ultimate Parent Company (Whitbread PLC).

The cost of these equity-settled transactions is measured by reference to the fair value, determined using a stochastic model, at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity representing the transaction with the Ultimate Parent Company, over the period in which the performance conditions or non-vesting conditions are fulfilled, ending on the relevant vesting date. Except for awards subject to market-related conditions for vesting, the cumulative expense recognised for equity-settled transactions, at each reporting date until the vesting date, reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' best available estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. If options are subject to market-related conditions, awards are not cumulatively adjusted for the likelihood of these targets being met. Instead, these conditions are included in the fair value of the awards.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Where an equity-settled award is forfeited, the related expense recognised to date is reversed.

Where an equity-settled award is replaced by newly granted instruments, these are accounted for as a modification of the existing award. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

Tax

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

Deferred income tax is recognised in full, using the liability method, in respect of temporary differences between the tax base of the Group's assets and liabilities and their carrying amounts that have originated but have not been reversed by the balance sheet date. No deferred tax is recognised if the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability, in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is recognised in respect of taxable temporary differences associated with investments in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

2. Accounting policies (continued)

Investments in joint ventures

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

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to joint ventures is included in the carrying amount of the investment.

The consolidated income statement reflects the Group's share of the results of operations of the joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's consolidated statement of comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Financial assets

Trade receivables and contract assets

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

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

Credit impaired financial assets

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

Cash and cash equivalents

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

Recognition and derecognition

The recognition of financial assets occurs when the Group becomes party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivatives and hedging

The Group enters into derivative transactions to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2. Accounting policies (continued)**Derivatives and hedging (continued)**

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- *the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item. The fair value change on qualifying fair value hedges is recognised in profit or loss.*

The fair value change on qualifying fair value hedges is recognised in profit or loss.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Group uses a cross currency swap as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 23 and Note 24 for more details.

Financial liabilities

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

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

Borrowings

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

Contingent consideration

Contingent consideration, resulting from business combinations and asset acquisitions, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Where the period between acquisition and payment is not significant, cash outflows for contingent consideration are included within cash flows from investing activities. Where the period of deferral is significant, excess payments over the fair value recognised at acquisition are recognised within cash flows from financing activities. None of the Group's contingent consideration is deemed to relate to post-acquisition remuneration.

2. Accounting policies (continued)**Financial liabilities (continued)***Recognition and derecognition*

The recognition of liabilities occurs when the Group becomes party to the contractual provisions of the instrument.

The derecognition of financial liabilities occurs when the obligation under the liability is discharged, cancelled or expires. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Critical accounting judgements and key sources of estimation uncertainty

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

The Group has considered the impact of climate-related risks on its financial performance and position, and although the impact represents an uncertainty, it is not considered to be material.

Critical accounting judgements

The following are the critical accounting judgements, apart from those involving estimations (dealt with separately below) that management have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

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.

Property transaction including sale and leaseback of land

During the period, the Group entered into a sale and lease transaction of a single property, comprising land and a hotel currently under construction. Under the agreement, the Group is acting as the developer of the site. As a part of the transaction, the property is being developed into a completed hotel asset via a forward funding agreement with a counterparty. The transaction's sale, development and subsequent lease contracts were all negotiated together as one commercial transaction, with the transaction prices allocated based on the negotiated position rather than standalone contracts.

In relation to the land portion of the site sold, management has reviewed the criteria within IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, concluding that a sale and leaseback for the land has occurred to the counterparty.

In relation to the hotel under construction asset, management has reviewed IFRS 15, concluding that a sale for this asset has occurred to the counterparty and the building leased back in the future will be the completed hotel, not the same asset that was sold. Therefore, management has concluded that the current year sale and future lease of the completed hotel does not represent a sale and leaseback under IFRS 16.

Treatment of sale and leaseback of land

The land on which the hotel is being developed has been sold with Whitbread holding no rights to re-obtain the legal title. The performance obligation for the sale of land has been satisfied as defined under IFRS 15. A gain of £3.1m is recognised on the sale of the land, which represents the proportion of the land assessed as having been sold and subject to leaseback at practical completion of the site sold. In assessing the gain to be recognised on the sale and leaseback transaction, management has considered the fair value of the land at the sale date against the consideration allocated for the sale of the land.

Treatment for sale of hotel under construction

During the period, the performance obligation associated with the sale of the hotel under construction was assessed as being satisfied such that the asset has been derecognised. Nil gain was recognised as allocated proceeds were substantially similar to the carrying value of the building. The Group is exposed to cost overruns on the development of the hotel. Due to the allocation of the transaction's proceeds to the land, net costs of £1.7m have been recognised, reducing the overall transaction's gain in the reporting period as the commercial terms were negotiated together. The net gain recognised on this transaction of £1.4m has been based on an assessment of the obligations completed under the terms of the agreement.

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

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

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 31 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Impairment testing – 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

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

Inputs used to estimate value in use

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

- Five-year business plan – forecast cash flows for the initial five-year period are based on the five-year business plan, which is based on results from FY23.
- Discount rate – judgement is required in estimating the weighted average cost of capital (WACC) of a typical market participant and in assessing the specific country and currency risks associated with the Group. The rate used is adjusted for the Group's gearing, including equity, borrowings and lease liabilities
- Immature sites – judgement is required to estimate the time taken for sites to reach maturity and the sites' trading level once they are mature.

Methodology used to estimate fair value

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

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

Whitbread Group PLC

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 from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the years ended 2 March 2023 and 3 March 2022.

	52 weeks to 2 March 2023				53 weeks to 3 March 2022			
Revenue	UK & Ireland £m	Germany £m	Central and other £m	Total £m	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	1,795.0	100.1	-	1,895.1	1,157.8	29.1	-	1,186.9
Food, beverage and other items	712.7	17.4	-	730.1	510.4	6.1	-	516.5
Revenue	2,507.7	117.5	-	2,625.2	1,668.2	35.2	-	1,703.4

	52 weeks to 2 March 2023				53 weeks to 3 March 2022			
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	616.6	(35.9)	(38.0)	542.7	199.6	(15.4)	(29.8)	154.4
Share of profit from joint ventures	-	-	2.3	2.3	-	-	0.4	0.4
Adjusted operating profit/(loss)	616.6	(35.9)	(35.7)	545.0	199.6	(15.4)	(29.4)	154.8
Net finance costs	(124.9)	(13.8)	(29.5)	(168.2)	(124.7)	(8.5)	(77.3)	(210.5)
Adjusted profit/(loss) before tax	491.7	(49.7)	(65.2)	376.8	74.9	(23.9)	(106.7)	(55.7)
Adjusting items before tax (Note 6)				(38.5)				74.0
Profit before tax				338.3				18.3

In relation to the previous year's results, adjusted operating profit/(loss) for the UK & Ireland segment included the impact of £126.5m from Government grants whilst the German segment included the impact of £44.3m. The UK & Ireland segment includes the impact of the release of a previously held provision of £4.7m. Refer to Note 9 for details.

	52 weeks to 2 March 2023				53 weeks to 3 March 2022			
Other segment information	UK and Ireland £m	Germany £m	Central and other £m	Total operations £m	UK and Ireland £m	Germany £m	Central and other £m	Total operations £m
Capital expenditure:								
Property, plant and equipment – cash basis	405.9	76.1	-	482.0	148.1	52.3	-	200.4
Property, plant and equipment and investment property – accruals basis (Note 13)	430.4	73.7	-	504.1	165.8	54.2	-	220.0
Intangible assets (Note 12)	36.7	0.1	-	36.8	21.1	-	-	21.1
Cash outflows from lease interest and payment of principal of lease liabilities	234.0	38.6	-	272.6	234.5	25.8	-	260.3
Depreciation – property, plant and equipment	152.2	11.0	-	163.2	148.3	9.6	-	157.9
Depreciation – right-of-use assets	133.6	32.2	-	165.8	125.2	22.9	-	148.1
Amortisation	16.3	0.2	-	16.5	20.6	0.3	-	20.9

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

3. Segment information (continued)

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

	2022/23 £m	2021/22 £m
The Group's revenue, split by country in which the legal entity resides, is as follows:		
United Kingdom	2,487.7	1,661.8
Germany	117.5	35.2
Other	20.0	6.4
	2,625.2	1,703.4

	2023 £m	2022 £m
The Group's non-current assets ¹ , split by country in which the legal entity resides, are as follows:		
United Kingdom	6,869.2	6,571.3
Germany	1,216.2	1,009.1
Other	201.2	114.7
	8,286.6	7,695.1

¹Non-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:

	2022/23 £m	2021/22 £m
Rental income	3.1	7.9
Government grants ¹ (Note 9)	4.7	113.8
Other	0.2	0.7
Other income before adjusting items	8.0	122.4
Legal claim settlement (Note 6)	4.7	-
VAT settlement (Note 6)	-	8.7
Other income	12.7	131.1

¹£4.7m has been released from a previously held provision relating to Government grants. Refer to Note 9 for details

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

5. Operating costs

An analysis of the Group's operating costs is as follows:

	2022/23 £m	2021/22 £m
Cost of inventories recognised as an expense ¹	229.0	146.6
Employee benefit expense ² (Note 7)	782.8	677.4
Amortisation of intangible assets (Note 12)	16.5	20.9
Depreciation – property, plant and equipment and investment property (Note 13)	163.2	157.9
Depreciation – right-of-use-assets (Note 21)	165.8	148.1
Utilities	117.2	87.8
Rates	125.0	71.2
Other site property costs	384.3	277.3
Variable lease payment expense (Note 21)	2.1	0.3
Net foreign exchange (gain)/loss	(2.1)	2.1
Other operating charges ²	105.2	80.0
Adjusting operating costs ³ (Note 6)	43.2	(65.3)
	2,132.2	1,604.3

¹ Cost of inventories recognised as an expense includes £6.7m (2021/22: £6.1m) of inventory write-downs recorded during the year.

² Adjusting operating costs includes a charge for net impairments of £33.4m (2021/22: credit of £36.2m), a charge of £9.8m (2021/22: credit of £28.8m) relating to other operating charges and a charge of £0.5m (2021/22: credit of £0.3m) relating to employee benefit expenses (see Note 7).

Fees paid to the Group's auditor during the year consisted of:

	2022/23 £m	2021/22 £m
Audit of the Group's financial statements	1.2	1.0
Audit of the Group's subsidiaries	0.6	0.6
Total audit fees	1.8	1.6
Audit-related assurance	0.1	0.1
Other non-audit fees	-	-
Total non-audit fees	0.1	0.1
Included in other operating charges	1.9	1.7

The fees above include all amounts paid to the Group's auditor for the audit of Whitbread PLC and its subsidiaries as the amounts are borne by Whitbread Group PLC.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

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.

	2022/23 £m	2021/22 £m
Adjusting items were as follows:		
Other income:		
VAT settlement ¹	-	8.7
Legal claim settlement ²	4.7	-
Adjusting other income	4.7	8.7
Operating costs:		
Net impairment (charges)/reversals – property, plant and equipment and right-of-use assets ³	(33.4)	36.2
UK restructuring ⁴	-	0.3
Net gains on disposals, property and other provisions ⁵	4.0	28.8
Strategic IT programme costs ⁶	(13.8)	-
Adjusting operating costs	(43.2)	65.3
Adjusting items before tax	(38.5)	74.0
Tax on adjusting items	(1.0)	(11.4)
Impact of change in tax rates	(9.9)	(13.1)
Adjusting tax expense	(10.9)	(24.5)

¹ During 2021/22, 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.

² During the year, the Group received a settlement of £4.7m in relation to a legal claim made against a payment card scheme provider.

³ During the year, the Group identified impairment indicators and indicators of impairment reversals relating to assets held by the Group both at the half-year end date and at the year-end date. An impairment review of those assets was undertaken, resulting in adjusting net impairment charges of £30.1m. This is made up of impairment charges on trading sites of £85.0m (£76.1m relating to property, plant and equipment and £8.9m relating to right-of-use assets) offset by impairment reversals of £54.9m (£35.5m relating to property, plant and equipment and £19.4m relating to right-of-use assets). In addition, impairment charges of £3.3m have been recorded in relation to assets held for sale during the year. This brings the total adjusting net impairment charges to £33.4m within operating costs. Further information is provided in Note 14.

During 2021/22, a total net impairment reversal of £42.0m was recorded, made up of £10.5m of impairment charges on trading sites (£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. This brings the total adjusting net impairment reversals to £36.2m within operating costs.

⁴ During 2021/22, the Group released the remaining provision of £0.3m following the completion of its restructuring of the Support Centre and site operations after it had recognised redundancy and project costs of £12.1m during 2020/21.

⁵ During the year, the Group entered into a sale and lease transaction of land and a hotel currently under construction. As a result of this transaction, the Group received proceeds of £46.4m and recognised a net gain of £1.4m. The completed hotel and land will be leased back at practical completion to the Group. In addition, the Group increased its property related provision by £0.4m and made a profit on other property disposals of £3.0m.

During 2021/22, the Group disposed of a single property 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. In addition, during 2021/22, 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.

⁶ During the year, the Group has assessed the presentation of costs incurred in relation to the current and future strategic IT programme implementations. The programmes currently scheduled include the Group's Hotel Management System and HR & Payroll System. These represent significant business change costs for the Group rather than replacements of IT systems with Software as a Service (SaaS). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their strategic benefit seen as lasting multiple years. At this time, the Group expects to incur costs relating to the Group's Hotel Management System and HR & Payroll System presented within adjusting items across future financial years as follows; during the financial year ended 2024 between £15.0m and £25.0m, during the financial year ended 2025 between £15.0m and £25.0m and during the financial year ended 2026 up to £5.0m.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

7. Employee benefits expense

	2022/23 £m	2021/22 £m
Wages and salaries	714.6	619.5
Social security costs	55.4	46.7
Pension costs	12.8	11.2
	782.8	677.4

The amounts above exclude adjusting items. Wages and salaries excludes a charge of £0.5m this year relating to the Strategic IT programme costs (2021/22: credit of £0.3m relating to the restructuring of Group's operations).

Included in wages and salaries is a share-based payments expense of £17.9m (2021/22: £12.9m), which arises from transactions accounted for as equity-settled share-based payments.

Employee costs split between hourly paid and salaried employees	2022/23 £m	2021/22 £m
Employee costs – hourly paid	520.1	440.3
Employee costs – salaried	265.7	237.1
	785.8	677.4

Average number of employees directly employed	2022/23 Number	2021/22 Number
UK & Ireland	37,865	33,546
Germany	1,139	782
	39,004	34,328

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2022/23 £m	2021/22 £m
Directors' remuneration	5.5	4.2
Aggregate contributions to the defined contribution pension scheme	-	-
Aggregate gains on the exercise of share options	1.2	1.7

The highest paid director received total remuneration of £2.5m (2021/22: £2.2m) including company contributions to a money purchase pension scheme of £0.1m (2021/22: £0.2m). Aggregate gains on the exercise of share options relating to the highest paid director were £0.8m (2021/22: £0.4m).

