Registration number: 00029423

Whitbread Group PLC

Annual Report and Financial Statements

For the year ended 3 March 2022

Contents

Company information

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Strategic report

Introduction

These consolidated financial statements represent Whitbread Group PLC and all its subsidiaries ('Group'). Whitbread has emerged from the COVID-19 pandemic in a position of strength, bouncing back strongly in the year and returning to profitability.

Our unique vertically integrated operating model gives us a sustainable platform to outperform in the structurally attractive markets in which we operate, built on our scale, brand strength, direct distribution and our leading customer offering. We have a long track-record of generating a strong return on capital for our shareholders, all the while staying true to our Force for Good ambitions.

Our trading momentum in the UK is strong, and we are rapidly expanding our footprint in Germany. We enter the year ahead in a strong position to succeed.

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

Premier Inn currently operates 800+ hotels in the UK (82,200 rooms) and is looking to continue its expansion into Germany through a combination of organic growth and acquisitions. It currently has a German pipeline of 8,454 rooms across key cities. Further details can be found in the Strategic Report of the Annual Report and Accounts of Whitbread PLC for the year ended 3 March 2022. The financial year represents the 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

Business Review

Group adjusted* loss before tax was £55.7m (2020/21: loss of £663.4m). Group statutory profit for the year was £11.6m (2020/21: loss of £930.9m).

At 3 March 2022, net debt* was £140.5m (2020/21: net debt of £46.5m).

Liquidity and debt funding facilities

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

Following the release of the Ultimate Parent Group's financial statements, the Group notified its lending banks of its intention to remove the covenant waivers that existed on its revolving credit facility, and issued a compliance certificate to reinstate the original covenants, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x
Adjusted EBITDA[1]/Interest[1] >3.0x

On 25 May 2022, the Group signed a new Revolving Credit Facility Agreement, which contains one financial covenant ratio, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x

The Revolving Credit Facility which at year end was £850.0m, was replaced on 25 May 2022 as the Group signed a new 5 year £775.0m multicurrency Revolving Credit Facility Agreement. During the year, £200.0m US private placement notes were repaid on 26 March 2021, with £25m US private placement notes repaid on 6 September 2021 and the remaining US private placement notes of USD93.5m (£58.5m) repaid on 14 December 2021. There are now no outstanding US private placements.

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

* Alternative performance measure – see page 10 for further detail

[1] The covenant measures are calculated pre-IFRS 16

Strategic report (continued)

Premier Inn UK
Premier Inn UK statutory revenue was 189.0% ahead of FY21 and 18.6% down compared to FY20, with H1 statutory revenues *down 39.4% versus FY20, improving to up 4.3% in H2. The FY22 financial year is a 53 week period ended 3 March 2022,* whereas the FY21 is a 52 week period. Percentage comparisons are on a 53 week versus 52 week basis unless stated otherwise. On a 52-week basis, total accommodation sales were 190.8% ahead of FY21, and down 13.9% compared to FY20 (H1 down 33.1%, H2 ahead 7.9%).

COVID restrictions materially impacted the performance of the UK business during the first half of the year. Only essential business guests were permitted to stay overnight until 17 May 2021, at which point overnight leisure stays were permitted. Our restaurants were also not permitted to open for indoor service until the same date, with the majority remaining temporarily closed until then. Our hotels and restaurants then operated largely restriction-free from 19 July, driving a strong improvement in revenues from that date.

Leisure demand in the UK Regions was strong post 17 May 2021 and throughout the rest of the financial year, with tradespeople business demand also resilient throughout. Office-based business demand remained behind pre-COVID levels, largely reflecting the various work-from-home guidelines that were in place during the year.

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

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

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

On a 52-week basis, total food and beverage sales were 163.4% ahead of FY21 and down 32.7% compared to FY20 (H1 down 51.2%, H2 down 13.3%) with the vast majority of the estate only reopening on 17 May 2021. The overall value pub and restaurant sector's recovery has been slower than other restaurant sectors, and greater impacted in Q4 by the impact of the Omicron variant. New menus, enhanced drinks offering, and improved digital marketing will help drive an improvement in Premier Inn food and beverage sales into FY23.

Other income of £70.1m reflects a £62.0m benefit from the Coronavirus Job Retention Scheme ("CJRS") and other wage support schemes in Ireland and Jersey and an £8.2m benefit from other grants. The Group ceased claiming under the CJRS in May 2021 following the full reopening of our hotels and restaurants. Operating costs of £1,248.6m were in-line with expectations and 44.9% higher than FY21, driven by the impact of estate growth, an increase in revenue related variable costs (primarily food and beverage costs of sales), lower levels of the Government's business rates benefit and partly offset by cost efficiencies.

Strategic report (continued)

Premier Inn Germany
Premier Inn's aim is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of the UK business. Our current open and committed pipeline of 14,329 rooms in Germany equates to around 1% share of the market in 2019 (compared to c.11% in the UK). We continue to grow our German pipeline and believe we have a long-term line of sight to over 60,000 rooms, which would equate to around 6% market share, still only around half of that achieved in the UK. This growth will be achieved through both organic and inorganic investment.

Total statutory revenue in Germany was up 206.1% compared to FY21 driven by the growth in the size of the hotel estate (FY20: down 2.5% with the impact of COVID-restrictions offsetting the material growth in the size of the hotel estate). COVID restrictions in Germany are administered through a complex framework of national and federal guidelines, resulting in more wide-ranging restrictions than in the UK, both in terms of nature and duration during the year.

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

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

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

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

Future likely developments
For details of these please refer to the likely future 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. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, 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 and managed through the risk management framework as appropriate. The principal risks identified, together with a summary of key mitigations are summarised below.

[1] **Strategic priorities key:**
- 01 – innovate and grow in our core UK business
- 02 – focus on our strengths to grow internationally
- 03 – enhance our capability to support long term growth

Strategic report (continued)

Risk	Key mitigations	Strategic priorities[1]	Risk appetite	Movement vs prior year
Pandemic It is still uncertain how future variants and outbreaks, vaccine efficacy and resulting restrictions will continue to impact the hospitality sector, resulting in a longer-term decline in returns and cash flow, along with increasing tax burden following the end of Government support packages. The extended crisis mode puts additional pressure on organisational resilience, increasing health and safety risks to customers and employees whilst applying significant stress and fatigue to the leadership team.	›Safeguarding the wellbeing of our guests and team members is our priority, with regular monitoring to ensure compliance with updates to Government guidelines and flexibility of hybrid working where possible. ›We continue to perform extensive scenario modelling to assess the impact of the pandemic on our financial facilities, borrowing costs and balance sheet. This, coupled with our agile forward thinking, allows us to make informed decisions which maintain headroom whilst optimising commercial opportunities. ›Rigorous capital and cost controls are in place across the business to ensure we can react to the level of demand in the market.	01.02.03	N/A	No change
Uncertain economic recovery Uncertainty remains for UK and Germany economic recovery, with the threat of a recession, whilst also recognising the impact from wider macroeconomic trends and current geopolitical conflicts. This is resulting in changeable demand, public and consumer confidence; structural and significant inflation impacting our cost base across wages, utilities, food costs and construction materials with further potential increases in services; leading to an 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.	›We have implemented a measured UK expansion plan until the economic environment is more certain. This is supplemented with rigorous business planning processes considering many scenarios and appropriate responses. ›We have updated our international sourcing strategy to include more focus on our local supplier base and warehousing in Germany to minimise supply chain disruption. ›We continue to make good progress with our efficiency programme and maintain rigorous discipline over our capital and cost spend, partly offsetting inflationary and demand led pressures. ›Our established control framework allows for close monitoring of discretionary spend, capital, and M&A spend. ›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. ›Our People strategy is reviewed regularly to address labour issues and ensure disruption to operations is minimised.	01.02	N/A	Increased due to economic uncertainty and disruption caused by COVID-19 and the current geopolitical climate
Cyber and data security Cyber and data security remains a key risk as technology and third-party cloud-based services continue to be subject to the threat of cyber-attacks. A data breach or attack resulting in operational disruption could reduce the effectiveness of our systems. This in turn could result in loss of income, loss of financial, customer or employee data, fines and/or reputational damage.	›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 anti-virus 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. ›Several transformation programmes in place reviewing and updating key systems to ensure these are providing the best possible support for our operations. ›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.	03	Low	Increased due to the heightened external threats

Strategic report (continued)

Risk	Key mitigations	Strategic priorities[1]	Risk appetite	Movement vs prior year
Structural shifts It is still unclear whether the changes in working practices, utilising online meeting technology and the resulting reduction in business and international travel is a permanent or long-term structural shift. In addition, the threat from disruptors could result in a reduction in customer demand and Premier Inn brand strength. The combined impact of these factors presents a risk to market share, returns, cash flow, and property asset valuations, particularly of sites located in metropolitan areas.	›We perform extensive top-line 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 forwards. ›To help offset potential structural shifts, we have a robust commercial and customer plan targeting new customers and distribution partners and 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. Our customer and trading committees track customer feedback, satisfaction and brank index allowing a focused approach to improvement. ›We are also taking a measured approach to further expansion, beyond our existing pipeline, until the environment is more certain, with our focus shifting to lower-risk market share trading initiatives.	01,02,03	N/A	No change
Germany growth The risk that international expansion in Germany is impacted by the uncertain German economic climate or failure to achieve a flexible operating model, impacting our ability to build the Premier Inn brand, deliver market growth assumptions and level of return in a timeframe that satisfies stakeholder expectations whilst recognising the significant amount of capital now invested. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.	›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 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 whilst complying with local country requirements. ›A monthly executive meeting reviews the German business in detail, including financial performance, customer feedback, marketing, operations, people, capital and property plans.	02	High	No change
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 the high volume of change. This particularly refers to the replacement of the legacy CRM system in the next two years, our IT network across the estate, other commercial and people technology driven transformation programmes; and Germany expansion whilst embedding new teams and ways of working.	›To help ensure the successful delivery of change projects, we have enhanced our internal project delivery expertise and capability and put in place a standard assurance management framework. ›Regular reporting to the Executive Committee and Board is provided as part of the framework, ensuring an appropriate level of governance is maintained and dependencies are aligned. ›We have made significant progress towards delivering our key strategic programmes successfully, including both the replacement of our legacy CRM system and replacement of our IT network. In addition, we have managed agile and efficient implementation of all the operational changes required during the pandemic.	01,02,03	High	Increased due to criticality, complexities and high volume of changes for this year

Strategic report (continued)

Risk	Key mitigations	Strategic priorities[1]	Risk appetite	Movement vs prior year
Leadership, succession and talent retention The macro labour market's structural changes could potentially impact the hospitality sector more adversely as currently it is not considered an attractive employer. This is compounded by immigration regulations for specific roles such as chefs and housekeeping, along with the transferability of functional expertise, especially in the Technology, Finance 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.	〉The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey and invest in ongoing development, wellbeing and engagement and programmes such as Leading the Whitbread Way. 〉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. 〉The Nomination Committee reviews long-term succession plans for the Executive Committee and their direct reports, in both the UK and Germany, recognising the importance of both emergency and longer-term succession plans for the successful continuity of the 〉business. 〉Pay reviews across operations ensure that our employee offering remains current, with the latest pay review resulting in wage increases for our hourly paid employees. 〉We are working to recruit new resource directly, scaling up employer brand proof points, leveraging social media where appropriate, and ensuring we access all Government schemes to bridge displaced or disadvantaged opportunities within our operations. 〉We champion inclusivity across the organisation and are looking to improve diversity. We have eight commitments designed to drive greater diversity through our recruitment and talent management, and to promote an even more inclusive environment through continuing education and sponsorship of relevant networks and forums.	01	Medium	Increased due to tightening labour market and potential difficulties in attracting talent into hospitality in current climate
Third-party arrangements and supply chain rigour Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including cloud systems, 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. The risk of supplier failure is increased in specific markets due to the consolidated nature reducing options and contingency in place.	〉We continually review our suppliers and business continuity arrangements with focus on continuity plans in place for critical suppliers. 〉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. 〉Monitoring is performed through our supplier management arrangements, including regular reviews against predetermined key performance indicators, ensuring our supplier base remains optimal. 〉Our international sourcing strategy focuses on local suppliers to minimise potential delays and administrative burden resultant from trade regulations, whilst our warehouse in Germany gives us the option to route products used for construction and operation of hotels directly into the German market rather than via the UK.	02,03	Medium	Increased due to external economic and geopolitical factors including Brexit and COVID-19

Strategic report (continued)

Risk	Key mitigations	Strategic priorities[1]	Risk appetite	Movement vs prior year
Health and safety The risk of death or serious injury as a result of Company negligence or a significant failure resulting from food, fire, terrorism or another significant safety failure. This could be due to a failure in safety standards, supply chain provenance, responsible sourcing or 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.	›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. ›Independent audits over key suppliers in our chain are performed to ensure supplier practices conform with all relevant health and safety requirements. ›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.	01,02,03	Low	No change
Environmental, Social and Governance Uncertainty as to how these collective risks, including climate change, will evolve and the expectations of our wide stakeholder group to deliver on our commitments and embed within the business model wholly, could impact our reputation and performance.	›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.	01,02,03	N/A	New risk

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 plc considers the interests of the Group's employees and other stakeholders.

