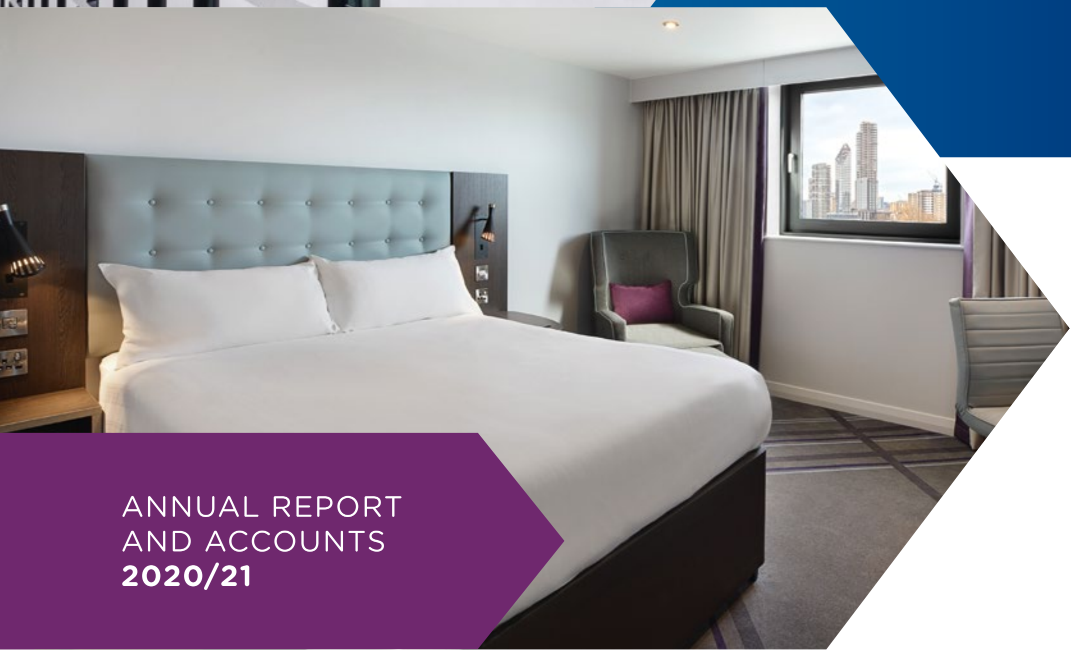
WHITBREAD PLC



ANNUAL REPORT AND ACCOUNTS 2020/21

A focused hotel group

Our unique, vertically-integrated, approach has enabled Premier Inn to grow at a significantly faster pace than the market, deliver a consistently superior customer experience and generate a strong return on capital for shareholders.

As we emerge from the COVID-19 pandemic, Whitbread is well positioned in the UK and Germany, both of which are structurally attractive budget hotel markets with significant growth opportunities.

Whilst the pandemic had a significant impact on our markets throughout the financial year, our robust operating model allowed us to take the necessary actions to steer the business through the crisis, while staying true to our Force for Good beliefs, leaving us in a strong position as we look forward to better times ahead.

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Financial performance

REVENUE
£590m
2019/20: £2,072m

ADJUSTED OPERATING (LOSS)/PROFIT†
(£487m)
2019/20: £487m

ADJUSTED (LOSS)/PROFIT BEFORE TAX†
(£635m)
2019/20: £358m

ADJUSTED BASIC (LOSS)/EARNINGS PER SHARE†
(288p)
2019/20: 166p

NET DEBT†
(£47m)
2019/20: (£323m)

FORCE FOR GOOD

WE HAVE SET NEW AMBITIOUS FORCE FOR GOOD TARGETS FOR THIS YEAR.

We are aware of the material impact, both positive and negative, that our business activities can have on the planet, our communities and the customers we serve. We began this year with a portfolio of new, ambitious, stretching targets that were set to really make a difference.

Read more – pages 48 to 55

MARKET SHARE[1]
11%
2019/20: 7%

STATUTORY OPERATING (LOSS)/PROFIT
(£839m)
2019/20: £409m

STATUTORY (LOSS)/PROFIT BEFORE TAX
(£1,007m)
2019/20: £280m

STATUTORY BASIC (LOSS)/EARNINGS PER SHARE
(482p)
2019/20: 125p

OPERATING CASH FLOW†
(£489m)
2019/20: £555m

CASH AND CASH EQUIVALENTS
£1,256m
2019/20: £503m

TOTAL CASH CAPEX UK†
£132m
2019/20: £320m

TOTAL CASH CAPEX GERMANY†2
£99m
2019/20: £268m

† See pages 206 to 209 for definitions of alternative performance measures.
1 STR data, revenue share of total UK market.
2 Includes Middle East and business combinations.

A unique approach

OUR AMBITION

To be the world's best budget hotel brand

OUR PURPOSE

To provide quality, affordable hotels for our guests to help them to live and work well and to positively impact the world around us. With no barriers to entry or limits to ambition, we will provide meaningful work, skills and career development opportunities for our teams

OVERVIEW

UNITED KINGDOM*

Read more – pages 20 to 25

At Premier Inn, we're here to help the nation rest easy, whether it's a choice of rooms across our 800+ hotels, comfy beds that guests won't want to leave or food to fuel the start and end of every day.

We've got a range of flexible rates to suit everyone, friendly team members who genuinely care and a level of consistency that ensures everyone knows exactly what they're going to get. It's comfort that everyone can count on.

NUMBER OF ROOMS[1]

78,718

+0.2%

2019/20: 78,547

NUMBER OF ROOMS IN PIPELINE[1]

12,256

(5.8)%

2019/20: 13,011

GERMANY

Read more – pages 26 to 31

Germany provides a significant opportunity for Premier Inn to grow long term and replicate its UK success, with the German market sharing many of the attractive characteristics we see in the UK.

We continue to grow at pace in Germany, with 30 operational hotels and a committed pipeline of 42 hotels. This progress now gives Premier Inn a national footprint and brings us closer to our goal of becoming the number one budget hotel brand in Germany.

NUMBER OF ROOMS[1]

4,880

+349.8%

2019/20: 1,085

NUMBER OF ROOMS IN PIPELINE[1]

8,420

(3.3)%

2019/20: 8,709

* Includes one site in each of Jersey, Ireland and the Isle of Man.
1 As at year-end 25 February 2021.

1 As at year-end 25 February 2021.

OUR VALUES

GENUINE

REALLY CARING ABOUT OUR CUSTOMERS

CONFIDENT

STRIVING TO BE THE BEST AT WHAT WE DO

COMMITTED

WORKING HARD FOR EACH OTHER

OUR BRANDS

At Premier Inn we pride ourselves on comfort and quality, so whether you're staying for business or leisure, you'll always enjoy a warm welcome from our friendly teams, as well as comfortable king-sized beds, ensuite bathrooms, a TV with Freeview and Wi-Fi in every room.

We have innovated to develop two new hotel brands to cater for different market segments. Contemporary style combined with great connectivity makes hub by Premier Inn the UK's most space-efficient digitally-advanced hotel. Meanwhile, at ZIP by Premier Inn, our idea is simple. Do the essentials brilliantly, then take away everything else. You get a small room, a simple stay and, best of all, a price to match.

All our hotels have a bar and restaurant, either within the hotel or just next door, offering a wide selection of meals and hearty eat-as-much-as-you-like full English and continental breakfasts. Beefeater is one of the UK's best-loved and most well-known restaurant brands and has been welcoming guests for over 40 years. Our newest restaurant brand Cookhouse & Pub is a great place to get together and offers freshly prepared dishes and delicious drinks, with a friendly service and great value. Bar + Block Steakhouse is an informal, all-day dining restaurant with a focus on high-quality steaks and Thyme is Premier Inn's in-house restaurant with a contemporary British menu.

FORCE FOR GOOD

OPPORTUNITY

A team where everyone can reach their potential – no barriers to entry and no limitations to ambition

- We will be for everyone, championing inclusivity across the organisation and improving diversity
- We will have industry-leading training and development schemes
- Team member wellbeing will be considered in everything we do

COMMUNITY

Making a meaningful contribution to the customers and communities we serve

- We will make a positive contribution to the communities we serve
- Working collaboratively with our teams and supply chain, we will support our charity partners to meet their mission
- We will support the wellbeing of our customers

RESPONSIBILITY

Always operating in a way that respects people and the planet

- We will source responsibly and with integrity
- We will reduce our environmental impact
- We will always do business the right way

Information on our sustainability programme, Force for Good, is integrated throughout the report and can be found by looking for the logo above

Robust response to COVID-19

Our sure-footed response to the COVID-19 pandemic has focused on looking after the health, safety and wellbeing of our teams and customers, while taking quick and decisive action to protect the business and position it for recovery and long-term success.

PROTECTING HEALTH, SAFETY AND WELLBEING

The COVID-19 pandemic has hit the hospitality sector particularly hard. Our restaurants were closed for large periods of the year and our hotels in the UK were in some cases closed and in other cases only allowed to open for essential business travellers and key workers. Changes to the rules have often been announced at short notice and our teams have had to be extremely agile in their response in order to comply with the latest requirements. The situation in Germany has closely mirrored the UK.

During this period, we have prioritised the health, safety and wellbeing of our teams and customers. This included the introduction of Premier Inn CleanProtect, our enhanced hotel hygiene promise to help guests stay with confidence. It further enhanced our already stringent hygiene standards* with new procedures in line with both the World Health Organisation and the European Centre for Disease Control recommendations. Throughout this report, there are examples of actions we have taken in this regard, from adapting our hotels and restaurants to be safer environments and rapidly providing Personal Protective Equipment (PPE) for our teams, to looking after the wellbeing of our teams by topping up the Government's Coronavirus Job Retention Scheme.

OUR COVID-19 FRAMEWORK

The COVID-19 Working Group was established to identify applicable COVID regulations throughout the UK and Ireland, and ensure effective operation within those constraints. One of its core activities is determining which hotels and restaurants will open or close, and when, and also how best to manage restrictions. The Working Group has representation from all areas of the business and meets on a weekly basis or more often as required.

Where required, key decisions are sought from the UK Management Team and Executive Committee. Similar arrangements were established in Germany.

At a corporate level, decisions in relation to financing and dividends have been taken at Executive Committee and Board level, while decisions relating to executive remuneration were taken by the Remuneration Committee.

* Premier Inn hotels have long been recognised for consistently achieving excellent cleanliness and hygiene standards – as demonstrated by the scores from over a million post-stay guest surveys which were announced as part of Whitbread's FY 19/20 results.

TAKING CARE OF OUR COLLEAGUES

The last year has been an incredibly difficult period and we recognise that our teams up and down the country, in both the UK and Germany, will have been impacted significantly by the pandemic. Many will have been concerned about the physical and mental health of both themselves and their loved ones. Of course, it is imperative that people feel safe when going to work and, during this last year, that has never been more important.

With this in mind, we took quick and decisive action to make our hotels, restaurants and offices safe places to work. We rapidly sourced PPE for our teams and adapted our operating procedures so that our teams could feel as safe as possible.

Unfortunately, we had no option but to close a number of our sites at various points throughout the year. This action necessitated the use of the UK Government's Job Retention Scheme and, with the wellbeing of our teams at the centre of our decision making, chose to top up these payments during the first lockdown period so that colleagues were receiving their full salaries. Similar arrangements were made in Germany. More details can be found in the HR Director's review on pages 42 to 47.

SUPPORTING OUR CUSTOMERS

Premier Inn is a trusted brand and behaving responsibly towards our customers was extremely important to us as we navigated the pandemic. This meant that we needed to be flexible in our approach to bookings and understanding of our customers' needs. Many of our loyal customers had booked stays with Premier Inn on non-flexible terms, but as the pandemic developed they were unable to stay with us. In this situation we chose to relax booking terms and allow customers to cancel with a full refund. It was the right thing to do, both for our customers in the short term and for Premier Inn's long-term reputation.

Many of our hotels have remained open to essential business guests during the more recent lockdowns and we were also largely open for all guests during the summer. It was vital that our customers felt safe staying with us, or indeed eating in our restaurants, when they have been able to open. We therefore implemented a number of physical changes to our hotels and restaurants to allow for social distancing and introduced an enhanced housekeeping service to ensure that bedrooms were thoroughly sanitised prior to the arrival of new guests. We have also introduced new flexible rate classes.

POSITIONING THE COMPANY FOR LONG-TERM SUCCESS

Throughout the COVID-19 crisis, we have taken quick and decisive action to protect the business and to position it for long-term success. This included the rapid closure of our businesses in March, the immediate postponement and cancellation of all non-critical spend and accessing Government schemes to secure the liquidity of the business, followed by the £1bn rights issue that will help successfully position the business in the medium term. In February 2021, we announced two Green Bonds and the extension of our revolving credit facility. The issuance of Green Bonds was made possible by the success of Whitbread's Force for Good programme, which has delivered results we can be proud of throughout the pandemic.

The combination of these actions, together with Premier Inn's strong financial performance, leave the Company well positioned to succeed as we emerge from the pandemic. More information on Whitbread's positioning for future success can be found throughout this report and more details on the Green Bonds can be found in the Force for Good section on pages 48 to 55.

A clear strategy

The actions we have taken to navigate the COVID-19 pandemic leave us in a strong position as we look to better times ahead.

When I wrote to you this time last year, we were in the early stages of the COVID-19 pandemic and the 12 months that followed have been extremely challenging for everyone. Whitbread is in one of the worst hit sectors and we are the largest operator in it. I explained then that Whitbread was well placed to withstand the crisis, with a strong balance sheet and access to significant liquidity. I also explained that we were determined to come out of the crisis in a competitively-advantaged position.

While we are not out of the woods yet, I am confident that the actions we have taken over the last year were the right ones; our balance sheet is secure and we have gained market share, which will put us in a position to succeed over the long term. Our management team has done a great job in extremely difficult circumstances, and I would like to thank them for all their hard work this year.

As I said, the year has been challenging for everyone and our team members up and down the country have not been immune to that. Sadly, we have lost some Whitbread colleagues to the virus and many of our team members will have lost loved ones. I am sure that many of our shareholders will also have suffered losses, and I would like to offer our condolences to the families and friends of those that are sadly no longer with us.

From a business perspective, we have been required to close a significant proportion of our businesses for large parts of the year, while our open hotels have been operating at much reduced occupancy. This has meant that we needed to furlough many of our team members, both in our hotels and restaurants and in our Support Centre. We made sure that we did this in a responsible way and, for the first lockdown period, we topped up the pay for those furloughed above the amount we were able to claim from Government.

Our teams have needed to demonstrate great agility as we have closed, reopened and again closed sections of our estate as Government guidance has changed. I would like to thank them all for their great commitment to Whitbread as well as for their adaptability.

Perhaps most pleasing has been our commitment to continue to invest in the business through the crisis. This has seen us grow market share in the UK and we have been able to acquire small portfolios in Germany at attractive prices, in order to build an even stronger platform in this structurally attractive market.

Lastly, I am convinced that our strategy of focusing on being one of the world's leading economy/midscale hotel brands, well positioned in structurally attractive markets, is the right one. We have clear strategy, and a strong team to deliver it.

Performance

The Group's financial performance reflected the closure of the vast majority of the business in the first half of the financial year. In the second half, after operating throughout August and September with occupancy levels of over 50% in the UK, we saw market demand fall significantly from November onwards, as increasingly severe COVID-19 restrictions were implemented. Statutory revenue for the year was down 71.5%, resulting in an adjusted loss before tax of £635.1 million and a statutory loss before tax of £1,007.4 million. The business retains a strong balance sheet and liquidity position, enhanced by the successful rights issue completed in June 2020, the Green Bond issuance in February 2021. At the end of the financial year, the business had access to £1,256.0m of cash and cash equivalents.

Force for Good

In such a difficult year, it would have been easy to lose focus on our commitment to be a Force for Good. However, I'm proud to say that this has remained at the forefront of our minds. In fact, enabling people to live and work well, which is the core ambition of our Force for Good programme, has been at the centre of our response to the pandemic. As well as topping up the pay of furloughed workers as I mentioned earlier, we kept 39 hotels open during the first lockdown for use by key workers, donated over 500,000 meals to charity partners and continued to raise significant funds for Great Ormond Street Children's Hospital. In addition, significant progress has been made on our diversity and inclusion goals.

We have reconfirmed our ambitious targets, such as eliminating all unnecessary single-use plastic from our business and halving our food waste, but we have also accelerated some, including our drive to net zero carbon emissions to 2040 from the previous target of 2050. In February 2021 we issued £550m of Green Bonds, which was only possible because of the industry-leading work we have been doing to become a more sustainable business.

£550m
GREEN BONDS ISSUE

£1.0bn
RIGHTS ISSUE

72
OPEN AND COMMITTED HOTELS IN GERMANY

The proceeds will be used to fund existing and future sustainable projects across our business. Further details can be found on pages 48 to 55.

Rights issue

This time last year we announced our intention to raise £1.0bn via a fully underwritten rights issue. The rights issue, which offered existing shareholders the opportunity to purchase one new share for every two held at a price of £15 per share, was very well supported and successfully delivered. Thank you to those of you that took part. As well as protecting the business during a period of cash outflow, a key reason for our decision to go ahead with the rights issue was that the proceeds raised would allow us to invest with confidence. This will enable us to take advantage of the long-term structural growth opportunities in our sector as we emerge from the pandemic. We have already made progress on this objective, with the acquisition of 13 hotels in Germany in late 2020, taking our open and committed pipeline in Germany to 72 hotels.

Annual general meeting

Last year, we were unable to hold the usual face-to-face AGM in London. Instead Alison and I held the meeting in our Boardroom in Dunstable and we certainly missed seeing the familiar faces of many long-standing shareholders. Shareholders were invited to send in questions in advance of the meeting and all voting was by proxy. I hope those of you that submitted questions were able to listen to the recording of the meeting on our website and were happy with the answers we provided.

The rules around public gatherings in June are still uncertain and it currently looks like, once again, we will not be able to hold the face-to-face meeting that we would like. However, we have had more time to prepare this time around and we want to provide for a higher level of engagement with our shareholders. We therefore intend to hold the AGM via webcast, with the opportunity to submit or ask questions and vote in real time. The meeting will take place at 2.00pm on Thursday 17 June 2021 and details of how to access it will be included in the Notice of Meeting.

While we might not be able to meet in person, I hope that you will be able to join the meeting and that this more interactive format is a good step in the right direction. We will, of course,continue to review Government guidance and will announce any changes to our plans via the Regulatory News Service and on our website.

The Board

Since this time last year, there have been two new additions to the Board. Meanwhile two directors have stepped down from the Board. We have also announced that Louise Smalley will retire from Whitbread and step down from the Board on 31 August 2021. I will say more about Louise in next year's report.

Firstly, I would like to welcome both Kal Atwal and Fumbi Chima to the Board as independent non-executive directors. Both Kal and Fumbi joined us on 1 March 2021 and they bring an invaluable mix of skills to the Board, including in the technology sector, in digital transformation, in marketing and in general management, gained from a range of businesses. As Whitbread faces into the next phase of its growth, they will add huge value to the Board.

Kal Atwal is an experienced general manager, with over 13 years' executive committee experience at BGL Group Limited, where she played a central role in driving the strategic growth and scaling of the brands within the Group, in particular as the founding Managing Director of comparethemarket.com. Kal is also Board Adviser to SimplyCook Ltd and serves as a non-executive director of Royal London Group and WH Smith.

Fumbi Chima is a Global Chief Information Officer, adept at digital transformation strategy in high-growth environments across a range of industries. She is currently Executive Vice-President and Chief Information Officer at BECU, having previously served as Chief Information Officer at adidas, Fox Network Group, Burberry, Walmart Asia's business operations and American Express global corporate technologies.

Deanna Oppenheimer and Susan Taylor Martin stepped down from the Board on 31 December 2020 and 22 April 2021 respectively. I would like to thank both Deanna and Susan very much for their significant contribution to Whitbread.

Executive remuneration

In such a challenging year it has been a complex job for the Remuneration Committee to achieve the fine balance between fairly rewarding the significant effort and achievement of management in steering the Company through this period while also considering the interests of a broad range of stakeholders. I believe that the Committee has succeeded in this aim and I was particularly pleased to see that team members across the organisation will receive special recognition payments to reward their effort and contribution over this difficult period. Details of the remuneration actions taken can be found in the remuneration report on pages 88 to 108.