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

8. Finance (costs)/income

	2022/23 £m	2021/22 £m
Finance costs		
Interest on bank loans and overdrafts	(5.1)	(7.4)
Interest on other loans	(24.3)	(30.0)
Interest on lease liabilities (Note 21)	(138.7)	(133.2)
Interest capitalised (Note 13)	2.5	0.9
Unwinding of discount on contingent consideration (Note 25)	(0.2)	(1.4)
Impact of ineffective portion of cash flow and fair value hedges (Note 24)	(1.1)	(2.5)
Interest payable to parent company	(38.1)	(41.4)
	(205.0)	(215.0)
Finance income		
Bank interest receivable	23.2	0.7
Other interest receivable	-	0.2
IAS 19 pension finance income (Note 31)	13.6	3.6
	36.8	4.5
Total net finance costs	(168.2)	(210.5)

Net finance costs includes £203.7m (2021/22: £211.1m) finance costs and £23.2m (2021/22: £0.9m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

9. Government grants and assistance

During the year, the Group submitted its German Bridge Aid III Plus and IV claims, for which it received net cash of £17.3m. These amounts were recognised in the 2021/22 year for costs the Group incurred from July 2021 to January 2022. No further claims for COVID-related Government support were made in the UK or in Germany, and hence the Group has not recognised any amounts for COVID-related Government support during this financial year. A provision being held in relation to any potential repayments required in respect of the interpretations and assumptions made by Whitbread for UK Coronavirus Job Retention Scheme claims was released during FY23 as management is satisfied that no repayments are required following completion of an HMRC review. This has resulted in a credit to the consolidated income statement of £4.7m as shown below.

During the previous year, the Group had claimed Government support designed to mitigate the impact of COVID-19. Grants recognised in the previous year and the provision released in the current year by type are shown below:

	2022/23 £m	2021/22 £m
Release of provisions previously made relating to Government grant claims	4.7	-
UK Coronavirus Job Retention Scheme	-	61.7
Ireland Employment Wage Subsidy Scheme	-	0.2
Jersey Co-Funded Payroll Scheme	-	0.1
UK Hospitality and Leisure Grant	-	8.2
German Fixed Cost Grant	-	43.3
German Kurzarbeit Scheme – compensation for social security payments	-	0.3
Included in other income	4.7	113.8

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

	2022/23 £m	2021/22 £m
German Kurzarbeit Scheme – employees support	-	0.7
UK Business Rate Relief	-	56.3
Reduction in operating costs	-	57.0

Notes to the consolidated financial statements (continued)

10. Taxation

	2022/23 £m	2021/22 £m
Consolidated income statement		
Current tax:		
Current tax (credit)/expense	28.2	(7.6)
Adjustments in respect of previous periods	0.7	(0.1)
	28.9	(7.7)
Deferred tax:		
Origination and reversal of temporary differences	51.6	17.5
Effect of in-year rate differential/change in tax rates	9.9	13.1
Adjustments in respect of previous periods	(1.2)	(16.2)
	60.3	14.4
Tax reported in the consolidated income statement	89.2	6.7

In relation to the previous year, the adjustments in respect of previous periods arose mainly due to a reassessment of deferred tax on property, plant and equipment.

	2022/23 £m	2021/22 £m
Consolidated statement of comprehensive income		
Current tax:		
Defined benefit pension scheme	(0.7)	-
Deferred tax:		
Cash flow hedges	-	0.5
Tax on net (loss)/gain on hedge of a net investment	(2.1)	0.8
Tax on exchange differences on translation of foreign operations	4.0	(2.7)
Defined benefit pension scheme	(54.7)	88.0
Tax reported in other comprehensive income	(53.5)	86.6

A reconciliation of the tax expenses/(credit) applicable to adjusted profit/(loss) before tax and profit before tax at the statutory tax rate, to the actual tax expense at the Group's effective tax rate, for the years ended 2 March 2023 and 3 March 2022 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.

	2022/23 Tax on adjusted loss £m	2022/23 Tax on loss £m	2021/22 Tax on adjusted loss £m	2021/22 Tax on loss £m
Profit/(loss) before tax as reported in the consolidated income statement	376.8	338.3	(55.7)	18.3
Tax at current UK tax rate of 19.00% (2021/22: 19.00%)	71.6	64.3	(10.6)	3.5
Effect of different tax rates	(7.5)	(11.5)	(3.8)	(3.8)
Unrecognised losses in overseas companies	19.5	29.4	11.8	11.8
Effect of super deduction in respect of tax relief for fixed assets	(4.5)	(4.5)	(2.7)	(2.7)
Expenditure not allowable	2.4	1.4	5.5	2.9
Adjustments to current tax expense in respect of previous years	0.7	0.7	(0.1)	(0.1)
Adjustments to deferred tax expense in respect of previous years	(1.2)	(1.2)	(16.2)	(16.2)
Impact of deferred tax in respect of sale and lease transaction (Note 6)	-	3.4	-	-
Impact of deferred tax being at a different rate from current tax rate	-	9.9	-	13.1
Other movements	(2.7)	(2.7)	(1.7)	(1.8)
Tax expense/(credit) reported in the consolidated income statement	78.3	89.2	(17.8)	6.7

Notes to the consolidated financial statements (continued)

10. Taxation (continued)**Deferred tax**

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

	Accelerated Capital Allowances £m	Rolled over gains and property valuations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
At 25 February 2021	(42.9)	(57.8)	(62.5)	36.6	79.4	0.2	(47.0)
(Charge)/credit to consolidated income statement	(29.6)	(34.7)	(15.4)	12.0	57.9	(4.6)	(14.4)
Charge to statement of comprehensive income	–	–	(88.0)	–	2.0	(0.6)	(86.6)
Charge to statement of changes in equity	–	–	–	–	–	(0.3)	(0.3)
Foreign exchange and other movements	–	–	–	–	–	(2.5)	(2.5)
At 3 March 2022	(72.5)	(92.5)	(165.9)	48.6	139.3	(7.8)	(150.8)
(Charge)/credit to consolidated income statement	(14.6)	(2.1)	(5.2)	(3.3)	(40.0)	4.9	(60.3)
Charge to statement of comprehensive income	–	–	54.7	–	(2.0)	–	52.7
Charge to statement of changes in equity	–	–	–	–	–	0.1	0.1
Foreign exchange and other movements	–	0.8	–	(1.1)	–	0.2	(0.1)
At 2 March 2023	(87.1)	(93.8)	(116.4)	44.2	97.3	(2.6)	(158.4)

The Group recognises UK deferred tax assets to the extent that taxable profits will be available to utilise deductible temporary differences or unused tax losses. At 2 March 2023, no UK deferred asset is unrecognised (2022: £nil).

The Group has unrecognised German tax losses of £199.9m (2022: £128.2m) 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 deem 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 £63.8m (2022: £40.9m).

At 2 March 2023, no deferred asset is recognised (2022: £nil) on gross temporary differences of £11.1m (2022: £13.9m) relating to the accumulated losses of other international 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 £0.5m (2021/22: £0.2m).

Factors affecting the tax charge for future years

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

Notes to the consolidated financial statements (continued)

11. Dividends paid

	2022/23 Pence per share	2022/23 £m	2021/22 Pence per share	2021/22 £m
Dividends paid during the year	-	-	-	-

12. Intangible assets

	Goodwill £m	IT software and technology £m	Total £m
Cost			
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
Additions	-	36.8	36.8
Assets written off	-	(10.5)	(10.5)
Foreign currency adjustment	-	0.2	0.2
At 2 March 2023	350.1	146.7	496.8
Amortisation and impairment			
At 25 February 2021	(239.6)	(61.4)	(301.0)
Amortisation during the year	-	(20.9)	(20.9)
Impairment during the year	-	10.8	10.8
Amortisation on assets written off	-	0.1	0.1
At 3 March 2022	(239.6)	(71.4)	(311.0)
Amortisation during the year	-	(16.5)	(16.5)
Amortisation on assets written off	-	10.5	10.5
Foreign currency adjustment	-	(0.2)	(0.2)
At 2 March 2023	(239.6)	(77.6)	(317.2)
Net book value at 2 March 2023	110.5	69.1	179.6
Net book value at 3 March 2022	110.5	48.8	159.3

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology 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 £7.7m (2022: £7.3m).

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

13. Property, plant and 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 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
Net movements to assets 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 translation	(17.8)	(2.5)	(20.3)	(0.4)	(20.7)
At 3 March 2022	3,662.0	1,580.7	5,242.7	-	5,242.7
Additions	295.7	208.4	504.1	-	504.1
Interest capitalised	2.5	-	2.5	-	2.5
Net movements from assets held for sale in the year	6.1	3.8	9.9	-	9.9
Disposals	(7.0)	(2.0)	(9.0)	-	(9.0)
Assets written off	(3.9)	(73.7)	(77.6)	-	(77.6)
Asset reclassified from right-of-use asset	(3.3)	-	(3.3)	-	(3.3)
Foreign currency translation	30.4	4.5	34.9	-	34.9
At 2 March 2023	3,982.5	1,721.7	5,704.2	-	5,704.2
Depreciation and impairment					
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)
Net impairment reversal/(charge) (Note 14)	16.9	(2.4)	14.5	-	14.5
Net movements to assets 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 translation	0.1	0.7	0.8	-	0.8
At 3 March 2022	(281.4)	(734.2)	(1,015.6)	-	(1,015.6)
Depreciation charge for the year	(23.5)	(139.7)	(163.2)	-	(163.2)
Net impairment charge (Note 14)	(26.4)	(15.5)	(41.9)	-	(41.9)
Net movements to assets held for sale in the year	(6.1)	(1.8)	(7.9)	-	(7.9)
Disposals	2.2	2.0	4.2	-	4.2
Depreciation on assets written off	3.9	72.1	76.0	-	76.0
Foreign currency translation	(0.4)	(1.2)	(1.6)	-	(1.6)
At 2 March 2023	(331.7)	(818.3)	(1,150.0)	-	(1,150.0)
Net book value at 2 March 2023	3,650.8	903.4	4,554.2	-	4,554.2
Net book value at 2 March 2022	3,380.6	846.5	4,227.1	-	4,227.1

Included above are assets under construction of £426.9m (2022: £260.5m).

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2022: £531.5m). See Note 31 for further information.

Amounts relating to right-of-use assets under IFRS 16 are detailed in Note 21.

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 £nil (2021/22: £0.2m) within other income and £nil (2021/22: £0.1m) of direct operating expenses in relation to this property. During 2021/22, the property was transferred to property, plant and equipment as the lease ended and the Group took over the operations of the hotel.

13. Property, plant and equipment and investment property (continued)**Capital expenditure commitments**

	2023 £m	2022 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	125.4	106.4

Capitalised interest

Interest capitalised during the year amounted to £2.5m, using an average rate of 2.5% (2021/22: £0.9m, using an average rate of 2.7%).

Assets held for sale

During the year, eight property assets with a combined net book value of £5.2m (2021/22: four at £57.0m) were transferred to assets held for sale. Seven property assets with a combined net book value of £7.9m were transferred back to property, plant and equipment (2021/22: no properties). Seven property assets sold during the year had a net book value of £57.5m (2021/22: seven at £11.2m). An impairment loss of £1.4m (2021/22: £nil) was recognised relating to assets classified as held for sale. By the year-end, there were five sites with a combined net book value of £3.2m (2022: eleven at £64.8m) classified as assets held for sale. There are no gains or losses recognised in other comprehensive income with respect to these assets. Sites are classified as held for sale only if they are available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. If the site does not meet these criteria, 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 £1.5m (2022: £15.4m). 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. This is a level 3 measurement as per the fair value hierarchy set out in Note 24. The key inputs under this approach are the property size and location.

14. Impairment

During the year, net impairment charges of £33.4m (2021/22: net impairment reversals of £36.2m) were recognised within operating costs. The increase in market interest rates has driven higher discount rates and has increased impairments in the UK and Germany. Gross impairment charges in the UK of £45.6m, impacted 13 standalone restaurants and those sites where F&B revenues represent a more significant proportion of total sales. The WACC increase resulted in further impairment charges of £8.6m which was offset by impairment reversals of £54.9m as the Group recovered from the COVID-19 pandemic and sites returned to a more normal level of trading. This resulted in a total net impairment reversal of £0.7m being recorded in the UK. In Germany, the pace of expansion and a number of portfolio acquisitions where there is a distribution of performance, which when combined with an increase in market discount rates, has resulted in a £30.8m impairment charge. In addition, impairment charges of £3.3m (2021/22: impairment charges of £5.8m) have been recorded in relation to assets held for sale during the year. The charges/(reversals) were recognised on the following classes of assets:

	2022/23 £m	2021/22 £m
Impairment losses		
Property, plant and equipment – impairment charges	76.1	10.1
Property, plant and equipment – impairment reversals	(35.5)	(30.4)
Property, plant and equipment – transfer to assets held for sale	1.3	5.8
Right-of-use assets – impairment charges	8.9	0.4
Right-of-use assets – impairment reversals	(19.4)	(22.1)
Assets held for sale	2.0	-
	33.4	(36.2)

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

14. Impairment (continued)**Property, plant and equipment and right-of-use assets – impairment review**

Where indicators of impairment are identified, an impairment assessment is undertaken. The Group considers each trading site to be a CGU. A trading site will offer a combination of accommodation and food and beverage services. Some trading sites provide food and beverage services only. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount is the higher of its value in use (VIU) and its fair value less costs of disposal (FVLCD).

The Group calculates a 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 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 discount rate has increased, reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

	2022/23		2021/22	
	UK	Germany	UK	Germany
Average pre-tax discount rate	11.1%	9.9%	8.7%	7.3%
Average post-tax discount rate	8.9%	7.5%	7.0%	5.6%

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for FY23 and applying management's assumptions of the performance of the Group over the next five years.

The key assumptions used by management in setting the Board approved financial budgets for the initial five-year period were as follows:

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

Long-term growth rates

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

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

EBITDAR multiple

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

Discounted cash flows

The key assumptions used by management in estimating the FVLCD on a discounted cash flow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 11.1% to 12.3% in the UK and from 9.9% to 11.0% in Germany.

14. Impairment (continued)**Sensitivity to changes in assumptions**

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

	Total £m
Incremental impairment charge/(reversal)	
Increase to impairment charge/(reversal) if year one's cash flows reduced by 10%	2.0
Increase to impairment charge/(reversal) if discount rate increased by 2.0%	14.5
Increase to impairment charge/(reversal) if long-term growth rates reduced by 1%	9.0
Increase to impairment charge/(reversal) if EBITDAR multiple reduced by 10%	14.1
Decrease to impairment charge/(reversal) if year one's cash flows increased by 10%	(2.9)
Decrease to impairment charge/(reversal) if discount rates decreased by 2%	(29.3)

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. All of the Group's goodwill is allocated to the UK and Ireland segment.