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

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

The directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company and the wider Group. When making decisions, the interests of any key relevant stakeholders will always be considered by Whitbread PLC's Executive Committee, including employees, suppliers, customers, the community and the environment.

Some examples of how the Board considers these groups during 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.
- The Chief Financial Officer's report gives details on recent interactions with lenders/bondholders and Pension Trustees discussions, and qualitative feedback on specific concerns.
- The Chief People Officer's report gives details of all relevant employee-related matters, including feedback from the 'Our Voice' forums.
- The General Counsel's report contains an update of key developments on the Force for Good agenda, including work in the community, charitable fundraising, the environment, plastics and food waste. It also includes best practice guidance on section 172 compliance.
- The Chief Executive's report gives details of any relevant interaction with Government or regulators, and key issues with suppliers and landlords.

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 engages with key stakeholders can be found below.

Employees

› The Board delegates overall reward and remuneration structures to the Remuneration Committee. The Committee considers the wider workforce pay alongside executive remuneration. Annual pay rises for executives are reviewed in the context of the treatment of the wider workforce.

› The Board receives monthly data in the monthly KPI pack regarding team retention, and the monthly data is considered carefully.

› The Chief Executive in their report specifically mentions team retention and reward strategies, and makes proposals for approval.

› Over the year, the Board has approved specific retention packages for key team members, e.g. kitchen teams and housekeeping teams, and has approved increases in hourly pay over and above the National Living Wage for hourly paid team members.

› '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.

› 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. Read more on page 40.

› Diversity and Inclusion is considered as part of all Board appointments. This is guided by the Board Diversity Policy, which was introduced in 2021. In addition, Whitbread was recognised with a Gold Award for Excellence in the Stonewall Workplace Equality Index 2022 and has won the Top Employers Institute Award for 12 consecutive years.

› The Board considers succession plans for key team members across the business.

› 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 Board receives data on customer satisfaction scores each month
- The Board receives a monthly report on commercial, pricing and operational performance each month
- Quarterly, including as part of the strategy day presentations, deep dives are provided into pricing and commercial strategies in the UK and Germany
- The Board approves the refurbishment, and repairs and maintenance programmes, and has insisted on a programme of investment through a cycle in which the business has been challenged, to make sure that the portfolio is in the best condition possible for customers
- The Board considers room innovations periodically, e.g. Premier Plus rooms, twin rooms
- The Board considers marketing campaigns and digital strategies
- Innovations in menu choices have been presented to the Board and the Board ensures that healthy and nutritious choices are provided for all customers
- The Remuneration Committee 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 Board has received regular updates on issues such as shortages of supply, the impact on the business and on other stakeholders, and cost inflation, and strategies to tackle each
- The Board has received deep dives into certain suppliers, for example technology partners
- The Board approves a Modern Slavery Act Statement each year
- The 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 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 Board has approved the delivery of over 500,000 meals to FareShare, a charity which delivers food which would otherwise be wasted, to foodbanks

Communities and the environment

- The Board has received presentations regarding our sustainability programme, Force for Good, and has challenged the targets which were proposed
- The Board receives monthly updates on key developments in the Force for Good programme
- The Board 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 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.
- Our 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 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 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.
- The Board receives presentations in relation to pension issues, including regarding the funding position, triennial valuation and investment performance.
- During the year, the 31 March 2020 funding valuation was completed and, as part of the valuation discussion, it was agreed to make changes to the security package that supports the pension scheme. This involved the removal of an EBITDA-related covenant and an increase to the property security that the Trustee holds.

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 55 of the Annual Report and Accounts of Whitbread PLC (the immediate and ultimate parent company) for the year ended 3 March 2022. The table below shows the consolidated financial key performance indicators of Whitbread Group PLC.

		2021/22	2020/21
Revenue growth*	%	189.0%	(71.5)%
Revenue	£m	1,703.4	589.4
Profit /(loss) before tax	£m	18.3	(1,035.7)
Adjusted loss before tax*	£m	(55.7)	(663.4)
Total rooms - UK and Ireland	No.	82.200	78,700
Premier Inn UK occupancy	%	68%	29%

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 measuresin 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 23 August 2022 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 3 March 2022.

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 (2020/21: £nil). No further dividends were proposed (2020/21: £nil).

Directors

The directors who served during the year were:

- M Anderson
- A J Brittain
- L H Smalley (resigned 23 July 2021)
- R M Howarth (appointed 23 July 2021)
- N T Cadbury (resigned 22 March 2022)
- H K Patel (appointed 22 March 2022)

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 3 March 2022.

Political donations

No political donations were made during the year (2020/21: £nil).

Future likely developments

The Group remains committed to pursuing its ambitious growth milestones. The plan is to grow Premier Inn UK rooms from 82,200 at the year-end with around 8,300 rooms in a committed UK pipeline. The Group's ambition is to reach 110,000 rooms in the UK. Further market share gains are expected as a result of the enhanced structural opportunities from the independent sector. The independent sector has been in long-term decline as customers migrate from independent to budget branded hotels, which is expected to accelerate as a result of the COVID-19 pandemic. We are well placed to capitalise on the expected contraction in competitor supply and to take market share.

In Germany, Premier Inn has an estate of 5,875 rooms, with a committed pipeline of 8,454 rooms and line of sight of 60,000 rooms. Our aim is to be the number one budget hotel operator in Germany, by leveraging the strengths and capabilities of the UK business. The key focus in Germany is continuing to grow Premier Inn's presence across major towns and cities. We look to replicate the success achieved in the UK market through building our brand presence and delivering a winning customer proposition.

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 3 March 2022.

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 3 March 2022 were approved and authorised by the Board of directors on 23 August 2022.

On behalf of the board

Hemant Patel
Chief Financial Officer

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and Accounts 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 are required to prepare the group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The directors have also 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in its business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS 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
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in its business.

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 Accounts, 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 3 March 2022 and of the Group's loss for the 53 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 statements of changes in equity;
- the Consolidated and Parent Company balance sheets;
- 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

<table>
<tr><td>Key audit matters</td><td>The key audit matters that we identified in the current year were:
• Impairment and impairment reversals of property, plant and equipment and right-of-use assets; and
• Recognition of UK and Germany government grants
Within this report, key audit matters are identified as follows:
Newly identified
Increased level of risk
Similar level of risk
Decreased level of risk</td></tr>
<tr><td>Materiality</td><td>The materiality that we used for the Group financial statements was £16.0 million (2021: £16.0 million) which was determined based on 0.57% of net assets. The materiality that we used for the Company only financial statements was £15.2m which was determined based on 0.63% of net assets.</td></tr>
<tr><td>Scoping</td><td>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.
These locations represent the principal business units and account for 96% of the Group's revenues and 92% of the Group's net assets.</td></tr>
<tr><td>Significant changes in our approach</td><td>The following changes have been made to our approach for the following key audit matters:
• Impairment and impairment reversals of property, plant and equipment and right-of-use assets – There continues to be significant judgement and complexity in the cash flow forecasting required for the impairment reviews required under IAS 36 Impairment of Assets. Given the recovery of demand in the industry during the period, we have extended the scope of our work to include the appropriateness of any potential reversal of impairments on previously impaired sites.
• 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, through the Coronavirus Job Retention Scheme. In the current period we have extended the scope of work to include government grants received in Germany as well as the UK.
Our 2021/22 audit report no longer includes the following as key audit matters:</td></tr>
</table>

- *Going concern* – Due to the continued market recovery during the period, we do not consider the assessment of the use of the going concern basis of accounting to be as complex for the current period compared to the prior period.

Impairment of goodwill relating to the Germany cash generating unit – The full goodwill amount relating to the Germany cash generating unit was impaired in the prior period and therefore is not considered relevant for the current period.

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 confirmation of the financing facilities including nature of facilities, repayment terms and covenants;
- assessed the reasonableness of the assumptions used in management's three-year business plans including the base case scenario, severe but plausible scenario, and reverse stress test scenario;
- challenged the continued appropriateness of assumptions in the three-year business plans given the recent high inflationary environment;
- *tested the clerical accuracy and assessed the models used to prepare the business plans; this work* included obtaining an understanding of the relevant controls over management's model;
- considered the amount of headroom in the business plans with regards to liquidity and covenants;
- assessed the sensitivity of the headroom in management's business plans; and
- assessed the appropriateness of the Group's disclosure concerning the going concern basis.

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.

Key audit matter description	As described in Note 14 (Impairment), Note 13 (Property, plant and equipment) and Note 21 (Lease arrangements) of the financial statements, the Group held £4,227.1 million (2021: £4,213.1.0 million) of Property, plant and equipment and £3,267.6 million (2021: £2,738.4 million) of Right-of-use assets at 3 March 2022. 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, an impairment of £97.9 million was recognised as a result of the expected impact of the COVID-19 pandemic on short-term and longer term cash flows, which are key assumptions in the impairment assessment. In the current year, there continues to be significant judgement and complexity in the cash flow forecasting given the ongoing impact of the COVID-19 pandemic. The recovery of cash flow forecasts across some sites during the year means the Group is also required to consider if any reversal of impairment losses previously recognised is required. In the current year, the Group has recognised an impairment of £10.5 million as well as impairment reversals of £52.5 million. 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). There are several judgements in assessing the appropriate valuation, which are set out below: • Determining the cash-generating units (CGUs) that show indicators of impairment or impairment reversal. A CGU is determined to be each individual trading outlet; • Calculation of the appropriate discount and long-term growth rates; • Estimates of future trading earnings and cash flow projections, including the recovery profile post COVID-19; • Assessing the future growth profile of sites which have not yet reached maturity; • 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. The Group's accounting policy on impairment and key sources of estimation uncertainty in relation to impairment testing are set out in Note 2.

How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: • Obtained an understanding of the key controls relating to the impairment review process and determination of cash flow forecasts; • Challenged 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 in conjunction with 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, external market data (such as industry forecasts); we worked with our industry specialists to help inform our challenge, particularly focusing on the expected recovery for FY23 as COVID-19 restrictions are eased, and longer term expectations; • Performed testing on a sample of sites where impairment had been recognised, sites where impairment had been indicators 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 challenged the appropriateness of Group-wide forecasts being applied; • Assessed the sensitivity analysis performed by management and challenged how this correlated with the downside scenarios modelled by the Board (consistent with the going concern assessment); 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.

Key audit matter description	As described in Note 9 (Government grants and assistance), during the year, the Group received government support designed to mitigate the impact of COVID-19. In the UK, the Government has provided funding towards the salary costs of employees who have been furloughed through the Coronavirus Job Retention Scheme ("CJRS"). In Germany, the Government has provided reimbursement of

	eligible fixed costs incurred by entities impacted by COVID-19 through the Corona Bridging Aid for Small and Medium-Sized Enterprises. This government funding meets the definition of a government grant under IAS 20 *Government Grants* and a total of £113.8 million (2021: £153.4 million) has been recorded within Other Income. IAS 20 requires that government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that: (a) the entity will comply with the conditions attaching to them; and (b) the grants will be received. The application of the rules of both the UK and Germany government funding schemes is complex. Additionally there is a risk that income is not recorded in the correct period (when the IAS 20 recognition criteria is met). Management has engaged external advisors to review a sample of the UK submitted claims to assess the accuracy of the calculations and the application of the scheme rules. Under IAS 20, there is a choice to account for the grant as Other Income or net of costs. Management has concluded that the clearest presentation is as Other Income. Furthermore, as described in the Accounting Policies (Note 2), the classification and presentation of income and costs as Adjusting items in the Income Statement (to derive 'Adjusted profit before tax' and other adjusted measures) is a judgement and not a requirement of IFRS. Judgement is exercised by management in determining the classification of items as adjusting. Management has determined that the government grants do not meet the definition of an adjusting item on the basis that the funding is compensation for costs that form part of the normal operations of the business. Similarly, the costs for which the government grants compensate have not been classified as adjusting and therefore the related income has not been classified as an adjusting item. We consider the recognition of UK and Germany government grants to be a key audit matter.
How the scope of our audit responded to the key audit matter	In responding to the identified key audit matter, we completed the following audit procedures: • Obtained an understanding of the relevant controls in place and the process that management followed in calculating, accounting for and presenting the government grants; • In understanding the process, reviewed the external advisor's reports and *evaluated any observations from the reports and management's responses* to them; • With input from our specialists, selected a sample of models used to determine the grant claims and challenged the approach to calculating claims and the application of the scheme rules;

	• With input from our specialists, recalculated a sample of claims to assess whether eligibility conditions have been met and the calculations are accurate; • Traced a sample of claims to underlying payroll records and traced all cash received to support; • Reviewed correspondence between management and the relevant government authorities; • Assessed whether the disclosures are in line with IAS 20 Government Grants requirements; • Challenged management on the judgement exercised in classifying the government grant income as a non-adjusting item; and • Evaluated the status of claims spanning the year-end including assessing the likelihood of challenge for claims not yet formally approved, in order to determine whether these have been accounted for correctly as at 3 March 2022.
Key observations	Where management has applied judgement in the interpretation of the scheme rules, we are satisfied that the judgments are reasonable. We consider the accounting for balances at the balance sheet date to be reasonable. We are satisfied that the recognition of UK and Germany government grants is appropriate.