Looking forward

Here in the UK, at the time of writing, there are reasons to be more optimistic as we look ahead. So far, the Government's roadmap to reopening is on track and we very much hope that will continue to be the case. We hope to have the great majority of our UK business open again by 17 May 2021. The position isn't quite so positive elsewhere in Europe at the moment, but I hope that things will soon be looking brighter for our colleagues in Germany too.

Adam Crozier
Chairman
26 April 2021

Well placed to drive long-term value

We will continue to invest to enhance our market-leading position, creating further significant value for all our stakeholders.

The last financial year was one of the most challenging in our 279-year history, as we operated under significant COVID restrictions which had many implications for our businesses, our customers and our people. Our business model enabled us to respond rapidly to the changing restrictions and to quickly adapt our operations as required, prioritising the health and safety of our colleagues and our customers. This response was possible due to the efforts of colleagues in our hotels, restaurants and support centre, who continue to work tirelessly to maintain our very high operating standards, customer service and health and safety. I am extremely proud of, and grateful for, their incredible hard work and commitment in this most difficult year.

React, Protect and Restore: Taking rapid and decisive action
The start of the financial year saw the COVID pandemic develop rapidly, culminating in the first UK national lockdown on 23 March 2020. All our hotels and restaurants were closed, with the exception of 39 hotels that were kept open to support the national effort by providing accommodation for NHS staff and other key workers.

Given the material impact of the lockdown restrictions on revenues, we focused on immediate actions to reduce cash outflows to help protect our liquidity. These actions included the elimination of all discretionary spend and the postponement of investments. We placed the majority of our employees on temporary furlough, and reduced capital expenditure to essential hotel maintenance, core IT spend and the rebranding and refurbishing of the recently acquired Foremost hotels in Germany. Voluntary pay cuts were taken by the Board and senior management team, and dividend payments were suspended. We utilised UK Government support schemes during the year including the business rates holiday and the Job Retention Scheme, and equivalent schemes and grants in Germany, with a total benefit to the Group of around £270m.

As the year progressed, further action was taken to ensure our cost base reflected the significantly lower levels of demand, and to give us greater flexibility to adjust to demand changes in the future. This included reducing our head office and hotel headcount and implementing changes to our hotel and restaurant labour model to provide greater flexibility to flex hours in line with demand.

Throughout the year we have endeavoured to act responsibly in this time of crisis. The safety of our colleagues and guests has been of paramount importance, and during the first UK lockdown, when we operated 39 hotels for key workers, we developed and implemented rigorous hygiene protocols to minimise the risk of COVID transmission. These measures included social distancing signage and protective screens, use of PPE, and enhanced cleaning standards. We were able to use what we learned from operating in this environment, to implement our estate-wide 'CleanProtect' and 'Generous Serving of Safety" programmes upon reopening our hotels and restaurants at the start of July 2020. During the first lockdown we also provided full cash refunds to our customers for all cancelled bookings, regardless of the terms and conditions. We subsequently launched a new range of booking conditions providing guests with greater flexibility to amend and cancel bookings, which have proved very popular.

Our hotel and restaurant teams have been fundamental in enabling us to navigate this very difficult period, and we are extremely mindful of the fact that this has been an incredibly challenging year for them. Where possible, we have taken action to support our teams and try to make things easier. Examples include paying the additional 20% of salaries on top of the Government furlough credit during the first lockdown and making national minimum wage increases for our hourly paid staff. We have also launched a wide-ranging employee support programme centred around a clear wellbeing communication plan, aimed at continually supporting the mental and physical wellbeing of our employees across the business.

In addition to making rooms available to NHS staff and other key workers, we also supported the community and national effort by passing fleet delivery capacity to supermarkets and donating over 500,000 meals to charities. Our fundraising programme for our charity partner Great Ormond Street Hospital has also continued despite the challenges posed by COVID restrictions, raising almost £900,000 during the year.

Growing market share in the UK

Following the Government advice that hospitality venues could reopen, we were able to reopen our UK estate quickly and safely. Our unique business model enables us to make a contribution to fixed costs at very low levels of occupancy, meaning we were in a good position to open up the majority of our hotel and restaurant estate in July and into August. Occupancy levels recovered to above 50% in September and October driven by relatively strong leisure demand in tourist locations and demand from tradespeople who need to be physically present to work. However, the implementation of tiered restrictions in October and the subsequent tougher UK wide lockdown that followed from Christmas to beyond the end of the financial year, saw occupancy levels reduce to below 30% in January and February.

Despite these very difficult circumstances, Premier Inn continues to be consistently rated as the strongest hotel brand in the UK. The success of our customer proposition is based on the provision of a high-quality customer offer across the Premier Inn hotel network, which drives market-leading brand and customer scores, and underpins our high levels of direct digital distribution.

The advantages of our unique operating model, the strength of the Premier Inn brand, and our market-leading direct distribution model, has enabled us to continue to deliver strong market share gains in the UK. Throughout the period from August 2020 onwards, Premier Inn has significantly outperformed the Midscale and Economy market. Our exposure to the faster recovering budget sector, our resilient customer mix, and the enhanced structural opportunities that the COVID crisis has created, positions us well to continue this outperformance.

The Government restrictions have had a greater impact on the operations of our restaurants, with the national lockdowns forcing full closures at the start and end of the financial year and, restrictions in the highest tiers impacting us in the Autumn. Trading in the period from July 2020 to December 2020, when on average 70% of our restaurants were open, was helped by the national “Eat Out to Help Out Scheme” in August, however overall demand remained subdued and we had reduced capacity in each restaurant due to social distancing restrictions.

Accelerating growth in Germany

In Germany, the pattern of COVID restrictions largely mirrored the UK, albeit in a more complex framework of national and federal restrictions. Customer demand and occupancy levels were higher in tourist locations, and lower in locations with a greater business mix and COVID restrictions have had a material impact on total sales. However, the pandemic has provided an opportunity to accelerate the expansion of our estate in Germany.

We entered the financial year with just six hotels, and ended it with 30 hotels, with a presence in most major towns and cities. Our total open and committed pipeline now stands at 72 hotels. In addition, we were able to use the time that the hotels were closed to refurbish and rebrand 13 of the acquired Foremost hotels, reopening them in May 2020.

In December, the Group completed the acquisition of 13 hotels from the Centro Group, of which six were operational, and seven pipeline, demonstrating the enhanced structural opportunities that exist for Whitbread in Germany. Given ongoing restrictions and subdued demand, we have temporarily closed the six acquired operational hotels, to accelerate their refurbishment and rebranding to Premier Inn.

The scale of our growing network, the accelerated refurbishment and rebranding programmes, and the pressure on the independent sector, will provide a strong platform for growth in Germany as restrictions begin to be lifted and the market recovers.

Financial performance and outlook

Overall, full year statutory revenues were down 71.5% year-on-year reflecting the impact of COVID restrictions on the business. The significant decline in revenue resulted in an adjusted loss before tax of £635.1m. Statutory loss before tax of £1,007.4m includes a non-cash impairment charge of £348.0m relating to goodwill on German acquisitions, property, plant and equipment and right-of-use assets, as a result of the ongoing COVID situation. The cash outflow for the year, before shareholder receipts and debt issuance and repayments was £704.6m, driven by the significant decline in revenue, despite the extensive mitigating actions that have been taken.

However, our balance sheet and liquidity position, remains strong, enhanced by the successful £1bn Rights Issue completed in June 2020, and the £550m Green Bond issuance in February 2021. At the end of the financial year, the business had access to over £1.25bn of cash and cash equivalents and an undrawn Revolving Credit Facility of £950m. Part of the Green Bond proceeds provided liquidity to repay £200m of private placement debt early in March 2021.

Our strong balance sheet, supported by our freehold properties, gives Whitbread significant financial flexibility and is a real competitive advantage, enabling us to invest in our strategy in a market where others will be constrained.

In terms of the outlook for the year ahead, the German market is particularly challenging at this point in time with occupancy levels below 15%. Tight restrictions, the slow roll-out of the vaccine and the current political environment is giving greater uncertainty to the pace of recovery.

The majority of our hotels in the UK are currently open but only for guests staying for essential business travel, whilst the majority of our restaurants remain closed for indoor dining. The expectation is that overnight stays for leisure travel will be permitted from 17 May 2021, along with the full reopening of restaurants.

We anticipate strong leisure demand during the summer in coastal and other tourist locations, which represent around 15% of our hotel estate. Whilst this “leisure bounce” is expected to be significant, a full recovery in leisure demand will need the return of events, including sporting events, weddings, and all other leisure activities. Business demand from tradespeople has remained resilient throughout the crisis, albeit still some way below pre COVID levels, and we expect to see a continued gradual recovery. Our expectation is that office-based business demand will not start to recover until offices reopen in earnest in the autumn. Our strong domestic focus means we expect to benefit from faster recovery of domestic, leisure and business demand, compared to international demand which is likely to be slower to return.

Investing to win next year

We continue to take actions to ensure that we exit the crisis as a leaner, stronger and more resilient business, and the next phase of our long-standing efficiency programme will target an additional £100m of cost savings over the next three years.

We will continue to invest in our commercial plan in the UK to ensure that we harness the pent-up demand for domestic leisure travel during the summer, alongside the ongoing recovery of business demand. At the forefront of our response, is a major integrated marketing campaign, 'Rest Easy' featuring the voice of Sir Lenny Henry, who has become synonymous with the Premier Inn Brand. This campaign launched in April, and will help deliver front-of-mind consideration with existing and new customers. A new Premier Inn website is driving higher conversion rates, while an improved 'business booker' proposition and increased use of Travel Management Companies will help drive business demand and broaden our reach to business customers.

We will also continue to invest in our room refurbishments, ensuring that our hotels offer a great guest experience, as well as recommencing the roll-out of 'Premier Plus" rooms.

In Germany, we are executing our strategy to drive long-term value through the acceleration of our expansion, and investing to build a platform of scale, both organically and through the acquisition of assets at good prices. The ongoing impact of the COVID restrictions, which will delay the sales maturity of our operating hotels by 12-18 months, will suppress short-term performance, meaning that losses will increase in 2021/22 and continue into 2022/23. However, the progress we have made to grow the estate in Germany since the start of the pandemic will mean that we are strategically very well-placed when restrictions are relaxed and market demand recovers.

A Force for Good

Whitbread's ambitious sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates and keeping our Force for Good commitments and ambition central to our response to the global pandemic has been very important to us.

Diversity and Inclusion was an area of focus for our strategy this year and we have now published eight commitments to drive meaningful progress in this area. We also took this year to focus on driving forward our target to cut food waste, and having set up a partnership to ensure surplus food does not go to waste, we have donated over half a million meals to support those in need.

Despite the challenges of COVID, we did not stand still on our carbon related targets, and in fact, took the opportunity to stretch and reinforce them. In 2018, Whitbread set a science-based target to reduce carbon emissions intensity by 50% by 2025 and 84% by 2040. We have already achieved a reduction of nearly 40% and so we are well on our way to achieving the first target. However, this year, we wanted to go further and have now updated our carbon target to aim for net-zero carbon emissions by 2040, which is a full decade earlier than the original plan. We know this is a huge task, but it is one that is vitally important for our business and the battle against global climate change. Our carbon strategy was externally recognised this year as we improved our Carbon Disclosure Project (CDP) Climate Change score to A-, putting us in the Leadership category, granted only to those seen to be implementing best practices on sustainability.

Driving long-term value

Despite the challenges that the pandemic has brought to the hospitality industry, Whitbread's strategy to drive long term value remains compelling. As a result of the crisis, we expect many of our competitors to face financial constraints. This is likely to lead to a slowdown in rooms growth and investment, and a potential acceleration in the decline of the large fragmented independent sectors, in both our key markets. Whitbread's strong balance sheet, good liquidity and flexible financial position means that we have the confidence and ability to continue to invest with discipline and focus, to capitalise on the enhanced structural growth opportunities that will exist, and deliver strong long-term returns.

In the UK, we will continue to grow and optimise our large network of hotels and leverage the powerful competitive advantages of our brand, our market-leading direct distribution, our best-in-class operating model and our broad customer reach. In Germany, we have a compelling opportunity to replicate our UK success story, and our aim is for Premier Inn to be the number one budget hotel operator. We will continue to invest in growing our pipeline through both organic and inorganic investment.

Whitbread is a strong and much-loved business that has successfully navigated numerous turbulent periods during its long history. The strength of its people, excellent brands, unique business model and broad customer reach provides a strong platform for future growth and we will continue to take action to ensure that we exit the pandemic as a leaner, stronger and more resilient business. As a result, we will continue to enhance our market leadership position, increase market share, support our colleagues, guests, suppliers and communities, whilst creating further significant value for shareholders.

Alison Brittain

Alison Brittain
Chief Executive
26 April 2021

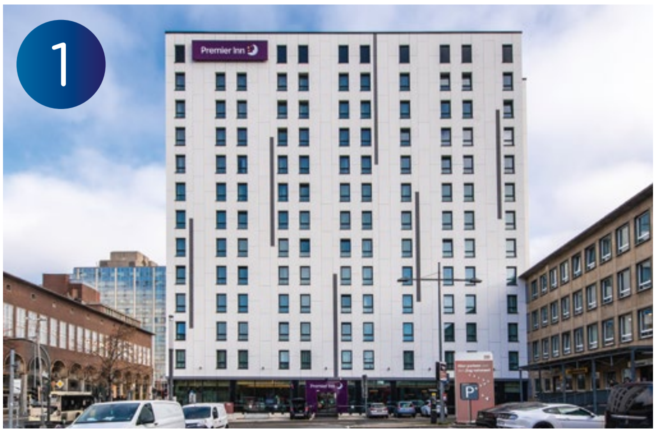
Three compelling reasons to invest in Whitbread

Best placed to capitalise on the recovery opportunity and reinforce our market-leading position, using our unique model for sustainable value creation

LONG-TERM STRUCTURAL GROWTH OPPORTUNITIES

› Attractive long-term structural growth opportunities in the UK and Germany

› Highly fragmented markets with declining independent hotel share, exacerbated by the effects of COVID, with the budget hotel sector having grown faster than the rest of the market over the last ten years



UNIQUE MODEL FOR SUSTAINABLE VALUE CREATION

› Vertically integrated model enables a superior customer proposition and growth at good returns

› Proven investment model which can be replicated over the long term

› Allows us to respond rapidly, particularly as demand recovers as we only need to rely on our own operations to mobilise

BEST-IN-CLASS OPERATIONAL PERFORMANCE

› Winning customer proposition and broad appeal

› End-to-end control delivers best-in-class operational performance

› Scale ensures we can deliver high quality at value for money

› Number one UK hotel brand with direct distribution model

Structural growth opportunities

Premier Inn has an integrated business model that delivers an unrivalled mix of quality and value to millions of customers and offers a significant competitive advantage in the budget, domestic, short-stay market. This, alongside our strong fundamentals, conservative capital structure and disciplined capital allocation, provides a strong platform for long-term growth and will ensure we exit the COVID-19 crisis as a leaner, stronger and more resilient business.

Despite the significant impact of COVID-19 on our markets our review of the market is written for the long term and we remain excited about the potential. It is especially important in times like this to operate a vertically integrated model like we do; by owning all of the value chain, from developing and building the hotels right through to managing the brand, the operations and the direct distribution, we are best positioned to access the structural growth opportunities and continue to create value for our shareholders over the longer term.

In the UK, we are focused on continuing to grow and innovate with growth delivered through our existing pipeline. With our strong brand and winning customer proposition, we are confident that we will be able to continue winning market share.

Furthermore, the budget market in which we operate experiences higher growth than other hotel sectors and tends to outperform those other sectors in downturns. During this current COVID-19 crisis budget branded hotels have outperformed the market in every year since 2008, including a material outperformance during and after the financial crisis, and we are seeing evidence of that once again.

In Germany, we are focused on replicating our UK success, with the ambition to be the number one budget hotel operator. We have significant headroom to grow, both organically and through careful and considered mergers and acquisitions (M&A) activity.

Germany presents an exciting opportunity given it has remarkably similar characteristics to the UK. Both markets are characterised by long-term migration from independents to budget branded hotels, and we have seen clear signs of distress and a weak independent segment decline. The COVID-19 crisis will likely accelerate the pressures on independents through demand weakness and increased cost pressures, and we expect this to worsen as Government support schemes are reduced. We also expect a decrease in new branded hotel supply, leaving an opportunity for Premier Inn to grow market share further.

THE UK MARKET[1]

67m
POPULATION

701k
HOTEL ROOMS

11%
PREMIER INN MARKET SHARE OF ROOMS

48%
INDEPENDENT HOTELS MARKET SHARE OF ROOMS

1 Source: Company data and estimates, data is 2019; the impact of COVID-19 means that 2020 is not a representative year, and is therefore excluded from the date range.

We remain very excited about the potential in our core UK market. Although this year has presented us with a number of unprecedented challenges and obstacles with COVID-19, our long-term strategy remains unchanged.

The actions we have taken over the course of the year to protect our team, our guests and our business as a whole mean we are well placed to exit the COVID-19 crisis in a position of strength. The structural characteristics of the UK market remain, and we have ensured that Premier Inn is able to capitalise on the opportunities as a result of structural market changes, particularly the distress felt by smaller operations in the market as a result of the COVID-19 pandemic. There will inevitably be a constrained competitor set where there will be less opportunity for others to invest.

The UK is densely populated, which drives domestic short-stay travel, and post COVID-19, we expect the overall market to continue growing over the long term. Over the last decade, we have seen all consumer indices show an increasing expectation for value for money. We are seeing a generational impact, as younger people have a greater demand for leisure and travel in general. As a result, the UK travel market is a great core market for us to be in and Premier Inn is the clear market leader on every important measure.

The UK market remains highly fragmented from both a demand and supply standpoint, with around 48% of the supply provided by the independent sector. Whilst Premier Inn achieves high occupancy levels, we still represent a relatively low share of supply.

The vast majority of our rooms are sold to domestic travellers, compared to around 60% for the total market. Domestic short-stay travellers have a higher frequency of visit and, as a result, a greater likelihood of wanting to stay with us again if we meet their needs. This domestic skew also means we are better protected from any structural changes and effects on international travel that will arise as a result of COVID-19.

We also have a good mix of business and leisure travellers. This balance ensures, in a non-pandemic world, that we achieve consistently high levels of occupancy at around 76%. Furthermore, our business customers include a significant proportion of manual trades workers (those that need to be physically present to perform their jobs), while our office-based workers are from a wide variety of sectors. This means we are less exposed to potential structural shifts in working patterns, such as permanent flexible working. Premier Inn also under-indexes on group business bookings and we have very limited conference facilities so we believe we are less exposed to those areas of business travel that may see a structural shift to virtual meetings.

Since 2010 we have increased our market share of rooms from 6% to 11%, achieved through an ambitious network expansion programme.[2] The rest of the budget branded sector has increased its market share by a similar amount to Premier Inn. However, the budget branded sector growth has been fragmented, with a long tail of smaller competitors.

We see an attractive ongoing opportunity to continue investing in new capacity and win further market share gains. This means that we can continue to grow our total sales ahead of the market and our plans are not wholly contingent on short-term conditions.

With our strong network and value for money, only 1% of our customers book using online travel agents, reducing the cost of customer acquisition vs the rest of the market. We can also leverage our scale to find ways to improve our efficiency to partially offset the inflationary cost increases, whilst smaller operators will, of course, struggle to do that. Post COVID-19, the pressure on the independents will only grow, creating an ongoing structural opportunity, which we are best placed to capture. We expect our additional new, efficient and superior hotel capacity to continue to provide domestic short-stay guests with a superior mix of quality, service and price, therefore allowing Premier Inn to win share in the UK.

2 Source: Company data and estimates, data is 2010-2019; the impact of COVID-19 means that 2020 is not a representative year, and is therefore excluded from the date range.

THE GERMAN MARKET[1]

83m
POPULATION

993k
HOTEL ROOMS

1%
PREMIER INN MARKET SHARE OF ROOMS

72%
INDEPENDENT HOTELS MARKET SHARE OF ROOMS

We remain incredibly excited by the opportunities in Germany and strongly believe it offers a compelling structural long-term growth opportunity. The structure of the German market is such that, once the COVID-19 crisis has passed, there is significant potential to grow, and our aim remains to replicate our UK success and to become the number one budget hotel operator in Germany.