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% (2022: 2.0%) growth rate. The pre-tax discount rate applied to cash flow projections is 11.1% for the UK (2022: 8.7%).

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

Investments in joint ventures

Changes in consumer behaviour following the COVID-19 pandemic continue to have a significant impact on trading and future forecasts for trading at one of the Group's joint ventures. Additional loan funding of £1.5m has been provided to Healthy Retail Limited in the year to 2 March 2023 and subsequently impaired. See Note 15.

Property, plant and equipment – assets held for sale

During the period, eight hotels were transferred to assets held for sale, resulting in an impairment charge of £1.3m (2021/22: four hotels resulting in an impairment charge of £5.8m). In addition, during 2022/23, an impairment charge of £2.0m (2021/22: £nil) 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. Investment in joint ventures**Premier Inn Hotels LLC**

The Group holds a 49% interest in Premier Inn Hotels LLC, a joint venture which operates Premier Inn branded hotels in the United Arab Emirates. The investment forms part of the Group's international growth strategy.

Premier Inn Hotels LLC holds a 49% investment in Premier Inn Qatar Limited. During the year, the Group subscribed for share capital of £nil (2021/22: £1.4m).

Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 19 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. Changes in consumer behaviour following the COVID-19 pandemic continue to have a significant impact on the company's trading and on 7 October 2020 Healthy Retail Limited entered into a Creditor's Voluntary Agreement (CVA). Pure has also obtained a Coronavirus Business Interruption Loan Scheme facility from Lloyds which is in priority to the Group's security over loans advanced to the joint venture. The Group has impaired its investments and loans made to Healthy Retail Limited in full, resulting in a charge of £1.5m (2021/22: £1.8m).

The Group has an option to purchase the remaining 51% interest which expires on 30 June 2024. The Group continues to account for the investment as a joint venture on the basis that the majority shareholders have an equal representation on the investee's board of directors, which has control over the relevant activities of the business, and the potential voting rights under the option to purchase are not considered to be substantive.

Premier Inn Kier Limited

The Group holds a 50% investment in this dormant UK entity.

Movement in investment in joint ventures

	2023 £m	2022 £m
Opening investment in joint ventures	41.1	37.3
Share of profit for the year	2.3	0.4
Foreign exchange movements	4.8	2.0
Loans advanced	1.5	1.8
Impairment ¹	(1.5)	(1.8)
Capital contribution	-	1.4
Closing investment in joint ventures	48.2	41.1

¹ Includes an impairment of loans advanced to joint ventures of £1.5m (2021/22: £1.8m) determined under IFRS 9.

15. Investment in joint ventures (continued)**Summary of joint ventures' balance sheets**

	2023			2022		
	Premier Inn Hotels LLC	Healthy Retail Limited	Total	Premier Inn Hotels LLC	Healthy Retail Limited	Total
	£m	£m	£m	£m	£m	£m
Current assets	15.6	1.9	17.5	9.1	2.0	11.1
Non-current assets	154.1	16.1	170.2	141.2	20.2	161.4
Current liabilities	(16.0)	(18.3)	(34.3)	(10.4)	(15.9)	(26.3)
Non-current liabilities	(55.2)	(13.2)	(68.4)	(56.0)	(16.1)	(72.1)
Net assets	98.5	(13.5)	85.0	83.9	(9.8)	74.1
Group's share of interest in joint ventures' net assets	48.2	(6.6)	41.6	41.1	(4.9)	36.2
Premium paid on acquisition	-	4.5	4.5	-	4.5	4.5
Loans to joint ventures	-	9.0	9.0	-	7.5	7.5
Accumulated impairment	-	(6.9)	(6.9)	-	(7.1)	(7.1)
Group's carrying amount of the investment	48.2	-	48.2	41.1	-	41.1
Within gross balance sheets:						
Cash and cash equivalents	12.5	0.9	13.4	6.9	1.6	8.5
Current financial liabilities	(7.5)	(14.9)	(22.4)	(4.6)	(13.1)	(17.7)
Non-current financial liabilities	(55.2)	(13.2)	(68.4)	(56.0)	(16.1)	(72.1)

Summary of joint ventures' income statement

	2023			2022		
	Premier Inn Hotels LLC	Healthy Retail Limited	Total	Premier Inn Hotels LLC	Healthy Retail Limited	Total
	£m	£m	£m	£m	£m	£m
Revenue	28.6	20.9	49.5	18.2	11.8	30.0
Other income	-	-	-	-	0.3	0.3
Depreciation and amortisation	(4.8)	(4.8)	(9.6)	(4.6)	(4.2)	(8.8)
Other operating costs	(16.2)	(19.0)	(35.2)	(10.9)	(10.5)	(21.4)
Finance costs	(2.9)	(1.5)	(4.4)	(2.0)	(1.3)	(3.3)
Profit/(loss) before tax	4.7	(4.4)	0.3	0.7	(3.9)	(3.2)
Income tax	-	-	-	-	-	-
Profit/(loss) after tax	4.7	(4.4)	0.3	0.7	(3.9)	(3.2)
Group share:						
Profit after tax ¹	2.3	-	2.3	0.4	-	0.4

¹ The Group share of loss after tax of Healthy Retail Limited has been recognised only to the extent that its share of losses equals its interest in the joint venture, following the impairment recorded during the prior year.

At 2 March 2023, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2022: £0.1m).

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

16. Inventories

	2023 £m	2022 £m
Finished goods held for resale	15.5	15.0
Consumables	6.2	4.4
	<u>21.7</u>	<u>19.4</u>

The carrying value of inventories is stated net of a provision of £3.2m (2022: £2.5m).

17. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	46.0	45.5
Prepayments and accrued income	49.8	24.2
Other receivables	46.0	46.7
	<u>141.8</u>	<u>116.4</u>

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £45.1m (2022: £44.2m) relating to contracts with customers.

The allowance for expected credit loss relating to trade and other receivables at 2 March 2023 was £1.7m (2022: £2.0m). During the year, credit losses of £1.2m (2021/22: £2.7m) were recognised within operating costs in the consolidated income statement.

18. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	60.2	43.5
Money market funds	769.6	757.3
Short term deposits	335.0	331.6
	<u>1,164.8</u>	<u>1,132.4</u>

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.

19. Borrowings

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

	Current		Non-current	
	2023 £m	2022 £m	2023 £m	2022 £m
Revolving credit facility	-	-	-	-
Senior unsecured bonds	-	-	993.4	991.9
	-	-	<u>993.4</u>	<u>991.9</u>

Revolving credit facility and covenant

The revolving credit facility, which at 3 March 2022 was £850.0m, was replaced on 25 May 2022 with a new five-year £775.0m multi-currency revolving credit facility agreement. The new revolving credit facility agreement contains one financial covenant ratio, being net debt/adjusted EBITDA <3.5x.

At 2 March 2023, the Group had available £775.0m (2022: £850.0m) of undrawn committed borrowing facilities in respect of revolving credit facilities on which all conditions precedent had been met.

Notes to the consolidated financial statements (continued)

19. Borrowings (continued)**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%

Amortised arrangement fees of £2.6m (2022: £3.4m) incurred in relation to the bonds are included in the carrying value and are being amortised over the term of the bonds. The bonds contain an early prepayment option which meets the definition of an embedded derivative.

20. Movements in cash and net debt

	3 March 2022 £m	Cash flow £m	Net new lease liabilities £m	Foreign exchange £m	Fair value adjustments to loans £m	Amortisation of premiums and discounts £m	2 March 2023 £m
Year ended 2 March 2023							
Cash and cash equivalents	1,132.4	30.5	-	1.9	-	-	1,164.8
Liabilities from financing activities:							
Borrowings	(991.9)	-	-	-	-	(1.5)	(993.4)
Lease liabilities	(3,701.8)	133.9	(346.1)	(44.4)	-	-	(3,958.4)
Total liabilities from financing activities	(4,693.7)	133.9	(346.1)	(44.4)	-	(1.5)	(4,951.8)
Less: lease liabilities	3,701.8	(133.9)	346.1	44.4	-	-	3,958.4
Net cash	140.5	30.5	-	1.9	-	(1.5)	171.4
	25 February 2021 £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
Year ended 3 March 2022							
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)	-	-
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	-	-
Net (debt)/cash	(46.5)	180.9	-	7.5	-	(1.4)	140.5

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Notes to the consolidated financial statements (continued)

21. Lease arrangements

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable leases with varying terms, escalation clauses and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales. The Group also leases various plant and equipment under non-cancellable lease agreements.

An analysis of the Group's right-of-use asset and lease liability is as follows:

Right-of-use asset

	Property £m	Other £m	Total right-of-use assets £m	Investment property ¹ £m	Total £m
At 25 February 2021	2,736.7	1.7	2,738.4	65.0	2,803.4
Additions	612.9	0.8	613.7	-	613.7
Net Impairment reversal (Note 14)	21.7	-	21.7	-	21.7
Foreign currency translation	(22.9)	-	(22.9)	-	(22.9)
Depreciation	(144.0)	(1.1)	(145.1)	(3.0)	(148.1)
Terminations	(0.2)	-	(0.2)	-	(0.2)
Transfers	62.0	-	62.0	(62.0)	-
At 3 March 2022	3,266.2	1.4	3,267.6	-	3,267.6
Additions	368.8	1.2	370.0	-	370.0
Net Impairment reversal (Note 14)	10.5	-	10.5	-	10.5
Foreign currency translation	45.4	-	45.4	-	45.4
Depreciation	(164.8)	(1.0)	(165.8)	-	(165.8)
Terminations	(1.2)	-	(1.2)	-	(1.2)
Reclassification to property, plant and equipment ²	(21.9)	-	(21.9)	-	(21.9)
At 2 March 2023	3,503.0	1.6	3,504.6	-	3,504.6

Lease liability

	Property £m	Other £m	Total lease liabilities £m	Investment property ¹ £m	Total £m
At 25 February 2021	3,164.2	1.4	3,165.6	66.0	3,231.6
Additions	618.8	0.8	619.6	-	619.6
Interest	132.0	0.1	132.1	1.1	133.2
Foreign currency translation	(22.1)	-	(22.1)	-	(22.1)
Payments	(255.9)	(0.8)	(256.7)	(3.6)	(260.3)
Terminations	(0.2)	-	(0.2)	-	(0.2)
Transfers	63.5	-	63.5	(63.5)	-
At 3 March 2022	3,700.3	1.5	3,701.8	-	3,701.8
Additions	371.6	1.2	372.8	-	372.8
Interest	138.7	-	138.7	-	138.7
Foreign currency translation	44.4	-	44.4	-	44.4
Payments	(271.3)	(1.3)	(272.6)	-	(272.6)
Terminations	(1.5)	-	(1.5)	-	(1.5)
Reclassification to property, plant and equipment ²	(25.2)	-	(25.2)	-	(25.2)
At 2 March 2023	3,957.0	1.4	3,958.4	-	3,958.4

1 During 2020/21, the Group acquired a leasehold site which was sub-leased to a third party and recorded within investment property. During 2021/22, the property was transferred to right-of-use assets for property, plant and equipment as the sub-lease ended and the Group took over the operations of the hotel.

2 During the year, the Group acquired a property over which it had previously held a leasehold interest.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £292.0m (2021/22: £583.3m) relating to new leases and £80.8m (2021/22: £34.3m) relating to amendments to existing leases. The Group recognised net lease incentives of £2.8m (2021/22: £2.0m) on entering new and amended leases.

A maturity analysis of gross lease liability payments is included within Note 23.

Notes to the consolidated financial statements (continued)

21. Lease arrangements (continued)**Amounts recognised in the Group income statement**

	2022/23 £m	2021/22 £m
Depreciation expense of right-of-use assets	165.8	148.1
Interest expense on lease liabilities	138.7	133.2
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expenses	2.1	0.3
Impairment reversals of right-of-use assets (Note 14)	(10.5)	(21.7)
Lease income	(3.1)	(7.9)
	293.0	252.0

Amounts recognised in the Group cash flow statement

The Group's total cash outflow in relation to leases was £277.4m (2021/22: £260.6m).

Future possible cash outflows not included in the lease liability

The Group has several lease contracts that include extension and termination options. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease liability.

	2022/23 £m	2021/22 £m
Extension options expected not to be exercised	1,246.4	906.6
Termination options expected to be exercised	-	-
	1,246.4	906.6

The Group uses judgement in determining whether termination and extension option periods will be included within the lease term. The Group assumes that, unless a decision has been made to exit a lease, termination options will not be exercised as a result of historic practices within the Group. At the outset of a lease, the Group assumes that it will not exercise extension options. Due to the length of the Group's leases, there is generally insufficient evidence that exercising an extension option is certain.

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Approximately 76% of the Group's lease liabilities are subject to inflation-linked rentals (with 76% of these leases containing caps) and a further 10% which are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis.

As at 2 March 2023, the Group was committed to leases with future cash outflows totalling £1,799.7m (2022: £2,106.7m) which had not yet commenced and as such are not accounted for as a liability. A liability and corresponding right-of-use asset will be recognised for these leases at the lease commencement date.

The Group as a lessor

The Group acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year was £2.4m (2021/22: £7.9m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2022/23 £m	2021/22 £m
Within one year	2.4	2.9
After one year but not more than five years	6.0	5.2
More than five years	8.3	6.4
	16.7	14.5

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

22. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance Claims £m	Government Payments £m	Other £m	Total £m
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
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
Created	-	2.0	-	2.8	-	0.8	5.6
Transferred	-	-	-	-	2.3	-	2.3
Utilised	-	(1.4)	(1.0)	(2.3)	(0.1)	(0.1)	(4.9)
Released	(0.4)	(0.9)	-	-	(4.7)	-	(6.0)
Foreign exchange	-	-	-	-	0.2	-	0.2
At 2 March 2023	-	4.7	5.6	8.7	7.0	2.5	28.5
Analysed as:							
Current	-	4.7	5.6	0.4	7.0	2.5	20.2
Non-current	-	-	-	8.3	-	-	8.3
At 2 March 2023	-	4.7	5.6	8.7	7.0	2.5	28.5
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 2 March 2022	0.4	5.0	6.6	8.2	9.3	1.8	31.3

Restructuring

A provision of £0.4m was brought forward in relation to the restructure of the Group's Support Centre and site operations. During the year, the Group released the remaining provision 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% (2022: 2.0%) based on an approximation for the time value of money.

Property-related

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 £0.2m 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. In addition, a provision was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. A provision of £0.8m was brought forward in relation to these contracts. During the year, the Group utilised £0.3m (2022: £0.4m) of this provision, with the provision carried forward to be utilised over a two-year period. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

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 £1.1m was brought forward in relation to these contracts. During the year, the Group utilised £0.9m of the provision and created a further £0.2m of provision.