6. Our application of materiality

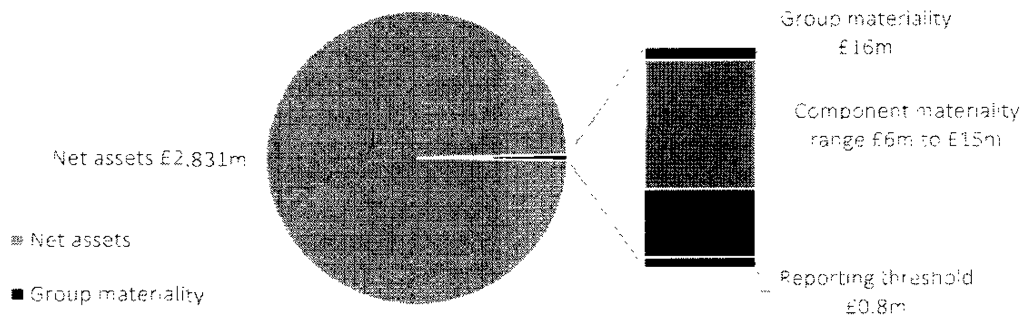
6.1. Materiality

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	£16.0 million (2021: £16.0 million)	£15.2 million (2021: £6.4 million)
Basis for determining materiality	We have determined materiality to be £16.0 million, which represents 0.57% (2021: 0.62%) of net assets. This approach was consistent with the prior year.	Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 95% of group materiality. The increase in the cap was due to decreased complexity and uncertainty associated with the impact of the COVID-19 pandemic compared to the prior year.

Rationale for the benchmark applied	In determining our benchmark for materiality we considered the impact of COVID-19 on the financial performance and position of the Group in the current year, as well as the focus of the users of the financial statements. After due consideration, we determined that net assets was the most appropriate benchmark to use, consistent with the prior year.	As well as trading, the parent company primarily acts as holding company and financing entity for the wider Whitbread PLC 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 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% (2021: 65%) of Group materiality	70% (2021: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality for both the Group and the Parent Company, we considered the following factors: • Our risk assessment, including our assessment of the Group's overall control environment; • Our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods; and • The decreased complexity and uncertainty associated with the impact of the COVID-19 pandemic on the financial statements compared to the prior year.	

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 £0.8 million (2021: £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.

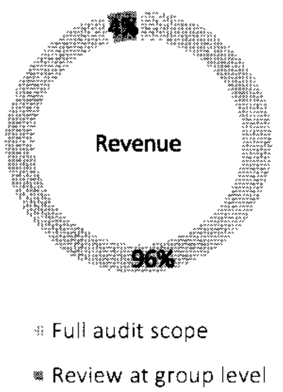
7. An overview of the scope of our audit

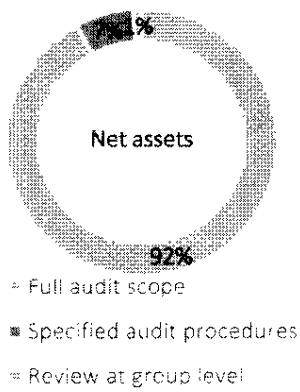
7.1. Identification and scoping of components

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 Germany business. This work was performed by the Group Audit team, with the assistance of component auditors in Germany.

At the Group level, we also tested the consolidation process and carried out analytical 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.

We performed testing of 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 control 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. Where control deficiencies were identified during our testing, we were able to identify and test mitigating controls. 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.

As described on page [81] of the Audit Committee report, during the year management presented a review to the Committee of the controls over the processes for determining the valuation of deferred tax assets and liabilities. This included a review of controls implemented during the year as well as plans to embed further enhancements in the wider tax processes during the coming year. We performed walkthrough procedures to determine whether the controls implemented in the year were effectively designed.

7.3 Our Consideration of climate-related risks

As described on pages 48 and 49 of the Whitbread PLC accounts, the Group has assessed the risks and opportunities associated with various future climate-related scenarios. The Group's 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 Group's assessment of the impact of these risks and the opportunities on the financial statements and their conclusion that there is no material impact on the carrying value of the Group's assets and liabilities at the balance sheet date as described in note 2 and note 14. We also read the full TCFD report to consider whether it is materiality consistent with the financial statements and our knowledge obtained in the audit.

7.3. 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 report on pages 3 to 10, directors report on pages 13 to 14, 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 areas: 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 frameworks 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,, pension legislation and UK and overseas tax legislation, including that associated with government support schemes available as a result of COVID-19.

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 and in-house legal 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 this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

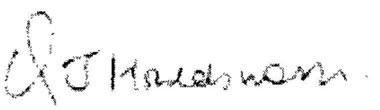
Following the recommendation by the board of directors of Whitbread Group PLC, we were appointed by the members on 21 June 2015 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 3 March 2016 to 3 March 2022.

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

23 August 2022

Consolidated income statement
Year ended 3 March 2022

	Notes	**53 weeks to 3 March 2022** Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m	52 weeks to 25 February 2021 Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Continuing operations							
Revenue	3	**1,703.4**	**-**	**1,703.4**	588.9	0.5	589.4
Other income	4	**122.4**	**8.7**	**131.1**	161.8	6.3	168.1
Operating costs	5	**(1,669.6)**	**65.3**	**(1,604.3)**	(1,230.3)	(351.7)	(1,582.0)
Impairment of loans to joint ventures	15	**(1.8)**	**-**	**(1.8)**	-	(5.8)	(5.8)
Operating profit/(loss) before joint ventures		**154.4**	**74.0**	**228.4**	(479.6)	(350.7)	(830.3)
Share of profit/(loss) from joint ventures	15	**0.4**	**-**	**0.4**	(6.0)	(1.7)	(7.7)
Operating profit/(loss)		**154.8**	**74.0**	**228.8**	(485.6)	(352.4)	(838.0)
Finance costs	8	**(215.0)**	**-**	**(215.0)**	(183.2)	(21.2)	(204.4)
Finance income	8	**4.5**	**-**	**4.5**	5.4	1.3	6.7
(Loss)/profit before tax		**(55.7)**	**74.0**	**18.3**	(663.4)	(372.3)	(1,035.7)
Tax credit/(expense)	10	**17.8**	**(24.5)**	**(6.7)**	98.0	6.8	104.8
(Loss)/profit for the year attributable to parent shareholders		**(37.9)**	**49.5**	**11.6**	(565.4)	(365.5)	(930.9)

Consolidated statement of comprehensive income
Year ended 3 March 2022

	Notes	**53 weeks to 3 March 2022 £m**	52 weeks to 25 February 2021 £m
Profit/(loss) for the year		**11.6**	(930.9)
Items that will not be reclassified to the income statement:			
Re-measurement gain/(loss) on defined benefit pension scheme	31	**318.8**	(16.3)
Current tax on defined benefit pension scheme	10	-	0.4
Deferred tax on defined benefit pension scheme	10	**(88.0)**	(2.4)
		230.8	(18.3)
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges	24	**2.4**	2.3
Deferred tax on cash flow hedges	10	**(0.5)**	(0.6)
Net gain/(loss) on hedge of a net investment	24	**9.0**	(8.5)
Deferred tax on net (gain)/loss on hedge of a net investment	10	**(0.8)**	0.8
Cost of hedging	24	**2.5**	-
		12.6	(6.0)
Exchange differences on translation of foreign operations		**(16.0)**	19.3
Deferred tax on exchange differences on translation of foreign operations		**2.7**	(1.5)
		(13.3)	17.8
Other comprehensive income/(loss) for the year, net of tax		**230.1**	(6.5)
Total comprehensive income/(loss) for the year, net of tax		**241.7**	(937.4)

Consolidated statement of changes in equity

Year ended 3 March 2022

	Share capital £m	Share premium £m	Retained earnings £m	Currency translation reserve £m	Hedging reserve £m	Total £m
At 27 February 2020	133.7	207.7	3,145.7	18.6	(3.6)	3,502.1
Loss for the year	-	-	(930.9)	-	-	(930.9)
Other comprehensive income	-	-	(18.3)	10.1	1.7	(6.5)
Total comprehensive income	-	-	(949.2)	10.1	1.7	(937.4)
Accrued share based payments (Note 30)	-	-	14.0	-	-	14.0
Tax on share-based payments	-	-	(1.9)	-	-	(1.9)
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**

Consolidated balance sheet

At 3 March 2022

	Notes	3 March 2022 £m	25 February 2021 £m
Non-current assets			
Intangible assets	12	**159.3**	159.1
Right-of-use assets – property, plant and equipment	21	**3,267.6**	2,738.4
Right-of-use assets – investment property	21	**-**	65.0
Property, plant and equipment	13	**4,227.1**	4,213.1
Investment property	13	**-**	21.6
Investment in joint ventures	15	**41.1**	37.3
Derivative financial instruments	24	**15.8**	6.6
Defined benefit pension surplus	31	**522.6**	188.0
		8,233.5	7,429.1
Current assets			
Inventories	16	**19.4**	12.1
Derivative financial instruments	24	**-**	8.2
Current tax asset	10	**7.6**	2.2
Trade and other receivables	17	**116.4**	74.2
Cash and cash equivalents	18	**1,132.4**	1,256.0
		1,275.8	1,352.7
Assets classified as held for sale	13	**64.8**	19.0
Total assets		**9,574.1**	8,800.8
Current liabilities			
Borrowings	19	**-**	312.0
Lease liabilities	21	**129.3**	112.1
Provisions	22	**19.6**	30.5
Derivative financial instruments	24	**-**	2.4
Trade and other payables	25	**1,865.9**	1,575.3
		2,014.8	2,032.3
Non-current liabilities			
Borrowings	19	**991.9**	990.5
Lease liabilities	21	**3,572.5**	3,119.5
Provisions	22	**11.7**	9.0
Deferred tax liabilities	10	**150.8**	47.0
Trade and other payables	25	**1.2**	25.7
		4,728.1	4,191.7
Total liabilities		**6,742.9**	6,224.0
Net assets		**2,831.2**	2,576.8
Equity			
Share capital	26	**133.7**	133.7
Share premium	27	**207.7**	207.7
Retained earnings	27	**2,463.7**	2,208.6
Currency translation reserve	27	**24.3**	28.7
Other reserves	27	**1.8**	(1.9)
Total equity		**2,831.2**	2,576.8

Hemant Patel
Chief Financial Officer

23 August 2022

Consolidated cash flow statement

Year ended 3 March 2022

	Notes	53 weeks to 3 March 2022 £m	52 weeks to 25 February 2021 £m
Cash generated/(used in) from operations	28	**695.2**	(225.9)
Payments against provisions		**(18.9)**	(24.4)
Pension payments		**(14.8)**	(14.8)
Interest paid – lease liabilities		**(133.2)**	(123.2)
Interest paid – other		**(20.2)**	(22.0)
Interest received		**2.2**	1.2
Corporation taxes received/paid		**(0.1)**	19.1
Net cash flows from/(used in) operating activities		**510.2**	(390.0)
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment and investment properties	3	**(200.4)**	(217.4)
Proceeds from disposal of property, plant and equipment		**56.4**	2.6
Investment in intangible assets	3	**(21.1)**	(10.8)
Movement in funding of parent company		**0.4**	982.8
Acquisition of a subsidiary, net of cash acquired		**-**	1.4
Cash flows on aborted acquisition		**-**	1.3
Payment of deferred and contingent consideration	25	**(36.3)**	(3.8)
Capital contributions to joint ventures	15	**(1.4)**	(1.3)
Loans advanced to joint ventures	15	**(1.8)**	-
Net cash flows (used in)/from investing activities		**(204.2)**	754.8
Cash flows from/(used in) financing activities			
Drawdowns of long-term borrowings	19	**50.0**	596.8
Repayments of long-term borrowings	19	**(353.9)**	(125.1)
Costs of long-term borrowings		**-**	(5.5)
Lease incentives received/(paid)		**2.0**	(7.3)
Payment of principal of lease liabilities		**(127.1)**	(71.7)
Net cash flows (used in)/from financing activities		**(429.0)**	387.2
Net (decrease)/increase in cash and cash equivalents	19	**(123.0)**	752.0
Opening cash and cash equivalents	19	**1,256.0**	502.6
Foreign exchange differences	19	**(0.6)**	1.4
Closing cash and cash equivalents	18	**1,132.4**	1,256.0

Year ended 3 March 2022

1. General Information and authorisation of consolidated financial statements

The consolidated financial statements of Whitbread Group PLC for the year ended 3 March 2022 were authorised for issue by the Board of Directors on 23 August 2022. 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 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

Going concern

The Group's and Company's (the 'Group') business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 3 to 13. The directors have considered the impact of these areas on the going concern assessment, alongside the principal risks and the current uncertain economic environment. At 3 March 2022, the Group had a cash balance of £1,132.4m with available borrowing facilities of £1,850.0m for use in the going concern assessment, of which £1,000.0m had been drawn down.