1 Source: Company data and estimates, data is 2019; the impact of COVID-19 means that 2020 is not a representative year, and is therefore excluded from the date range.

We have materially grown our pipeline in Germany over the year, with 30 operational hotels and an open and committed pipeline of 72 hotels. This network now gives us a national footprint, with a presence in many major German cities.

The German market is around 42% larger than the UK, at almost one million hotel rooms. Pre COVID-19, RevPAR in the budget branded sector in Germany had also been growing at a faster rate to the UK, at around 2.3% CAGR between 2015 and 2019 vs 1.3% in the UK.

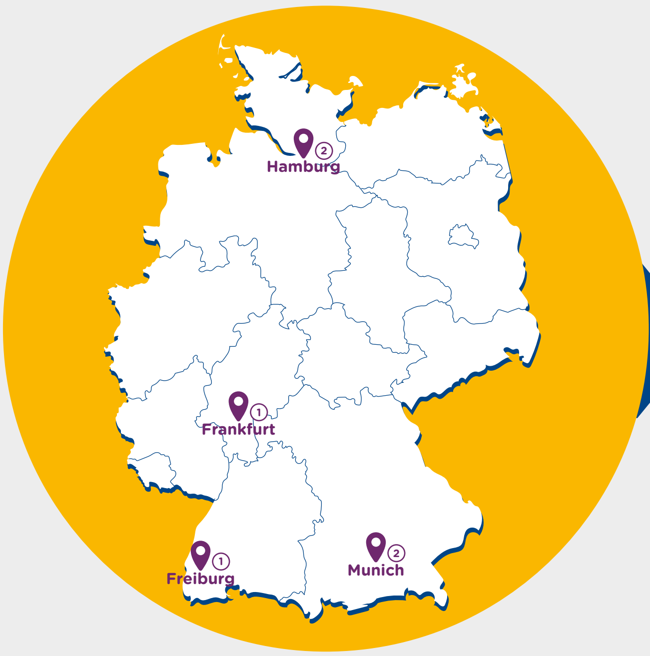
Furthermore, the German market is even more fragmented than the UK, with independent hotels making up around 72% of the supply, and more domestic travel-oriented than the UK at around 77% of the total. This high proportion of domestic travel is a long-term output of Germany's geography and history.

Germany is significantly more regionally dispersed than the UK due to its history and federalised political and industrial structure. This geographic dispersion drives greater demand for short-stay travel, particularly business-led. Therefore, there is a greater frequency of travel by the type of customer that Premier Inn excels at serving.

Structural barriers to entry exist as a result of the nature of the property market. With limited large property financing structures, such as Real Estate Investment Trusts (REITs), and greater opportunities in the four- and five-star sector for asset-light models, there has been limited new capacity added in the budget sector, which is considered to be the hardest sector in which to earn a return. This has meant that the international asset-light operators have struggled to find franchisees to operate appropriate new hotel sites. In fact, the only hotel businesses that have delivered meaningful growth adopt a similar owner-operator model to Premier Inn. In order to add sufficient capacity in the budget sector, an operator needs to be willing to develop freehold, sign long leases or buy out existing operators.

Post COVID-19, these structural elements make the opportunity even more attractive to us over the longer term. Even in the depths of the pandemic, we have seen opportunities come our way. We announced an acquisition in December, where we were able to select 13 hotels in key German cities at an attractive price. Our ability to very carefully deploy capital, when others will be constrained, provides an opportunity for us to continue investing in or acquiring assets with attractive long-term returns. We are seeing real signs of distress in the German market and expect the independents to continue to fall out of the market, creating an opportunity for Premier Inn to fill the gap.

MARCH 2020 GERMAN PORTFOLIO



6 OPEN/46 PIPELINE HOTELS

FEBRUARY 2021 GERMAN PORTFOLIO

30 OPERATIONAL/42 PIPELINE HOTELS

Our business model

OUR RESOURCES AND RELATIONSHIPS

WINNING TEAMS

Our 29,000 team members make everyday experiences special for our customers.

BROAD CUSTOMER BASE

Our flexible model caters to a wide range of customer types. Our diversified customer mix is resilient and will hold us in good stead. We are over-indexed on domestic customers in the regions, we expect the regions to recover quicker than London, and we expect that domestic demand will recover far quicker than international.

FINANCIAL STRENGTH

Disciplined capital management and good returns. Our strong balance sheet provides offensive and defensive flexibility and is bolstered by our freehold property.

TECHNOLOGY

Scalable platforms, creating a centre of digital excellence and embedding data insight across the business.

INSIGHT AND MARKET KNOWLEDGE

Our deep insight and market knowledge allow us to stay ahead of market trends.

SUSTAINABLE APPROACH

Our approach to sustainability through our Force for Good programme is embedded throughout everything we do.

HOW WE CREATE VALUE

PURPOSE:

To provide quality, affordable hotels for our guests to help them to live and work well and to positively impact the world around us. With no barriers to entry or limits to ambition and to provide meaningful work, skills and career development opportunities for our teams.

1 BRAND STRENGTH

We own our brand and provide a consistent customer offering of quality and value. We are the UK's strongest hotel brand, and first choice for travellers. We have market-leading consumer metrics, with stand-out customer brand scores that are increasing year-on-year.

2 MARKET-LEADING DIRECT DIGITAL DISTRIBUTION

We have a market-leading direct digital distribution model, with low-cost customer acquisition and retention.

3 PROPERTY FLEXIBILITY

Controlling and funding our property development enables us to get the right hotels in the right locations. Our flexible approach to property ownership improves our ability to manage our property and make decisions to optimise the estate.

4 SCALE/NETWORK

We have the largest UK network, with an estate comprising 857 hotels and 768 restaurants across the UK, Germany and the Middle East. We have superior network access and access to economies of scale as a result. Scale ensures we can deliver quality, value for money and a good return on capital employed (ROCE).

5 BEST-IN-CLASS OPERATIONAL PERFORMANCE

We have an end-to-end operation, with consistent execution at high standards and at low cost, driving a winning customer proposition. Our flexible model enables a rapid response to returning demand and is a long-term sustainable competitive advantage.

6 EVERYDAY EFFICIENCY

We have efficient operating structures, with a standardised model and rooms. Our lean, agile and right-sized cost base enables a superior value for money offering, with an ongoing opportunity to drive efficiency further.

7 FORCE FOR GOOD

We work hard to ensure we are tackling our most material sustainability issues. Reducing our environmental impact, sustainably sourcing our products and making a positive contribution to the communities we serve, we are setting up the business to benefit from sustainable and responsible growth.

UNDERPINNED BY:

FORCE FOR GOOD

OPPORTUNITY

A team where everyone can reach their potential – no barriers to entry and no limitations to ambition.

COMMUNITY

HOW WE MAKE MONEY

REVENUES

With an estate comprising 857 hotels and 768 restaurants, across the UK, Germany and the Middle East, we are one of the largest budget branded hotel chains in the world. Our unique model and leading market position in the UK puts us in a strong position to continue to grow and optimise in the UK and to grow internationally. We focus on maintaining market-leading guest scores, and this, alongside our dedication to excellent customer service, ensures we rank very highly amongst our competitors in terms of both the value and quality we provide*. Our hotel pricing algorithms enable us to optimise our occupancy and rate mix across the booking curve, while our food and beverage offering is a core part of our customer proposition. We are also increasing revenue by optimising our revenues in individual catchments more effectively.

* YouGov BrandIndex Quality & Value scores as at 3 March 2021 based on a nationally representative 52-week moving average

HOW PROFITS CONVERT TO CASH

Our business is highly scalable, with a large proportion of incremental sales converting to cash in a normal year. This drives a high cash conversion rate meaning we generate a good level of discretionary free cash flow each year. This allows us to invest in attractive opportunities for Premier Inn, both in the UK and in Germany.

CAPITAL REINVESTMENT

Capital allocation discipline is one of our core pillars. We invest in new hotels for the long term, while also deploying capital on maintenance and product improvement to ensure we continue to provide Premier Inn's consistent quality, and to enhance and optimise our hotels. We invest through cycles, optimising the timing of our investments to ensure we are always well positioned to weather any storm.

Germany remains our core international focus, with £376m of capital committed for future openings, taking the open and committed pipeline network to 72 hotels.

THE VALUES WE SHARE

OUR CUSTOMERS

We welcome millions of customers to our hotels and restaurants every year and making a meaningful contribution to those we serve is key. We constantly respond to the changing needs and lifestyles of our customers and ensure our offering is inclusive for all.
We strongly believe in helping our customers make informed choices for a healthier life, and working closely with Public Health England, we continue to monitor our menus to ensure we offer an excellent choice of healthy options, and great quality, responsibly sourced, affordable food and drink.

We also feel passionately about the health and safety of our guests. All our staff are fully trained to ensure our hotels are safe environments for our guests, and that in the case of an emergency, our guests are in safe hands. More so than ever, this has been incredibly important. We responded incredibly quickly at the very start of the pandemic, with the health of our team members and guests paramount. We purchased PPE, invested a considerable amount in social distancing signage and protocol, trained our team members on health screening and illness response procedures, and enhanced our cleaning standards across the entire estate. Our operating and ownership model ensures that these standards and ways of working can be rigorously enforced across the estate.

OUR SHAREHOLDERS

Our focus on consistent returns from an expanding capital base, combined with ambitious growth milestones, create substantial shareholder value. We have three priorities: to grow and innovate in our core UK businesses; to focus on our strengths to grow internationally; and to enhance the capability and infrastructure to support long-term growth. Our long-term growth will be delivered through disciplined capital spending, and this financial strength and flexibility is key to deploying our strategy.

OUR PEOPLE

As one of the UK's largest employers, operating across communities in the UK, Germany and the Middle East, we are passionate about recruiting, training and retaining great people so that they are empowered to grow and develop long-term careers within our business. We have best-in-class development programmes, industry-leading training schemes, and a successful apprenticeship programme, ensuring team member wellbeing is at the centre of everything we do. In light of COVID-19, we successfully launched a clear wellbeing communication plan to support mental and physical wellbeing for our team members.

We are also committed to removing barriers to entry and creating an environment where everyone feels valued and is supported to grow. Whitbread is an inclusive employer, strongly believing that everyone is unique and there should be no limits to ambition. We champion inclusivity and improving diversity across the entire organisation and we have set eight diversity and inclusion targets to ensure our teams feel supported and engaged.

OUR COMMUNITIES

You'll find our hotels and restaurants in hundreds of communities the length and breadth of the UK. We are often a key part of these communities, and therefore have a big part to play in making them great places to live, work and do business. We put a huge amount of energy and passion into fundraising for charities, finding new ways to serve the communities we operate in, as well as putting in hours of community support.

Moreover, we remained a Force for Good throughout the pandemic, for both our communities and our teams. We kept 39 hotels open for NHS staff and key workers, partnering with Deliveroo to serve them food, we donated more than 500,000 surplus meals to charities, and we continued to raise almost £882,000 for Great Ormond Street Hospital despite site closures. We also diverted distribution capacity to supermarkets to help retailers feed the nation, topped-up furlough salaries, and launched a wellbeing communication plan to support the mental and physical wellbeing of our colleagues.

Our Force for Good programme is embedded across our business and in everything we do; operating responsibly and sustainably underpins our strategy.

Making a meaningful contribution to the customers and communities we serve.

RESPONSIBILITY

Always operating in a way that respects people and the planet.

Our strategy is to provide sustainable long-term value

We put the customer at the heart of everything we do. Our strategy is to provide sustainable long-term value for our shareholders by growing our successful Premier Inn and restaurant brands in structurally attractive markets, whilst delivering a good return on capital.

In the current COVID-19 environment, and following the closure of our hotels and restaurants on Government advice, we have had to re-prioritise our near-term actions, to focus on the health and safety of our guests and teams as well as the Company's cash flow, capital discipline and strong balance sheet. This will ensure Whitbread is well placed to exit the pandemic in a position of strength, and will be able to capitalise on the enhanced structural opportunities in both the UK and German markets.

Our three clear strategic priorities

INNOVATE AND GROW IN THE CORE UK MARKET

Whitbread has a current UK estate of 78,718 rooms, with a committed pipeline of 12,256 rooms and line of sight to 110,000 rooms. By increasing the size of our estate, but also optimising our existing network and through innovation, we will continue to be one of the largest branded budget hotel chains in the world.

Read more – pages 20 to 25

2020/21 performance

- Total UK revenue at £577.4m
- Adjusted operating loss £415.7m
- Strong balance sheet and significant liquidity headroom, backed by a valuable freehold estate
- Market outperformance for the year +3.7%[1]
- Strong customer scores

Force for Good

- Technological innovation driving reduced costs, such as the continued rollout of more efficient chargrills
- 100% renewable electricity powering our hotels and restaurants
- Menus continuing to deliver a reduction in salt, sugar and calories
- Supporting our estate, our teams and our guests through our COVID-19 response having Force for Good at the heart
- New ambitious target to net zero carbon by 2040

FOCUS ON PREMIER INN'S STRENGTH TO GROW IN GERMANY

Our aim is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the structurally attractive German hotel market.

Read more – pages 26 to 31

2020/21 performance

- Adjusted operating loss £38.8m
- Material acceleration in network growth in Germany
- Open and committed pipeline now stands at 72 hotels
- Leading customer scores
- Ready to brand-build upon reopening

Force for Good

- Aligning and implementing our Force for Good approach in Germany, ensuring that our Force for Good goals are delivered with core focus on efficiency, industry-leading responsible sourcing, and the training and development of our teams
- Updating and futureproofing our policies and business practices on supply chains to integrate ethical and environmental risk into wider supply chain risk in order to mitigate reputational, operational and supply chain risk
- Support environmental solutions in new products and services both in Germany and the UK (German warehouse efficiency)

ENHANCING WHITBREAD'S CAPABILITIES TO SUPPORT LONG-TERM GROWTH

Our successful efficiency programme, unique vertically integrated model, brand strength, product innovation and high-quality direct distribution underpins the consistent quality and competitive advantage enjoyed by Premier Inn. The next stage of our efficiency programme, targeting an additional £100 million of cost savings over the next three years, will ensure we retain our lean and agile cost base. Our balance sheet strength with freehold backing, and our conservatively managed business will ensure we exit the crisis in a position of strength. The successful completion of the £1 billion rights issue in June 2020 ensured we protected ourselves further.

Read more – pages 32 to 35

2020/21 performance

- Efficiency programme continuing to deliver material savings
- Only 1% of customer booking are via online travel agents
- Improving customer scores

Force for Good

- Embedding our sustainability credentials into our finances through the issue of Green Bonds relating to long-term environmental projects in our business
- Our industry-leading responsible sourcing programme ensures that the products and services we source are produced ethically to deliver security of supply and strong supplier relationships
- Supporting our future pipeline of talent through team wellbeing, training and development, and diversity and inclusion to ensure a strong, efficient and diverse future workforce

1 STR data FY21, full inventory basis, M&E excludes Premier Inn.

Customer Heartbeat

Our business performance is measured by our balanced scorecard, illustrated by our Customer Heartbeat model.

FY22 priorities

- Hotel and restaurant profit recovery
- Continued market share gains
- Optimise UK network
- Expand the number of Premier Plus rooms
- Maintain excellent guest scores
- Focus on pricing algorithms to enable us to optimise our occupancy and rate mix across the booking curve, and across individual catchments
- Sustain a strong balance sheet and liquidity, including maximising our cash flow
- Prepare the business to exit the crisis in a position of strength
- To continue to ensure the safety and health of all our customers and guests, in addition to keeping the mental health and wellbeing of our team members front-of-mind

Market risks and opportunities*

Risks
- COVID-19
- UK economic recovery and other macroeconomic factors

Opportunities
- Potential decline in competition from independent sector, exacerbated by the effects of COVID-19
- Low new hotel supply

KPIs

Total revenue (£m)

2020/21	577
2019/20	2,050

Direct booking

2020/21	99%
2019/20	97%

FY22 priorities

- Build network across key cities in order to increase critical mass
- Build brand awareness in Germany
- Continue to explore options to further accelerate growth through a mix of freehold property development, leasehold sites and acquisitions of small to medium existing hotel portfolios
- Health and safety
- Integration of newly acquired hotels

Market risks and opportunities*

Risks
- COVID-19
- German economic recovery

Opportunities
- Potential decline in competition from independent sector, exacerbated by the effects of COVID-19
- Low new hotel supply
- Scope for mergers and acquisitions (M&A)

KPIs

Number of operating hotels (number of rooms in brackets)

2020/21	30 (4,880)
2019/20	6 (1,085)

FY22 priorities

- Hotel and restaurant profit recovery
- Continued market share gains
- Continue with our conservative approach to our balance sheet
- Build on our everyday efficiency programme
- Improve technology capabilities, including the preparation for replacement of the CRM system
- Continued investment in health and safety for hotels and restaurants
- Cyber security compliance
- Retention and engagement of teams

Market risks and opportunities*

Risks
- COVID-19
- Inflationary pressures
- UK economic recovery and other macroeconomic factors
- Cyber security

Opportunities
- Development of cost effective renewable energy
- Technology to enable efficient and lower cost operations

KPIs

Efficiency programme/ cost savings

Whitbread has a strong track record of delivering material cost efficiencies, with over £235m of savings delivered between FY17 and FY20.

UK customer scores†

2020/21	39.6
2019/20	41.9
2020/21	26.8
2019/20	27.6

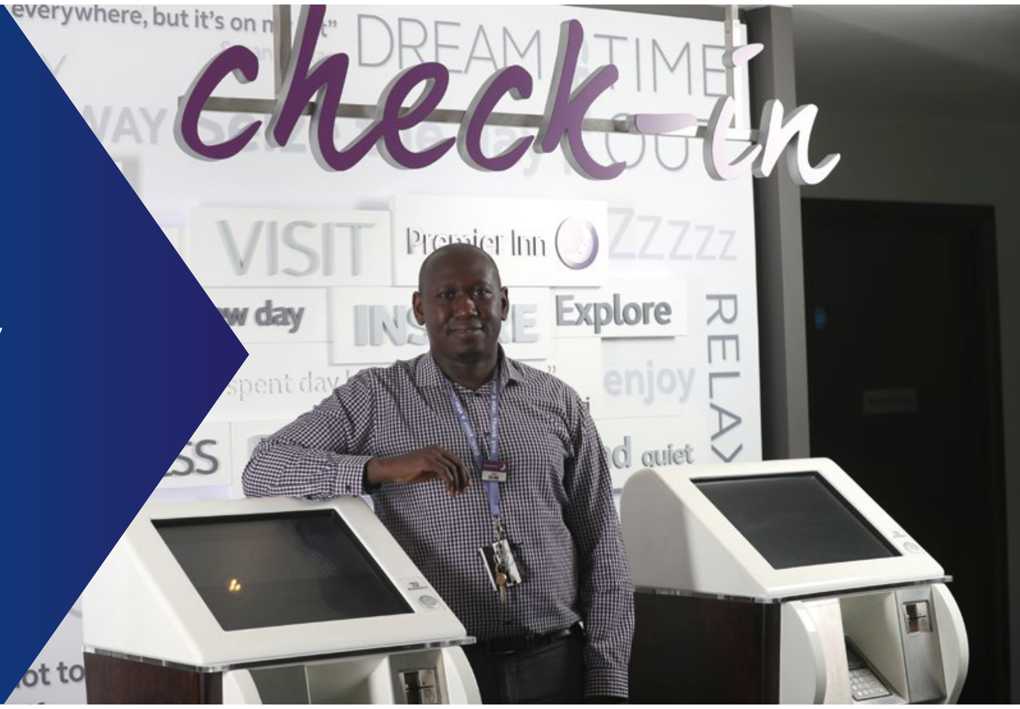
* Full disclosures of risks can be found on pages 62 to 66.

† YouGov BrandIndex overall Index score, an average of Impression, Value, Quality, Reputation, Satisfaction and Recommend, at 3 March 2021 on a nationally representative 52-week moving average.

Grow market share in the UK

PREMIER INN UK

Premier Inn is best placed to capitalise on the recovery opportunity and reinforce its market-leading position.