22. Provisions (continued)**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 £6.6m is brought forward in relation to these costs. During the year, £1.0m of the provision has been utilised. All of the remaining provision is expected to be utilised within one year.

Insurance

A provision of £8.2m 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 £2.8m were created and £2.3m of the provision was utilised.

Government payments

The Group has made various claims for Government support which are subject to review by the relevant agencies. The provision recognised represented the Group's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £9.3m was brought forward in relation to these claims. During the year, on confirmation of receipt for grants recognised in the previous financial year for costs related to that year the accrued provision against the other receivable of £2.3m was transferred into provisions, £0.1m of the provision was utilised with £4.7m of the provision released. Due to the complex nature and fast pace of changes in the rules around certain Government payments, the Group has always 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 third-party review had highlighted that an alternative assumption could be formed and, on the basis of a probable outflow, a provision based on that approach has been made. As disclosed within Note 9, during the year, a provision being held in relation to any potential repayments required in respect of the interpretations and assumptions made by Whitbread for UK Coronavirus Job Retention Scheme claims was released as management is satisfied that no repayments are required following an HMRC review.

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 tax affairs and indemnity agreements. At 2 March 2023, £0.1m of the provision had been utilised in the year, with £1.7m of the provision still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

The Group operates leases where it neither anticipates nor intends exiting a lease, therefore the Group has determined that the circumstances in which these leases would end mean that an outflow of resources is not considered probable and therefore it does not hold a material dilapidations provision.

23. 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 Group's financial instrument policies can be found in the accounting policies in Note 2. 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. At the year-end, (100%) of Group debt was fixed for an average of 4.5 years at an average interest rate of 3.0% (2022: £991.9m (100%) for 5.5 years at 3.0%). The interest rate swaps for sterling expired in February 2022.

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 2 March 2023 and 3 March 2022 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 change in interest rates would affect the Group's profit before tax by £11.6m (2021/22: £11.3m).

Notes to the consolidated financial statements (continued)

23. Financial risk management and objectives (continued)**Liquidity risk**

In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through access to a revolving credit facility, additional uncommitted credit lines and the bond market. This strategy includes monitoring the maturity of its 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 2 March 2023 and 3 March 2022 based on contractual undiscounted payments, including interest:

	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
2 March 2023							
Non-derivative financial assets/liabilities:							
Interest-bearing loans and borrowings	-	14.6	15.2	824.3	294.6	1,148.7	993.4
Lease liabilities ¹	-	70.9	217.6	862.1	5,437.3	6,587.9	3,958.4
Trade and other payables	1,175.4	198.9	-	3.8	-	1,378.1	1,378.1
	1,175.4	284.4	232.8	1,690.2	5,731.9	9,114.7	6,329.9
Derivative financial assets/liabilities:							
Cross-currency swaps							
Derivative contracts – receipts	-	-	(15.2)	(480.4)	-	(495.6)	
Derivative contracts – payments	-	-	9.8	481.7	-	491.5	
	-	-	(5.4)	1.3	-	(4.1)	
Total	1,175.4	284.4	227.4	1,691.5	5,731.9	9,110.6	
3 March 2022							
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	1,295.0	163.6	12.4	1.2	-	1,472.2	1,471.9
	1,295.0	249.9	234.1	1,671.8	5,512.9	8,963.7	6,156.6
Derivative financial assets/liabilities:							
Cross-currency swaps							
Derivative contracts – receipts	-	-	(15.2)	(495.6)	-	(510.8)	
Derivative contracts – payments	-	-	9.1	459.1	-	468.2	
	-	-	(6.1)	(36.5)	-	(42.6)	
Total	1,295.0	249.9	228.0	1,635.3	5,512.9	8,921.1	

¹ Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,401.2m (2022: £1,324.5m) due between 5 and 10 years, £2,271.1m (2022: £1,925.3m) due between 10 and 20 years and £1,765.0m (2022: £1,668.5m) due in more than 20 years.

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 £1,256.7m (2022: £1,240.4m).

Foreign currency risk

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. See Note 24 for more details.

23. Financial risk management and objectives (continued)

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 of Whitbread PLC 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 revolving credit facility, which at 3 March 2022 was £850.0m, was replaced on 25 May 2022 with a new 5 year £775.0m multicurrency revolving credit facility agreement. The new revolving credit facility agreement contains one financial covenant ratio, being: Net Debt/Adjusted EBITDA <3.5x.

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.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

24. Financial instruments

	Amortised cost		Fair value		Carrying value £m
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	
At 2 March 2023					
Trade and other receivables	92.0	-	-	-	92.0
Cash and cash equivalents	395.2	-	-	769.6	1,164.8
Interest – bearing loans and borrowings	-	(993.4)	-	-	(993.4)
Lease liabilities	-	(3,958.4)	-	-	(3,958.4)
Derivative financial instruments	-	-	(7.8)	-	(7.8)
Trade and other payables	-	(198.9)	-	-	(198.9)
Contingent consideration	-	-	-	(3.8)	(3.8)
	Amortised cost		Fair value		Carrying value £m
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	
At 3 March 2022					
Trade and other receivables	92.2	-	-	-	92.2
Cash and cash equivalents	375.1	-	-	757.3	1,132.4
Interest – bearing loans and borrowings	-	(991.9)	-	-	(991.9)
Lease liabilities	-	(3,701.8)	-	-	(3,701.8)
Derivative financial instruments	-	-	15.8	-	15.8
Trade and other payables	-	(151.8)	-	-	(151.8)
Contingent consideration	-	-	-	(25.1)	(25.1)

Fair values

IFRS 13 Fair Value Measurement requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three-level hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities measured at amortised cost

The carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables are considered to be reasonable approximations of their fair values largely due to the short-term maturities of these instruments.

The fair value of the Group's borrowings is estimated at £879.4m. The fair value of the Group's borrowings is based on level 1 valuation techniques where there is an active market for the instrument and on level 2 valuation techniques otherwise.

24. Financial instruments (Continued)**Financial assets and liabilities measured at fair value**

	2022/23 £m	2021/22 £m
Financial assets		
Derivative financial instruments – level 2	-	15.8
Financial liabilities		
Derivative financial instruments – level 2	7.8	-
Contingent consideration – level 3	3.8	25.1

During the year ended 2 March 2023, there were no transfers between fair value measurement levels. Derivative financial instruments include £nil assets (2022: £15.8m) and £7.8m liabilities (2022: £nil) due after one year. Deferred and contingent consideration includes £3.8m (2022: £1.2m) due after one year.

The fair value of derivative instruments classified as level 2 is calculated by discounting all future cash flows by the relevant market discount rate at the balance sheet date. The fair value of money market funds within cash and cash equivalents classified as level 1 are calculated by reference to their active market value at 2 March 2023.

The fair value of contingent consideration relating to acquisitions is classified as level 3. Details of the valuation are included in Note 25.

Derivative financial instruments**Cash flow hedges***Interest rate risk*

The Group is exposed to commodity risk in the form of power requirements. The Group manages this risk through a combination of fixed price agreements and hedging. During the year, the Group entered into power commodity price swaps to fix the price of 20% of forecast usage within FY25.

Interest rate risk

The Group had interest rate swaps in place which matured in February 2022 at the same point as the repayment of US denominated debt.

Hedge of net investment in foreign operations

In October 2019, the group entered into cross-currency swaps, whereby it pays an average fixed rate of 2.12% on a notional amount of €521.0m and receives a fixed rate of 3.375% on a notional amount of £450.0m. These swaps are being used as 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. The swaps mature in October 2025 in line with the bonds.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the cross-currency swaps. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the nominal amount of the swaps.

The net investment hedges were assessed to be highly effective at 2 March 2023 and a net unrealised gain of £24.7m (2022: gain of £9.0m) has been recorded in the translation reserve. The Group has recorded costs of hedging of £1.1m (2022: £2.5m) within finance costs in the consolidated income statement as a result of the foreign currency basis spread within the hedging instrument.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

24. Financial instruments (Continued)

The impact of the hedging instruments and hedged items on the statement of financial position is as follows:

At 2 March 2023	Notional amount £m	Carrying amount £m	Line item in statement of Financial position	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item	Change in fair value of hedged item £m
Net investment in foreign operations						
Cross-currency swaps	450.0	(6.6)	Derivative financial instruments	(22.2)	Net investment in foreign subsidiaries	22.2
Cash flow hedges						
Power commodity swap	10.2	(1.3)	Derivative financial instruments	(1.3)	Highly probable forecast future power usage	N/A – future usage
At 3 March 2022	Notional amount £m	Carrying amount £m	Line item in statement of Financial position	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item	Change in fair value of hedged item £m
Net investment in foreign operations						
Cross-currency swaps	450.0	15.8	Derivative financial instruments	9.0	Net investment in foreign subsidiaries	(9.0)

The impact of the hedging instruments in the consolidated income statement and other comprehensive income is as follows:

	Total hedging gain/(loss) recognised in OCI £m	Amount reclassified from OCI to profit or loss £m	Line item in the consolidated income statement	Accumulated value recognised in cash flow hedge reserve £m
2022/23				
Power commodity swaps	(1.3)	-	N/A – future usage	(1.3)
2021/22				
Interest rate swaps	(0.2)	2.5	Finance costs	-
Cross-currency swaps	(8.0)	8.1	Finance costs	-

Notes to the consolidated financial statements (continued)

24. Financial instruments (Continued)**Impact of hedging on equity**

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £m	Foreign currency translation reserve £m
At 25 February 2021	(1.9)	28.7
Change in fair value recognised in other comprehensive income:		
- Interest rate swaps	(0.2)	
- Cross-currency swaps	(8.0)	-
Reclassified to profit or loss as hedged item effects profit or loss		
- Interest rate swaps	2.5	-
- Cross-currency swaps	8.1	-
Foreign exchange arising on consolidation	-	(16.0)
Fair value movement on derivatives designated as net investment hedges	-	9.7
Deferred tax credit	(0.5)	1.9
At 3 March 2022	-	24.3
Change in fair value recognised in other comprehensive income:		
- Power commodity swap	(1.3)	-
Foreign exchange arising on consolidation	-	37.3
Fair value movement on derivatives designated as net investment hedges	-	(24.7)
Deferred tax credit	-	(1.9)
At 2 March 2023	(1.3)	35.0

Cash flow and fair value hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 23. There have been no amounts reclassified to profit or loss as a result of the hedged cash flow no longer being expected to occur. The foreign currency translation reserve includes an accumulated loss of £10.5m (2022: gain of £14.2m) relating to derivatives designated as net investment hedges.

25. Trade and other payables

	2023 £m	2022 £m
Trade payables	95.2	73.7
Other taxes and social security	40.2	25.8
Contract liabilities	197.8	146.2
Accruals	239.8	223.0
Amounts due to parent undertaking	1,175.4	1,295.2
Other payables	103.7	78.1
Deferred and contingent consideration	3.8	25.1
	1,855.9	1,867.1
Analysed as:		
Current	1,852.1	1,865.9
Non-current	3.8	1.2
	1,855.9	1,867.1

Included within contract liabilities is £193.8m (2022: £141.4m) relating to customer payments received for accommodation where the stay will take place after the year-end and £4.0m (2022: £4.8m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £146.2m presented as a contract liability in 2022 has been recognised in revenue (2022: £41.3m).

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

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

25. Trade and other payables (Continued)

Deferred and contingent consideration

	2023 £m	2022 £m
Opening deferred and contingent consideration	25.1	62.8
Recognised on acquisition of assets	2.5	-
Unwinding of discount	0.2	1.4
Paid during the year	(25.3)	(36.3)
Foreign exchange movements	1.3	(2.8)
Closing deferred and contingent consideration	3.8	25.1

The Group has contingent consideration in relation to four 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 two 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.

26. Share capital

Allotted, called up and fully paid

	2023 £m	2022 £m
"A" Ordinary shares of 25 pence each (2022: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2022: 25 pence each)	122.7	122.7
	133.7	133.7

	2023 Million	2022 Million
Number of "A" ordinary shares in issue	44.0	44.0
Number of ordinary shares in issue	490.6	490.6
Total shares in issue	534.6	534.6

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

- i. a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities
- ii. a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and
- iii. a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).

Notes to the consolidated financial statements (continued)

27. Reserves**Share capital**

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

Share premium

The share premium reserve is the premium paid on the Company's 25 pence ordinary shares.

Retained earnings

In accordance with IFRS practice, retained earnings include revaluation reserves which arose on transition to IFRS.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, other foreign currency investments and exchange differences on derivative instruments that provide a hedge against net investments in foreign operations.

Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

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

	2022/23 £m	2021/22 £m
Profit for the period	249.1	11.6
Adjustments for:		
Tax expense	89.2	6.7
Net finance costs (Note 8)	168.2	210.5
Share of profit from joint ventures	(2.3)	(0.4)
Depreciation and amortisation	345.5	326.9
Share-based payments	17.7	12.9
Impairment write offs/(reversals) (Note 14)	34.9	(34.4)
Gains on disposals, property and other provisions	(4.0)	(28.8)
Other non-cash items	0.6	7.7
Cash generated from operations before working capital changes	898.9	512.7
Increase in inventories	(2.3)	(7.3)
Increase in trade and other receivables	(10.9)	(45.4)
Increase in trade and other payables	112.1	235.2
Cash generated from operations	997.8	695.2

Other non-cash items include an outflow of £0.4m representing bad debt charges (2021/22: £0.8m inflow), an outflow of £0.7m (2021/22: £4.3m inflow) as a result of net provision movements, an inflow of £3.6m (2021/22: £2.6m inflow) representing non-cash pension scheme administration costs and an outflow of £2.1m (2021/22: £nil) from foreign exchange gains.

29. Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 2 March 2023 (2022: none).

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

- Premier Inn (UK) Ltd, 10206057
- Premier Inn Ochre Limited, 08143826
- Whitbread Hotel Company Limited, 00224163
- Premier Inn Manchester Trafford Ltd, 03876877
- Premier Inn Westminster Ltd, 01999669
- Elm Hotel Holdings Limited, 04429036
- Whitbread East Pennines Ltd, 00017030
- St Andrews Homes Ltd, 00359470
- T.F. Ashe & Nephew Ltd, 00459284
- Premier Travel Inn India Ltd, 06190455
- Premier Inn International Development Limited, 09190207
- Whitbread West Pennines Ltd, 00026091
- Whitbread Properties Ltd, 00048574
- Brickwoods Ltd, 00035113
- Duttons Brewery Ltd, 00054931
- Swift Hotels Ltd, 00050371
- Silk Street Hotels Ltd, 01033592
- Premier Inn Glasgow Ltd, 04541995
- Premier Inn Manchester Airport Ltd, 05861673
- London Hotel Holdings Ltd, 14261871

Whitbread Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 2 March 2023 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Whitbread Group PLC will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

30. Share based payment plans**Long Term Incentive Plan (LTIP)**

The LTIP awards were made to directors and senior executives of the Group prior to the adoption of the Restricted Share Plan. Vesting of share awards under the scheme is dependent on continued employment and meeting performance targets over a three-year vesting period. The awards are settled in equity once exercised. As with all other plans, the shares discussed here relate to those of the ultimate parent undertaking, Whitbread PLC.