The Group's forecasts indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its covenants as outlined in Note 19 for at least a period of 12 months from the date of these financial statements. Various downside scenarios over and above those already included in the base case have been considered in respect of these forecasts. Under these downside scenarios, the Group can meet its liquidity requirements through available funds and is able to meet the original covenants in place on its revolving credit facility. This position allowed the Group to terminate the covenant test waiver period and be able to make a dividend payment. On 25 May 2022, the Group signed a new Revolving Credit Facility Agreement, which contains one financial covenant ratio. The renewed facility has reduced the Group's available borrowing facilities to £1,775.0m, though headroom on the forecast remains in place. The Group has no further financial covenants in place.

In the event that it was necessary to access additional funding, the directors have a reasonable expectation that this could be achieved. The directors have also determined that, over the period of the going concern assessment, there is not expected to be a significant impact as a result of climate change.

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

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 25 February 2021, except for the adoption of the new standards and policies applicable for the year ended 3 March 2022. 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 26 February 2021.

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

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 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)
- 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)
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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.

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

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 measuredinternally 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. See Note 6 for further details.

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 of more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as significant financial difficulty of the debtor or default by the debtor. The 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 acquisitiondate 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.

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 – Goodwill, property, plant and equipment and right-of-use assets

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

Identification of indicators of impairment and reversal

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

Inputs used to estimate value in use

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

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

Methodology used to estimate fair value

Fair value is determined using a range of methods, including present value techniques using assumptions consistent with the value in use calculations and market multiple techniques using externally available data.
Key estimates and sensitivities for impairment of assets are disclosed in Note 14.

3. Segment information

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

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

	53 weeks to 3 March 2022				52 weeks to 25 February 2021			
Revenue	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**1,157.8**	**29.1**	-	**1,186.9**	388.5	10.2	-	398.7
Food, beverage and other items[1]	**510.4**	**6.1**	-	**516.5**	188.9	1.3	-	190.2
Revenue before adjusting items	**1,668.2**	**35.2**	-	**1,703.4**	577.4	11.5	-	588.9
Adjusting revenue (Note 6)				-				0.5
Revenue				**1,703.4**				589.4

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

	53 weeks to 3 March 2022				52 weeks to 25 February 2021			
Profit/(Loss)	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures	**199.6**	**(15.4)**	**(29.8)**	**154.4**	(415.7)	(38.8)	(25.1)	(479.6)
Share of profit/(loss) from joint ventures	-	-	**0.4**	**0.4**	-	-	(6.0)	(6.0)
Adjusted operating profit/(loss)	**199.6**	**(15.4)**	**(29.4)**	**154.8**	(415.7)	(38.8)	(31.1)	(485.6)
Net finance costs	**(124.7)**	**(8.5)**	**(77.3)**	**(210.5)**	(117.1)	(6.1)	(54.6)	(177.8)
Adjusted profit/(loss) before tax	**74.9**	**(23.9)**	**(106.7)**	**(55.7)**	(532.8)	(44.9)	(85.7)	(663.4)
Adjusting items before tax (Note 6)				**74.0**				(372.3)
Profit/(loss) before tax				**18.3**				(1,035.7)

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

3. Segment information (continued)

	53 weeks to 3 March 2022				52 weeks to 25 February 2021			
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	**148.1**	**52.3**	**-**	**200.4**	121.0	96.4	-	217.4
Property, plant and equipment and investment property – accruals basis (Note 13)	**165.8**	**54.2**	**-**	**220.0**	105.9	93.2	-	199.1
Intangible assets (Note 12)	**21.1**	**-**	**-**	**21.1**	10.8	-	-	10.8
Cash outflows from lease interest and payment of principal of lease liabilities	**234.5**	**25.8**	**-**	**260.3**	173.0	21.9	-	194.9
Depreciation – property, plant and equipment	**148.3**	**9.6**	**-**	**157.9**	145.2	5.1	-	150.3
Depreciation – right-of-use assets	**125.2**	**22.9**	**-**	**148.1**	109.9	16.4	-	126.3
Amortisation	**20.6**	**0.3**	**-**	**20.9**	23.3	0.3	-	23.6

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

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

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

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

4. Other income

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

	2021/22 £m	2020/21 £m
Rental income	**7.9**	7.8
Government grants (Note 9)	**113.8**	153.4
Other	**0.7**	0.6
Other income before adjusting items	**122.4**	161.8
Insurance proceeds (Note 6)	**-**	1.8
VAT settlement (Note 6)	**8.7**	4.5
Other income	**131.1**	168.1

5. Operating costs

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

	2021/22 £m	2020/21 £m
Cost of inventories recognised as an expense[1]	**146.6**	72.2
Employee benefit expense[2] (Note 7)	**677.4**	580.5
Amortisation of intangible assets (Note 12)	**20.9**	23.6
Depreciation – property, plant and equipment and investment property (Note 13)	**157.9**	150.3
Depreciation – right-of-use-assets	**148.1**	126.3
Utilities	**87.8**	51.2
Rates	**71.2**	10.9
Other site property costs	**277.3**	158.7
Variable lease payment expense/(credit) (Note 21)	**0.3**	(0.6)
Net foreign exchange differences	**2.1**	0.4
Other operating charges[2]	**80.0**	56.9
Adjusting operating costs[2] (Note 6)	**(65.3)**	351.7
	1,604.3	1,582.0

[1] Cost of inventories recognised as an expense includes £6.1m (2020/21 £14.6m) of inventory write-downs recorded during the year.
[2] Adjusting operating costs includes a credit for net impairments and write offs of £36.2m (2020/21: charge of £350.4m), a credit of £28.8m (2020/21: credit of £9.0m) relating to other operating charges and a credit of £0.3m (2020/21: charge of £10.3m) relating to employee benefit expenses (see Note 6).

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

	2021/22 £m	2020/21 £m
Audit of the Group's financial statements	**1.0**	0.9
Audit of the Group's subsidiaries	**0.6**	0.6
Total audit fees	**1.6**	1.5
Audit-related assurance	**0.1**	0.1
Other non-audit fees[1]	-	1.1
Total non-audit fees	**0.1**	1.2
Included in other operating charges	**1.7**	2.7

[1] During 2020/21 the Group auditor performed permissible non-audit services in relation to the June 2020 rights issue and the issue of Green Bonds.

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.

6. Adjusting items

As set out in the policy in Note 2, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2021/22 £m	2020/21 £m
Adjusting items are as follows		
Revenue:		
TSA income[1]	-	**0.5**
Other income:		
Insurance proceeds[2]	-	**1.8**
VAT settlement[3]	**8.7**	**4.5**
Adjusting other income	**8.7**	**6.3**
Operating costs:		
TSA costs[1]	-	**(0.5)**
Costa disposal - separation costs and other costs[4]	-	**6.4**
Impairment – goodwill[5]	-	**(238.8)**
Net impairment reversals/(write offs) – property, plant and equipment, right-of-use assets and other intangible assets[6]	**36.2**	**(109.2)**
Impairment – investment in joint ventures[7]	-	**(8.2)**
Guaranteed minimum pension[8]	-	**(1.1)**
Aborted acquisition costs[9]	-	**(12.4)**
UK restructuring[10]	**0.3**	**(12.1)**
Gains on disposals, property and other provisions[11]	**28.8**	**18.4**
Adjusting operating costs	**65.3**	**(357.5)**
Share of loss of joint ventures:		
Impairment[12]	-	**(1.7)**
Finance (costs)/income:		
Early prepayment charge (Note 19)[13]	-	**(21.2)**
VAT settlement[3]	-	**1.3**
Adjusting finance costs	-	**(19.9)**
Adjusting items before tax	**74.0**	**(372.3)**
Tax adjustments included in reported profit after tax, but excluded in arriving at adjusted profit after tax:		
Tax on adjusting items	**(11.4)**	**19.3**
Impact of change in tax rates	**(13.1)**	**(12.5)**
Adjusting tax (charge)/credit	**(24.5)**	**6.8**

6. Adjusting items (continued)

1 Following the sale of Costa to The Coca-Cola Company on 3 January 2019, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. The agreements ended in FY21 and the Group earned £nil (2020/21: £0.5m) during the year.

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

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

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

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

6 The Group identified impairment indicators and indicators of impairment reversals relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a net impairment reversal of £42.0m. This is made up of an impairment loss on trading sites of £10.5m (£10.1m relating to property, plant and equipment, and £0.4m relating to right-of-use assets) offset by impairment reversals of £52.5m (£30.4m relating to property, plant and equipment and £22.1m relating to right-of-use assets). In addition, an impairment charge of £5.8m was recorded in relation to assets classified as held for sale. Further information is provided in Note 15. During 2020/21, a total charge of £109.2m was recorded, made up of £97.9m of impairment losses on trading sites (£61.2m relating to property, plant and equipment and £36.7m relating to right-of-use assets), £3.9m relating to assets classified as held for sale, £1.7m relating to the cancellation of significant IT projects and £5.7m following a review of early stage expansion projects where the Group decided not to proceed with the project.

7 During 2020/21, as a result of the COVID-19 pandemic, the Group identified impairment indicators relating to its investment in its UK joint venture, Healthy Retail Limited. Following an impairment review, a charge of £8.2m was recorded within adjusting items. Further information is available in Note 16.

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

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

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

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

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

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

7. Employee benefits expense

	2021/22 £m	2020/21 £m
Wages and salaries	**619.5**	530.2
Social security costs	**46.7**	38.8
Pension costs	**11.2**	11.5
	677.4	580.5

The amounts above exclude adjusting items. Wages and salaries excludes a credit of £0.3m (2020/21: charge of £12.1m) relating to the restructuring of the Group's operations and a credit of £nil (2020/21: credit of £2.9m) relating to costs associated with the separation of Costa. Pension costs excludes £nil (2020/21: charge of £1.1m) relating to a past service cost on the Group's defined benefit pension scheme (see Note 6).

Included in wages and salaries is a share-based payments expense of £12.9m (2020/21: £12.7m), which arises from transactions accounted for as equity-settled share-based payments.

Employee costs split between hourly paid and salaried employees	2021/22 £m	2020/21 £m
Employee costs – hourly paid	**440.3**	391.7
Employee costs – salaried	**237.1**	189.8
	677.4	581.5

Average number of employees directly employed	2021/22 Number	2020/21 Number
UK & Ireland	**33,546**	32,190
Germany	**782**	313
	34,328	32,503

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2021/22 £m	2020/21 £m
Directors' remuneration	**4.2**	3.0
Aggregate contributions to the defined contribution pension scheme	**-**	-
Aggregate gains on the exercise of share options	**1.7**	7.3

The highest paid director received total remuneration of £2.2m (2020/21: £1.0m) including company contributions to a money purchase pension scheme of £0.2m (2020/21: £0.2m). Aggregate gains on the exercise of share options relating to the highest paid director were £0.4m (2020/21: £3.8m).

8. Finance (costs)/income

	2021/22 £m	2020/21 £m
Finance costs		
Interest on bank loans and overdrafts	**(7.4)**	(5.3)
Interest on other loans	**(30.0)**	(24.1)
Interest on lease liabilities (Note 21)	**(133.2)**	(123.2)
Unwinding of discount on contingent consideration (Note 25)	**(1.4)**	(2.1)
Interest payable to parent company	**(41.4)**	(29.4)
Interest capitalised (Note 13)	**0.9**	0.9
Impact of ineffective portion of cash flow and fair value hedges (Note 24)	**(2.5)**	-
	(215.0)	(183.2)
Finance income		
Bank interest receivable	**0.7**	1.2
Other interest receivable	**0.2**	0.8
Impact of ineffective portion of cash flow and fair value hedges	-	0.4
IAS 19 pension finance income (Note 31)	**3.6**	3.0
	4.5	5.4
Adjusted net finance costs	**(210.5)**	(177.8)
Early prepayment charge (Note 19)	-	(21.2)
VAT settlement (Note 6)	-	1.3
Adjusting net finance costs	-	*(19.9)*
Total net finance costs	**(210.5)**	(197.7)
Analysed as:		
Total finance costs	**(215.0)**	(21.2)
Total finance income	**4.5**	1.3
Total net finance costs	**(210.5)**	(197.7)

Net finance costs includes £211.1m (2020/21: £202.3m) finance costs and £0.9m (2020/21: £2.0m) 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 has received government support designed to mitigate the impact of COVID-19.