Compelling structural growth opportunities
The UK hotel market is characterised by long-term migration from independent to budget branded hotels. Between 2010 and 2019[2] independent hotels' market share fell 9 percentage points in the UK, while Premier Inn's market share of total rooms in the market grew from 6% to 11%. Despite this decline, the independent sector still represents 48% of the UK market. The COVID crisis is expected to accelerate the decline in independents' share of the market, as demand significantly weakens and structural cost pressures persist. We are already seeing clear signs of distress in both the independent sector and the budget branded sector, and we expect to see competitors begin to exit the market as the impact of the Government's financial support schemes begin to lessen. Premier Inn is well-placed to capitalise on the expected contraction in competitor supply and to take market share.

Budget branded sector is structurally advantaged
The budget branded hotel sector is the highest growth segment in the hotel market and has proved more resilient in previous downturns. Budget branded demand (total rooms booked) has grown faster than the rest of the sector in every year from 2009 to 20192 including material outperformance between 2009 and 2011. The midscale and economy segment is also outperforming in the current COVID-19 crisis, with total sales change around 13.7pp[3] ahead of the rest of the market from the start of August 2020 to the end of February 2021.

Premier Inn is the strongest hotel brand in the UK with the largest network. We have consistently outperformed the competition on a range of metrics, including value and quality, and with a growing lead year-on-year. In this environment, the trust this brings has never been more important.

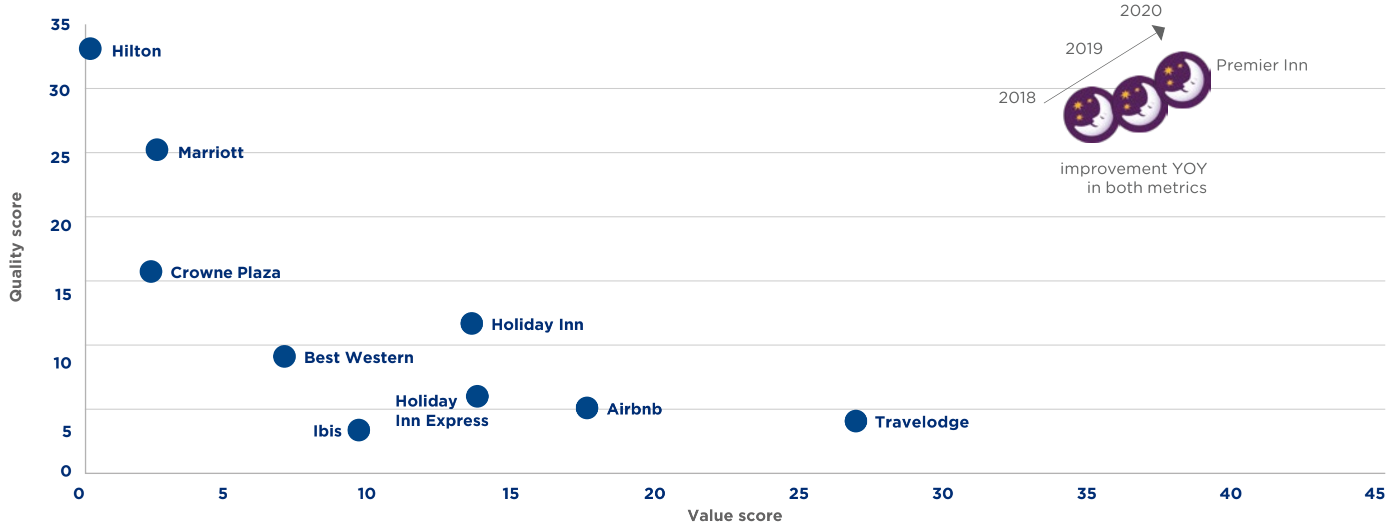
STANDOUT CUSTOMER BRAND SCORES IN THE MARKET[1]

YouGov BrandIndex metric		Premier Inn	Variance 1st to 2nd
Satisfaction	41.7	1st	18.7
Impression	40.8	1st	11.1
Value	41.5	1st	15.0
Likelihood-to-recommend	37.6	1st	19.9
Quality	27.6	2nd*	(5.1)

1 Source: YouGov BrandIndex Satisfaction, Impression, Value, Recommended & Quality scores as at 3 March 2021 based on a nationally representative 12 week moving average.

* First place is held by a four-star competitor.

YOUGOV BRANDINDEX – QUALITY SCORE[1]



Broad customer reach

Premier Inn's UK customer base is very broad with a roughly even split of business and leisure customers. Around half of our business customers are manual professions i.e. those workers who need to be physically present to perform their jobs, while our office-based guests tend to be travelling for business-to-business reasons. In a post COVID-19 world, it is highly likely that the need for these guests to travel will remain. Premier Inn also under indexes on Group business bookings (e.g. conferences) and is therefore less exposed to those areas of business travel that may see a structural shift to virtual meetings.

Our leisure guests travel for a very wide range of reasons, from those that are event-driven (e.g. weddings, sporting events, theatre breaks) to weekends away with friends, visiting friends and family, to short weekend breaks with the family and through to those taking longer holidays in our tourist destinations. The strong leisure demand evidenced during the summer of 2020 demonstrates that people's propensity to travel for domestic leisure, when allowed, remains high.

Our geographic spread, with over 80% of our rooms sold in the UK regions, combined with our domestic focus (90% of guests are based in the UK) means that we are exposed to the areas that are, and will, recover quickest.

Strong brand

Premier Inn is consistently rated as the strongest hotel brand in the UK. Unlike the majority of other large-scale hotel operators, who operate franchise models, ownership of the Premier Inn brand enables the provision of a consistently high-quality customer offering across the entire Premier Inn hotel network, which drives market-leading brand and customer scores. In the most recent YouGov hotel brand index survey4, Premier Inn was voted number one for customer satisfaction, impression, value and likelihood-to-recommend. The strength of the brand makes Premier Inn the first choice for more travellers.

Direct distribution

Premier Inn's direct digital distribution model, with only 1% of bookings delivered through third party online travel agents (OTAs), is industry-leading and ensures that Premier Inn's gross RevPAR is similar to net RevPAR achieved after cost of sales, unlike independents or most other brands, which pay high commission rates to third parties. Direct distribution also provides complete ownership of the customer relationship driving significantly lower acquisition and retention costs.

Best-in-class operating model

Premier Inn's unique operating model provides a clear competitive advantage, enabling the delivery of a winning customer proposition that will have a strong appeal to customers in both the current and post pandemic environments. The key components of the model that drive our competitive advantage, combined with our leading brand and direct distribution, are:

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

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

1 YouGov BrandIndex Quality & Value scores as at 3 March 2021 based on a nationally representative 52-week moving average.

2 YouGov BrandIndex Satisfaction, Impression, Value, Recommended & Quality scores as at 3 March 2021 based on a nationally representative 12 week moving average.

All of our hotels have a bar and restaurant, either within the hotel or next door. Our restaurant brands include Beefeater, Brewers Fayre, Whitbread Inns and Bar+Block, while our in-hotel restaurants are branded Thyme. Our restaurant offering, including the promise of a good value cooked breakfast, form a core part of our overall customer proposition, helping drive higher RevPAR in our hotels.

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

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

Business review

Premier Inn UK statutory revenue was down 71.8% year-on-year reflecting the significant COVID-19 restrictions that were in place for the majority of the year. Total accommodation sales were down 70.4% and total food and beverage sales were down 74.4%.

Our hotel and restaurants were temporarily closed, in-line with Government guidance, from the end of March until the start of July, with the exception of 39 hotels which were kept open to provide accommodation for NHS staff and other key workers. During this first lockdown period, total revenue was down 99%. From 4 July, hotels in the UK were permitted to accept non-key worker guests, and restaurants were allowed to reopen. Our operating model, whereby revenues contribute to fixed costs at low levels of occupancy, as well as our learnings from the 39 hotels kept open during the first lockdown, ensured we were able to reopen quickly and ahead of the market.

Post reopening, occupancy levels steadily grew through the summer, reaching 51% in August and 58% in September. Demand was strong in seaside and tourist areas, with occupancy levels of almost 80% during August and September in those locations. During this period, restaurant sales were boosted by the Government's Eat Out to Help Out Scheme which contributed towards the price of meals on every Monday, Tuesday and Wednesday throughout August. During October, the UK Government began to reimpose restrictions, with the initial introduction of a tiered system followed by a second lockdown in England from 5 November to 2 December that prohibited all leisure and non-essential travel. The impact of these restrictions saw occupancy levels fall from 52% in October to 35% in November. December saw increased tiered restrictions followed by a third UK lockdown that commenced at the beginning of January, resulting in our hotels again only being permitted to accommodate essential business stays, and all our restaurants being closed.

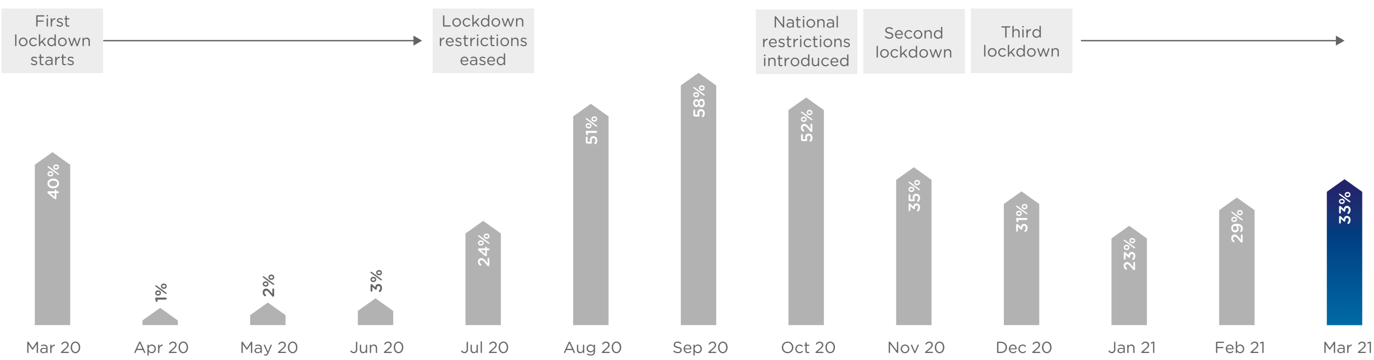
UK OUTPERFORMANCE VS MIDSCALE & ECONOMY MARKET

	Aug	Sep	Oct	Nov	Dec	Jan	Feb
PI total sales outperformance (YoY)[1]	5.2%	7.9%	8.4%	10.4%	10.5%	4.8%	5.2%
PI market share[2]	10.8%	10.7%	11.0%	13.6%	11.7%	13.7%	14.7%
PI market share gains pp (YoY)[2]	+3.6pp	+3.6pp	+3.7pp	+6.2pp	+5.3pp	+6.5pp	+6.9pp

1 STR data, full inventory basis, 31 July 2020 to 25 February 2021, M&E excludes Premier Inn

2 STR data, revenue share of total UK market, 31 July 2020 to 25 February 2021

PREMIER INN UK OCCUPANCY LEVELS



PREMIER INN UK[1]

£m	FY21	FY20	Change
Statutory revenue	577.4	2,050.3	(71.8)%
Other income (excl rental income)[2]	142.5	13.6	947.8%
Operating costs before depreciation, amortisation and rent	(861.7)	(1,270.2)	32.2%
Adjusted EBITDAR†	**(141.8)**	**793.7**	**(117.9)%**
Net turnover rent and rental income	4.5	2.1	114.3%
Depreciation: IFRS 16	(109.9)	(103.2)	(6.5)%
Depreciation and amortisation: Other	(168.5)	(163.2)	(3.2)%
Adjusted operating (loss)/profit†	**(415.7)**	**529.4**	**(178.5)%**
Interest: IFRS 16	(117.1)	(115.1)	(1.7)%
Adjusted (loss)/profit before tax†	**(532.8)**	**414.3**	**(228.6)%**

1 Includes one site in each of: Jersey, Ireland and the Isle of Man.

2 Includes Government support – see Note 9 for further details.

† See pages 206 to 209 for definitions of alternative performance measures.

Despite these restrictions, resilient trades business demand resulted in around 80% of our hotel estate remaining open, with occupancy levels of 23% in January and 29% in February, in what are traditionally lower occupancy months.

Throughout the period from August 2020 to February 2021, Premier Inn total UK accommodation sales growth was consistently ahead of the Midscale and Economy market, driving very strong market share gains, and demonstrating the strengths of our brand, direct distribution model and our winning customer proposition. Customer scores have also remained very strong during the year, despite the operational disruption.

Other income increased to £142.5m from £13.6m, reflecting the £138.3m benefit from the UK Job Retention Scheme. Operating costs reduced by 32.2% to £861.7m, in-line with guidance, and driven by a reduction in revenue related variable costs (primarily food and beverage costs of sales), the £117.8m benefit of the Government's business rates holiday, and the impact of cost initiatives including the postponement and cancellation of all non-essential costs. IFRS 16 depreciation was £109.9m and IFRS 16 interest was £117.1m with cash rent paid of £173.0m including the impact of a c£25m deferral of 50% of the December quarterly rent.

During the year, five new hotels were opened and eight hotels permanently closed, of which three were sold, bringing the estate total to 817. The committed pipeline of 12,256 rooms underpins our opportunity to take market share in the UK in the medium to long-term as competitor supply contracts.

Adjusted loss before tax in the UK was £532.8m reflecting the significant decline in statutory revenues as a result of the COVID-19 restrictions that have been in place during the financial year.

PREMIER INN UK[1] KEY PERFORMANCE INDICATORS

	FY21	FY20	Change
Number of hotels	817	820	(0.4)%
Number of rooms	78,718	78,547	0.2%
Committed pipeline (rooms)	12,256	13,011	(5.8)%
Direct booking	99%	97%	200bps
Occupancy	29.4%	76.3%	(4,690)bps
Average room rate†	£46.16	£61.50	(24.9)%
Revenue per available room†	£13.57	£46.91	(71.1)%
Sales growth:			
Accommodation	*(70.4)%*		
Food and beverage	*(74.4)%*		
Total	*(71.8)%*		
Like-for-like† sales growth:			
Accommodation	*(70.9)%*		
Food and beverage	*(74.7)%*		
Total	*(72.3)%*		

1 Includes one site in each of: Jersey, Ireland & the Isle of Man

2 Includes Government support – see Note 9 for further details

† See pages 206 to 209 for definitions of alternative performance measures.

GROWING RESPONSIBLY IN THE UK

STRATEGY IN ACTION: INNOVATE AND GROW IN THE CORE UK MARKET

We are determined to continue to innovate and grow in the core UK market despite the ever-growing challenges presented by the COVID-19 pandemic.

NEW SITE OPENINGS

Our commitment has been demonstrated by our continuation and completion of projects over the past year, such as the new site in Central Milton Keynes due to be opened 11 June 2021 and our new London flagship hotel in Southwark which opened 3 December 2020.

Milton Keynes, Avery Boulevard
The new Premier Inn comprises a ten-storey building boasting 180 newly fitted rooms and features a brand-new Bar + Block restaurant. It is the ideal location for guests to explore the city centre, being a short distance from leisure activities such as Milton Keynes theatre district and sports Stadium MK. It also provides affordable accommodation for business guests, with a number of large employers being located in the Milton Keynes area.

The impact of COVID-19 resulted in a pause of construction on the site in March 2020, but as a result of on-site measures and protective working practices the site was completed June 2020.

The Cut, Southwark
Our new London flagship is an exciting new development in broadening our network growth in strategic locations where our brands are underrepresented but there is an opportunity for long-term growth. The hotel consists of 274 rooms divided between two buildings which are connected by a glass bridge, and a brand-new Bar + Block restaurant. The site is a great location for leisure and business guests, as it is located just 100m from Southwark underground station and walking distance to theatres, bars and restaurants.

In addition to this, as part of construction a new public park and courtyard were created for the local community to enjoy.

BEST VALUE HOTEL BRAND IN UK

Premier Inn has been rated YouGov BrandIndex 'Best Value Hotel Chain' for the 10th year running*.

BUDGET HOTEL SECTOR IS IN HIGHER GROWTH

The sector has proven more resilient in previous downturns, and has grown faster than the rest of the hotel market in every year from 2009 to 2019.[1]

100% RENEWABLE ELECTRICITY IN ALL OUR OWNED UK SITES

Every hotel and restaurant we own is now powered by 100% renewable energy, with solar panels on 20% of our hotels.

* YouGov BrandIndex Value scores as at 3 March 2021 based on a nationally representative 52-week moving average.

1 Source: Company data and estimates; the impact of COVID-19 means that 2020 is not a representative year, and is therefore excluded from the date range.

PLUGGED INN

This year we announced that, from 2021, we will be introducing the GeniePoint Network of high-powered electric vehicle chargers at Premier Inn hotels across the UK. This will be the biggest rollout of high-powered electric charging points in the UK's hospitality sector. Together with ENGIE, we aim to install up to a thousand GeniePoint Network rapid charging points, with 600 committed over the next three years. Our goal is not only to satisfy increasing demand for electric charging points, but also to aid in reducing our environmental impact in line with our net zero goal for 2040. Aligning with the Government's Ten Point Plan towards a greener UK, which emphasises the importance of accelerating the transition to electric vehicles, we hope this exciting rollout will be great news to both business and leisure travellers alike.

FORCE FOR GOOD

Grow at scale in Germany

PREMIER INN GERMANY

A compelling opportunity to replicate Premier Inn's UK success.

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. We believe all of the six UK success factors detailed previously are either already present in Germany, or, in the case of "strong brand" and "direct distribution model" there is a compelling opportunity for Premier Inn to develop those characteristics as the business grows in scale. Our current open and committed pipeline of 13,300 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.

The German operating model will replicate that used so successfully in the UK, built on operational control and a flexible approach to property, driving a winning customer proposition that appeals to both business and leisure customers. Direct distribution is already well over 90% in our German business, and, when open, our organic hotels have received very high customer satisfaction scores.

PREMIER INN GERMANY

£m	FY21	FY20	Change
Statutory revenue	11.5	11.8	(2.5)%
Other income (excl rental income)[1]	11.5	0.3	3733.3%
Operating costs before depreciation, amortisation and rent	(43.9)	(23.9)	(83.7)%
Adjusted EBITDAR†	**(20.9)**	**(11.8)**	**(77.1)%**
Net turnover rent and rental income	3.9	0.8	387.5%
Depreciation: IFRS 16	(16.4)	(0.8)	(1950.0)%
Depreciation and amortisation: Other	(5.4)	(1.6)	(237.5)%
Adjusted operating loss†	**(38.8)**	**(13.4)**	**(189.6)%**
Interest: IFRS 16	(6.1)	(0.2)	(2950.0)%
Adjusted loss before tax†	**(44.9)**	**(13.6)**	**(230.1)%**

† See pages 206 to 209 for definitions of alternative performance measures.

PREMIER INN GERMANY KEY PERFORMANCE INDICATORS

	FY21	FY20	Change
Number of hotels	30	6	400.0%
Number of rooms	4,880	1,085	349.8%
Committed pipeline (rooms)	8,420	8,709	(3.3)%
Direct booking†	99%	91%	800bps
Occupancy	22.5%	58.3%	(3580)bps
Average room rate†	£40.17	£69.47	(42.2)%
Revenue per available room†	£9.02	£40.53	(77.7)%
Sales growth:			
Accommodation	*4.8%*		
Food & beverage	*(34.4)%*		
Total	*(2.5)%*		
Like-for-like† sales growth:			
Accommodation	*(71.0)%*		
Food & beverage	*(81.2)%*		
Total	*(72.7)%*		

1 Includes Government support – see Note 9 for further details.

† See pages 206 to 209 for definitions of alternative performance measures.

The German hotel market has many attractive characteristics that play to the strengths of our business model. The market is a third larger than the UK and even more fragmented, with almost three-quarters of the market still consisting of small independent operators, which are experiencing a structural decline to the benefit of branded hotels. Despite this, the branded budget hotel sector still only represented 10% of the total market in 2019, compared to 29% in the UK, as franchise operators have historically struggled to expand with limited property financing options available. Consequently, Premier Inn's vertically integrated model and willingness to invest capital in expansion provides a clear advantage in the budget market, supported by replicating the leading quality and value credentials from the UK.

As in the UK, the impact of COVID-19 is highly likely to accelerate the decline of independents and other budget branded operators, presenting greater opportunities to invest in or acquire assets that will deliver strong returns in the long-term. The acquisition of 13 hotels from the Centro Group in December 2020 is evidence of the stress in the market, with the total investment for the deal amounting to c£40m, mainly driven by the investment required to refurbish and rebrand the hotels to Premier Inn. The hotels were selected according to our Premier Inn property criteria and are a good fit with the existing estate, with all occupying prominent locations across Tier 1 and Tier 2 cities and towns.