Deferred equity awards

Share awards are made under the Whitbread Directors Incentive Scheme implemented during 2004/05. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be a permitted reason by the Remuneration Committee, the awards will be released in full. If employment ceases for any other reason, the proportion of awards which vest depends upon the year in which the award was made and the date that employment ceased. If employment ceases in the first year after an award is made, none of the award vests; between the first and second anniversary, 25% vests; and between the second and third anniversary, 50% vests. The awards are settled in equity once exercised. As with all other plans, the shares discussed here relate to those of the ultimate parent undertaking, Whitbread PLC.

R&R Scheme

The R&R Scheme enables Whitbread to make share awards periodically on a flexible basis. There are typically no performance conditions but these can be imposed by Whitbread at time of grant. The awards issued are subject to being in employment at date of vesting with no performance conditions. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the CEO and, if granted, will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised. As with all other plans, the shares discussed here relate to those of the ultimate parent undertaking, Whitbread PLC.

Restricted Share Plan

At the general meeting held on 6 December 2019, it was agreed that the Restricted Share Plan would replace the Long Term Incentive Plan. Vesting of all shares under the scheme will depend on continued employment and meeting underpin targets over a period of at least three years. Details of the underpin targets that apply to RSP awards are included in the remuneration report on pages 92 to 115 of Whitbread PLC. After vesting, there is an additional holding period applicable to directors and senior executives such that the underpin measurement period and holding period is at least five years. If employment at Whitbread ceases prior to the vesting date by reason of resignation or terminated for cause, all unvested shares will lapse. If employment ceases for any other reason, any vesting will be at the discretion of the Remuneration Committee of Whitbread plc and, if granted, will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised. As with all other plans, the shares discussed here relate to those of the ultimate parent undertaking, Whitbread PLC.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

30. Share based payment plans (continued)

Movements in the number of share awards are as follows:

	Outstanding at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
2 March 2023						
Long Term Incentive Plan	130,499	-	(57,065)	(4,457)	68,977	68,977
Deferred equity awards	154,341	176,272	(64,917)	(1,836)	263,860	-
R&R Scheme	523,455	84,249	(39,020)	(29,525)	539,159	-
Restricted share plan	254,875	283,603	(3,186)	(58,212)	477,080	-
	1,063,170	544,124	(164,188)	(94,030)	1,349,076	68,977
	Outstanding at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Outstanding at the end of the year	Exercisable at the end of the year
3 March 2022						
Long Term Incentive Plan	149,688	-	(17,859)	(1,330)	130,499	129,613
Deferred equity awards	242,160	4,345	(79,978)	(12,186)	154,341	5,998
R&R Scheme	652,851	12,146	(139,583)	(1,959)	523,455	9,586
Restricted share plan	106,687	167,673	-	(19,485)	254,875	-
	1,151,386	184,164	(237,420)	(34,960)	1,063,170	145,197

Employee Sharesave scheme

The employee Sharesave scheme is open to all employees and provides for a purchase price equal to the market price on the day preceding the date of invitation, with a 20% discount. The shares can be purchased over the six-month period following the third or fifth anniversary of the commencement date, depending on the length chosen by the employee.

The weighted average exercise price (WAEP) of movements in the number of share awards are as follows:

	2022/23		2021/22	
	Options	WAEP £ per share	Options	WAEP £ per share
Outstanding at the beginning of the year	1,173,108	26.01	1,139,975	26.59
Granted during the year	649,795	20.51	410,032	24.86
Exercised during the year	(65,199)	27.18	(81,727)	26.15
Expired during the year	(497,900)	26.19	(295,172)	26.65
Outstanding at the end of the year	1,259,804	23.01	1,173,108	26.01
Exercisable at the year-end	60,647	27.64	89,941	30.66

Outstanding options to purchase ordinary shares of 76.80p between 2023 and 2028 are exercisable at prices between £24.86 and £31.62 per share (2022: between 2022 and 2027 at prices between £25.33 and £31.62). The weighted average share price at the date of exercise for options exercised during the year was £30.10 (2022: £31.63).

The weighted average contractual life of the share options outstanding as at 2 March 2023 is between two and three years.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

30. Share based payment plans (continued)

The following table lists the inputs to the model used for the years ended 2 March 2023 and 3 March 2022:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
Deferred equity awards	28.04.2022	-	28.75	3.00	2.00	N/A	N/A	Service ¹
Deferred equity awards	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Service ¹
R&R awards – 2 years	28.04.2022	-	28.75	2.00	2.00	N/A	N/A	Service ¹
R&R awards – 3 years	28.04.2022	-	28.75	3.00	2.00	N/A	N/A	Service ¹
Restricted share plan ⁵	17.01.2023	-	30.28	0.16	-	N/A	N/A	Service ¹
Restricted share plan ⁵	17.01.2023	-	30.28	2.66	2.00	N/A	N/A	Service ¹
Restricted share plan ⁵	17.01.2023	-	30.28	3.66	2.00	N/A	N/A	Service ¹
Restricted share plan ⁵	17.01.2023	-	30.28	2.16	2.00	N/A	N/A	Service ¹
Restricted share plan ⁵	17.01.2023	-	30.28	3.24	2.00	N/A	N/A	Service ¹
Restricted share plan	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Non-market ^{1,3,4}
SAYE – 3 years	02.12.2022	20.51	26.09	3.25	2.00	40.0	3.38	Service ¹
SAYE – 3 years	23.12.2021	24.86	29.63	3.25	2.00	45.0	0.69	Service ¹
SAYE – 5 years	02.12.2022	20.51	26.09	5.25	2.00	40.0	3.29	Service ¹
SAYE – 5 years	23.12.2021	24.86	29.63	5.25	2.00	45.0	0.75	Service ¹

¹ Return on capital employed

² Earnings per share

³ Employment service

⁴ Lease adjusted net debt

⁵ Refer to the Annual report on remuneration for Whitbread PLC for further details

The fair value of share options granted is estimated as at the date of grant using a stochastic model, taking into account the terms and conditions upon which the options were granted.

Expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The risk-free rate is the rate of interest obtainable from Government securities over the expected life of the equity incentive. The expected dividend yield is calculated on the basis of publicly available information at the time of the grant date which, in most cases, is the historic dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

31. Retirement benefits

Defined contribution schemes

The Group operates a contracted-in defined contribution scheme under the Whitbread Group Pension Fund. Contributions by both employees and Group companies are held in externally invested, trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution scheme, and thereafter has no further obligations in relation to the scheme. The total cost charged to the consolidated income statement in relation to the defined contribution scheme in the year was £12.8m (2021/22: £11.0m). At the year-end, the Group owed outstanding contributions of £nil (2022: £nil) in respect of the defined contribution scheme. At the year-end, 24,284 employees (2022: 23,449) were active members of the scheme, which also had 58,406 deferred members (2022: 52,303).

Defined benefit scheme

The defined benefit (final salary) section of the principal Group pension scheme, the Whitbread Group Pension Fund, was closed to new members on 31 December 2001 and to future accrual on 31 December 2009. The Whitbread Group Pension Fund is set up under UK trust law, registered with Her Majesty's Revenue and Customs and regulated by the Pensions Regulator. The Whitbread Group Pension Fund is governed by a corporate Trustee which operates the scheme in accordance with the requirements of UK pensions legislation. At the year-end, the scheme had no active members (2022: nil), 18,241 deferred pensioners (2022: 18,606) and 15,951 pensioners in payment (2022: 16,089).

The surplus recognised in the consolidated balance sheet in respect of the defined benefit pension scheme is the fair value of the plan assets less the present value of the defined benefit obligation at the end of the reporting period. The IAS 19 pension cost relating to the defined benefit section of the Whitbread Group Pension Fund is assessed in accordance with actuarial advice from, and calculations provided by, Lane Clark & Peacock, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. As the scheme is closed to future accrual, there is no future service cost.

The surplus has been recognised as, under the governing documentation of the Whitbread Group Pension Fund, 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 IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The defined benefit scheme entered into a £660.7m buy-in transaction covering 50% of pensioners on 23 June 2022 whereby the assets of the plan were invested in a bulk purchase annuity policy with the insurer, Standard Life, under which the benefits payable to defined benefit members covered under the policy became fully insured. The difference between the cost of the insurance policy and the accounting value of the liabilities secured was £68.7m and has been recorded within actuarial losses in the statement of other comprehensive income.

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 13.0 years (2022: 17.0 years).

Funding

Expected contributions to be made in the next reporting period total £16.4m (2021/22: £14.6m). In 2022/23, contributions were £14.5m, with £3.6m from the employer, £10.8m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2021/22: £13.0m, with £2.6m from the employer, £10.3m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.2m (2021/22: £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 during 2021/22, 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 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: £500.0m; and 120% of the buyout deficit and will remain in place until there is no longer a buyout deficit.

31. Retirement benefits (continued)**Investment in Moorgate SLP**

The Pension Scheme will receive a share of the income, profits and a variable capital payment from its investment in Moorgate SLP, which was established by the Group in the year ended 4 March 2010 (the share in profits is accounted for by the Group as contributions when paid). The partnership interests in Moorgate SLP are held by the Group, the general partner and by the Pension Scheme.

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m which is included in the charge of £531.5m above. The Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements.

The Pension Scheme is a partner in Moorgate SLP and, as such, is entitled to an annual share of the profits of the partnership over the next four years. At the end of this period, the partnership capital allocated to the Pension Scheme partner will, depending on the funding position of the Pension Scheme at that time, be transferred in cash to the Pension Scheme up to a value of £150.0m.

Under IAS 19, the investment held by the Pension Scheme in Moorgate SLP, a consolidated entity, does not represent a plan asset for the purposes of the consolidated financial statements. Accordingly, the pension surplus position in these consolidated financial statements does not reflect the £21.9m (2022: £96.8m) investment in Moorgate SLP held by the Pension Scheme.

Risks

Through its defined benefit scheme, the Group is exposed to a number of risks in relation to the IAS 19 surplus, the most significant of which are detailed below:

Risk	Description	Principal impact and obligation reconciliations
Market volatility	The value of the defined benefit obligation is linked to AA-rated corporate bonds whilst the scheme invests some of its assets in alternative asset classes (including those denominated in foreign currencies). These assets include private equities, secure income assets, gilts, swaps and cash. This exposes the Group to risks including those relating to interest rates, equity markets, foreign exchange and climate change. As a result, any change in market conditions which impacts the value of the scheme's assets or the interest rate on AA-rated corporate bonds will lead to volatility in the Group's net pension liability on the balance sheet, pension expense in the income statement and remeasurement of movements in other comprehensive income. There is the potential for heightened market volatility through a number of different sources, including the economic impact of the Russia-Ukraine conflict, the policy intervention of central banks in response to the inflationary environment which could have consequential implications on interest rates, in addition to wider economic impacts. There are also longer term macroeconomic risks, such as the possible risk of recession and constraints on market liquidity, which could all adversely affect the Scheme's assets.	Return on plan assets Actuarial movements in financial assumptions
Inflationary risk	Due to the link between the scheme obligation and inflation, an increase in the expected future rate of inflation will lead to higher scheme liabilities, although this is mitigated by the Scheme holding inflation-linked assets which aim to match the increase in liabilities.	Actuarial movements in financial assumptions
Accounting assumptions	The defined benefit obligation is calculated by projecting the future cash flows of the scheme for many years into the future. Consequently, the assumptions used can have a significant impact on the balance sheet position and income statement charge. In practice, future scheme experience may not be in line with the assumptions adopted. For example, an increase in the life expectancy of members would increase scheme liabilities.	Discount rate: interest income on scheme assets and cost on liabilities Mortality: actuarial movements in demographic assumptions Actuarial movements in financial assumptions

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

31. Retirement benefits (continued)

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 2 March 2023 for *IAS 19 Employee Benefits* purposes were:

	At 2 March 2023 %	At 3 March 2022 %
Pre-April 2006 rate of increase in pensions in payment	3.20	3.40
Post-April 2006 rate of increase in pensions in payment	2.20	2.30
Pensions increase in deferment	3.20	3.40
Discount rate	5.00	2.60
Inflation assumption	3.30	3.60

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The mortality improvements assumption has been updated to use the CMI 2021 model (2022: CMI 2020). The CMI 2021 model parameters include some weighting for 2021 mortality experience. The assumptions are that a member currently aged 65 will live on average for a further 19.7 years (2022: 20.0 years) if they are male and for a further 22.4 years (2022: 22.6 years) if they are female. For a member who retires in 2043 at age 65, the assumptions are that they will live on average for a further 20.7 years (2022: 21.1 years) after retirement if they are male and for a further 23.6 years (2022: 23.8 years) after retirement if they are female.

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

The amounts recognised in the consolidated income statement in respect of the defined benefit scheme are as follows:

	2022/23 £m	2021/22 £m
Net interest on net defined benefit surplus	(13.6)	(3.6)
Administrative expenses	3.6	2.6
Total income recognised in the consolidated income statement (gross of deferred tax)	(10.0)	(1.0)

The amounts taken to the consolidated statement of comprehensive income are as follows:

	2022/23 £m	2021/22 £m
Actuarial gains	(761.5)	(218.8)
Return on plan assets lower/(greater) than discount rate	985.1	(100.0)
Re-measurement effects recognised in other comprehensive income	223.6	(318.8)

The amounts recognised in the consolidated balance sheet are as follows:

	2023 £m	2022 £m
Present value of defined benefit obligation	(1,723.0)	(2,521.2)
Fair value of scheme assets	2,047.7	3,043.8
Surplus recognised in the consolidated balance sheet	324.7	522.6

Changes in the present value of the defined benefit obligation are as follows:

	2022/23 £m	2021/22 £m
Opening defined benefit obligation	2,521.2	2,804.3
Interest cost	64.0	52.3
Remeasurement due to:		
Changes in financial assumptions	(735.3)	(266.0)
Changes in demographic assumptions	(26.2)	(33.9)
Experience adjustments	-	81.1
Benefits paid	(100.6)	(116.5)
Benefits settled by the Group in relation to an unfunded pension scheme ¹	(0.1)	(0.1)
Closing defined benefit obligation	1,723.0	2,521.2

Notes to the consolidated financial statements (continued)

31. Retirement benefits (continued)

Changes in the fair value of the scheme assets are as follows:

	2022/23 £m	2021/22 £m
Opening fair value of scheme assets	3,043.8	2,992.3
Interest income on scheme assets	77.6	55.9
Return on plan assets (lower)/greater than discount rate ²	(985.1)	100.0
Contributions from employer ¹	3.6	2.6
Additional contributions from Moorgate SLP	10.8	10.3
Investment manager expenses paid by the employer ¹	1.2	1.8
Benefits paid	(100.6)	(116.5)
Administrative expenses	(3.6)	(2.6)
Closing fair value of scheme assets	2,047.7	3,043.8

The major categories of plan assets are as follows:

	2023			2022		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	-	-	-	76.4	-	76.4
Alternative assets	1.1	-	1.1	143.0	-	143.0
Bonds	-	1.3	1.3	164.6	3.2	167.8
Private markets	-	508.4	508.4	-	460.7	460.7
Liability driven investments ³	990.5	-	990.5	2,160.8	-	2,160.8
Cash and other ⁴	33.6	0.2	33.8	35.1	-	35.1
Buy-in insurance	-	512.6	512.6	-	-	-
	1,025.2	1,022.5	2,047.7	2,579.9	463.9	3,043.8

¹ The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include contributions to cover administration expenses.