Grants received during the year consisted of:

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

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

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

9. Government grants and assistance (continued)

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

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

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

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

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

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

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

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

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

10. Taxation

Consolidated income statement	2021/22 £m	2020/21 £m
Current tax:		
Current tax (credit)/expense	**(7.6)**	(18.8)
Adjustments in respect of previous periods	**(0.1)**	13.8
	(7.7)	(5.0)
Deferred tax:		
Origination and reversal of temporary differences	**17.5**	(105.2)
Effect of rate change	**13.1**	12.5
Adjustments in respect of previous periods	**(16.2)**	(7.1)
	14.4	(99.8)
Tax reported in the consolidated income statement	**6.7**	(104.8)

Consolidated statement of comprehensive income	2021/22 £m	2020/21 £m
Current tax:		
Defined benefit pension scheme	-	(0.4)
Deferred tax:		
Cash flow hedges	**0.5**	0.6
Tax on net gain on hedge of a net investment	**0.8**	(0.8)
Tax on exchange differences on translation of foreign operations	**(2.7)**	1.5
Defined benefit pension scheme	**88.0**	2.4
Tax reported in other comprehensive income	**86.6**	3.3

10. Taxation (continued)

A reconciliation of the tax (credit)/charge applicable to adjusted (loss)/profit before tax and profit before tax at the statutory taxrate, to the actual tax charge at the Group's effective tax rate, for the years ended 3 March 2022 and 25 February 2021 respectively is as follows:

	2021/22 Tax on adjusted loss £m	2021/22 Tax on loss £m	2020/21 Tax on adjusted loss £m	2020/21 Tax on loss £m
(Loss)/profit before tax as reported in the consolidated income statement	**(55.7)**	**18.3**	(663.4)	(1,035.7)
Tax at current UK tax rate of 19.00% (2020/21: 19.00%)	**(10.6)**	**3.5**	(126.0)	(196.8)
Effect of different tax rates	**(3.8)**	**(3.8)**	(6.9)	(6.9)
Unrecognised losses in overseas companies	**11.8**	**11.8**	14.7	17.0
Effect of joint ventures	-	-	0.3	0.3
Effect of super deduction in respect of tax relief for fixed assets	**(2.7)**	**(2.7)**	-	-
Expenditure not allowable	**5.5**	**2.9**	10.0	59.1
Adjustments to current tax expense in respect of previous years	**(0.1)**	**(0.1)**	11.9	13.8
Adjustments to deferred tax expense in respect of previous years	**(16.2)**	**(16.2)**	(2.3)	(7.1)
Impact of deferred tax being at a different rate from current tax rate	-	**13.1**	-	12.5
Other movements	**(1.7)**	**(1.8)**	0.3	3.3
Tax (credit)/expense reported in the consolidated income statement	**(17.8)**	**6.7**	(98.0)	(104.8)

Deferred tax

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

	Accelerated Capital Allowances £m	Rolled over gains and property valuations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
At 27 February 2020	(54.3)	(64.4)	(56.3)	43.3	–	(6.1)	(137.8)
(Charge)/credit to consolidated income statement	11.3	6.6	(3.8)	1.3	80.2	4.2	99.8
Charge to statement of comprehensive income	–	–	(2.4)	–	(0.7)	(0.6)	(3.7)
Charge to statement of changes in equity	–	–	–	–	–	(1.9)	(1.9)
Transfer	–	–	–	(4.7)	–	4.7	–
Arising on acquisitions	–	–	–	(3.5)	–	–	(3.5)
Foreign exchange and other movements	0.1	–	–	0.2	(0.1)	(0.1)	0.1
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**

Total deferred tax liabilities relating to disposals during the year were £nil (2021: £nil).

The Group has unrecognised German tax losses of £128.2m (2021: £84.8m) which can be carried forward indefinitely and offset againstfuture taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset by £40.9m (2021: £26.2m).

At 3 March 2022, no deferred tax liability is recognised (2021: £nil) on gross temporary differences of £13.9m (2021: £3.0m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relief on total interest capitalised amounts to £0.2m (2020/21: £0.2m).

10. Taxation (continued)

Factors affecting the tax charge for future years

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

11. Dividends paid

	2021/22 Pence per share	2021/22 £m	2020/21 Pence per share	2020/21 £m
Dividends paid during the year	-	-	-	-

12. Intangible assets

	Goodwill £m	IT software and technology £m	Total £m
Cost			
At 27 February 2020	111.3	108.8	220.1
Additions	-	10.8	10.8
Recognised on acquisition of a subsidiary (Note 34)	224.2	-	224.2
Assets written off	-	(9.7)	(9.7)
Foreign currency adjustment	14.6	0.1	14.7
At 25 February 2021	**350.1**	**110.0**	**460.1**
Additions	-	21.1	21.1
Assets written off	-	(10.8)	(10.8)
Foreign currency adjustment	-	(0.1)	(0.1)
At 3 March 2022	**350.1**	**120.2**	**470.3**
Amortisation and impairment			
At 27 February 2020	**(0.8)**	**(46.5)**	**(47.3)**
Amortisation during the year	-	**(23.6)**	**(23.6)**
Impairment during the year	**(238.8)**	-	**(238.8)**
Amortisation on assets written off	-	**8.7**	**8.7**
At 25 February 2021	**(239.6)**	**(61.4)**	**(301.0)**
Amortisation during the year	-	**(20.9)**	**(20.9)**
Amortisation on assets written off	-	**10.8**	**10.8**
Foreign currency adjustment	-	**0.1**	**0.1**
At 3 March 2022	**(239.6)**	**(71.4)**	**(311.0)**
Net book value at 3 March 2022	**110.5**	**48.8**	**159.3**
Net book value at 25 February 2021	110.5	48.6	159.1

12. Intangible assets (continued)

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 £7.3m (2021: £0.5m).

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

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

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2021: £500.0m). See Note 31 for further information.

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

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

Investment property

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

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

Capital expenditure commitments

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

Capitalised interest

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

Assets held for sale

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

Included within assets held for sale are assets which were written down to fair value less costs to sell of £15.4m (2021: £11.4m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available management considers information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. This is a level 3 measurement as per the fair value hierarchy set out in Note 25. The key inputs under this approach are the property size and location.

14. Impairment

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

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

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

14. Impairment (continued)

Property, plant and equipment and right-of-use assets – impairment review

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

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

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

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

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

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

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

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

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

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

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

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 plans, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge/(reversal) in the year to 3 March 2022 of:

	Property, plant and equipment and right-of use assets £m
Increase to impairment charge/(reversal) if discount rate increased by 2.0%	24.9
Increase to impairment charge/(reversal) if long-term growth rates reduced by 1%	18.9
Increase to impairment charge/(reversal) if EBITDAR multiple reduced by 10%	3.1

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

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

Goodwill

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

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

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

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

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

Investments in joint ventures

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

Property, plant and equipment – assets held for sale

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

15. 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 £1.4m (2020/21: £1.3m).

Healthy Retail Limited

The Group holds a 49% interest in Healthy Retail Limited, a joint venture which operates a chain of 20 stores in London trading as 'Pure', that specialises in fresh, natural healthy meals. The impact of COVID-19 has had a significant impact on the company's trading and on 7 October 2020 Healthy Retail Limited entered into a Creditor's Voluntary Agreement (CVA). Healthy Retail Limited has also obtained a Coronavirus Business Interruption Loan Scheme facility 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 £1.8m (2020/21: £8.2m).

The Group has an option to purchase the remaining 51% interest which expires on 31 December 2022. 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 who have 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

	2021/22 £m	2020/21 £m
Opening investment in joint ventures	**37.3**	54.8
Share of profit/(loss) for the year	**0.4**	(7.7)
Foreign exchange movements	**2.0**	(3.3)
Loans advanced	**1.8**	-
Impairment[1]	**(1.8)**	(8.2)
Interest on loans	-	0.4
Capital contribution	**1.4**	1.3
Closing investment in joint ventures	**41.1**	37.3

[1] Includes an impairment of loans advanced to joint ventures of £1.8m (2020/21: £5.8m) determined under IFRS 9.

15. Investment in joint ventures (continued)

Summary of joint ventures' balance sheets

	2022			2021		
	Premier Inn Hotels LLC £m	**Healthy Retail Limited £m**	**Total £m**	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
Current assets	**9.1**	**2.0**	**11.1**	6.7	0.8	7.5
Non-current assets	**141.2**	**20.2**	**161.4**	138.1	26.3	164.4
Current liabilities	**(10.4)**	**(15.9)**	**(26.3)**	(11.4)	(14.1)	(25.5)
Non-current liabilities	**(56.0)**	**(16.1)**	**(72.1)**	(57.2)	(19.3)	(79.5)
Net assets	**83.9**	**(9.8)**	**74.1**	76.2	(6.3)	69.9
Group's share of interest in joint ventures' net assets	**41.1**	**(4.9)**	**36.2**	37.3	(3.1)	34.2
Premium paid on acquisition	**-**	**4.5**	**4.5**	-	4.5	4.5
Loans to joint ventures	**-**	**7.5**	**7.5**	-	5.8	5.8
Accumulated impairment	**-**	**(7.1)**	**(7.1)**	-	(7.2)	(7.2)
Group's carrying amount of the investment	**41.1**	**-**	**41.1**	37.3	-	37.3
Within gross balance sheets:						
Cash and cash equivalents	**6.9**	**1.6**	**8.5**	5.2	-	5.2
Current financial liabilities	**(4.6)**	**(13.1)**	**(17.7)**	(3.6)	(10.9)	(14.5)
Non-current financial liabilities	**(56.0)**	**(16.1)**	**(72.1)**	(56.8)	(19.3)	(76.1)

Summary of joint ventures' income statement

	2022			2021		
	Premier Inn Hotels LLC £m	**Healthy Retail Limited £m**	**Total £m**	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
Revenue	**18.2**	**11.8**	**30.0**	11.2	4.5	15.7
Other income	**-**	**0.3**	**0.3**	-	2.4	2.4
Depreciation and amortisation	**(4.6)**	**(4.2)**	**(8.8)**	(5.9)	(4.5)	(10.4)
Impairment	**-**	**-**	**-**	(3.5)	-	(3.5)
Other operating costs	**(10.9)**	**(10.5)**	**(21.4)**	(11.2)	(6.1)	(17.3)
Finance costs	**(2.0)**	**(1.3)**	**(3.3)**	(2.6)	(1.2)	(3.8)
Profit/(loss) before tax	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
Income tax	**-**	**-**	**-**	-	-	-
Profit/(loss) after tax	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
Other comprehensive income	**-**	**-**	**-**	-	-	-
Total comprehensive income	**0.7**	**(3.9)**	**(3.2)**	(12.0)	(4.9)	(16.9)
Group share:						
Profit/(loss) after tax[1]	**0.4**	**-**	**0.4**	(5.9)	(1.8)	(7.7)
Other comprehensive income	**-**	**-**	**-**	-	-	-

[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 3 March 2022, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2021: £0.1m).

16. Inventories

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

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

17. Trade and other receivables

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

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £44.2m (2021: £16.0m) relating to contracts with customers. Other receivables include £14.7m (2021: £14.0m) in relation to grants and other support receivable from the UK and German governments (see Note 9).

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

18. Cash and cash equivalents

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

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

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

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

19. Borrowings

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

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

Covenants

The Group had received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. Under the terms of the waivers, the Group was required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn.

Following the release of the Ultimate Parent Group's financial statements, the Group notified its lending banks of its intention to remove the covenant waivers that existed on its revolving credit facility, and issued a compliance certificate to reinstate the original covenants, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x
Adjusted EBITDA[1]/Interest[1] >3.0x

19. Borrowings (continued)

Covenants (continued)

On 25 May 2022, the Group signed a new Revolving Credit Facility Agreement, which contains one financial covenant ratio, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x

[1] The covenant measures are calculated pre-IFRS 16

Revolving credit facility (£850m)

On 29 January 2021, the Group agreed to amend and extend its revolving credit facility (RCF). The agreement gave total committed credit of £850.0m available until 7 September 2022. On 25 May 2022 the Group signed a new 5 year £775m multicurrency Revolving Credit Facility Agreement to replace the existing facility. The facility is a Multicurrency Revolving Facility Agreement and has variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

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

Private placement loan notes

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

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

Senior unsecured bonds

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

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

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

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

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

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

UK Government CCFF

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

20. Movements in cash and net debt

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

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

21. Lease arrangements

The Group leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operatingleases 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 operating 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 £m	Total £m
At 27 February 2020	2,271.5	2.2	2,273.7	-	2,273.7
Additions	427.7	1.0	428.7	15.4	444.1
Recognised on acquisitions of a subsidiary	193.3	-	193.3	51.9	245.2
Impairment	(36.7)	-	(36.7)	-	(36.7)
Foreign currency adjustment	2.9	-	2.9	0.7	3.6
Depreciation	(122.0)	(1.3)	(123.3)	(3.0)	(126.3)
Terminations	-	(0.2)	(0.2)	-	(0.2)
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**
Impairment	**21.7**	-	**21.7**	-	**21.7**
Foreign currency adjustment	**(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**

Lease liability

	Property £m	Other £m	Total lease liabilities £m	Investment property £m	Total £m
At 27 February 2020	2,618.8	1.8	2,620.6	-	2,620.6
Additions	419.9	1.0	420.9	16.0	436.9
Recognised on acquisitions of a subsidiary	193.3	-	193.3	51.9	245.2
Interest	122.0	0.1	122.1	1.1	123.2
Foreign currency adjustment	2.5	-	2.5	0.6	3.1
Payments	(189.9)	(1.3)	(191.2)	(3.6)	(194.8)
Terminations	(2.4)	(0.2)	(2.6)	-	(2.6)
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 adjustment	**(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**

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £583.3m (2020/21: £399.7m) relating to new leases and £34.3m (2020/21: £36.8m) relating to amendments to existing leases. The Group received cash lease incentives of £2.0m (2020/21: £2.7m) and paid cash lease incentives of £nil (2020/21: £7.6m) on entering new and amended leases.