Whilst COVID-19 restrictions have significantly restricted our ability to operate our hotels throughout the year, we have used this period to materially accelerate the growth of our hotel estate in Germany. During the year we grew our operational estate from six hotels to 30 hotels by the end of the year. The total open and committed pipeline in Germany now stands at 13,300 rooms across 72 hotels, including the acquisition of 19 hotels from the Foremost Group and 13 hotels from the Centro Group.

We also took advantage of these restrictions and the resultant subdued demand to refurbish and rebrand our acquired hotels, a process that was completed in May for the hotels acquired from the Foremost Group, and commenced in January for those hotels acquired from the Centro Group.

Our significantly enlarged estate now provides us with a very strong platform from which to grow our brand presence when the German hotel market reopens and demand returns. We have a presence in most major towns and cities, meaning the Premier Inn brand can be seen across Germany. As the estate continues to grow, we can turn our focus to brand-building, with nationwide marketing campaigns and new B2B corporate relationships supplementing effective localised brand campaigns. The quality of the hotel and room offering, which is driving very high customer scores, is also a key component in driving brand awareness.

To date we have committed close to £870m of capital to the German market. Given the scale and characteristics of this market, and despite the significant impact COVID-19 has had on the sector, we remain focused on continuing our expansion in Germany and delivering on our ambition to be the number one budget hotel operator in that market.

Business review

Total statutory revenue in Germany was down 2.5%, with the impact of COVID-restrictions offsetting the material growth in the size of the hotel estate. Germany has been subject to similar restrictions as the UK, albeit in a more complex framework of national and federal restrictions, with limited business travel and no leisure travel permitted for large parts of the year.

We entered FY21 with six operational hotels, that were trading well, ahead of the enforced lockdown at the end of March. During the lockdown period, we took the opportunity to refurbish and rebrand 13 of the Foremost hotels that were acquired in February 2020, meaning that when permitted by the German Government in May, we were able to reopen a total of 19 hotels. Following this reopening, performance in Germany was stronger in tourist-led locations such as Hamburg and Freiburg and weaker in those locations with a traditionally higher business mix. The increased size of the open estate helped drive total sales growth in September of 58%. However, as in the UK, increasingly onerous restrictions were implemented from October and through to the end of the financial year, resulting in very low occupancy levels across the market, and occupancy in Premier Inn reducing to 9.9% in Q4. In December we completed the acquisition of 13 hotels from the Centro Group, and have subsequently taken advantage of the low demand environment to accelerate their refurbishment and rebranding to Premier Inn.

Operating costs increased by £20.0m to £43.9m due to the investment in the business and the increased estate size, and IFRS 16 depreciation costs increased by £15.6m to £16.4m, reflecting the fact that all new opened properties are leasehold. Combined with other depreciation and amortisation costs of £5.4m, and IFRS 16 interest costs of £6.1m, the adjusted loss before tax for the period increased by £31.3m to £44.9m. Cash rent paid for the year was £21.9m.

We materially accelerated our German hotel pipeline during the year, and the total open and committed estate now stands at 72 hotels, of which 30 are operational, and over 13,000 rooms. Going forward we will continue to assess both organic and inorganic opportunities to exploit the enhanced structural opportunities that exist in Germany.

EXPANDING IN THE GERMAN MARKET

STRATEGY IN ACTION: FOCUS ON PREMIER INN'S STRENGTHS TO GROW IN GERMANY

"We are strongly committed to this market and want to achieve a powerful presence as quickly as possible."

CHRIS-NORMAN SAUER
ACQUISITIONS DIRECTOR
GERMANY

CREATING OPPORTUNITY

It is important that Whitbread continues to expand and develop in Germany, even through the obstacles and challenges presented by the COVID-19 pandemic. The Company decided to invest £40 million of the funds raised from the 2020 rights issue into the Centro Group acquisition and the conversion of the hotels acquired to the Premier Inn brand.

In December 2020, a deal was made for Premier Inn Germany to take over 13 hotels from the Centro Group. This includes four hotels which are expected to open in spring 2021 in Heidelber, Saarbrücken, Wuppertal and Braunschweig and a further two hotels in Stuttgart and Passau due to open in summer 2021. This was an exciting acquisition, that allowed Whitbread to continue to grow Premier Inn's presence in Germany and brings us a step closer to becoming Germany's most popular hotel brand.

Force for Good
We are developing an implementation plan for delivering our sustainability strategy across our German business this year, ensuring the key targets such as net zero by 2040 are delivered across our operation.

GREAT LOCATIONS
We have secured 72 locations with 13,000 rooms in more than 30 German cities. But we are still on the lookout for more.

FUNCTIONAL SPACES FOR BUSINESS GUESTS
Our high-quality rooms offer a professional workplace with plenty of power sockets, and the multi-functional lounge offers a relax zone and designated work areas.

TRAVELLERS' CHOICE AWARD
Premier Inn Frankfurt Messe and Hamburg Hammerbrook both received the Tripadvisor Travellers' Choice Award in 2020.

SUSTAINABLE BUILDINGS FIT FOR THE FUTURE

Premier Inn Hamburg
Our Premier Inn Hamburg St. Pauli is an outstanding site with great architecture and interior design. We were delighted to ensure that the building meets high sustainable property standards which meant it received a DGNB Gold Standard certificate. DGNB is the German Sustainable Building Council that evaluates the overall performance of a building and promotes the implementation of holistic quality in planning, construction and operation.

FORCE FOR GOOD

Enhance Whitbread's capabilities to support long-term growth

Our evolving efficiency programme includes a new target to deliver around £100m of cost efficiencies over the next three years.

Lean and agile cost model

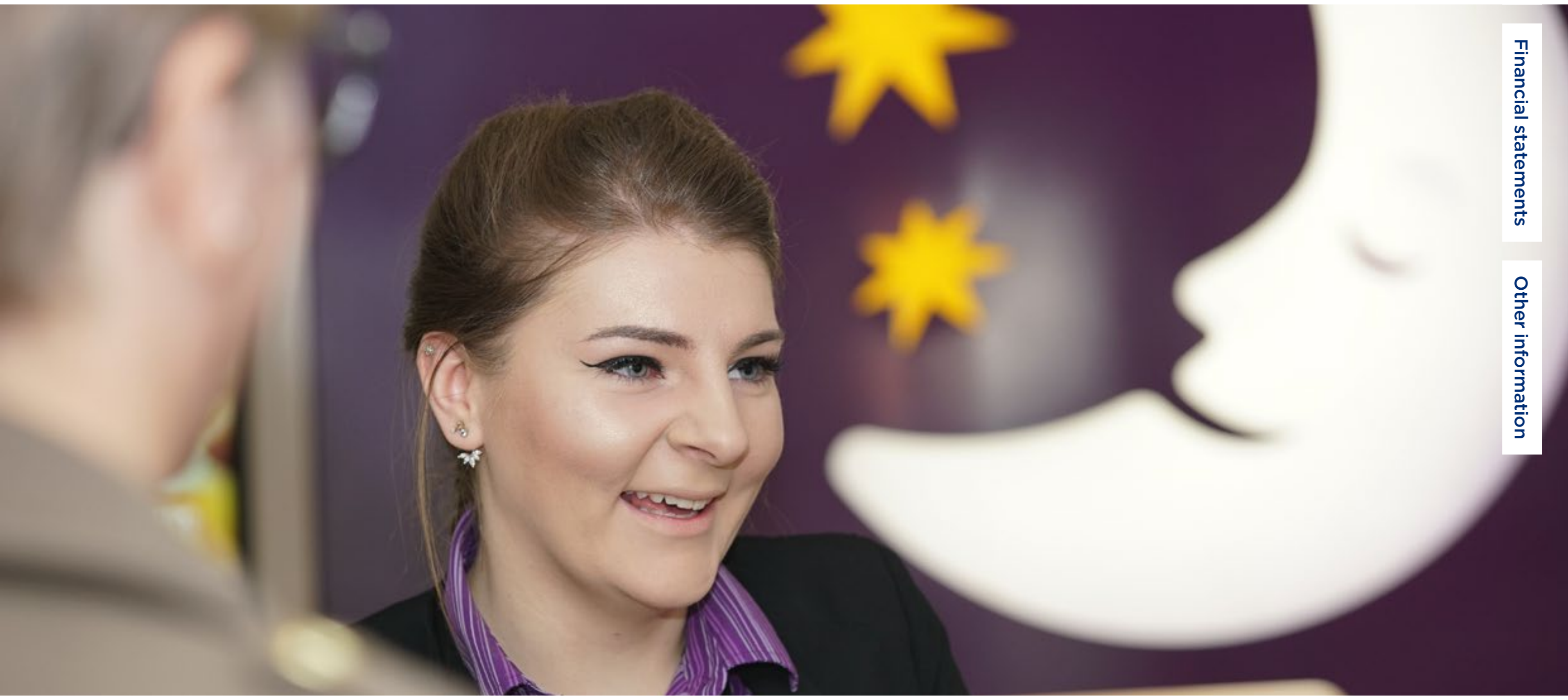
Whitbread has a long track record of delivering material cost efficiencies, with £235m of savings delivered between FY17 and FY20. Since the start of the pandemic, Whitbread's approach to generating efficiencies adapted in response to the low demand environment. Our initial priority was to secure cash savings through the cancellation or deferral of non-discretionary spend to help improve the liquidity position of the business. We also reduced our head office headcount by c13% during the year. As we entered the "Restore" phase of our strategy, our focus shifted to ensure that the business model has the flexibility to respond to changes in demand, and that our overall cost-base reflects the current demand environment. As part of this plan, we reduced headcount in our hotels and restaurants, achieved through a combination of voluntary redundancies and not replacing leavers, combined with reductions in contracted hours.

We also continue to drive efficiencies through developing our international sourcing capability, investing in our technology platforms to enable both marketing and labour scheduling effectiveness, and optimising the UK estate. These actions will underpin our evolving efficiency programme, the next phase of which is expected to deliver around £100m of cost efficiencies over the next three years.

Around 9% of Premier Inn's rooms are in hotels smaller than 60 rooms. The opportunity remains for hotel catchment areas to be optimised, by managing existing demand in certain locations through a smaller number of extended or new, larger hotels, driving a more cost-efficient estate. Three smaller hotels were disposed in FY21, however the opportunity for a larger programme of optimisation will exist when the post-COVID supply and demand environment is clearer.

Financial flexibility

Whitbread's balance sheet and liquidity position was further enhanced by the £1bn Rights Issue successfully completed in June 2020, and the £550m Green Bond issuance in February 2021. Our Revolving Credit Facility was extended until September 2023 with covenant waivers in place until March 2023. Covenant waivers were also agreed with our private placement lenders and the Whitbread Pension Fund meaning that the existing covenants are next tested in March 2022 and replaced by temporary covenants until that date. These actions, together with the backing of Whitbread's freehold properties, give us the financial flexibility to protect our liquidity and pursue our strategy of both organic and inorganic growth when the time is right.



This financial flexibility also enables the Group to continue to invest in the Premier Inn proposition when others will be constrained. We continue to invest in our IT platforms, helping further enhance our digital capability, including a new CRM platform that will be introduced in the coming years. Product innovation has been a key part of Premier Inn's success in recent years, and we will be recommencing the rollout of our Premier Plus rooms in FY22, after a temporary pause in FY21. These upgraded rooms are targeted especially at business customers and provide an even more comfortable stay at great value for money. The initial roll out of 500 rooms in FY20 was successful, delivering good returns in that year, and a total of over 2,000 Premier Plus rooms are expected by the end of this year.

Griffiths Family Farms Whitbread Egg Supplier:
"We were one of the first suppliers to go through Whitbread's responsible sourcing and audit programme and we approached it with total transparency. There were a number of areas that needed addressing, but rather than issue ultimatums and demand immediate corrections, the Whitbread team worked with us, really got to understand our business and have provided great support across a number of levels over the last three years. We have made major investment in new personnel and operational changes throughout our business, resulting in a cultural step change and significantly higher levels of staff engagement. This process has had a very positive impact across our business and Whitbread have played a major supporting role."

FORCE FOR GOOD

PLATFORM FOR SUCCESS

STRATEGY IN ACTION:
ENHANCE WHITBREAD'S CAPABILITIES TO SUPPORT LONG-TERM GROWTH

"The recent Green Bonds issue is a testament to our industry-leading work towards becoming a more sustainable business."

CHRIS VAUGHAN
GENERAL COUNSEL

FINANCIAL STRENGTH

As Whitbread entered the 2020/21 financial year and with the COVID-19 pandemic in its early stages, the Company was well positioned to withstand the crisis, with a strong balance sheet and access to significant liquidity.

The Board and management team were keen to ensure that not only would Whitbread be able to withstand perhaps the most difficult trading year in living memory, but also that the Company would emerge from the crisis in a strong position to take advantage of structural growth opportunities in its key markets.

With this in mind, in the summer of 2020, the Company carried out a fully underwritten rights issue. This gave existing shareholders the opportunity to purchase one new Whitbread share for every two shares already held at a price of £15 per new share and was very well supported by shareholders. Gross proceeds of £1.0bn were raised via the rights issue.

The success of the rights issue has enabled us to protect our balance sheet, continue to invest with confidence, despite the turbulent conditions this year and, in December 2020, we completed the acquisition of 13 hotels in Germany. More details on this acquisition can be found on pages 26 to 31.

Whitbread remains in a competitively advantaged position as the Company emerges from the pandemic and looks forward to delivering on its strategic growth ambitions in the years ahead.

FIRST BATTERY POWERED HOTEL
Our Edinburgh Gyle site was the UK's first battery powered hotel. We continue to invest in innovation to tackle climate change and hit our target of net zero by 2040.

100% RENEWABLE ENERGY
We continue to buy renewable energy for our owned UK estate to ensure we are driving down our scope 1 and 2 emissions.

SOLAR PANELS
We've been investing in solar panels for nine years, covering over 20% of our hotels.

GREEN BOND

In February we issued £550m in Green Bonds, an endorsement of the industry-leading work we are already doing to be a more sustainable business. Our Green Bonds will enable us to use our scale and size to make an increasingly positive difference, whilst ensuring our available debt remains broadly the same. The proceeds from the bonds will be used to fund existing and future green projects across our business including using 100% renewable energy across our estate, building our hotels to high environmental standards and continuing to ensure our supply chains are certified as sustainable by independent, globally recognised sustainability standards.

FORCE FOR GOOD

Financial performance

NICHOLAS CADBURY
GROUP FINANCE DIRECTOR

FINANCIAL REVIEW

- The Group's FY21 financial performance reflected the closure of the vast majority of the business in the first half of the financial year, followed by a second half that, after operating throughout August and September with occupancy levels of over 50% in the UK, saw market demand fall significantly from November onwards, as increasingly severe COVID-19 Government restrictions were implemented in both the UK and Germany
- Consequently, total statutory revenue was 71.5% behind the prior year
- The significant decline in revenue resulted in an adjusted loss before tax of £635.1m. Statutory loss before tax of £1,007.4m includes a non-cash impairment charge of £348.0m relating to goodwill on acquisitions in Germany, property, plant and equipment and right-of-use assets, as a result of impairment reviews triggered by the COVID-19 situation and its impact on current and future growth rates. The financial results benefited from c£270m COVID related Government support schemes, including the UK Job Retention Scheme and from the UK business rates relief
- Operating cash outflow was £488.5m
- The business retains a strong balance sheet and liquidity position, enhanced by the successful £1bn Rights Issue completed in June 2020, and the £550m issuance of Green Bonds in February 2021. At the end of the year, the business had access to £1,256.0m cash and cash equivalents, and to an undrawn Revolving Credit Facility of £950.0m. Net debt of £46.5m compared to net debt of £322.9m at the end of the previous year. The Green Bond proceeds also provided liquidity to repay £200m of private placement debt early in March 2021.

FINANCIAL HIGHLIGHTS

£m	FY21	FY20	Change
Statutory revenue	589.4	2,071.5	**(71.5)%**
Transitional service agreement revenue	0.5	9.4	(94.7)%
Adjusted revenue†	**588.9**	**2,062.1**	**(71.4)%**
Other income (excl rental income)[1]	154.0	13.9	1007.9%
Operating costs before depreciation, amortisation and rent	(937.8)	(1,323.3)	29.1%
Adjusted EBITDAR†	**(194.9)**	**752.7**	**(125.9)%**
Net turnover rent and rental income	8.4	2.9	189.7%
Depreciation: IFRS 16	(126.3)	(104.0)	(21.4)%
Depreciation and amortisation: Other	(173.9)	(164.8)	(5.5)%
Adjusted operating (loss)/profit†	**(486.7)**	**486.8**	**(200.0)%**
Net finance costs (excl IFRS 16)	(25.2)	(13.2)	(90.9)%
Interest: IFRS 16	(123.2)	(115.3)	(6.9)%
Adjusted (loss)/profit before tax†	**(635.1)**	**358.3**	**(277.3)%**
Adjusting items	(372.3)	(78.3)	(375.5)%
Statutory (loss)/profit before tax	**(1,007.4)**	**280.0**	**(459.8)%**
Tax credit/(expense)	100.9	(62.1)	262.5%
Statutory (loss)/profit after tax	**(906.5)**	**217.9**	**(516.0)%**

1 Includes UK and German Government support – see Note 9 for further details

† See pages 206 to 209 for definitions of alternative performance measures.

Statutory Revenue

Statutory revenues were down 71.5% year-on-year reflecting the impact on the business of the COVID-19 restrictions that resulted in the closure of our hotels and restaurants for significant periods during the year, and when reopened, resulted in significantly reduced market demand.

Adjusted EBITDAR

Other income of £154.0m includes £138.3m of benefit recognised in respect of the UK Job Retention scheme. Operating costs of £937.8m were 29.1% lower than last year driven by the reduction in revenue-related variable costs, primarily food and beverage costs of sale, combined with the postponement or deferral of all non-essential spend, and the £117.8m benefit of the UK Government's business rates holiday and other various COVID related government grants in the UK and Germany. As a result of the impact of the COVID-19 restrictions on our business throughout the year, Adjusted EBITDAR was a loss of £194.9m.

Adjusted operating loss

The leasehold estate grew by 4 sites in the UK and by 21 sites in Germany. This resulted in a £22.3m or 21.4% increase in IFRS 16 depreciation charges to £126.3m. Other depreciation and amortisation charges increased by £9.1m to £173.9m, driven by new hotel openings. The adjusted operating loss of £486.7m compared to a profit of £486.8m in the prior year.

Net finance costs

Net finance costs (excluding IFRS 16) were £25.2m (FY20: £13.2m). This was £12.0m higher than the prior year due to the prior year charge being net of interest received on the cash balance held from the proceeds from the sale of the Costa business. IFRS 16 lease interest of £123.2m was £7.9m above last year primarily driven by the opening of 21 leasehold sites in Germany.

Adjusting items

£m	FY21 (charge)/ credit
Non-cash items:	
Impairment – goodwill	**(238.8)**
Impairment & write offs – property, plant and equipment, right-of-use assets and other intangibles	**(109.2)**
Impairment – investment in joint ventures	**(8.2)**
Impairment – share of loss of joint ventures	**(1.7)**
Aborted acquisition costs	**(12.4)**
Costa separation	**6.4**
Loss on disposal, property & other provisions	**5.0**
Guaranteed Minimum Pension	**(1.1)**
	(360.0)
Cash items:	
Insurance proceeds	**1.8**
Reimbursement of property remedial works	**13.4**
TSA income	**0.5**
TSA costs	**(0.5)**
UK restructuring costs	**(12.1)**
VAT settlement	**5.8**
Finance costs – early debt repayment charge	**(21.2)**
	(12.3)
Total	**(372.3)**

Total adjusting items before tax were £372.3m, including a non-cash charge, primarily as a result of COVID-19, of £348.0m in respect of impairments of goodwill on German acquisitions, property, plant & equipment and right-of-use assets. In the Group's FY20 full year annual report and accounts, the Group stated in note 34 (Events after the balance sheet date) that the assumptions used at the year end were no longer appropriate and that the impacts of COVID-19 would result in further indicators of impairment across the Whitbread business.