² Includes cost of managing fund assets.

³ Liability driven investments includes UK fixed and index-linked gilts, repurchase agreements and reverse repurchase agreements, interest rate and inflation (RPI) swaps, gilts futures and cash.

⁴ Other primarily relates to assets held in respect of cash and net current assets.

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:

	Decrease/(increase) in liability	
	2023 £m	2022 £m
Discount rate		
2.00% increase to discount rate	357.0	
2.00% decrease to discount rate	(548.0)	
1.00% increase to discount rate		359.0
1.00% decrease to discount rate		(458.0)
Inflation		
0.25% increase to inflation rate	(39.0)	(73.0)
0.25% decrease to inflation rate	38.0	72.0
Life expectancy		
Additional one-year increase to life expectancy	(71.3)	(126.0)

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. Where the discount rate is changed, this will have an impact on the valuation of scheme assets in the opposing direction. The above sensitivities table shows only the expected changes to the gross defined benefit obligation (liability). When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the consolidated balance sheet. The methods and types of assumptions did not change.

Whitbread Group PLC

Notes to the consolidated financial statements (continued)

32. Related party disclosure

The Group consists of a parent company, Whitbread Group PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread Group PLC, which operate and are incorporated around the world. Note 19 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 31.

Ultimate controlling party

The ultimate controlling party is Whitbread PLC.

Related party transactions

	2022/23 Joint ventures £m	2021/22 Joint ventures £m
Sales to a related party	-	0.1

Joint ventures

For details of the Groups investments in and loans to joint ventures, see Note 15, those details are excluded from the table above.

Compensation of key management personnel (including directors):

The key management personnel of the Group are defined as the members of the Whitbread PLC Executive Committee. Compensation of key management personnel (including directors) is set out below.

	2022/23 £m	2021/22 £m
Short-term employee benefits	9.5	8.4
Post-employment benefits	-	-
Share-based payments	6.1	3.9
	15.6	12.3

Terms and conditions of transactions with related parties

Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No adjustment for expected credit loss relating to amounts owed by related parties has been made (2022: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties

Details of transactions with directors are detailed in Note 7.

33. Events after the balance sheet date

Share buy-back

The Whitbread plc Board of Directors approved a share buy-back of Whitbread plc shares on 24 April 2023 for £300.0m and the programme is being undertaken in accordance with that approval.

Revolving credit facility

In May 2023 the Group signed an extension to the existing 5 year £775m multicurrency Revolving Credit Facility Agreement, extending the final maturity date by one year to now expire on 25 May 2028. The facility's other terms remain consistent, being a Multicurrency Revolving Facility Agreement and having variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

34. Business combinations

Acquisition in 2022/23

On 1 March 2023, the Group acquired the freehold interest of one hotel in Austria and was assigned the leasehold of five hotels within Germany for cash consideration of £25.9m and deferred consideration of £2.5m.

This transaction has been accounted for as an asset acquisition under IFRS 3 Business Combinations as the fair value of the assets is concentrated in a single group of similar assets. On acquisition, the Group has recognised PPE of £26.3m, right-of-use assets of £47.1m and lease liabilities of £44.4m in relation to the hotels acquired. The transaction formed part of the Group's strategic priority of international growth.

Company financial statements
For the year ended 2 March 2023

Whitbread Group PLC

Company balance sheet

At 2 March 2023

	Notes	2 March 2023 £m	3 March 2022 £m
Non-current assets			
Intangible assets	4	71.9	51.5
Property, plant and equipment	5	1,865.4	1,856.3
Right-of-use assets	6	519.7	594.7
Investment in subsidiaries, joint ventures	7	2,099.6	1,947.9
Derivative financial instruments	15	-	15.8
Loans to subsidiaries		320.2	303.5
Defined benefit pension surplus	12	346.6	619.4
		5,223.4	5,389.1
Current assets			
Inventories	8	16.3	16.2
Current tax asset		73.1	21.1
Trade and other receivables	9	81.3	61.5
Cash and cash equivalents		1,122.1	1,089.0
		1,292.8	1,187.8
Assets classified as held for sale	5	2.3	55.2
Total assets		6,518.5	6,632.1
Current liabilities			
Lease liabilities	6	28.0	26.5
Provisions	13	8.6	11.7
Trade and other payables	10	2,520.1	2,322.3
		2,556.7	2,360.5
Non-current liabilities			
Borrowings	11	993.4	991.9
Lease liabilities	6	613.2	710.3
Provisions	13	8.3	8.9
Derivative financial instruments	15	7.8	-
Deferred tax liabilities	14	142.0	137.6
		1,764.7	1,848.7
Total liabilities		4,321.4	4,209.2
Net assets		2,197.1	2,422.9
Equity			
Share capital	16	133.7	133.7
Share premium	17	207.7	207.7
Revaluation reserve	17	17.9	21.8
Capital redemption reserve	17	11.7	11.7
Retained earnings	17	1,822.0	2,046.2
Hedging reserve	17	(1.3)	-
Excluded component of hedge reserve	17	5.4	1.8
Total equity		2,197.1	2,422.9



Hemant Patel
Chief Financial Officer

25 July 2023

The income statement of the parent Company is omitted from the Company's accounts by virtue of the exemption granted by Section 408 of the Companies Act 2006. The loss generated for ordinary shareholders and included in the financial statements of the parent Company amounted to £13.2m (2021/22: loss of £58.4m).

Company statement of changes in equity

Year ended 2 March 2023

	Share capital £m	Share premium £m	Revaluation reserve £m	Retained earnings £m	Capital redemption reserve £m	Hedging reserve £m	Excluded component of hedge reserve £m	Total £m
At 25 February 2021	133.7	207.7	23.2	1,900.3	11.7	(2.1)	-	2,274.5
Loss for the year	-	-	-	(58.4)	-	-	-	(58.4)
Other comprehensive income	-	-	-	190.0	-	2.1	1.8	193.9
Total comprehensive income	-	-	-	131.6	-	2.1	1.8	135.5
Accrued share-based payments	-	-	-	12.9	-	-	-	12.9
Realised revaluation gain transferred to profit and loss account	-	-	(1.4)	1.4	-	-	-	-
At 3 March 2022	133.7	207.7	21.8	2,046.2	11.7	-	1.8	2,422.9
Loss for the year	-	-	-	(13.2)	-	-	-	(13.2)
Other comprehensive income	-	-	-	(232.6)	-	(1.3)	3.6	(230.3)
Total comprehensive income	-	-	-	(245.8)	-	(1.3)	3.6	(243.5)
Accrued share-based payments	-	-	-	17.7	-	-	-	17.7
Realised revaluation gain transferred to profit and loss account	-	-	(3.9)	3.9	-	-	-	-
At 2 March 2023	133.7	207.7	17.9	1,822.0	11.7	(1.3)	5.4	2,197.1

Notes to the company financial statements

Year ended 2 March 2023

1. General Information and authorisation of consolidated financial statements

The financial statements of Whitbread Group PLC for the year ended 2 March 2023 were authorised for issue by the Board of Directors on 25 July 2023. Whitbread Group PLC is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The Company's senior unsecured bonds are listed on the London Stock Exchange. The address of the registered office is shown on page 2.

Whitbread Group PLC, its subsidiaries and joint ventures, operate hotels and restaurants, located in the UK and internationally.

2. Accounting policies

Basis of accounting and preparation

The financial statements of Whitbread Group PLC have been prepared under the historical cost convention and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council. Accordingly, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council in preparing these financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts of the Company and Group accounts of Whitbread PLC. The Group accounts of Whitbread PLC are available to the public and can be obtained as set out in Note 20.

Going concern

The directors have concluded that it is appropriate for the financial statements to be prepared on the going concern basis (see Note 2 to the consolidated financial statements).

Accounting policies

The accounting policies applied are consistent with those disclosed in Note 2 to the consolidated financial statements except as indicated below.

Investments in subsidiaries and joint ventures

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

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement and determined it to be a joint venture. Investments in joint ventures are recognised at cost, being the fair value of the consideration given, including acquisition charges associated with the investment less any provision for impairment.

2. Accounting policies (continued)

Derivatives and hedging

The Company enters into derivative transactions to manage its exposure to exchange rate and foreign exchange rate risks. Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risks as fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Company documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that there is an economic relationship between hedged items and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item. The fair value change on qualifying fair value hedges is recognised in profit or loss.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Company discontinues hedge accounting when the hedge relationship ceases to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

The Company uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 24 to the consolidated financial statements for more details.

Critical accounting judgements and key sources of estimation uncertainty

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

The critical accounting judgements and key sources of estimation uncertainty applicable to the Company are consistent with those disclosed in Note 2 to the consolidated financial statements, with the exception of Adjusting items as these are not disclosed by this Company.

Whitbread Group PLC

Notes to the company financial statements (continued)

3. Dividends

	2022/23 Pence per share	2022/23 £m	2021/22 Pence per share	2021/22 £m
Dividends paid during the year	-	-	-	-

4. Intangible assets

	Goodwill £m	IT software £m	Total £m
Cost			
At 3 March 2022	4.1	111.3	115.4
Additions	-	36.7	36.7
Assets written off	-	(10.5)	(10.5)
At 2 March 2023	4.1	137.5	141.6
Amortisation and impairment			
At 3 March 2022	(1.1)	(62.8)	(63.9)
Amortisation during the year	-	(16.3)	(16.3)
Amortisation on assets written off	-	10.5	10.5
At 2 March 2023	(1.1)	(68.6)	(69.7)
Net book value at 2 March 2023	3.0	68.9	71.9
Net book value at 3 March 2022	3.0	48.5	51.5

A review of IT software assets resulted in write-off of assets with a net book value of £nil (2021/22: £0.1m)

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £7.6m (2022: £7.4m).

5. Property, plant and equipment

	Land & Buildings £m	Furniture, fixtures & equipment £m	Total £m
Cost			
At 3 March 2022	1,536.1	619.3	2,155.4
Additions	16.0	92.8	108.8
Interest capitalised	0.7	-	0.7
Net movements with assets held for sale	9.6	4.0	13.6
Disposals	(1.2)	(0.5)	(1.7)
Assets written off	(0.5)	(46.0)	(46.5)
At 2 March 2023	1,560.7	669.6	2,230.3
Depreciation and impairment			
At 3 March 2022	(73.0)	(226.1)	(299.1)
Depreciation charge for the year	(7.1)	(70.7)	(77.8)
Net impairment charge	(23.8)	(4.0)	(27.8)
Net movements with assets held for sale	(6.4)	(1.9)	(8.3)
Disposals	1.2	0.5	1.7
Depreciation on assets written off	0.4	46.0	46.4
At 2 March 2023	(108.7)	(256.2)	(364.9)
Net book value at 2 March 2023	1,452.0	413.4	1,865.4
Net book value at 3 March 2022	1,463.1	393.2	1,856.3

Capitalised interest

Additions to land and buildings include £0.7m of interest capitalised during the year at an average rate of 2.5% (2022: £0.7m at 2.7%).

Capital expenditure commitments

Capital expenditure commitments in relation to property, plant and equipment at the year-end amounted to £18.1m (2022: £51.2m).

5. Property, plant and equipment (continued)

Impairment

The increase in market interest rates has driven higher discount rates and has increased impairments in the Company. Gross impairment charges of £49.9m (property, plant and equipment of £43.8m and right-of-use assets of £6.1m), have resulted from reduced trade on standalone restaurants and those sites where F&B revenues represent a more significant proportion of total sales, as well as the increase seen in WACC. This has been offset by impairment reversals of £23.0m (property, plant and equipment of £16.0m and right-of-use assets of £7.0m), as the Company recovered from the COVID-19 pandemic and sites returned to a more normal level of trading. This resulted in a total net impairment charge under IAS 36 of £26.9m being recorded in the Company.

Further detail on the impairment assessment and the assumptions used is set out in Note 14 to the consolidated financial statements.

Assets held for sale

During the year, three property assets with a net book value of £1.9m (2021/22: two with a net book value of £47.3m) were transferred into assets held for sale. Seven property assets were transferred back to fixed assets with a net book value of £7.9m (2021/22: none). One property asset was disposed of during the year with a net book value of £46.9m (2021/22: three with a net book value of £7.0m). No impairment loss was recognised relating to assets classified as held for sale (2021/22: none). By the year end there were four sites with a combined net book value of £2.3m (2021/22: nine sites with a net book value of £55.2m).

6. Lease arrangements

The company leases various buildings which are used within the Premier Inn business. The leases are non-cancellable leases with varying terms, escalation clauses and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales. The company also leases various plant and equipment under non-cancellable lease agreements.

An analysis of the Group's right-of-use asset and lease liability is as follows:

Right-of-use asset

	Property £m	Other £m	Total £m
At 25 February 2021	588.5	1.7	590.2
Additions	30.4	0.7	31.1
Net impairment reversal	5.0	-	5.0
Depreciation	(30.3)	(0.9)	(31.2)
Terminations	(0.4)	-	(0.4)
At 3 March 2022	593.2	1.5	594.7
Additions	15.0	0.7	15.7
Net impairment reversal	0.9	-	0.9
Depreciation	(28.1)	(0.8)	(28.9)
Transfer to group undertaking	(62.7)	-	(62.7)
At 2 March 2023	518.3	1.4	519.7

Lease liability

	Property £m	Other £m	Total £m
At 25 February 2021	729.7	1.8	731.5
Additions	30.4	0.7	31.1
Interest	32.8	-	32.8
Payments	(57.7)	(0.7)	(58.4)
Terminations	(0.2)	-	(0.2)
At 3 March 2022	735.0	1.8	736.8
Additions	15.0	0.7	15.7
Interest	30.0	-	30.0
Payments	(71.2)	(1.0)	(72.2)
Transfer to group undertaking	(69.1)	-	(69.1)
At 2 March 2023	639.7	1.5	641.2

During the year, the Company had non-cash additions to right-of-use assets and lease liabilities of £11.3m (2021/22: £20.5m) relating to new leases and £4.4m (2021/22: £9.9m) relating to amendments to existing leases.