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

21. Lease arrangements (continued)

Amendments to IFRS 16: Covid-19-Related Rent Concessions
During the final quarter of the prior financial year. the Group underpaid lease payments with a total value of £22.7m. As a result, the underpaid amount was included within lease liabilities in the consolidated balance sheet. Substantially all of these amounts were paid in FY22. The Group early adopted the requirements of Amendments to IFRS 16: Covid-19-Related Rent Concessions during the prior year. As a result of early adopting these requirements. rent deferrals which would otherwise have been treated as lease modifications were accounted for as if the change was not a lease modification. The adoption of the amendments had no impact on the consolidated income statement.

Amounts recognised in the Group income statement

	2021/22 £m	2020/21 £m
Depreciation expense of right-of-use assets	**148.1**	126.3
Interest expense on lease liabilities	**133.2**	123.2
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expense/(credit)	**0.3**	(0.6)
Impairment (reversals)/losses of right-of-use assets (Note 14)	**(21.7)**	36.7
Lease income	**(7.9)**	(7.8)
	252.0	277.8

Amounts recognised in the Group cash flow statement
The Group's total cash outflow in relation to leases was £260.6m (2020/21: £201.8m).

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.

	2021/22 £m	2020/21 £m
Extension options expected not to be exercised	**906.6**	797.6
Termination options expected to be exercised	-	-
	906.6	797.6

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 71% of the Group's lease liabilities are subject to inflation-linked rentals and a further 14% are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual or five-yearly basis.

As at 3 March 2022. the Group was committed to leases with future cash outflows totalling £2,106.7m (2021: £2.690m) 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 £7.9m (2020/21: £7.8m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2021/22 £m	2020/21 £m
Within one year	**2.9**	**7.9**
After one year but not more than five years	**5.2**	**10.0**
More than five years	**6.4**	**10.7**
	14.5	**28.6**

22. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance Claims £m	Government Payments £m	Other £m	Total £m
At 27 February 2020	2.0	11.1	31.9	-	-	3.4	48.4
Created	5.8	4.9	-	2.2	3.6	-	16.5
Transferred	-	-	-	6.8	-	-	6.8
Utilised	(5.8)	(4.3)	(12.9)	(1.8)	-	(0.3)	(25.1)
Released	(0.9)	(1.6)	(3.3)	-	-	(1.3)	(7.1)
At 25 February 2021	**1.1**	**10.1**	**15.7**	**7.2**	**3.6**	**1.8**	**39.5**
Created	**0.4**	**0.9**	-	**3.0**	**11.8**	-	**16.1**
Utilised	**(0.8)**	**(5.3)**	**(9.1)**	**(2.0)**	**(3.8)**	-	**(21.0)**
Released	**(0.3)**	**(0.7)**	-	-	**(2.3)**	-	**(3.3)**
At 3 March 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Analysed as:							
Current	**0.4**	**2.5**	**5.2**	**0.4**	**9.3**	**1.8**	**19.6**
Non-current	-	**2.5**	**1.4**	**7.8**	-	-	**11.7**
At 3 March 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Analysed as:							
Current	1.1	8.3	15.7	-	3.6	1.8	30.5
Non-current	-	1.8	-	7.2	-	-	9.0
At 25 February 2021	1.1	10.1	15.7	7.2	3.6	1.8	39.5

Restructuring

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

Onerous contracts

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

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

Property

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

Software

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

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

Supplier contracts

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

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 £15.7m was brought forward in relation to these costs. During the year £9.1m of the provision has been utilised and £nil of costs have been released. The remaining provision is expected to be utilised within one year.

In addition, the Group has received £nil (2020/21: £13.4m of) reimbursements of those costs from property developers. The Group continues to pursue further reimbursements which are not recognised as the recovery is not certain.

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

Insurance

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

Government payments

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

Other

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

23. Financial risk management and objectives

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

Interest rate risk

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

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

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value ofdebt 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 £11.3m (2021: £12.5m), and have nil impact on equity (2021: £0.8m).

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

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

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

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

25 February 2021	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Interest-bearing loans and borrowings	-	221.8	102.4	573.7	609.3	1,507.2	1,302.5
Lease liabilities[1]	-	54.6	175.1	925.5	4,513.4	5,668.6	3,231.6
Derivative financial instruments	-	-	2.4	-	-	2.4	2.4
Trade and other payables	1,265.1	65.0	37.7	26.8	-	1,394.6	1,392.9
	1,265.1	341.4	317.6	1,526.0	5,122.7	8,572.8	5,929.4

[1] Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,324.5m (2021: £1,140.2m) due between 5 and 10 years, £1,925.3m (2021: £1,859.4m) due between 10 and twenty years and £1,668.5m (2021: £1,513.8m) 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 £1,240.4m (2021: £1,327.4m).

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

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

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See finance review within the preliminary results announcement 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 leasebacktransactions to provide further funding for growth.

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. In addition, it has received covenant test waivers for its pension scheme and private placement loan notes for the period to 3 March 2022 meaning that the private placement loan note covenants will not be tested prior to maturity. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn. The covenants which have been waived relate to measurement of EBITDA against consolidated net finance charges (interest cover) and total net debt (leverage ratio, on a not-adjusted-for pension and property lease basis).

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

Interest Rate Benchmark Reform

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

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

24. Financial instruments

	Amortised cost		Fair value		
At 3 March 2022	***Financial assets*** **£m**	***Financial liabilities*** **£m**	***Hedging instruments*** **£m**	***Other*** **£m**	***Carrying value*** **£m**
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)**

	Amortised cost		Fair value		
At 25 February 2021	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
Trade and other receivables	56.6	-	-	-	56.6
Cash and cash equivalents	244.2	-	-	1,011.8	1,256.0
Interest – bearing loans and borrowings	-	(1,302.5)	-	-	(1,302.5)
Lease liabilities	-	(3,231.6)	-	-	(3,231.6)
Derivative financial instruments	-	-	12.4	-	12.4
Trade and other payables	-	(1,330.1)	-	-	(1,330.1)
Contingent consideration	-	-	-	(62.8)	(62.8)

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 tobe 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 £988.9m. 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

	2021/22 £m	2020/21 £m
Financial assets		
Derivative financial instruments – level 2	**15.8**	14.8
Financial liabilities		
Derivative financial instruments – level 2	**-**	2.4
Contingent consideration – level 3	**25.1**	62.8

During the year ended 3 March 2022, there were no transfers between fair value measurement levels. Derivative financial instruments include £15.8m assets (2021: £6.6m) and £nil liabilities (2021: £nil) due after one year. Contingent consideration includes £1.2m (2021: £25.6m) 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 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 interest rate risk associated with drawdowns on the revolving credit facility during the year which incur interest at a variable rate. The Group had interest rate swaps in place which matured in February 2022. In addition, the Group did not draw down on the UK Government Covid Corporate Financing Facility during the year or prior to its expiry on 22 March 2021.

Foreign currency risk

The Group was exposed to foreign currency risk associated with the private placement bonds denominated in US$ and had cross-currency swaps in place in relation to the interest and principal repayment. These bonds were repaid during the year (see Note 20) and therefore the cross currency swaps are no longer held.

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 3 March 2022 and a net unrealised gain of £9.0m (2021: gain of £8.5m) has been recorded in the translation reserve. The Group has recorded costs of hedging of £2.5m within finance costs in the consolidated income statement as a result of the foreign currency basis spread within the hedging instrument.

24. Financial instruments (Continued)

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

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)

At 25 February 2021	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
Cash flow hedges						
Interest rate swaps	50.0	(2.4)	Derivative financial instruments	(0.4)	Revolving credit facility	0.4
Cross-currency swaps	58.5	8.2	Derivative financial instruments	(5.4)	US$ denominated loan notes	5.8
Net investment in foreign operations						
Cross-currency swaps	450.0	6.5	Derivative financial instruments	(8.5)	Net investment in foreign subsidiaries	8.5

The impact of the hedging instruments in the consolidated income statement and other comprehensive income (OCI) 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
2021/22				
Interest rate swaps	**(0.2)**	**2.5**	**Finance costs**	**-**
Cross-currency swaps	**(8.0)**	**8.1**	**Finance costs**	**-**
2020/21				
Interest rate swaps	(0.4)	2.4	Finance costs	(2.4)
Cross-currency swaps	(0.5)	5.7	Finance costs	0.1

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 27 February 2020	(3.6)	18.6
Change in fair value recognised in other comprehensive income:		
- Interest rate swaps	(0.4)	-
- Cross-currency swaps	(5.4)	-
Reclassified to profit or loss as hedged item effects profit or loss		
- Interest rate swaps	2.4	-
- Cross-currency swaps	5.7	-
Foreign exchange arising on consolidation	-	19.3
Fair value movement on derivatives designated as net investment hedges	-	(8.5)
Deferred tax impact	(0.6)	(0.7)
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 impact	**(0.5)**	1.9
At 3 March 2022	-	24.3

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 amount of £14.2m (2021: £4.5m) relating to derivatives designated as net investment hedges.

25. Trade and other payables

	2022 £m	2021 £m
Trade payables	**73.7**	24.2
Other taxes and social security	**25.8**	26.5
Contract liabilities	**146.2**	41.3
Accruals	**223.0**	14.3
Amounts due to parent undertaking	**1,295.2**	1,265.1
Other payables	**78.1**	47.0
Contingent consideration	**25.1**	62.8
	1,867.1	1,601.0
Analysed as:		
Current	**1,865.9**	1,575.3
Non-current	**1.2**	25.7
	1,867.1	1,601.0

Included with contract liabilities is £141.4m (2021: £37.5m) relating to payments received for accommodation where the stay will take place after the year-end and £4.8m (2021: £3.8m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £41.3m presented as a contract liability in 2021 has been recognised in revenue (2021: £51.0m). The remaining balance was refunded to customers following hotel closures in response to the COVID-19 pandemic.

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

25. Trade and other payables (Continued)

Contingent consideration

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

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

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

26. Share capital

Allotted, called up and fully paid

	2022 £m	2021 £m
"A" Ordinary shares of 25 pence each (2021: 25 pence each)	**11.0**	11.0
Ordinary shares of 25 pence each (2021: 25 pence each)	**122.7**	122.7
	133.7	133.7

	2022 Million	2021 Million
Number of "A" ordinary shares in issue	**44.0**	44.0
Number or 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).

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

	2021/22 £m	2020/21 £m
(Loss)/profit for the period	**11.6**	(930.9)
Adjustments for:		
Tax (credit)/expense	**6.7**	(104.8)
Net finance costs (Note 8)	**210.5**	197.7
Share of (profit)/loss from joint ventures	**(0.4)**	7.7
Depreciation and amortisation	**326.9**	300.2
Share-based payments	**12.9**	12.7
Impairment (reversals)/write offs (Note 14)	**(34.4)**	356.2
(Gains)/losses on disposals, property and other provisions	**(28.8)**	(5.0)
Timing difference on insurance proceeds	**-**	14.0
Other non-cash items	**7.7**	26.1
Cash (used in)/generated from operations before working capital changes	**512.7**	(126.1)
(Increase)/decrease in inventories	**(7.3)**	1.5
(Increase)/decrease in trade and other receivables	**(45.4)**	27.8
Increase/(decrease) in trade and other payables	**235.2**	(129.1)
Cash (used in)/generated from operations	**695.2**	(225.9)

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

29. Contingent liabilities

There are no contingent liabilities to be disclosed in the year ended 3 March 2022 (2021: 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

Whitbread Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 3 March 2022 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 awarded shares to directors and senior executives of the Group. Vesting of all shares under the scheme depend on continued employment and meeting earnings per share (EPS) and return on capital employed (ROCE) performance targets over a three-year period (the vesting period) in relation to Whitbread plc. The awards are settled in equity once exercised. No further LTIP awards have been issued since FY20 as they have been replaced by the Restricted Share Plan options.

Deferred equity awards
Awards are made under the Whitbread Leadership Group Incentive Scheme. 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 appropriate 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 awards vest, 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.

Performance Share Plan
The Performance Share Plan (PSP) was a one-off award incentivising the executive directors on the separation of Costa from the Whitbread Group and replaced the 2018 and 2019 LTIP awards for the executive directors. Vesting of the awards under the scheme was triggered by completion of the separation of Costa from Whitbread and dependent on continued employment and meeting return on capital employed (ROCE), Total Shareholder Return (TSR) and Strategic Objectives performance targets. The vested award was subject to a two-year holding period and then settled in equity once exercised.

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. In 2018 a one-off award was made to Whitbread's senior leaders (excluding executive directors) vesting in two tranches (March 2020 and March 2021). A similar award was made in 2020 vesting in March 2023 and March 2024. During the prior year, 187,781 awards previously made to employees under the Restricted Share Plan were replaced by 187,781 awards under the R&R scheme. 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.