Subsequently, and in respect of the ongoing COVID-19 situation, impairment reviews were conducted as part of the H1 FY21 and full year FY21 reporting process, resulting in charges of £238.8m relating to goodwill arising upon acquisition of the Foremost Hospitality Hiex GmbH and £109.2m relating to property, plant and equipment, right-of-use assets and other intangibles. The quantum of the impairment charges is primarily driven by:

- A reduction in anticipated cashflows in the UK and Germany, as the market recovers
- An increase in the discount rate that is based on the Weighted Average Cost of Capital (WACC) of a typical market participant. The discount rate has increased since the end of FY20, reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation
- Sites where the Group has decided not to proceed with the project

Further adjusting item charges driven by the COVID-19 pandemic include an impairment review on our UK joint venture ("Pure") resulting in a non-cash charge of £8.2m, the completion of a colleague restructure programme incurring £12.1m of costs to achieve, and the decision not to proceed with a call option on a proposed acquisition in Germany, resulting in a charge of £12.4m.

Other adjusting items include a £21.2m charge incurred in respect of the early repayment of the 2017 US private placement notes following the successful issuance of Green Bonds in February 2021. A credit of £16.7m was recognised in respect of the reimbursement of cladding remedial costs from property developers and the release of cladding remedial costs that are no longer expected to be incurred.

Taxation

A tax credit of £100.9m was recognised in the year primarily due to the losses incurred. The effective tax rate was negative 10.0% for the year compared to the statutory rate of 19.0%, with the difference primarily driven by £241m gross impairment charges not being tax deductible, the impact of the previously announced UK corporate tax rate change from 19% to 17% being annulled, Germany losses not being recognised for tax purposes, and a prior year adjustment relating to the true up of deferred tax on historic items. The adjusted tax credit for the year was £94.1m (FY20: £69.1m charge) representing an adjusted effective tax rate of negative 14.8 % (FY20: 19.3%). Further detail can be found in note 10.

Statutory loss after tax

Statutory loss for the year was £906.5m, compared to a profit of £217.9m last year, due to the significant decline in revenue driven by the COVID-19 crisis, and impairment charges recognised as a result of COVID-19, partly offset by the tax credit recorded in the year.

Earnings per share

	FY21	FY20[1]	Change
Adjusted basic (loss)/ earnings per share†	**(287.6)p**	166.3p	(272.9)%
Statutory basic (loss)/ earnings per share	**(481.9)p**	125.3p	(484.6)%

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

† See pages 206 to 209 for definitions of alternative performance measures.

Adjusted basic loss per share of 287.6p and statutory basic loss per share of 481.9p reflect the adjusted and statutory losses reported in the period.

Earnings per share figures for the comparative period have been restated following the Rights Issue completed in June, in accordance with IAS 33 Earnings per Share. Full details are included in note 11 of the accompanying financial statements.

Dividend

Whitbread's dividend policy is to grow the dividend broadly in-line with earnings across the cycle. However, dividends will not be paid during the current Revolving Credit Facility covenant waiver period, which lasts until March 2023, as a condition agreed with Whitbread's lenders and pension trustees, or until the original covenant tests are passed. The Board hopes to return to paying dividends again following the normalisation of the Group's financial position and performance.

Cash flow

£m	FY21	FY20
Adjusted EBITDAR†	**(194.9)**	752.7
Change in working capital	**(99.8)**	(13.0)
Net turnover rent and rental income	**8.4**	2.9
IFRS 16 interest and lease repayments	**(202.2)**	(187.4)
Operating cashflow†	**(488.5)**	555.2
Interest (excl IFRS 16)	**(20.8)**	(19.9)
Corporate taxes	**19.1**	(8.5)
Transaction and separation costs	**–**	(51.0)
Pension	**(14.8)**	(288.4)
Capital expenditure: maintenance	**(69.9)**	(153.5)
Capital expenditure: expansionary	**(159.6)**	(241.9)
Cash flows on acquisitions[1]	**(1.1)**	(192.3)
Disposal proceeds	**2.6**	11.9
Other	**28.4**	(29.5)
Cashflow before shareholder returns/receipts and debt repayments†	**(704.6)**	(417.9)
Dividends	**–**	(159.9)
Shares purchased through buyback programme & tender offer	**–**	(2,328.4)
Proceeds from Rights Issue	**981.0**	–
Repayment of long-term borrowings	**(75.1)**	–
Proceeds from green bond	**546.8**	–
Net cash flow	**748.1**	(2,906.2)
Opening net (debt)/cash†	**(322.9)**	2,583.3
Repayment of long-term borrowings	**75.1**	–
Issuance of debt (green bonds)	**(546.8)**	–
Closing net (debt)/cash†	**(46.5)**	(322.9)

1 FY21 includes £1.4m cash receipt on Fox acquisition, £1.3m cash receipt on aborted acquisition and £3.8m payment of deferred and contingent consideration.

† See pages 206 to 209 for definitions of alternative performance measures.

Total net cash inflow for the year was an increase of £748.1m after accounting for the £981.0m net proceeds of the Rights Issue that completed in June 2020, the £546.8m Green Bonds net proceeds in February 2021, and the repayment of £75.1m of US private placement notes in August 2020. Net cash outflow before shareholder receipts and debt issuance and repayments for the period was £704.6m, reflecting the significant decline in revenue as a result of COVID-19 restrictions and subsequent subdued market demand, and the continued investment in the business.

The £99.8m working capital outflow was primarily due to a £71.2m net movement on customer deposits reflecting the refunding of deposits at the start of the lockdown period, partially offset by the subsequent receipt of customer deposits for bookings received by the end the financial year. £14.0m of the movement was driven by outstanding amounts due from the Government in respect of the Job Retention Scheme, and £15.5m representing the reduction in the VAT creditor driven by the reduced revenue levels and reduced VAT rate.

Operating cash outflow was £488.5m, in-line with previous guidance. During FY21, the Group's operational cashflow breakeven, after Government support, was at levels of around 55% occupancy and a 20% year-on-year fall in price. These levels were surpassed, and the Group had positive operational cashflow in the period from late August 2020 through to October 2020.

A corporation tax rebate relating to FY20, combined with the anticipated lower profits in FY21 driving a reduction in FY21 corporation tax payments on accounts, resulted in a net tax cash inflow of £19.1m.

Maintenance capital expenditure of £69.9m and expansionary capital expenditure of £159.6m was in-line with guidance, with these reduced levels reflecting the decision to postpone or defer all non-essential spend. IFRS 16 interest and lease repayments increased by £14.8m to £202.2m driven by the higher number of leasehold properties entering the estate, particularly in Germany. Rent cash payments were £194.9m and reflect the impact of the deferral of c£25m rent payments from the December quarter payment in the UK.

The £28.4m other inflow is driven by £14.0m timing of insurance proceeds, the reversal of non-cash charges of £12.4m representing the write off of a deposit paid in relation to an acquisition, £12.7m share-based payments including the employee sharesave scheme and long term incentive plan (LTIP) and £7.7m share of loss from joint ventures, offset by payments against provisions of £24.4m.

Debt funding facilities and liquidity

£m	Facility	Utilised	Maturity
US private placement notes	(25.0)	(25.0)	2021
US private placement notes[1]	(58.5)	(58.5)	2022
US private placement notes	(200.0)	(200.0)	Repaid in FY22
Revolving Credit Facility	(100.0)	0.0	2021
Revolving Credit Facility	(125.0)	0.0	2022
Revolving Credit Facility	(725.0)	0.0	2023
Bond	(450.0)	(450.0)	2025
Green Bond	(300.0)	(300.0)	2027
Green Bond	**(250.0)**	**(250.0)**	2031
	(2,233.5)	**(1,283.5)**	
Cash and cash equivalents		1,256.0	
Total facilities utilised, net of cash[1]		**(27.5)**	
Net debt†		**(46.5)**	
Net cash and lease liabilities†		**(3,278.1)**	
Lease debt†		**(1,827.5)**	

1 Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instrument.

† See pages 206 to 209 for definitions of alternative performance measures.

Whitbread entered the financial year with a strong balance sheet, low leverage and good liquidity. In response to the COVID-19 situation, the Group executed a £1bn Rights Issue in June 2020 to help protect its balance sheet, replace the expected cash outflow whilst Government restrictions were in place, and provide liquidity to invest in the business during the recovery. The Group further enhanced its financial position through a £550m Green Bond issuance in February 2021, the proceeds of which provide funds to invest in Whitbread's ESG programme, with the cash also providing liquidity to repay the outstanding US Private Placement notes.

During the year, the Group was confirmed as an eligible issuer under the UK Government's Covid Corporate Financing Facility (CCFF), with an issuer limit of £600.0m. The Group's strong liquidity position meant this facility was not required, and the Group's eligibility has subsequently expired. The business is also backed by a valuable freehold property estate.

The Group announced in May 2020 that an 18-month waiver for debt and interest related covenants had been accepted by lenders for the Revolving Credit Facility and the US private placement debt, meaning that existing covenants would next be tested in March 2022. Subsequent to this, Whitbread reached an agreement with its relationship banks in February 2021 to extend the final maturity date of its Revolving Credit Facility from September 2022 to September 2023, and to extend the covenant waiver period by 12 months, meaning the financial covenants will not now be tested until March 2023, at which point new covenant targets will be introduced, being:

- March 2023: Net Debt[2]/EBITDA[2] < 5x, EBITDA[2]/Interest[2] >2.0x
- August 2023: Net Debt[2]/EBITDA[2] < 4.5x EBITDA[2]/Interest[2] >2.0x

The Revolving Credit Facility facility size, which is currently £950.0m, will step down to £850.0m at 29 December 2021 and to £725.0m at 7 September 2022.

The additional requirements outlined in the original waivers announced on 21 May 2020, including an obligation to retain £400m liquidity headroom, no more than £2bn of net debt and to not declare or pay dividends, will remain for the duration of the extended waiver period to March 2023. However, these additional waiver period requirements can be removed if the Group demonstrates compliance with the original covenant tests, being Net Debt[2]/EBITDA[2] < 3.5x and EBITDA[2]/Interest[2] >3.0x.

During the period, £75.1m of US private placement notes that matured in August 2020 were repaid, and the Group announced its intention to repay the 2021 and 2022 notes (£25m and $93.5m respectively) on their scheduled maturity dates of 6 September 2021 and 22 January 2022. Following the successful issuance of £550.0m Green Bonds in February 2021, the £200m 2027 US private placement notes were repaid early on 26 March 2021 incurring £21.2m make-whole costs.

Following the Rights Issue and the debt financing, at the year end the Group had £1,256.0m of cash on deposit and was undrawn on the £950m Revolving Credit Facility. The Group's strong balance sheet, with access to over £2bn of liquidity, and the potential to access funding through our freehold estate means the Group has financial flexibility, with good headroom to the temporary covenants.

Capital investment

£m	FY21	FY20	Last 2 years
UK maintenance and product improvement	**68.6**	144.8	213.4
New/extended UK hotels	**63.2**	166.6	229.8
Germany and Middle East[1]	**98.8**	276.3	375.1
Total	**230.6**	587.7	818.3

1 Includes net cash flows on acquisitions of £1.1m in FY21.

Total capital expenditure in the year was £230.6m, in-line with expectations, and reflecting the postponement or deferral of all non-essential capital expenditure. Maintenance and product improvement spend was limited to only the essential upkeep of our estate, health and safety and IT development. Hotel and restaurant refurbishments were deferred, alongside spend on hotel extensions and new hotels in the UK wherever possible. In Germany, the acquisition and refurbishment of 13 hotels from the Centro Group, which completed in December 2020, is expected to require c.£40m of capital expenditure of which £11.4m was incurred in FY21.

2 Pre IFRS 16.

Property backed balance sheet

Freehold/leasehold mix	Open estate	Total estate[1]
Premier Inn UK	61%:39%	55%:45%
Premier Inn Germany	28%:72%	21%:79%
Group	59%:41%	50%:50%

1 Open + committed pipeline.

The current UK estate is 61% freehold and 39% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is delivered. The higher leasehold mix in Germany reflects the start-up nature of the business, where securing optimal site location, particularly in city centres, to help build brand strength, is key.

Ownership of around 60% of the hotel estate gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. Whitbread's asset-backed balance sheet supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Our freehold ownership reduces earnings volatility in the current downturn and provides Whitbread with a flexible source of funding in the event of further cash requirements for investments or to further protect our liquidity.

Return on Capital

Despite the losses we have incurred this year, we remain confident in our ability to deliver long-term sustainable returns on incremental investment:

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

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

Events after the Balance Sheet date

Following the year end there were a number of post balance sheet events:

- The UK Government announced a number of support measures in its Budget on 3 March 2021. These included an extension of Business Rates Relief in England to 30 June 2021, a Restart Grant scheme for the hospitality and accommodation sector, an extension of reduced VAT rates, an extension of the Job Retention Scheme until September 2021, and an increase in the main rate of UK corporation tax to 25% with effect from 1 April 2023. Further details can be found in note 34
- The removal of a turnover cap in relation to state aid in Germany was announced on 4 March 2021, meaning that the Group is now eligible for German Government aid, capped at £10.4m, which will be claimed and become recognisable in FY22
- The Group's access to the Covid Corporate Financing Facility (CCFF) expired on 22 March 2021, the facility having remained undrawn
- The £200m 2027 US private placement notes were repaid early on 26 March 2021, incurring £21.2m make-whole costs

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 surplus of £188.0m at the end of the year (FY20: £190.3m), with the lower funding position primarily driven by asset performance being lower than the discount rate and an increase in the assumed rate of future inflation, which was partially offset by an increase in corporate bond yields resulting in an increase in the discount rate used to value liabilities, changes to mortality assumptions and both inflation and membership experience being more favourable than expected. Annual contributions of approximately £10m are paid to the Pension Fund through the Scottish Partnership arrangements.

The Pension Fund's triennial actuarial valuation as at 31 March 2020 is currently being carried out, with the results expected later this year. As identified in note 32, the Fund had a Technical Provisions deficit at the date of the last valuation on 31 March 2017.

In May, Whitbread announced that it had reached an agreement with the Pension Fund Trustee for a covenant waiver period for the existing EBITDA related covenant which will now not be tested until March 2022. On this testing date, in the event of a breach of the original EBITDA related covenant, a cash payment would be required to improve the funding position to the value of the Secondary Funding Target. If Whitbread did not settle this contribution, the Trustee could realise the equivalent value through the security it holds over £450m of Whitbread's freehold property. New covenants have been introduced during the period of the waiver in-line with those given to Whitbread's lenders described above, including an obligation to retain £400m liquidity headroom, no more than £2bn of net debt and to not declare or pay dividends, for the duration of the extended waiver period to March 2022. An additional £50.0m of security has also been given to the Trustee for the duration of the covenant waiver period.

Nicholas Cadbury
Group Finance Director
26 April 2021

Notes:
† The Group uses certain APMs to help evaluate the Group's financial performance, position and cash flows, and believes that such measures provide an enhanced understanding of the Group's results and related trends and allow for comparisons of the financial performance of the Group's businesses either from one period to another or with other similar businesses. However, APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures. APMs used in this announcement include adjusted revenue, like-for-like sales, revenue per available room (RevPAR), average room rate, direct bookings/distribution, adjusted operating (loss)/profit, adjusted (loss)/profit before tax, adjusted basic earnings per share, net debt, net debt and lease liabilities, operating cashflow, adjusted EBITDA (pre IFRS 16) and adjusted EBITDAR. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Caring for our teams during an unprecedented year

LOUISE SMALLEY
GROUP HR DIRECTOR

2020/21 has been a year where worldwide events have had a real and profound impact on society; our teams, our guests and our suppliers. Remaining a Force for Good has been at the heart of our response.

VOICE OF THE TEAM MEMBER FRAMEWORK

TEAM MEMBERS

- Employee experience is measured
- We understand our teams; as individuals
- There is trust and confidence in leadership
- Everyone in Whitbread feels listened to on a regular basis

LISTENING CHANNELS

- Our Voice – Employee Forum
- Exit surveys
- Listening groups
- Project-focused listening

SHAPING DECISION MAKING

- Business decisions are balanced and informed through strong, consolidated, people insights
- Managers use insights to curate positive local employment experiences

Remaining a Force for Good has been at the heart of our response and we are continuing to engage, support and care for our 29,000 strong workforce across the UK, Germany, the Middle East and China. Enabling all of them to live and work well as we recover from the pandemic will continue to be vitally important to us.

Alongside a global pandemic, 2020 will also be known as the year that generated a call for businesses like ours to take a stronger stance on equality, diversity and inclusion. Black Lives Matter has been a profound movement across the world during the last year. It has impacted our people personally and professionally and made us all think about sustaining significant commitments to change across our business.

The safety of our teams is always our priority

Ensuring our teams feel safe and equipped to carry out their work has been imperative throughout this pandemic, for both our site operational teams and those in our Support Offices across our international markets.

With swift and comprehensive support from our expert safety & security team, we implemented a combination of risk assessments, additional training and rapid procurement of PPE to keep our teams safe, adapting to the guidance as it changed across the early stages of the pandemic. We also learnt a huge amount from our committed managers and teams who kept 39 hotels open for key workers throughout the first lockdown. Their feedback was instrumental in shaping the approach we took to reopening all our hotels and restaurants.

Prior to reopening our sites, we set up dedicated COVID-19 Forums, with a team member appointed from each site, to give us feedback on the implementation of COVID-secure standards and equipment. This allowed us to understand what we were getting right and where we needed to reconsider our approach. This demonstrated to our teams that we were committed to ensuring that they had a safe workplace within which to serve our guests.

Our teams completed enhanced training online before returning to work, making sure we were COVID-safe and secure, and our team members felt safe. We have also invested in additional team member hours across our sites, and for those working in our key worker hotels or caretaking duties we provided temporary enhanced pay rates.

Everyone cares and feels cared for

I am personally very proud of our COVID-19 response across Whitbread, particularly in terms of decisions we made to care for our teams and their response to our plans. Throughout the complexities of lockdown and furlough, we have continued to focus on the wellbeing of our team members, and they have demonstrated tremendous care for one another.

In light of the closure of most of our hotels and all of our restaurants as a result of the COVID-19 pandemic, we started furloughing a significant number of employees from late March 2020. As of 30 April 2020, c27,000 of the Group's UK employees were furloughed. In Germany, the Kurzarbeit provided similar levels of support, with 53% of teams enrolled in June 2020.

Recognising the importance of financial wellbeing for our UK teams, we topped up the Coronavirus Job Retention Scheme contribution, to keep all employees on 100% (full) pay through to the end of July, and we also followed a top-up principle in our German business. Since August 2020 we have continued to have an uncapped approach to 80% of salary for all UK employees whilst on furlough. We also awarded annual incentives that had been achieved for the 2019/20 financial year, which concluded before the pandemic impacted our business, to all eligible employees in June 2020.

One of the things that makes our business so special is the care our teams show for one another at every level and in every market we operate. Our line managers have been instrumental in supporting the wellbeing of our teams. They have helped us take a personalised approach to support those on furlough, those who have worked in our sites, and those who have worked flexibly and remotely throughout the last year. Recognising that all personal circumstances could be unique and challenging in different ways has demonstrated great care.

As a business we had a strong suite of support available to our teams, particularly through our long-standing relationship with Hospitality Action, who we partner with to provide our Employee Assistance Programme. We have ensured that our teams have known what expertise and support is available when they have needed it. A new initiative, 'Wellbeing Wednesdays', provided a platform to highlight further internal support and wider external partnerships, useful resources and content, and has now become a trusted place to share peer stories. The regularity and visibility of this approach has created momentum through the business, with our teams regularly posting their own stories through our social channels on how they have faced their personal challenges and looked after their own wellbeing to inspire and support their colleagues.

We will be for everyone, championing inclusivity and improving diversity
Creating an inclusive environment for our teams continues to be fundamental to how we want to behave at Whitbread. It has never been more important for organisations to commit to change, and we are incredibly focused on bringing this to life.