Whitbread Group PLC

Notes to the company financial statements (continued)

6. Lease arrangements (continued)

Amounts recognised in the income statement

	2022/23 £m	2021/22 £m
Depreciation expense of right-of-use assets	28.9	31.2
Interest expense on lease liabilities	30.0	32.8
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expense	1.4	-
Impairment reversal on right-of-use assets	(0.9)	(5.0)
Lease income	(1.8)	(2.7)
	<u>57.6</u>	<u>56.3</u>

Future possible cash outflows not included in the lease liability

The Company has several lease contracts that include extension and termination options. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease liability.

	2022/23 £m	2021/22 £m
Extension options expected not to be exercised	269.8	373.3
Termination options expected not to be exercised	-	-
	<u>269.8</u>	<u>373.3</u>

The Company uses judgement in determining whether termination and extension option periods will be included within the lease term. The Company assumes that, unless a decision has been made to exit a lease, termination options will not be exercised as a result of historic practices within the Group. At the outset of a lease, the Company assumes that it will not exercise extension options. Due to the length of the Company's leases, there is generally insufficient evidence that exercising an extension option is certain.

The Company as a lessor

The Company acts as a lessor in relation to a number of non-trading legacy sites and in subletting space within trading sites. Rental income recognised by the Group during the year is £1.8m (2021/22: £2.7m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2022/23 £m	2021/22 £m
Within one year	1.6	1.7
After one year but not more than five years	2.9	2.4
More than five years	4.2	3.1
	<u>8.7</u>	<u>7.3</u>

Maturity of lease liabilities

The company has undiscounted future lease payments associated with leases recognised within the lease liability as follows:

	2022/23 £m	2021/22 £m
Within one year	58.3	57.8
After one year but not more than five years	225.8	239.1
More than five years but not more than 10 years	273.1	269.7
More than 10 years but not more than 20	356.6	353.8
More than 20 years	332.4	371.8
	<u>1,246.2</u>	<u>1,292.2</u>

Notes to the company financial statements (continued)

7. Investments in subsidiaries and joint ventures

	Subsidiary undertakings £m	Joint venture £m	Total £m
At 3 March 2022	1,947.9	-	1,947.9
Additions	138.3	-	138.3
Foreign exchange	13.4	-	13.4
At 2 March 2023	2,099.6	-	2,099.6

During the financial year a further investment was made to the entity's investments in Premier Inn Holding GmbH and PI Hotels & Restaurants Ireland Limited in exchange for share capital, providing funding to support acquisitions of hotels in Germany and Ireland as well as operational cash flows.

In October 2019, the Company entered into cross-currency swaps, whereby it pays an average fixed rate of 2.12% on a notional amount of €521.0m and receives a fixed rate of 3.375% on a notional amount of £450.0m. These swaps are being used as 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. The swaps mature in October 2025 in line with the bonds.

Information about the Company's related undertakings can be found in Note 19.

8. Inventories

	2023 £m	2022 £m
Finished goods held for resale	15.4	13.6
Consumables	0.9	2.6
	16.3	16.2

The carrying value of inventories is stated net of a provision of £1.4m (2022: £2.5m).

During the year, cost of inventories recognised as an expense totalled £148.8m (2021/22: £100.2m).

9. Trade and other receivables

	2023 £m	2022 £m
Trade debtors	22.8	24.9
Prepayments and accrued income	30.0	14.2
Other debtors	28.5	22.4
	81.3	61.5

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade debtors includes £21.9m (2022: £23.9m) relating to contracts with customers.

The allowance for expected credit loss relating to trade and other receivables at the year end was £0.6m (2022: £1.2m). During the year, credit losses of £1.1m (2021/22: £2.4m) were recognised within operating costs in the consolidated income statement.

Whitbread Group PLC

Notes to the company financial statements (continued)

10. Trade and other payables

	2023 £m	2022 £m
Trade payables	87.0	68.3
Amounts owed to group undertakings and parent	2,085.1	1,962.7
Other taxes and social security	38.7	24.7
Contract liabilities	67.2	55.9
Accruals	173.3	162.3
Other payables	68.8	48.4
	2,520.1	2,322.3

Amounts payable to related parties are payable on demand and carry an average quarterly interest rate based upon the group funding. Contract liabilities relate to payments received for accommodation where the stay will take place after the year-end and the Group's customer loyalty programmes.

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

11. Borrowings

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

	Current		Non-current	
	2023 £m	2022 £m	2023 £m	2022 £m
Revolving credit facility	-	-	-	-
Senior unsecured bonds	-	-	993.4	991.9
	-	-	993.4	991.9

Full details of the loans repayable are given in Note 19 to the consolidated financial statements.

12. Pensions

	2023 £m	2022 £m
Pension surplus	346.6	619.4

During the year, the accounting surplus decreased from £619.4m at 3 March 2022 to £346.6m at 2 March 2023. The principal reasons for this decrease were lower returns on plan assets than expected using the discount rate, offset by actuarial gains on the obligation caused primarily from an increase in discount rate applied.

As explained further in Note 31 to the consolidated financial statements, the Whitbread Group established a partnership, Moorgate SLP, in which the Group is a general partner to hold an investment in a further partnership, Farringdon SP in March 2010.

Under IAS 19, the partnership interest held by the pension scheme represents a plan asset for the purposes of this Company's accounts, and accordingly the pension surplus position in the Company accounts was increased by £21.9m (2022: £96.8m) to reflect the interest in Moorgate SLP held by the pension scheme.

For information concerning the assets and liabilities of the pension scheme, and details of the actuarial valuation, see Note 31 to the consolidated financial statements.

Notes to the company financial statements (continued)

13. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 3 March 2022	0.4	3.1	0.1	17.0	20.6
Created	-	1.7	-	2.8	4.5
Transferred	-	1.1	-	-	1.1
Utilised	-	(1.3)	-	(2.3)	(3.6)
Released	(0.4)	(0.6)	-	(4.7)	(5.7)
At 2 March 2023	-	4.0	0.1	12.8	16.9
Analysed as:					
Current	-	4.0	0.1	4.5	8.6
Non-current	-	-	-	8.3	8.3
At 2 March 2023	-	4.0	0.1	12.8	16.9

Restructuring

A provision of £0.4m was brought forward in relation to the restructure of the Group's Support Centre and site operations. During the year, the Company released the remaining provision to the income statement.

Onerous contracts

Onerous contract provisions relate primarily to property and software licences 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% (2022: 2.0%) based on an approximation for the time value of money.

Property-related

The amount and timing of the cash outflows are subject to variation. The Company 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 £0.2m 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 Company to use the software. In addition, a provision was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. A provision of £0.8m was brought forward in relation to these contracts. During the year, the Company utilised £0.3m (2022: £0.4m) of this provision, with the provision carried forward to be utilised over a two-year period. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

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 £0.1m is brought forward in relation to these costs.

Other*Insurance*

A provision of £7.7m was brought forward in relation to the estimate of the cost of future claims against the Group from both employees and the public. The claims covered typically relates to accidents and injuries sustained in Whitbread's sites. During the year further provisions were created with a value of £2.8m and £2.2m of the provision was utilised.

Government payments

The Company has made various claims for government support which are subject to the review of relevant agencies. The provision recognised represents the Company's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £9.2m was brought forward in relation to these claims. During the year £0.1m of the provision was utilised with £4.7m of the provision released. The provision being held in relation to any potential repayments required in respect of the interpretations and assumptions made by Whitbread for UK Coronavirus Job Retention Scheme claims was released as management is satisfied that no repayments are required following an HMRC review. Due to the complex nature and fast pace of changes in the rules around certain government payments, the Company has endeavoured to apply and adhere to the rules in place. In certain areas where a rule interpretation was required, the Company has claimed in accordance with its assumptions.

Whitbread Group PLC

Notes to the company financial statements (continued)

14. Deferred income tax assets/(liabilities)

Deferred tax relates to the following

	2023 £m	2022 £m
Deferred tax liabilities		
Accelerated capital allowances	(45.2)	(39.2)
Rolled over gains and property revaluations	(69.0)	(61.1)
Pensions	(116.4)	(165.9)
Gross deferred tax liabilities	(230.6)	(266.2)
Deferred tax assets		
Leases	21.8	23.5
Losses	60.4	104.2
Other	6.4	0.9
Gross deferred tax assets	88.6	128.6
Net deferred tax liabilities	(142.0)	(137.6)

15. Derivative financial instruments

Categories of financial instruments accounted for at fair value:

		2023	2022
Financial assets at fair value			
Derivative financial instruments held at fair value	Current	-	-
	Non-current	-	15.8
Financial liabilities held at fair value			
Derivative financial instruments held at fair value	Current	-	-
	Non-current	7.8	-

The change in value of financial instruments at fair value was charged to the profit or loss account during the year with a value of £1.1m (2022: credit of £1.3m) and the charge to the hedge reserve was £1.3m (2022: credit of £2.1m).

The fair value of derivative instruments classified as level 2 is calculated by discounting all future cash flows by the relevant market discount rate at the balance sheet date.

16. Share capital

Allotted, called up and fully paid

	2023 £m	2022 £m
"A" Ordinary shares of 25 pence each (2022: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2022: 25 pence each)	122.7	122.7
	133.7	133.7

	2023 Million	2022 Million
Number of "A" ordinary shares in issue	44.0	44.0
Number of ordinary shares in issue	490.6	490.6
Total shares in issue	534.6	534.6

The "A" shares have the same rights and rank equally with the ordinary shares, save that:

- a holder of "A" shares shall, on return of assets, whether on a winding-up or otherwise, be entitled to participate proportionately in the surplus assets of the Company remaining after the payment of its liabilities
- a holder of "A" shares has no right as such to receive notice of or attend or vote at any general meeting of the Company unless a resolution to vary or abrogate the rights attaching to such shares as proposed; and
- a holder of "A" shares is not entitled to any dividend or any other distribution (except as provided for in (i) above).

Notes to the company financial statements (continued)

17. Reserves**Share capital**

Share capital comprises the nominal value of the Company's ordinary shares of 25 pence each.

Share premium

The share premium reserve is the premium paid on the Company's 25 pence ordinary shares.

Revaluation reserve

The revaluation reserve includes the amounts that were re-valued on the UK properties up to and including 1998/99. It has been the company's policy not to revalue fixed assets and the reserve is unwinding over a period of time as the re-valued properties are disposed of.

Hedging reserve

This reserve records movements for effective cash flow hedges measured at fair value.

Excluded component of hedge reserve

The excluded component of hedge reserve records movement in the elements of derivatives used in hedging arrangements that are excluded from the hedge relationship.

Retained earnings

Retained earnings are the accumulated profits of the Company.

18. Contingent liabilities

Whitbread Group PLC has undertaken to guarantee the lease payments of some other companies in the Group, the total committed guarantees of this type amount to £2,371.6m (2022: £1,437.9m). It also has bank and other guarantees totalling £0.1m (2022: £0.1m). The company considers it unlikely that it will be called upon to make any payments under these guarantees.

The company has additionally guaranteed liabilities of certain subsidiaries. See Note 29 to the consolidated financial statements.

19. Related parties

Details of related undertakings are shown below:

19. Related parties – active undertakings

Company name	Country of incorporation	Class of shared held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
AIRE HIEX Stuttgart Verwaltungs GmbH	Germany ³	Ordinary EUR 50,000	–	100.0	100.0
Brickwoods Limited	England ¹	Ordinary £0.25	100.0	–	100.0
Duttons Brewery Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Elm Hotel Holdings Limited	England ¹	Ordinary £0.10	–	100.0	100.0
Farringdon Scottish Partnership	Scotland ²	N/A	N/A	N/A	N/A
Healthy Retail Limited	England ¹⁸	A ordinary £0.01	100.0	–	–
		B ordinary £0.01	–	–	–
		C ordinary £0.01	–	–	–
London Hotel Holdings Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Milton (SC) 2 Limited	Scotland ²	Ordinary £1.00	100.0	–	100.0
Milton (SC) Limited	Scotland ²	Ordinary £1.00	100.0	–	100.0
Milton 1 Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Moorgate Scottish Limited Partnership	Scotland ²	N/A	N/A	N/A	N/A
PI Hotels and Restaurants Ireland Limited	Ireland ⁵	Ordinary EUR 1.00	100.0	–	–
Premier Inn (Bath Street) Limited	Jersey ⁵	Ordinary £1.00	100.0	–	100.0
Premier Inn (Guernsey) Limited	Guernsey ¹⁶	Ordinary £1.00	100.0	–	100.0
Premier Inn (Isle of Man) Limited	Isle of Man ⁴	Ordinary £1.00	100.0	–	100.0
Premier Inn (Jersey) Limited	Jersey ⁵	Ordinary £1.00	100.0	–	100.0
Premier Inn (UK) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Premier Inn AT Holding GmbH	Austria ¹⁹	Ordinary EUR 35,000	100.0	–	100.0
Premier Inn AT Immobilienbesitz GmbH	Austria ¹⁹	Ordinary EUR 35,000	–	100.0	100.0
Premier Inn AT Hotelbetriebsgesellschaft GmbH	Austria ¹⁹	Ordinary EUR 35,000	–	100.0	100.0
Premier Inn Dortmund Königswall GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Essen City Hauptbahnhof GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Flensburg City GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt City Ostbahnhof GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Glasgow Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany ⁸	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Holding GmbH	Germany ⁸	Ordinary EUR 25,000	100.0	–	100.0

Whitbread Group PLC

Notes to the company financial statements (continued)