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 earnings per share (EPS) and return on capital employed (ROCE) underpin targets, in relation to Whitbread plc, over a period of at least three years. After vesting there is an additional holding period 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 and if granted will be on a pro-rated basis to the leaving date. The awards are settled in equity once exercised.

30. Share based payment plans (continued)

Movements in the number of share awards are as follows:

3 March 2022	Outstanding at the beginning of the year	Granted during the year	Replaced 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
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**

25 February 2021	Outstanding at the beginning of the year	Granted during the year[1]	Replaced 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
Long Term Incentive Plan	342,422	36,848	-	(84,094)	(145,488)	149,688	61,472
Deferred equity awards	178,210	151,615	-	(81,417)	(6,248)	242,160	9,627
Performance share plan	162,627	31,228	-	(193,855)	-	-	-
R&R Scheme	234,035	352,824	187,781	(108,654)	(13,135)	652,851	22,135
Restricted share plan	69,191	239,533	(187,781)	-	(14,256)	106,687	-
	986,485	812,048	-	(468,020)	(179,127)	1,151,386	93,234

[1]Awards granted during the year includes an adjustment of 138,563 shares as a result of the bonus factor of the rights issue which completed in June 2020.

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:

	2021/22		2020/21	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**1,139,975**	**26.59**	775,294	32.25
Granted during the year[1]	**410,032**	**24.86**	783,707	25.68
Exercised during the year	**(81,727)**	**26.15**	(111,796)	25.37
Expired during the year	**(295,172)**	**26.65**	(307,230)	27.53
Outstanding at the end of the year	**1,173,108**	**26.01**	1,139,975	26.59
Exercisable at the year-end	**89,941**	**30.66**	101,400	27.23

[1]Awards granted during the year includes an adjustment of 115,724 shares as a result of the bonus factor of the rights issue which completed in June 2020.

Outstanding options to purchase ordinary shares of 76.80p between 2022 and 2027 are exercisable at prices between £25.33 and £31.62 per share (2021: between 2021 and 2026 at prices between £25.27 and £33.22). The weighted average share price at the date of exercise for options exercised during the year was £31.63 (2021: £25.94).

The weighted average contractual life of the share options outstanding as at 3 March 2022 is between two and three years.

30. Share based payment plans (continued)

The following table lists the inputs to the model used for the years ended 3 March 2022 and 25 February 2021:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
Deferred equity awards	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Service[3]
Deferred equity awards	01.03.2020	-	23.63	3.00	0.25	N/A	N/A	Service[3]
R&R awards – 2 years	17.12.2020	-	31.60	2.00	-	N/A	N/A	Service[3]
R&R awards – 3 years	17.12.2020	-	31.60	3.00	0.75	N/A	N/A	Service[3]
Restricted share plan	27.04.2021	-	32.97	3.00	0.75	N/A	N/A	Non-market[1,2,3,4]
Restricted share plan	01.03.2020	-	23.63	3.00	0.25	N/A	N/A	Non- market[1,3,4]
SAYE – 3 years	23.12.2021	24.86	29.63	3.25	2.00	45.0	0.69	Service[3]
SAYE – 3 years	23.12.2020	25.33	31.38	3.25	0.75	45.0	0.02	Service[3]
SAYE – 5 years	23.12.2021	24.86	29.63	5.25	2.00	45.0	0.75	Service[3]
SAYE – 5 years	23.12.2020	25.33	31.38	5.25	1.25	45.0	(0.08)	Service[3]

[1] Return on capital employed
[2] Earnings per share
[3] Employment service
[4] Lease adjusted net debt

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 grantdate 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 £11.0m (2020/21: £10.8m). At the year-end, the Group owed outstanding contributions of £nil (2021: £1.7m) in respect of the defined contribution scheme.

At the year-end, 23,449 employees (2021: 20,985) were active members of the scheme, which also had 52,303 deferred members (2021: 48,152).

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 (2021: nil), 18,606 deferred pensioners (2021: 19,243) and 16,089 pensions in payment (2021: 16,145).

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 weighted average duration of the defined benefit plan obligation at the end of the reporting period is 17.0 years (2021: 17.0 years).

Funding

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

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

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

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 £500.0m 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 £96.8m (2021: £147.4m) 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 in a number of different asset classes (including those denominated in foreign currencies). These assets include equities, gilts, non-corporate credit 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 a period of heightened market volatility due to the economic impact of the Russia-Ukraine conflict.	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

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2020 of the UK scheme to 3 March 2022 for *IAS 19 Employee Benefits* purposes were:

	At 3 March 2022 %	At 25 February 2021 %
Pre-April 2006 rate of increase in pensions in payment	**3.40**	3.10
Post-April 2006 rate of increase in pensions in payment	**2.30**	2.20
Pensions increase in deferment	**3.40**	3.10
Discount rate	**2.60**	1.90
Inflation assumption	**3.60**	3.20

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

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

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

	2021/22 £m	2020/21 £m
Net interest on net defined benefit surplus	**(3.6)**	(3.0)
Administrative expenses	**2.6**	2.7
Past service cost (GMP equalisation reserve)	**-**	1.1
Total expense / (income) recognised in the consolidated income statement (gross of deferred tax)	**(1.0)**	0.8

Amounts recognised in operating costs for past service costs or curtailment are £nil (2021: £1.1m).

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

	2021/22 £m	2020/21 £m
Actuarial (gains)/losses	**(218.8)**	(130.2)
Return on plan assets lower/(greater) than discount rate	**(100.0)**	146.5
Re-measurement effects recognised in other comprehensive income	**(318.8)**	16.3

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

	2022 £m	2021 £m
Present value of defined benefit obligation	**(2,521.2)**	(2,804.3)
Fair value of scheme assets	**3,043.8**	2,992.3
Surplus recognised in the consolidated balance sheet	**522.6**	188.0

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

	2021/22 £m	2020/21 £m
Opening defined benefit obligation	**2,804.3**	2,992.7
Interest cost	**52.3**	48.7
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	**-**	1.1
Re-measurement due to:		
- Changes in financial assumptions	**(266.0)**	30.5
- Changes in demographic assumptions	**(33.9)**	(70.6)
- Experience adjustments	**81.1**	(90.1)
Benefits paid	**(116.5)**	(107.9)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.1)
Closing defined benefit obligation	**2,521.2**	2,804.3

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

	2021/22 £m	2020/21 £m
Opening fair value of scheme assets	**2,992.3**	3,183.0
Interest income on scheme assets	**55.9**	51.7
Return on plan assets (lower)/greater than discount rate[2]	**100.0**	(146.5)
Contributions from employer[1]	**2.6**	2.7
Additional contributions from Moorgate SLP	**10.3**	10.2
Investment manager expenses paid by the employer[1]	**1.8**	1.8
Benefits paid	**(116.5)**	(107.9)
Administrative expenses	**(2.6)**	(2.7)
Closing fair value of scheme assets	**3,043.8**	2,992.3

The major categories of plan assets are as follows:

	2022			2021		
	Quoted and pooled £m	**Unquoted £m**	**Total £m**	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**76.4**	-	**76.4**	75.5	-	75.5
Alternative assets	**143.0**	-	**143.0**	200.7	-	200.7
Bonds	**164.6**	**3.2**	**167.8**	196.5	5.1	201.6
Private markets	-	**460.7**	**460.7**	-	403.1	403.1
Liability driven investments[3]	**2,160.8**	-	**2,160.8**	2,060.5	-	2,060.5
Cash and other[4]	**35.1**	-	**35.1**	50.9	-	50.9
	2,579.9	**463.9**	**3,043.8**	2,584.1	408.2	2,992.3

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

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. 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.

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

	2021/22 Joint ventures £m	2020/21 Joint ventures £m
Sales to a related party	**0.1**	0.1

Joint ventures

For details of the Groups investments in and loans to joint ventures, see Note 15.

Compensation of key management personnel (including directors):

	2021/22 £m	2020/21 £m
Short-term employee benefits	**8.4**	6.2
Post-employment benefits	**-**	-
Share-based payments	**3.9**	5.1
	12.3	11.3

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 (2021: £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

Property

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

Covenants

Following the release of the Ultimate Parent Group's financial statements, the Group notified its lending banks of its intention to remove the covenant waivers that existed on its revolving credit facility, and issued a compliance certificate to reinstate the original covenants, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x
Adjusted EBITDA[1]/Interest[1] >3.0x

On 25 May 2022, the Group signed a new Revolving Credit Facility Agreement, which contains one financial covenant ratio, being:

Net Debt[1]/Adjusted EBITDA[1] <3.5x

[1] The covenant measures are calculated pre-IFRS 16

Revolving credit facility (£850m)

On 25 May 2022 the Group signed a new 5 year £775m multicurrency Revolving Credit Facility Agreement to replace the existing facility. The facility is a Multicurrency Revolving Facility Agreement and has variable interest rates with GBP being linked to SONIA and EUR being linked to EURIBOR.

34. Business combinations

Acquisition in 2020/21 – Foremost Hospitality Hiex GmbH

On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8m. The acquisition consists of 13 trading hotels which have been rebranded to Premier Inn as well as the leasehold for a further six pipeline sites. The transaction forms part of the Group's strategic priority of international growth.

Trading hotel leases

In 2020/21, the Group recognised right-of-use assets and lease liabilities in relation to the 13 hotels which were rebranded. Lease liabilities were recognised at the present value of future lease payments, using assumptions consistent with those of new leases. Right-of-use assets were valued at an amount equal to the lease liability as the lease arrangements were considered to be at market rates.

Pipeline hotel leases

Three of the pipeline sites were open and operated by a third party. The Group acquired the headlease for these sites and subleased them. The Group recognised investment property and lease liabilities in relation to these sites. During the year, the Group took over the operations of these sites and the investment property was transferred to right-of-use assets.

Contingent consideration

Contingent consideration was recognised at the date of acquisition and £62.6m were paid in instalments when the Group took control of the operations of the pipeline hotels.

Subsequent to the acquisition, an impairment of the goodwill arising on acquisition has been recorded (see Note 14).

Asset acquisition in 2020/21 – 13 hotels from Centro Hotel Group

On 1 December 2020, the Group completed the acquisition of 13 hotels from the Centro Hotel Group. The transaction was accounted for as an asset acquisition under IFRS 3 Business Combinations as the fair value of the assets was concentrated in a single group of similar assets. The transaction consisted of six open hotels and seven pipeline hotels which were due to open between 2021 and 2023. On acquisition, the Group recognised right-of-use assets of £84.9m and lease liabilities of £77.2m in relation to the open hotels. The Group had also committed to lease commitments of £202.4m in relation to the pipeline hotels. Contingent consideration of £1.9m would become payable once handover of the pipeline sites is complete.

Company financial statements

For the year ended 3 March 2022

Company balance sheet
At 3 March 2022

	Notes	3 March 2022 £m	25 February 2021 £m
Non-current assets			
Intangible assets	4	**51.5**	51.0
Property, plant and equipment	5	**1,856.3**	1,894.5
Right-of-use assets	6	**594.7**	590.2
Investment in subsidiaries, joint ventures	7	**1,947.9**	1,850.1
Derivative financial instruments	15	**15.8**	6.6
Loans to subsidiaries		**303.5**	317.1
Defined benefit pension surplus	12	**619.4**	335.4
		5,389.1	5,044.9
Current assets			
Inventories	8	**16.2**	10.9
Derivative financial instruments	15	-	8.2
Current tax asset		**21.1**	-
Trade and other receivables	9	**61.5**	37.7
Cash and cash equivalents		**1,089.0**	1,235.1
		1,187.8	1,291.9
Assets classified as held for sale	5	**55.2**	14.9
Total assets		**6,632.1**	6,351.7
Current liabilities			
Borrowings	11	-	312.0
Lease liabilities	6	**26.5**	25.4
Provisions	13	**11.7**	13.3
Derivative financial instruments	15	-	2.4
Current tax liability		-	7.5
Trade and other payables	10	**2,322.3**	1,974.6
		2,360.5	2,335.2
Non-current liabilities			
Borrowings	11	**991.9**	990.5
Lease liabilities	6	**710.3**	706.1
Provisions	13	**8.9**	8.9
Derivative financial instruments	15	-	-
Deferred tax liabilities	14	**137.6**	36.5
		1,848.7	1,742.0
Total liabilities		**4,209.2**	4,077.2
Net assets		**2,422.9**	2,274.5
Equity			
Share capital	16	**133.7**	133.7
Share premium	17	**207.7**	207.7
Revaluation reserve	17	**21.8**	23.2
Capital redemption reserve	17	**11.7**	11.7
Retained earnings	17	**2,046.2**	1,900.3
Hedging reserve	17	-	(2.1)
Excluded component of hedge reserve	17	**1.8**	-
Total equity		**2,422.9**	2,274.5

Hemant Patel
Chief Financial Officer
23 August 2022

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 £58.4m (2020/21: loss of £368.6m).