Throughout 2020/21, despite the external context of COVID-19 and the business disruption we have experienced, we have taken positive steps towards our aspiration to be the most inclusive hospitality business:

- Despite making many efficiencies across our Support Centre, we have created a new, dedicated Diversity and Inclusion Centre of Excellence
- We have thoughtfully created eight 'Commitments to Change' which have been a focus for our leadership teams across the second half of the year
- All our 200 most senior leaders, including our Executive Committee, have attended two development programmes designed to educate and inspire this community to 'Lead in an Inclusive World', focusing on bias, conscious inclusion and being an ally to minority groups. Despite the impact of COVID-19 on our financial performance, we have invested significantly in this opportunity to grow and develop, delivered in partnership with INvolve
- We have launched our first Race, Religion and Cultural Heritage network, allowing our ethnic groups to have an amplified voice and drive greater inclusion
- We have celebrated more cultural events of importance than ever, including International Women's Day, Black History Month, Trans Awareness Week, Race Equality Week and LGBTQ+ History Month

SHANNA MILLS
Multi-Site Hotel Manager
Premier Inn Birmingham & West Bromwich

"Being a part of the Whitbread Race, Religion and Cultural Heritage Network Steering Committee means a lot to me, because it gives me the perfect opportunity to help shape and guide an area which I am extremely passionate about. Being a female and of Caribbean heritage I want to be a voice and an ally to those that may see me as a representative of their culture.

It also gives me the opportunity to learn and educate myself about other people's cultures and backgrounds which can only be a positive. Having a diverse workforce can only mean great things for an organisation and I believe together we can make great changes.

I am extremely proud Whitbread have made inclusivity such a massive part on their agenda. My daughter is mixed heritage and I want her to be proud of me but, most importantly, to be proud of who she is and understand that her Caribbean heritage is recognised and celebrated just the same as her white heritage".

Our commitments to change
Our eight commitments are designed to accelerate our diversity through our recruitment and talent practices, whilst creating an even more inclusive environment through our continued education, celebration of events and championing of all our networks.

Across our workforce, 13% of our employees identify as Black, Asian or Mixed Ethnic*, 65% of our employees are female, along with women representing 34% of our leadership population, and we are led by a female CEO. Our recent 2020 Gender Pay Gap Report, published in February 2021, shows a mean pay gap of 11.65%, reduced from 13.23% in 2019.

Our gender pay gap is driven by the structure of our workforce. We have a significantly higher mix of women within our hourly paid population and we have higher male representation in our highest paid roles, mainly within our senior leadership population. Our commitment to diversity will support reducing this pay gap in the next two years.

In addition to our gender pay gap, we will also complete our first ethnicity pay gap analysis in 2021. As part of our commitments, we will be sharing our findings internally with our colleagues.

Despite tremendous progress this year in challenging conditions, we know we have much more to do. Our commitments to change will continue to drive progress in both our representation levels of minority groups, and our continuing to make Whitbread even more inclusive.

* 13% of employees who have chosen to disclose their ethnicity.

OUR COMMITMENTS TO GREATER DIVERSITY

1. Have greater diversity in our leadership population, with targets of 8% ethnic minority and 40% female representation in our top 100 by the end of 2023
2. Have targets for greater ethnic diversity in our middle management population through stringent recruitment practices that mitigate individual biases
3. Invest more in our diverse talent pipeline to ensure we can promote our diverse talent equitably
4. Complete an ethnicity pay gap analysis and share our results and findings with all our colleagues in 2021

OUR COMMITMENTS TO CHAMPIONING INCLUSIVITY

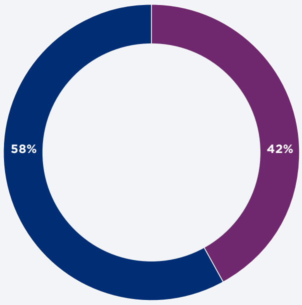
1. Equip all our leaders to be fluent around diversity and inclusion, through mandated development
2. Amplify the voices of all our minorities, through the sponsorship of networks and forums
3. Review our organisational policies to make sure they are inclusive of all minority groups
4. Celebrate key cultural events throughout the year

Prioritising development for our teams through the pandemic
In addition to the dedicated safety training our teams have completed to keep our teams and guests safe over the last year, we have continued with our commitment to excellent learning and development through our apprenticeship programmes. Throughout 2020, 95% of our apprentices continued their learning during furlough, supported by online sessions and tutoring with our partners Lifetime Training. This has benefited our apprentices by continuing their learning and enhancing their skills prior to returning to work.

In September 2020, it was very positive to be externally recognised for the continued support we have given our apprentices and our response to COVID-19 whilst our colleagues were on furlough, through winning the prestigious Macro Employer East Midlands Apprenticeship award, alongside being recognised as a National Finalist.

GENDER SPLIT – HAMPTON ALEXANDER METHOD

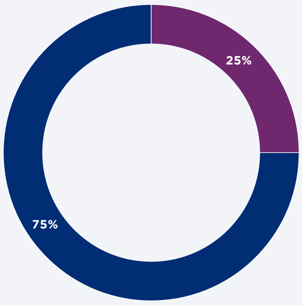
Directors (PLC Board)



5
Female

7
Male

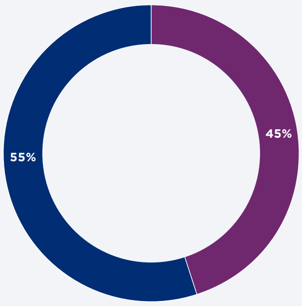
Executive Committee



2
Female

6
Male

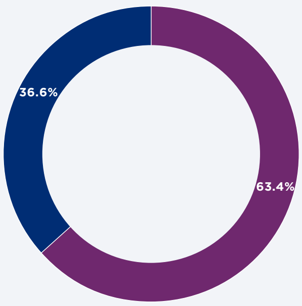
Direct Reports to ExCo (excluding administrative support staff)



22
Female

27
Male

Whitbread all employees



17,975
Female

10,360
Male

Data correct as at 1 March 2021

* Whilst we do not have the data to show this, we recognise that a percentage of our employees will not identify as male or female.

BETH WILSON
Front of House Team Member
Cookhouse & Pub, Skegness

"I grew up in Skegness and while it is a great town it is very difficult to find a job. I lived in sheltered accommodation and like many others I unfortunately faced additional barriers to progression.

I can honestly say my interview with Whitbread changed my life. The company took a chance on me and from that day forward it's been onwards and upwards all the way. There's a huge sense of pride every time I put my uniform on and the company supports me every step of the way. The opportunity to work in a job I love has not only given me stability but has also improved me as a person. There's nothing better than working as a team to do a great job for our guests and as you can imagine there's never a dull day working in one of the most popular seaside spots in the UK.

I've had the chance to come out of my shell and feel confident to take on team leadership responsibilities, knowing I will have support and training when the time is right. Getting the keys to my own house has been the latest stage of my journey. I've had the chance to come a long way in a short period and there's no looking back".

In Germany, a significant induction training programme took place, supporting our 339 new team members who joined Premier Inn following the acquisition of Foremost Hospitality. Due to the pandemic, this was delivered completely online between March and June 2020, delivering all the skills training to make sure our new team members were trained in our Premier Inn processes, and felt confident in their new roles with us.

We have listened to our teams more than ever

We know that we can learn a huge amount from each other at Whitbread, and it is our intention to ensure that everyone feels listened to. This has been a vital part of our approach to navigating the pandemic as we have needed to close and reopen hotels and restaurants at an unprecedented pace and scale. Dialling up our listening activities in response to the pace of change and level of restrictions has ensured everyone remains engaged in our approach.

We have had to adapt some of our engagement plans for the year given the impact of the pandemic but we have listened to our teams, both in the UK and Germany, throughout the pandemic at key moments through pulse surveys. This has helped us with the effectiveness of our operational measures as well as engagement and wellbeing.

In the UK, we used our 39 key worker sites that were open throughout the first wave as an opportunity to learn and adapt our approach to being COVID secure. We set up a formal listening programme to listen to our team members and managers, before rolling out the reopening programme more widely.

Across the summer, when all our UK sites were open, we wanted to understand the perspective of team members in our sites who had returned after significant periods of furlough, who were now operating with new processes and equipment to ensure their safety, and who were experiencing significant levels of demand as our guests returned to enjoy a seasonal break or participated in the Eat Out to Help Out scheme.

It was pleasing to see that our team members were enthusiastic to return to serving our guests and working as a team and they were proud of the way that Whitbread had responded to the challenging environment.

We continue our commitment to listening to our team members through survey-based programmes and will start a formal programme of pulse surveys across all parts of the business this year. The experience of the last year has shown the importance of gathering views regularly as the internal and external environment shifts.

We will also continue our 'All Ears' programme to help us unlock operational ideas and efficiencies. All Ears is our operationally led listening programme, sponsored by Simon Ewins – Managing Director of UK Hotels & Restaurants. This programme takes the insights from surveys and takes a deeper dive into particular job roles within our hotels or restaurants to understand where we can make changes that help us to put the customer at the heart of everything we do.

Hearing the 'Voice of the Team Member' through our Employee Forums

In the UK, the elected Representatives who participate in our Employee Forum, which we call 'Our Voice', have helped shape our approach to the organisational change programmes that were necessary in the autumn, as we adjusted our cost base in response to the challenging market conditions in both our Support Centre and our sites.

Through meaningful and effective collective consultation, we were able to understand the concerns and questions that our teams had about the proposals. We were also able to check that we were approaching processes in a fair and considered way through the insights shared by the Representatives.

Outside of formal consultation processes we have regular meetings with Our Voice Representatives, connecting senior leaders to the views and experiences of our front-line teams through a two-way conversation. Across the coming year we are committed to ensuring that Our Voice Representatives help us understand the effectiveness of our Force for Good programme, with a focus on the Opportunity commitment; no barriers to entry and no limits to ambition.

With Representatives right across the UK and within the Support Centre, they are well placed to help us ensure that we work effectively together as one business; collectively focusing on putting the customer at the heart of everything we do, despite the remote nature of work at the current time. We will start this work at our next Pan-Whitbread Forum scheduled for May, chaired by Alison Brittain.

SHARON MOORE
Team Member
Premier Inn Whitley Bay

"As an Our Voice Representative, being there for our team and guests during tough times is a privilege. Boosting team morale, listening to them and being there is all just part of my job; it's just natural for me to care.

Being part of Our Voice has been amazing. While there were tough times during the consultation, I felt listened to by senior management, which made me realise Whitbread do care, we are listened to and our wellbeing matters.

I can only speak for myself when I say what I do isn't just a job, it's a way of life. Walking through our hotel doors each shift I feel proud and I enjoy every moment".

SITSKE DE ROO
Hotel Manager
Premier Inn Cologne South

"I started as Sales Manager five years ago in the Germany Support Centre when the team was still new and small. With Premier Inn I have been given the chance to develop myself further and follow my dream to lead a hotel one day.

After some time in Operations, during 2020, I supported the integration of the Foremost Hospitality hotels during the pandemic. My main priorities were operational, supporting the team on the floor, being flexible and agile.

In May I became the new Hotel Manager at Premier Inn Cologne South, the largest hotel in Germany. Together with my team (because without them there is no purple heart) we are facing the challenges of the pandemic together – holding monthly Zoom sessions, and contacting each other, asking "How are you?" I am looking forward to getting back to normal very soon and welcoming many, many guests!".

We continue to adjust, adapt and grow
The agility demonstrated by our teams across all our locations as we have needed to stand sites up and then down again, and flex our operations to navigate the various phases of the pandemic has been immense. For example, in the UK in April 2020, all our restaurants and hotels except 39 hotels were closed. By contrast, in the summer, restaurants were busy due to the Eat Out to Help Out scheme and coastal hotels were busy with holiday makers. Our teams adapted and flexed, with some of our hotel teams moving from London to the South Coast during the summer peak.

In the UK, we have also had to adjust our cost base due to the challenging market conditions, and this has involved people change projects across both our Operations and Support Centre. Through meaningful and effective collective consultation in late 2020, we made every effort to reduce the number of redundancies, with many Operations team members choosing to adapt hours instead of leaving the business.

In navigating a year of complexity and volatility it has been important to take the time to recognise our managers and leaders, who have led our teams throughout the pandemic. This has been demonstrated through our pulse surveys where 74% of our UK Operations team members, and 85% of our UK Support Centre team members felt they were getting the support and communication they needed from their manager. 88% of German colleagues said they felt connected to their team (September 2020).

In Germany, whilst navigating similar restrictions and flexing operations in similar ways, there have also been opportunities to acquire new hotels. Through these acquisitions, our German team has continued to grow throughout 2020 and into 2021. With the increase in the number of sites, the team size has also increased by 190% over the last 12 months.

External accreditation – Top Employer 2021
Once again, Whitbread has been recognised as a 'Top Employer' in the UK by the Top Employers Institute. This marks an incredible 11 consecutive years of achieving this external accreditation.

Only organisations considered to have the highest standards of excellence qualify as a Top Employer. The accreditation involves a detailed review of all our people practices across our Operations and Support Centres. These are carefully assessed and validated by the Top Employers Institute and benchmarked against other organisations. We carefully review these findings to understand where we can continue to evolve and improve, which is part of the reason we keep evolving the promise to our people and retaining this recognition.

Being a Top Employer also helps us attract Genuine, Confident and Committed people to join our winning team. As we focus on the future and the opportunity to be operating without restrictions, attracting great people to join our Whitbread family will be important. We intend to take full advantage of opportunities to develop in the UK and Germany as confidence returns and we are able to welcome more guests back to enjoy our hospitality. These opportunities will come, and as the market leader in our sector, we'll be ready.

I am immensely proud to be part of an organisation where we believe that everyone can reach their potential, with no barriers to entry and no limits to ambition. Receiving this award at this time is great recognition of everything we have achieved together over the last 12 months.

Louise Smalley
Group HR Director
26 April 2021

Sustainability is at the core of what we do

CHRIS VAUGHAN
GENERAL COUNSEL

As the executive sponsor for our sustainability programme, Force for Good, I am incredibly proud to present our approach to environmental, social and governance (ESG) issues through our Force for Good sustainability strategy.

We have an industry-leading programme, with a range of stretching targets, and not only do we have a history of taking action to tackle sustainability issues, but we also have a bold plan for the coming years to enable all our people to live and work well.

This year has been an incredibly difficult year for us all. Throughout it, remaining a Force for Good has been at the heart of our response, keeping a very keen eye on the impact we have had on our staff, our customers, the communities we operate in, and the world around us. During the March 2020 UK lockdown we kept 39 hotels open to provide essential support to NHS staff and key front-line workers, throughout 2020 we donated over 500,000 meals to charity partners, we topped up the pay for all of our staff if they were furloughed and our teams responded magnificently to the challenges of the pandemic. We continued to fundraise for Great Ormond Street Hospital despite site closures, hitting a staggering £18m since our partnership began in 2012.

We have also taken this year as an opportunity to stretch some of our sustainability targets, for example on carbon emissions, and reinforce others. And we capped off the year with a Green Bond, a further endorsement of our industry-leading sustainability programme.

Our Force for Good sustainability programme is embedded across our business, enabling us to utilise all the skills and expertise of our teams to help deliver our objectives in everything we do. As further evidence of this commitment, we were pleased to further embed our sustainability credentials through our financing through the issuance of our Green Bonds, a first for the sector in the UK and a testament to the work we have already done, and will continue to deliver, to be a Force for Good, whilst remaining a strong and resilient business for the long term.

Find out more about our Green Bond on page 35.

We have already achieved a lot, but we know there is a lot more to do. That's why setting stretching targets is essential and gives us something to measure ourselves against. Last year, we announced new strategic targets such as: eliminating unnecessary single-use plastic by 2025, cutting food waste in half by 2030 and raising £20m for Great Ormond Street Hospital. This year we took this one step further in our carbon emissions target to aim for net zero by 2040.

Find out more on our targets on pages 52 to 55.

Our commitment to deliver industry-leading training and development did not cease during the pandemic. Our team members undertook over one million online training sessions, we were voted the number one provider of apprenticeships in hospitality and for the 11th consecutive year we were listed as a Top Employer.

We already have a strong track record in reducing our emissions. In 2018, Whitbread set a science-based target to reduce carbon emissions intensity by 50% by 2025 and 84% by 2050. Last year we reported a reduction of 39.8%. This year, we wanted to go one step further and have since updated our carbon target to aim for net zero carbon emissions by 2040. We know this is a huge task, but it is one that is vitally important for our business and the battle against global climate change.

We were really proud to be scored an A- this year for our climate change submission to CDP, putting us in the leadership category, an accolade awarded to those seen to be implementing best practices on sustainability. We also managed to achieve a B- for our water submission and were placed on the 2020 CDP Supplier Engagement Leaderboard as we were assessed to be in the top 7% for supplier engagement on climate change.

This year, we have begun working hard on our target to cut food waste in half by 2030, having set up a partnership to ensure any surplus food at our distribution centres does not go to waste. This has enabled us to donate over half a million meals to charity partners in 2020 to support those in need. Our target to eliminate unnecessary single-use plastics by 2025 is not going to be easy, as many of our supplies are delivered to us in plastic packaging. We have begun this journey and will be working closely with all of our suppliers to achieve this difficult target.

Diversity and inclusion was a theme that gained much-needed global and national attention in 2020 through the Black Lives Matter movement. This has translated into our own commitments and recognition that to be a Force for Good we need to be representative and inclusive. We have now published eight commitments to drive meaningful progress in this space that can be found on page 45.

Finally, we have also stepped up our game in relation to the reporting of our ESG credentials, launching our first dedicated ESG document. We are pleased to announce that we have published our first report against the Sustainability Accounting Standards Board (SASB) standard, aligning our performance with internationally recognised sustainability metrics for our sector, and look forward to reporting expenditure relating to our Green Bond programme against the key categories of eligible projects which we set out in our Green Bond Framework. To access the ESG, Green Bond Framework and SASB documents, please go to our website www.whitbread.co.uk

We have also set out a clear plan to report in accordance with TCFD requirements, the detail of which can be found on page 51.

We have the business structures, the ethos, the skill and the commitment from our team members required to meet our Force for Good objectives. These goals are not only good for people, our communities and our environment, but they enable our business to reduce costs and operate in a more agile way moving forward, they differentiate us from much of the competition, and further enhance our ability to deliver strong, consistent returns for investors.

We look forward to taking learnings from this unprecedented year to remain a Force for Good in all parts of our business.

Chris Vaughan
General Counsel
26 April 2021

FORCE FOR GOOD IN 2020/21

FORCE FOR GOOD

Our strategy is split into three pillars...

OPPORTUNITY
A team where everyone can reach their potential – no barriers to entry and no limitations to ambition.

COMMUNITY
Making a meaningful contribution to the customers and communities we serve.

RESPONSIBILITY
Always operating in a way that respects people and the planet.

Which helps us to do business in the right way supporting our...

Teams
- Championing inclusivity and improving diversity
- Industry-leading training and development
- Team member wellbeing is considered in everything we do

Environment
- Science-based targets to reduce our carbon emissions intensity
- Eliminating unnecessary single-use plastics
- Reducing food waste

Communities
- Supporting our communities' economies
- Supporting our charity partners to meet their mission
- Community engagement e.g. volunteering schemes

Suppliers
- Sourcing responsibly and with integrity
- Respecting the human rights of everyone in our supply chain
- Ensuring our suppliers are paid on time

Guests
- Improving the nutritional value of our menus
- Ensuring the highest levels of safety
- Developing an environmentally friendly customer proposition

Allowing us to...

Attract more customers
Increase productivity
Motivate our workforce
Source responsibly
Lower energy consumption
Benefit local communities
Adapt our business model
Reduce waste

Enabling us to drive growth at good returns and deliver long-term value

OPPORTUNITY

Supporting our team members: Ashleigh's story

"My name is Ashleigh. I've worked at Premier Inn around a year and a half, because I needed a more flexible job around my three-year-old son.

Customer service has always been my biggest passion. I have always wanted to go back to college or study to do better for myself and my son. I honestly assumed I was too old to study again.

I was offered a hospitality apprenticeship in March 2020 by Whitbread. I was definitely nervous at first but then I met my trainer, who put me at ease and has supported me in every way possible.

Since starting the apprenticeship it has given me so much more confidence in myself as well as my work. It has given me the push I needed to further my career instead of thinking it was too late.

I'm not 100% on where I want to be in my future career. However, I do know I want to spend it in customer service".

COMMUNITY

Supporting our charity partner: Great Ormond Street Hospital Children's Charity

Great Ormond Street Hospital Children's Charity is as much a part of the Whitbread family as our brands. Whitbread has proudly supported Great Ormond Street Hospital Children's Charity since 2012 through repeated team member vote. We have now hit over £18m raised since the partnership began with £10m of this fundraising dedicated to supporting the development of the brand-new Sight and Sound Centre, supported by Premier Inn, a specialist outpatient facility tailored to the needs of children with sight and hearing loss which is due to open in 2021.