19. Related parties – active undertakings (continued)

Company name	Country of incorporation	Class of shared held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
Premier Inn Hotel GmbH	Germany ⁸	There are no classes of shares. The total nominal share capital amounts to EUR 300 000 and is divided into two shares, one in the nominal amount of EUR 275 000 and one in the nominal amount of EUR 25 000	—	100.0	100.0
Premier Inn Hotels Limited	England ¹	Ordinary £1.00	100.0	—	100.0
Premier Inn Hotels LLC	United Arab Emirates ⁶	Ordinary AED 1,000	—	49.0	49.0
Premier Inn Hotels Qatar	Qatar ⁷	Ordinary QAR 100.00	—	49.0	49.0
Premier Inn Immo 19 GmbH	Germany ⁸	Ordinary EUR 25,000	—	—	—
Premier Inn Immo 20 GmbH	Germany ⁸	Ordinary EUR 25,000	—	—	—
Premier Inn International Development Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Premier Inn Manchester Airport Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Premier Inn Manchester Trafford Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Premier Inn Mannheim Quadrate T1 GmbH	Germany ⁸	Ordinary EUR 25,000	—	100.0	100.0
Premier Inn München Frankfurter Ring GmbH	Germany ⁸	Ordinary EUR 25,000	—	100.0	100.0
Premier Inn Ochre Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Premier Inn Rostock City Hafen GmbH	Germany ⁸	Ordinary EUR 25,000	—	100.0	100.0
Premier Inn Verwaltungsgesellschaft Süd GmbH	Germany ⁸	Ordinary EUR 50,000	—	100.0	100.0
Premier Inn Westminster Limited	England ¹	Ordinary £1.00	—	—	—
Premier Travel Inn India Limited	England ¹	Ordinary £1.00	—	100.0	100.0
PT. Whitbread Indonesia	Indonesia ¹⁰	Ordinary USD 1.00	—	100.0	100.0
PTI Middle East Limited	United Arab Emirates ¹¹	Ordinary AED 1,000	—	100.0	100.0
Silk Street Hotels Limited	England ¹	Deferred £1.00	—	100.0	99.9
		Ordinary USD 0.01	—	100.0	0.1
St Andrews Homes Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Swift Hotels Limited	England ¹	Ordinary £1.00	—	100.0	99.9
		Preference £5.00	—	100.0	0.1
T.F. Ashe & Nephew Limited	England ¹	Deferred £1.00	100.0	—	99.9
		Ordinary £0.01	100.0	—	0.1
UNA 312. Equity Management GmbH	Germany ⁸	Ordinary EUR 25,000	—	100.0	100.0
UNA 352. Equity Management GmbH	Germany ⁸	Ordinary EUR 25,000	—	100.0	100.0
Whitbread Asia Pacific Private Limited	Singapore ¹²	Ordinary SGD 1.00	—	100.0	100.0
Whitbread East Pennines Limited	England ¹	Ordinary £1.00	100.0	—	100.0
Whitbread Hotel Company Limited	England ¹	Ordinary £0.10	100.0	—	100.0
Whitbread International Sourcing Business Services (Shanghai) Co., Ltd	China ⁹	Ordinary RMB 1.00	100.0	—	100.0
Whitbread Properties Limited	England ¹	5% non-cumulative preference £0.50	100.0	—	24.9
		7% non-cumulative preference £0.25	100.0	—	16.4
		Ordinary £0.175	100.0	—	58.7
Whitbread West Pennines Limited	England ¹	Ordinary £1.00	100.0	—	100.0
WHRI Development DMCC	United Arab Emirates ¹³	Ordinary AED 1,000	100.0	—	100.0
WHRI Holding Company Limited	England ¹	Ordinary £1.00	100.0	—	100.0

19. Related parties – dormant undertakings

Company name	Country of incorporation	Class of shared held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
Advisebegin Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Alastair Campbell & Company Limited	Scotland ¹⁴	Ordinary £1.00	—	100.0	100.0
Archibald Campbell Hope & King Limited	Scotland ¹⁵	Ordinary £1.00	—	100.0	100.0
Autumn Days Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Belgrave Hotel Limited	England ¹	Ordinary £1.00	100.0	—	100.0
Belstead Brook Manor Hotel Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Brewers Fayre Limited	England ¹	Ordinary £1.00	100.0	—	100.0
Britannia Inns Limited	England ¹	Ordinary £1.00	100.0	—	100.0
Broughton Park Hotel Limited	England ¹	Ordinary £1.00	—	100.0	100.0
Carpenters of Widnes Limited	England ¹	Ordinary £0.01	100.0	—	100.0
		Deferred ordinary £1.00	100.0	—	100.0

Whitbread Group PLC

Notes to the company financial statements (continued)

19. Related parties – dormant undertakings (continued)

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
Cherwell Inns Limited	England ¹	A ordinary non-voting £1.00	100.0	–	66.7
Chiswell Overseas Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Chiswell Properties Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Churchgate Manor Hotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Country Club Hotels Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Cromwell Hotel (Stevenage)	England ¹	Ordinary £1.00	–	100.0	100.0
Cymric Hotel Company Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Danesk Limited	Scotland ¹⁴	Ordinary £1.00	100.0	–	100.0
David Williams (Builth) Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Dealend Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Delamont Freres Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Delaunay Freres Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Dome Restaurants Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Dragon Inns and Restaurants Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Dukes Head 1988 Limited	England ¹	B ordinary £1.00	100.0	–	100.0
		W ordinary £1.00	100.0	–	100.0
E. Lacon & Co., Limited	England ¹	Ordinary £1.00	100.0	–	100.0
E.B. Holdings Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Evan Evans Bevan Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Finite Hotel Systems Limited	England ¹	A ordinary £1.00	–	100.0	50.0
		B ordinary £1.00	–	100.0	50.0
Fleet Wines & Spirits Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Forest of Arden Golf and Country Club Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Gable Care Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Goodhews (Castle)	England ¹	A ordinary £1.00	–	100.0	51.0
		Ordinary £1.00	–	100.0	49.0
Goodhews (Holdings) Limited	England ¹	A ordinary £1.00	100.0	–	42.2
		B ordinary £1.00	100.0	–	42.2
		C ordinary £1.00	100.0	–	15.6
Goodhews (Inns)	England ¹	Ordinary £1.00	–	100.0	100.0
Goodhews (Restaurants)	England ¹	Ordinary £1.00	–	100.0	100.0
Goodhews B. & S. Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Goodhews Enterprises	England ¹	Ordinary £1.00	–	100.0	100.0
Goodhews Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Gough Brothers Limited	England ¹	Deferred ordinary £0.20	100.0	–	97.6
		Ordinary £0.20	100.0	–	2.4
Grosvenor Leisure Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Hammock Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Hart & Co., (Boats) Limited	England ¹	1% non-cumulative preference £1.00	–	100.0	99.0
		Ordinary £1.00	–	100.0	1.0
		1% non-cumulative preference £0.01	–	100.0	–
Harveys Leisure Promotions Limited	England ¹	A ordinary £1.00	–	100.0	70.0
		B ordinary £1.00	–	100.0	30.0
Hunter & Oliver Limited	England ¹	Ordinary £1.00	100.0	–	100.0
J. Burton (Warwick) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
J. J. Norman and Ellery Limited	England ¹	Ordinary £1.00	100.0	–	100.0
James Bell and Company Limited	England ¹	Deferred ordinary £0.25	–	100.0	96.2
		Ordinary £0.01	–	100.0	3.8
Jestbread Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Kingsmills Hotel Company Limited	Scotland ¹⁷	Ordinary £1.00	–	100.0	100.0
Lambtons Ale Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Latewise Limited	England ¹	Ordinary £1.00	53.4	–	53.4
Lawnpark Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Leisure and Retail Resources Limited	England ¹	Ordinary £1.00	–	99.6	99.6
Lloyds Avenue Catering Limited	England ¹	3% non-cumulative preference £1.00	100.0	–	50.0
		Ordinary £1.00	100.0	–	50.0
London International Hotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Lorimer & Clark, Limited	Scotland ¹⁵	Ordinary £1.00	–	100.0	100.0
Mackeson & Company Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Mackies Wine Company Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Maredrove Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Marine Hotel Porthcawl Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Marlow Catering Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Meon Valley Golf and Country Club Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Milton 2 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Morans of Bristol Limited	England ¹	Ordinary £1.00	100.0	–	100.0

Whitbread Group PLC

Notes to the company financial statements (continued)

19. Related parties – dormant undertakings (continued)

Company name	Country of incorporation	Class of shared held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
Morris's Wine Stores Limited	England ¹	Ordinary £1.00	–	100.0	5.4
		5.6% non-cumulative preference £1.00	–	100.0	94.6
New Clapton Stadium Company Limited	England ¹	Ordinary £0.05	–	100.0	100.0
Norseman Lager Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Pacific Caledonian Properties Limited	Scotland ¹¹	Ordinary £1.00	100.0	–	100.0
Percheron Properties Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Peter Dominic Limited	England ¹	Ordinary £1.00	100.0	–	100.0
PI Hotels York Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Piquant Caterers Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Pizzaland Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Premier Inn Kier Limited	England ¹	A ordinary £1.00	–	–	–
		B ordinary £1.00	–	100.0	50.0
Premier Inn Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Premier Inn Troon Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Priority Leisure Limited	England ¹	Ordinary £1.00	–	100.0	100.0
R.C. Gough and Co. Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Raybair (Northern) Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Raybair (Wine Bars) Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Respotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Rhymney Breweries Limited	England ¹	Ordinary £1.00	100.0	–	100.0
S & S Property Limited	England ¹	Ordinary £1.00	100.0	–	100.0
S.H. Ward & Company Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Salford Automatics Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Scorechance 1 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Scorechance 12 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Scorechance 17 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Scorechance 25 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Scorechance 8 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Sheffield Automatics Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Shewell Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Silk Street Hotel Liverpool Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Small & Co. (Engineering) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Small & Co. Limited	England ¹	7% cumulative preference £1.00	–	100.0	0.7
		Ordinary £1.00	–	100.0	99.3
Spring Soft Drinks Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Sproston Manor Hotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Square October 1 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Square October 2 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Square October 3 Limited	England ¹	Ordinary £1.00	–	100.0	100.0
St Andrews Homes (1995) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
St Martins Care Homes Investments Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Stoneshell Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Stripe Travel Inn Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Strong and Co. of Romsey Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Summerfields Care Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Sun Taverns Limited	England ¹	Ordinary £1.00	5.0	95.0	100.0
Sweetings (Chop House) Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Swingbridge Hotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift (Lurchrise) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift Hotels (1995) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift Hotels (Management) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift Inns and Restaurants Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift Profit Sharing Scheme Trustees Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Swift Quest Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England ¹	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England ¹	7% cumulative preference £1.00	100.0	–	90.9
		Ordinary £1.00	100.0	–	9.1
The Dominic Group Limited	England ¹	Ordinary £1.00	100.0	–	100.0
The Four Seasons Hotel Investments Limited	England ¹	8% cumulative preference A £1.00	–	100.0	33.0
		8% cumulative preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England ¹	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Limited	England ¹	Ordinary £1.00	–	100.0	100.0
The Oyster Spa Company Limited	England ¹	Ordinary £1.00	100.0	–	100.0

Whitbread Group PLC

Notes to the company financial statements (continued)

19. Related parties – dormant undertakings (continued)

Company name	Country of incorporation	Class of shared held	% of class of shares held by the parent Company	% of class of shares held by the group (if different from the parent Company)	% of nominal value (where applicable)
The Portsmouth and Brighton United Breweries Limited	England ¹	Ordinary £0.25	100.0	–	100.0
Thomas Wethered & Sons Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Threlfalls (Liverpool) & Birkenhead Limited	England ¹	Ordinary £1.00	–	100.0	–
Threlfalls (Salford) Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Trentise Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Uncle Sam's Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Virlat Limited	England ¹	Ordinary £1.00	–	100.0	100.0
W. M. Dailey Limited	England ¹	Ordinary £1.00	–	100.0	49.8
		Preference £1.00	–	100.0	49.8
		Preferred ordinary £0.01	–	100.0	0.4
W. R. Wines Limited	England ¹	Deferred £1.00	–	100.0	99.0
West Country Breweries Limited	England ¹	Deferred £1.00	–	100.0	99.0
		Ordinary £0.01	–	100.0	1.0
Wentworth Guarantee Company Limited	England ¹	N/A	N/A	–	N/A
Whitbread (Condor) Holdings Limited	England ¹	Ordinary £0.0001	82.3	17.7	100.0
Whitbread (G.C.) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Company Two Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Developments Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Devon Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Directors 1 Limited	England ¹	Ordinary £0.05	–	100.0	100.0
Whitbread Directors 2 Limited	England ¹	Ordinary £1.00	99.0	1.0	100.0
Whitbread Dunstable Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Enterprise Centre Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Finance PLC	England ¹	Ordinary £1.00	50.0	50.0	100.0
Whitbread Fremfins Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Golf and Country Club Limited	England ¹	5% non-cumulative preference £1.00	–	100.0	45.0
		A ordinary £1.00	–	100.0	55.0
Whitbread Golf Club Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Guarantee Company Two Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Hotel (Bournemouth) Limited	England ¹	Ordinary £0.05	–	100.0	100.0
Whitbread Hotels (Management) Limited	England ¹	Deferred £1.00	–	100.0	100.0
		USD 0.01	–	100.0	–
Whitbread International Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread International Trading Limited	England ¹	Ordinary £0.25	100.0	–	100.0
Whitbread Investment Company Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Investment Company Securities Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread London Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Nominees Limited	England ¹	Ordinary £1.00	50.0	50.0	100.0
Whitbread Pension Trustee Directors Company Limited	England ¹	N/A	N/A	N/A	N/A
Whitbread Pension Trustees	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Pub and Bars Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Pub Partnership Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Pub Restaurants Business Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Quest Trustee Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Restaurants (Australia) Limited	England ¹	Ordinary £1.00	100.0	–	–
		Ordinary £0.56	100.0	–	100.0
Whitbread Restaurants Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Scotland Limited	Scotland ¹⁴	Ordinary £1.00	100.0	–	100.0
Whitbread Secretaries Limited	England ¹	Ordinary £0.05	100.0	–	50.0
		4% preference £0.05	100.0	–	50.0
Whitbread Share Ownership Trustees Limited	England ¹	N/A	–	N/A	N/A
Whitbread Spa Company Limited	England ¹	Ordinary £1.00	100.0	–	–
Whitbread Sunderland (1995) Limited	England ¹	Ordinary £1.00	–	100.0	100.0
Whitbread Sunderland 2 Limited	England ¹	Ordinary £1.00	–	100.0	57.0
		5.6% non-cumulative preference £1.00	–	100.0	43.0
Whitbread Sunderland Limited	England ¹	Ordinary £5.00	–	100.0	50.0
		Preference £5.00	–	100.0	50.0
Whitbread Trafalgar Properties Limited	England ¹	A ordinary £1.00	100.0	–	50.0
		B ordinary £1.00	100.0	–	50.0
Whitbread UK Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Wales Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Whitbread Wessex Limited	England ¹	Ordinary £1.00	100.0	–	100.0
White Cross Films Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Wiggin Tree Limited	England ¹	Ordinary £1.00	100.0	–	100.0
Willhouse Limited	England ¹	Deferred £1.00	–	100.0	50.0
		Q ordinary £1.00	–	100.0	25.0
		W ordinary £1.00	–	100.0	25.0
William Overy Crane Hire Limited	England ¹	Ordinary £1.00	–	100.0	100.0

Whitbread Group PLC

Notes to the company financial statements (continued)

19 Related parties (continued)

The registered office of the above companies is as follows:

- 1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE.
- 2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.
- 3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland.
- 4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man.
- 5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey.
- 6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates.
- 7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar.
- 8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany.
- 9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China.
- 10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia.
- 11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates.
- 12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore.
- 13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates.
- 14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland.
- 15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland.
- 16 11 New St, Guernsey GY1 3EG, Guernsey.
- 17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EH12 8NF, Scotland.
- 18 100 Moorgate, London, England, EC2M 6AB.
- 19 Hegelgasse 13, 1010 Wien, Austria.

20 Parent undertaking

The immediate and ultimate parent undertaking is Whitbread PLC, registered in England and Wales.

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

21 Events after the balance sheet date

Post balance sheet events likely to impact the company are set out within Note 33 to the consolidated financial statements.