Company statement of changes in equity

Year ended 3 March 2022

	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 27 February 2020	133.7	207.7	23.3	2,278.6	11.7	(3.8)	-	2,651.2
Loss for the year	-	-	-	(368.6)	-	-	-	(368.6)
Other comprehensive income	-	-	-	(23.8)	-	1.7	-	(22.1)
Total comprehensive income	-	-	-	(392.4)	-	1.7	-	(390.7)
Accrued share-based payments	-	-	-	14.0	-	-	-	14.0
Realised revaluation gain transferred to profit and loss account	-	-	(0.1)	0.1	-	-	-	-
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**

Notes to the company financial statements

Year ended 3 March 2022

1. General Information and authorisation of consolidated financial statements

The financial statements of Whitbread Group PLC for the year ended 3 March 2022 were authorised for issue by the Board of Directors on 23 August 2022. 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 53 weeks to 3 March 2022 (prior financial year: 52 weeks to 25 February 2021).

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 ii 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 thosedisclosed in Note 2 to the consolidated financial statements, with the exception of Adjusting items as these are not disclosed by this Company.

3. Dividends

	2021/22 Pence per share	2021/22 £m	2020/21 Pence per share	2020/21 £m
Dividends paid during the year	-	-	-	-

4. Intangible assets

Cost	Goodwill £m	IT software £m	Total £m
At 25 February 2021	4.1	101.0	105.1
Additions	-	21.1	21.1
Assets written off	-	(10.8)	(10.8)
At 3 March 2022	**4.1**	**111.3**	**115.4**
Amortisation and impairment			
At 25 February 2021	(1.1)	(53.0)	(54.1)
Amortisation during the year	-	(20.5)	(20.5)
Amortisation on assets written off	-	10.7	10.7
At 3 March 2022	**(1.1)**	**(62.8)**	**(63.9)**
Net book value at 3 March 2022	**3.0**	**48.5**	**51.5**
Net book value at 25 February 2021	3.0	48.6	51.0

A review of IT software assets resulted in write off of assets with a net book value of £0.1m (2020/21: £1.2m)

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £7.4m (2021: £0.5m).

5. Property, plant and equipment

Cost	Land & Buildings £m	Furniture, fixtures & equipment £m	Total £m
At 25 February 2021	1,565.5	601.3	2,166.8
Additions	18.2	57.0	75.2
Interest capitalised	0.7	-	0.7
Assets written off	(1.4)	(37.8)	(39.2)
Movements to held for sale in the year	(46.9)	(1.2)	(48.1)
At 3 March 2022	**1,536.1**	**619.3**	**2,155.4**
Depreciation and impairment			
At 25 February 2021	(76.6)	(195.7)	(272.3)
Depreciation charge for the year	(8.0)	(67.9)	(75.9)
Assets written off	1.4	37.8	39.2
Movements to assets held for sale	0.6	0.2	0.8
Impairment reversal/(charge)	9.6	(0.5)	9.1
At 3 March 2022	**(73.0)**	**(226.1)**	**(299.1)**
Net book value at 3 March 2022	**1,463.1**	**393.2**	**1,856.3**
Net book value at 25 February 2021	1,488.9	405.6	1,894.5

Capitalised interest

Additions to land and buildings include £0.7m of interest capitalised during the year at an average rate of 2.7% (2021: £0.1m at 2.9%).

Capital expenditure commitments	2022 £m	2021 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	51.2	7.9

5. Property, plant and equipment (continued)

Impairment

As a result of the COVID-19 pandemic and subsequent easing of restrictions, the Company identified indicators of both impairment and impairment reversals and as a result performed an impairment assessment of all trading sites. This resulted in a net impairment reversal of £9.1m being recorded in relation to property, plant and equipment and a net impairment reversal of £5.0m being recorded in relation to right-of-use assets.

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, two property assets with a net book value of £47.3m (2020/21: two with a net book value of £3.9m) were transferred to assets held for sale. No property assets were transferred back to fixed assets (2020/21: none). Three property assets were sold during the year with a net book value of £7.0m (2020/21: none). No impairment loss was recognised relating to assets classified as heldfor sale (2020/21: none). By the year end there were nine sites with a combined net book value of £55.2m (2020/21: £14.9m).

6. Lease arrangements

The company leases various buildings which are used within the Premier Inn business. The leases are non-cancellable operating 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 operating 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 27 February 2020	497.3	2.1	499.4
Additions	126.3	0.8	127.1
Impairment	(7.6)	-	(7.6)
Depreciation	(27.5)	(1.1)	(28.6)
Terminations	-	(0.1)	(0.1)
At 25 February 2021	588.5	1.7	590.2
Additions	**30.4**	**0.7**	**31.1**
Impairment reversal/(charge)	**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**

Lease liability

	Property £m	Other £m	Total £m
At 27 February 2020	617.2	2.3	619.5
Additions	126.3	0.8	127.1
Interest	31.9	0.1	32.0
Payments	(42.4)	(1.2)	(43.6)
Terminations	(3.3)	(0.2)	(3.5)
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**

During the year, the Company had to right-of-use property assets and property lease liabilities of £20.5m (2020/21: £115.9m) relating to new leases and £9.9m (2020/21: £10.4m) relating to amendments to existing leases.

6. Lease arrangements (continued)

Amendments to IFRS 16: Covid-19-Related Rent Concessions

During the final quarter of the previous financial year, the Company underpaid lease payments with a total value of £4.7m and remains in discussion with substantially all of the impacted landlords. As a result, the underpaid amount was included within lease liabilities in the balance sheet. Substantially all of these amounts were paid in FY22. The Company early adopted the requirements of Amendments to IFRS 16: Covid-19- Related Rent Concessions during the prior year. As a result of early adopting these requirements, rent deferrals which would otherwise have been treated as lease modifications have been accounted for as if the change was not a lease modification. The adoption of the amendments had no impact on the income statement.

Amounts recognised in the income statement

	2021/22 £m	2020/21 £m
Depreciation expense of right-of-use assets	31.2	28.6
Interest expense on lease liabilities	32.8	32.0
Expense relating to low-value assets and short-term leases	-	-
Variable lease payment expense	-	-
Impairment (reversal)/charge on right-of-use assets	(5.0)	7.6
Lease income	(2.7)	(2.8)
	56.3	65.4

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.

	2021/22 £m	2020/21 £m
Extension options expected not to be exercised	373.3	274.1
Termination options expected not to be exercised	-	-
	373.3	274.1

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 optionis 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 £2.7m (2020/21: £2.8m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2021/22 £m	2020/21 £m
Within one year	1.7	3.1
After one year but not more than five years	2.4	4.6
More than five years	3.1	2.3
	7.3	10.0

Maturity of lease liabilities

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

	2021/22 £m	2020/21 £m
Within one year	57.8	57.3
After one year but not more than five years	239.1	209.3
More than five years but not more than 10 years	269.7	256.8
More than 10 years but not more than 20	353.8	452.3
More than 20 years	371.8	413.9
	1,292.2	1,389.6

7. Investments in subsidiaries and joint ventures

	Subsidiary undertakings £m	Joint venture £m	Total £m
At 25 February 2021	**1,850.1**	-	**1,850.1**
Additions	**106.8**	-	**106.8**
Impairment	-	-	-
Foreign exchange	**(9.0)**	-	**(9.0)**
At 3 March 2022	1,947.9	-	1,947.9

During the financial year a further investment was made to the entity's investment in Premier Inn Holding GmbH in exchange for share capital to provide funding to support acquisitions of hotels in Germany and 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

	2022 £m	2021 £m
Finished goods held for resale	**13.6**	6.3
Consumables	**2.6**	4.6
	16.2	10.9

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

During the year, cost of inventories recognised as an expense totalled £100.2m (2020/21: £58.2m).

9. Trade and other receivables

	2022 £m	2021 £m
Trade debtors	**24.9**	16.9
Prepayments and accrued income	**14.2**	10.5
Other debtors	**22.4**	10.3
	61.5	37.7

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade debtors includes £23.9m (2021: £10.9m) relating to contracts with customers. Other debtors include £nil (2021: £3.1m) in relation to grants and other support receivable from the UK government (see Note 9 to the consolidated accounts).

The allowance for expected credit loss relating to trade and other receivables at the year end was £1.2m (2021: £0.8m). During the year, credit losses of £2.4m (2020/21: £0.6m) were recognised within operating costs in the consolidated income statement.

10. Trade and other payables

	2022 £m	2021 £m
Trade payables	**68.3**	19.9
Amounts owed to group undertakings and parent	**1,962.7**	1,802.0
Other taxes and social security	**24.7**	29.3
Contract liabilities	**55.9**	18.2
Accruals	**162.3**	68.9
Other payables	**48.4**	36.3
	2,322.3	1,974.6

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

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

12. Pensions

	2022 £m	2021 £m
Pension surplus	**619.4**	335.4

During the year, the accounting surplus increased from £335.4m at 27 February 2021 to £619.4m at 3 March 2022. The principal reasons for this increase were higher returns on plan assets than expected using the discount rate alongside changes in financial assumptions, primarily 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 £96.8m (2021: £147.4m) 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.

13. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 25 February 2021	1.1	8.1	2.3	10.7	22.2
Created	0.4	1.0	-	14.3	15.7
Utilised	(0.8)	(5.3)	(2.2)	(5.7)	(12.3)
Released	(0.3)	(0.7)	-	(2.3)	(5.0)
At 3 March 2022	**0.4**	**3.1**	**0.1**	**17.0**	**20.6**
Analysed as:					
Current	**0.4**	**1.8**	**0.1**	**9.2**	**11.7**
Non-current	**-**	**1.2**	**-**	**7.7**	**8.9**
At 3 March 2022	**0.4**	**3.0**	**0.1**	**17.0**	**20.6**

Restructuring
Restructuring provisions have been recognised as a result of the Company's decision to restructure its operations. The restructuring provisions are expected to be used within one year.

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% (2021: 2.0%) based on an approximation for the time value of money.

Property
The amount and timing of the cash outflows are subject to variation. The 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.

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. At the year end, a provision of £0.8m (2021: £3.0m) was held for future unavoidable costs on such agreements, to be utilised over a period of up to three years. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

Property costs
From FY18–FY20, the Company established a provision for the performance of remedial works on cladding material at a small number of the Company's sites. As a result, a provision of £2.3m was brought forward this year in relation to these costs. During the year £0.5m of the provision has been utilised. The remaining provision is expected to be utilised within one year.

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

Other
Insurance
A provision of £7.2m 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 £3.0m and £2.0m 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 £3.6m was brought forward in relation to these claims. During the year further provisions were created with a value of £11.8m and £3.8m of the provision was utilised. Due to the complex nature and fast pace of changes in the rules around certain government payments, the 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. Subsequently third party review has highlighted an alternative assumption could be formed and on the basis of a probable outflow a provision based on that approach has been made.

14. Deferred income tax assets/(liabilities)

Deferred tax relates to the following

	2022 £m	2021 £m
Deferred tax liabilities		
Accelerated capital allowances	**(39.2)**	(22.1)
Rolled over gains and property revaluations	**(61.1)**	(43.7)
Pensions	**(165.9)**	(62.5)
Gross deferred tax liabilities	**(266.2)**	(128.3)
Deferred tax assets		
Leases	**23.5**	17.9
Losses	**104.2**	66.9
Other	**0.9**	7.0
Gross deferred tax assets	**128.6**	91.8
Net deferred tax (liabilities)/assets	**(137.6)**	(36.5)

15. Derivative financial instruments

Categories of financial instruments accounted for at fair value:

		2022	2021
Financial assets at fair value			
Derivative financial instruments held at fair value	Current	-	8.2
	Non-current	**15.8**	6.6
Financial liabilities held at fair value			
Derivative financial instruments held at fair value	Current	-	(2.4)
	Non-current	-	-

The change in value of financial instruments at fair value credited to the profit or loss account during the year was £1.3m (2021: charge of £0.4m) and credited to the hedge reserve was £2.1m (2021: £2.3m).

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

	2022 £m	2021 £m
"A" Ordinary shares of 25 pence each (2020: 25 pence each)	11.0	11.0
Ordinary shares of 25 pence each (2020: 25 pence each)	122.7	122.7
	133.7	**133.7**

	2022 *Million*	2021 *Million*
Number of "A" ordinary shares in issue	44.0	44.0
Number or 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).

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 guaranteed amounts to £1,437.9m (2021: £1,441.2m). It also has bank and other guarantees totalling £0.1m (2021: £0.3m). 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[8]	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	–	–	–
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[3]	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 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 Nordkanalstrasse 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

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 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 (formerly UNA 344. Equity Management GmbH)	Germany[8]	Ordinary EUR 25.000	–	100.0	100.0
Premier Inn Stuttgart Feuerbach GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Verwaltungsgesellschaft Süd GmbH(formerly: Acorn Hotelbetriebs- und Verwaltungs 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	99.1
		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 (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)
Advisebegin Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Alastair Campbell & Company Limited	Scotland[15]	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

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)
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

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[14]	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
Priory 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
Raybain (Northern) Limited	England[1]	Ordinary £1.00	100.0	–	100.0
Raybain (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
Sprowston 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 preferenceA £1.00	–	100.0	33.0
		8% cumulative preferenceB £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

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
Trentrise 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. Darley, 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 Fremlins 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
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	England1	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

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.