In 2019, we rallied the team members across our business to take part in the RBC Race for the Kids for Great Ormond Street. Over 600 team members and their families took part, running, walking, crawling or scooting 5k around London. In 2020, we took Race for the Kids virtual, joining forces to run the race from wherever our teams were based and we raised a huge £30,000.

COMMUNITY

Healthier children's food: We are a Peas Please Pledger

Whitbread has always supported the five-a-day principle, encouraging adults and children alike to eat more fruit and vegetables through our long-standing participation in the Soil Association's Out to Lunch survey. Last year we reported we'd hit our target of 20% sugar reduction across all relevant categories and this year Brewers Fayre is proud to announce we are a Peas Please Pledger, working hard to continue to offer two portions of vegetables with every main meal. Our children's menu not only supports our Peas Please Pledge but also supports sustainable sourcing of key ingredients such as Marine Stewardship Council (MSC) certified fish and beef from Red Tractor Assured British and Irish farmers.

RESPONSIBILITY

We're committing to net zero!

Carbon emissions continue to be a huge focus for our business and reducing emissions is an ethical and economic imperative. Last year we announced our targets to reduce carbon emissions intensity across our direct business, aiming to reduce our scope 1 and 2 carbon emissions intensity by 50% by 2025, and an 84% reduction by 2050. We went one step further this year and are proud to report we have updated our target further and are committed to reaching a net zero carbon position by 2040.

To find a full update on how we're supporting our teams to live and work well, please go to pages 42 to 47.

Cutting our food waste in half by 2030

Last year, we announced our target to cut food waste by 50% by 2030. The first step towards meeting this was to undertake a forensic analysis of where and why we have food waste across our business. We completed this analysis this year, we now have clarity on what needs to be done to reduce the 14,000 tonnes we do have and have begun work to reduce it immediately where possible. This has involved adapting our current menu offerings to maximise the usage of committed stock, both in our freezer stores and with our suppliers, and opening our restaurants in July with a reduced menu to maximise usage of ingredients within our current store cupboard. Not only this, but in 2020, we donated over 500,000 meals to charity partners across the UK where we had surplus food.

Sustainable cotton

In 2020 we became the first UK budget hotel chain to be a Better Cotton Initiative (BCI) member. This year, we have worked with our laundry suppliers to create an industry-leading mass-balanced model that can support sustainable cotton procurement. This is a unique model created in partnership with BCI. We are aiming for 100% of the linen procured via laundry services for Premier Inn to be BCI accredited by the end of 2021. This is not an easy task, but we know that working with our dedicated suppliers we will be able to progress industry-wide change for sustainable cotton in the hospitality industry.

THE TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

Whitbread welcomes the introduction of the Taskforce for Climate-related Financial Disclosures (TCFD) and recognises the impetus this will provide for companies and stakeholders to understand relevant climate-related risks and to ensure the appropriate management processes are in place to mitigate them.

The introduction of TCFD is an important step in tackling global climate change and we look forward to sharing our first full disclosure in next year's Annual Report. As part of this process, the Group has spent this year developing its understanding of its exposure to climate change risk. The initial review highlighted that the Group already fulfils many of the TCFD's recommendations, including:

- executive member accountability for climate change;
- risk assessment process and management structure in place for climate change-related issues; and
- environmental targets that are reported in mainstream financial reports, with scope 1 and 2 intensity emissions being reported to an approved methodology.

However, there is more to do to be fully compliant and this will be a key focus for the Force for Good programme this coming year. After undertaking a Group-wide analysis, a number of top-level risks and mitigation activities were identified.

Examples of potential actions include:

- investment in efficiency measures and technology (such as Building Management Systems and PV installation) used as a mitigation measure against increasing costs of utilities driven by emerging regulation;
- installation of site flood protection measures and an early warning flood evacuation system where flood risk is substantial; and
- alternative contingency supply in place for the supply of critical commodities due to disruption, such as changing climatic conditions and extreme weather events.

Next steps include developing our understanding of, and quantifying, those risks, introducing specific targets and mitigating actions where relevant. This will be achieved through the development of a Climate Risk Framework, enabling the Group to consider its resilience under different climate scenarios, and to embed climate change risk into its long-term business strategy and financial planning processes. A plan is in place to deliver against each of these tasks.

More information on the Group's TCFD progress can be found on our website, www.whitbread.co.uk

2020/21 ANNUAL REPORT SUSTAINABILITY TARGETS

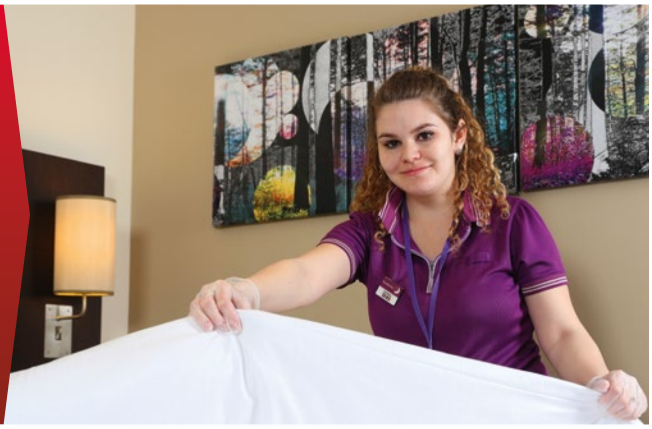
We at Whitbread are aware of the material impact, both positive and negative, that our business activities can have on the planet, our communities and the customers we serve. We are also aware of our opportunity to shape that impact, ensuring we drive positive change and create value, while mitigating any negative impact our operations might have. We must ensure that our approach to social and environmental issues continues to be ambitious, working to resolve global challenges if we are to continue to be a successful business.

We began this year with a portfolio of ambitious, stretching targets that positioned us to really make a difference. While we've been faced with unprecedented challenges, we're proud to report our progress towards meeting those targets has not stood still. While at times having to shift our focus, responding to new and immediate obstacles caused by the COVID-19 pandemic, we have still managed to move forward with meeting our key sustainability targets, at times even accelerating our trajectory towards our goals. Our targets and our progress against them can be found on the following pages.

* The nature of the restrictions placed on our operations due to COVID-19 in 2020 has impacted our ability to provide an appropriate measure of our progress in these areas this year.

OPPORTUNITY

A team where everyone can reach their potential – no barriers to entry and no limitations to ambition.



TARGET	PROGRESS AGAINST TARGETS IN 2020/21	FORCE FOR GOOD UPDATE 2020/21
		Full information on our progress in the Opportunity pillar of our Force for Good programme can be found in the Group HR Director's review.
Our people will feel represented and respected, no matter how they identify	**In progress**	Improving diversity and championing inclusivity is a key priority for Whitbread, and we have taken steps in 2020 through our commitments to make us more diverse and more inclusive, including setting targets that we will start to report against from the next financial year. Seeking feedback from our colleagues throughout 2021 will form part of our plan.
We will actively seek to break down all barriers to entry and be an inclusive and representative prospective employer	**This has not been measured in 2020 due to COVID-19**	We remain committed to providing opportunities with no barriers to entry and have taken steps in 2020 to review our recruitment processes in line with our Diversity and Inclusion commitments.*
Through our apprenticeship programmes we will support people to find and develop their hospitality careers	222 **total completed through this period**	Supporting our teams' development is core to our Force for Good agenda. Continuing this through COVID-19 was vital for us to ensure development was not stunted for our staff. We have continued with 95% of our apprenticeships throughout COVID-19.
We aim to promote internal succession above external recruitment and will support our teams in this endeavour	**This has not been measured in 2020 due to COVID-19**	We remain committed to providing opportunities throughout Whitbread for our internal teams to develop and grow their careers, with no limits to ambition or barriers to entry. This year, due to the closure of our estate, we were unable to measure internal succession but will look to review this in the coming year.*
We will be bold about broadening career opportunities, supporting cross-functional and meaningful career development	**This has not been measured in 2020 due to COVID-19**	Cross-functional development is one of the reasons our teams love Whitbread; it enabled growth and development within a business they know. We remain committed to providing these opportunities throughout Whitbread for our internal teams; however, during the previous year we were unable to measure this. We will be reviewing this in the coming year.*
We will listen genuinely to our teams, ensuring their views help inform decision making	**In progress**	Listening to our colleagues has been fundamental to our COVID-19 response. Dialling up our listening activities in response to the pace of change and level of restrictions has ensured everyone remains engaged in our approach. More detail on how we've engaged our teams this year can be found in the Group HR Director's review.
We will support the physical and mental wellbeing of our teams	**In progress**	Supporting our colleagues' wellbeing has never been more important than in the context of COVID-19. See the Group HR Director's review for more detail.

COMMUNITY

Making a meaningful contribution to the customers and communities we serve.

TARGET	PROGRESS AGAINST TARGETS IN 2020/21	FORCE FOR GOOD UPDATE 2020/21
For every new site we will donate our time to actively supporting local community activity	100 hours **Number of approximate hours donated across 5 sites**	Due to the pandemic only limited community activity could take place for the five new sites opened, hitting 100 hours for this year. Due to restricted movement across the country we paused our physical community activities at new site openings. However, we have channelled that community spirit into our response to COVID-19 across our estate; donating hundreds of tonnes of foods to those in need from our sites and distribution centres and supporting essential workers at our hotels.
We will raise £20m for GOSH	£18.3m+ **Total raised to date**	In 2020/21 we experienced a challenging year, much like everyone else. However, through our generous guests and team members we were still able to raise a significant amount of money for Great Ormond Street Hospital Charity. Team members across the country undertook a number of activities to support our charity partner; from running marathons up and down closed hotel and restaurant corridors and climbing the equivalent of Everest in hotel stairs to fun runs outside.
We will strive to be a leader in our sector for delicious, appealing and healthier children's food	**In progress**	We are proud to be a Peas Please Pledger and will be working hard to continue to offer two portions of vegetables with every main meal, through a number of ways; through complete vegetarian dishes, a choice of two vegetable sides and/or 'hidden' or additional portions of veg incorporated into the main meal.
Public Health England 20% Sugar Reduction	**31.2% and 33.9% achieved in applicable categories**	We are delighted to have achieved an average of 31.2% sugar reduction in puddings in Beefeater and a 33.9% reduction in Brewers Fayre against a baseline of 2015 as part of Public Health England's sugar reduction programme. We will continue to do more work to make further reductions as part of the holistic reformulation programme.
Whitbread's critical commodities accredited against robust standards	100% **for fish, whole shell eggs and beef**	We were thrilled to have reached our whole shell egg target (100% cage free status on all whole shell eggs by the end of 2020) two years early and are working hard to meet our ingredient egg target by 2025 with 22% of our 2020/21 ingredient egg requirement sourced from cage free hens. 100% of our raw beef range is produced to a recognised farm assurance scheme in its country of origin such as Red Tractor. In addition, we have retained our MSC 100% status for 2021 and our Business Benchmark on Farm Animal Welfare (BBFAW) 2020 tier 2 rating. We are delighted to have become BCI members this year, creating a unique partnership to support our laundered cotton. This year we will be working hard to ensure 100% of our cotton is supporting sustainable farming through the BCI platform. Last year, we became Roundtable on Sustainable Palm Oil (RSPO) members to support our journey to sustainable palm oil. We require all suppliers of ours to support sustainable palm oil and will be continuing this journey this year.
100% of our suppliers risk assessed against Force for Good criteria	100% **of supplies risk assessed**	We have a robust responsible sourcing programme that is integrated in how we manage our supply chain. This ensures that no suppliers can work with Whitbread without completing our risk assessment questions on Force for Good on our supplier management system.

RESPONSIBILITY

Always operating in a way that respects people and the planet.

TARGET	PROGRESS AGAINST TARGETS IN 2020/21	FORCE FOR GOOD UPDATE 2020/21
We will eliminate unnecessary* single-use plastic by 2025	**In progress**	This year we have had to focus on ensuring the safety of our teams and our guests during the pandemic, and this includes preventing the spread wherever possible. Like many industries we recognise that this has meant, in some cases, an increase in single-use plastic where it is necessary and safer to do so for our teams to prevent the spread of COVID-19. However, this has not stopped us in the good work we are continuing to do. We completed the mapping of single-use plastics in our business and continue to seek out projects that reduce or remove unnecessary single-use plastic. We're unwavering on this ambition and continue to seek innovative ways to do this in partnership with our operations team and our suppliers.
We will cut food waste by 50% by 2030	63.4% **reduction**	In 2020, we reduced our food waste by 63.4% from a 2018 baseline year. Whilst this was not a typical year due to lockdown restrictions, we adapted our menu offerings to maximise the usage of committed stock both in our freezer stores and with our suppliers, and we opened our restaurants in July 2020 with a reduced menu to maximise usage of ingredients within our current store cupboard. Not only this, but we avoided over 300 tonnes of food waste generation by donating to charity partners across the UK.
We will become net zero† for carbon emissions by 2040	61.2% **scope 1 and 2 intensity reduction from the 2016/17 baseline year**	During 2020, we focused on using our remote building management system (BMS) control to enable energy reductions without the need to visit sites. Through this control we reduced the runtime of assets in unoccupied sites, saving energy whilst also extending the lifecycle of those assets. In addition, we used our energy management software, during both trading and non-trading periods, to monitor and target sites to optimise energy consumption. We have seen a reduction in our scope 1 and 2 carbon intensity by 35.6% from the previous year due to site closures and these efficiency measures. We have also reviewed our target and brought forward our net zero commitment to 2040 from our original 2050 target.
We will minimise water use across our business and champion water stewardship within high-risk areas	**In progress**	During 2020, we have focused our efforts on gathering data to support risk evaluation, to pinpoint reduction in high-risk areas in terms of total water availability and ensuring equitable water use. This risk evaluation incorporates data from rainfall, population change, together with instances of flood and drought. In these areas we can then focus our championship of water stewardship. We have continued to manage water responsibly by the installation of showers instead of baths in new builds, along with low flow shower heads, dual flush toilets, customer towel re-use messaging and increased data quality for leak detection and fixes. The site closures due to the pandemic presented a great opportunity to identify and resolve leaks we may not otherwise have found, which saved the equivalent of over 11 Olympic size swimming pools of water.
We will not send any waste to landfill	99.96% **of our total operational waste diverted from landfill**	In these current, extraordinary times we unfortunately had no option but to send a very small proportion (0.10%) of our non-recyclable waste to landfill. This was due to a limited number of disposal points being open during the pandemic. We expect this situation to improve once restrictions are gradually lifted with sites becoming available once again.

* Whitbread defines unnecessary single-use plastic as that which is unnecessary for food safety purposes, which is used instantaneously as a one-off application and whose removal would not lead to unintended negative environmental consequences, such as increased waste or CO_2 emissions.

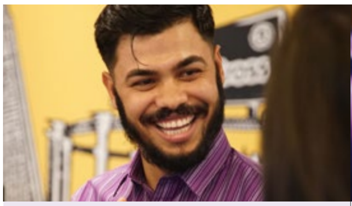
† Scope 1 and 2 emissions.

Engaging with our stakeholders

Stakeholder engagement is a key focus for Whitbread, and it's something that runs throughout the different levels of the Group, not just at Board level.

We ensure that we have open communication with our various stakeholder groups, creating a mutually beneficial relationship, and we use information gained through these relationships to make informed judgements when making key decisions.

This section provides some insight into the different stakeholder groups that the Group engages with on a regular basis, how we usually engage with them, and how that engagement ensures that their interests are considered in the Group's strategy and decision making.



EMPLOYEES

Our team members are vital to the successful operation of our business, so it's of vital importance that the Group regularly engages with them to ensure we understand their needs and to make sure they feel confident and cared for.

Key focuses

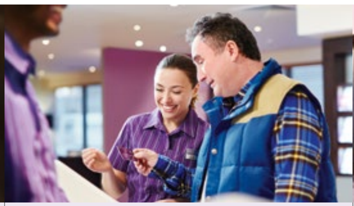
- Health and safety
- Mental wellbeing
- Diversity and inclusion
- Fair opportunities
- Pay and reward
- Development and progression

How we engage at Board and Executive Committee level

- Executive Committee members chair the Employee and Workplace/H&S forums which allows them to hear the feedback first hand.
- The Group HR Director provides the Board with reports on the key focus areas and employee engagement.
- Executive-sponsored diversity and inclusion programmes

How we engage across the Group

- Employee Forum – the forum was established as a formal workforce advisory panel to the Board. It has acted as the formal collective consultation partner during organisational changes, proposing changes and alternatives where it thinks it necessary.
- Workplace forum/COVID-19 H&S forum – focuses on improving the working environment and ensuring it's a safe place to work.
- Speaking Out lines – allow employees to raise concerns confidently and anonymously.
- Pulse survey – this allowed the Company to get a sense of how employees are feeling after a turbulent year.



CUSTOMERS

We welcome millions of customers every year, so it's vital that we constantly respond to their changing needs and wants to keep a strong relationship with them.

Key focuses

- Health and safety
- Healthier choices
- Cleanliness
- Competitiveness

How we engage at Board and Executive Committee level

- Members of the Board and Executive Committee visit sites and stay in our hotels in order to gather real life feedback on how customers feel about our hotels and restaurants. We hope for this to resume post COVID-19.
- The Board receives presentations and monthly data on customer feedback.

How we engage across the Group

- We review key customer and brand performance metrics every week to understand how our guests are feeling about our brands.
- We send Guest Satisfaction Survey emails to guests after they have used our hotel brands to ask specific questions on their experiences. This enables us to make changes to delight them even more.
- The website is regularly reviewed and updated, and investment is made into strong advertising campaigns to ensure our guests are up to date with any exciting news.

INVESTORS/ SHAREHOLDERS

The Board is committed to ensuring that there is sufficient and effective communication and engagement between the Group and its investors.

Key focuses

- Long-term sustainability of the Company
- Financial performance and growth

How we engage at Board and Executive Committee level

- The CEO and FD hold meetings with institutional investors following full-year and interim results, and report back to the Board.
- The Chairman, CEO, FD and Company Secretary meet with investors on request and as part of a programme of engagement.
- The Board receives updates on the views of major shareholders from the Company's brokers.
- Full-year and interim results presentations.
- The annual general meeting and other general meetings.
- Consultations are held with investors and major shareholders when necessary.

How we engage across the Group

- The Whitbread website and Annual Report and Accounts.
- Electronic communications with shareholders.
- Online share portal.
- The Investor Relations team holds regular investor meetings and is in regular contact with investors and shareholders.
- UK Shareholder Association events.

SUPPLIERS

Supplier engagement is extremely important to Whitbread to build relationships and ensure security of supply. We also undertake significant due diligence on our supply chains to ensure suppliers are working in line with our minimum standards.

Key focuses

- Compliance with our minimum standards, including our Responsible Sourcing, Animal Welfare and environmental policies.
- Building supplier relationships that nurture an open and honest environment to work collaboratively to deliver goods and services to our business.
- Security of supply through robust supplier relationships.

How we engage at Board and Executive Committee level

- Attendance at the Annual Whitbread Supplier Conference.

How we engage across the Group

- Annual Whitbread Supplier Conference.
- Quarterly or biannual meetings with key strategic suppliers.
- Continuous engagement with strategic suppliers on our Responsible Sourcing programme.

COMMUNITY

Whitbread has a key Force for Good commitment to make a meaningful impact on our communities. Engaging communities and local stakeholders when acquiring and planning new sites is an important way to introduce the business to a community that may not know our key values.

Key focuses

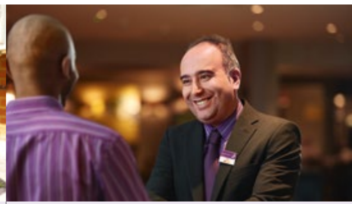
- For every new site we open, we give each team member three dedicated hours to volunteer to a local community project of their choosing.
- We aim to raise significant funds for the Great Ormond Street Hospital Charity.
- Providing healthier choices for our customers, with reduced salt, sugar and calories in the dishes we serve.

How we engage at Board and Executive Committee level

- The Company Secretary is head of the Force for Good programme, so regularly updates the Board and Executive Committee.

How we engage across the Group

- When acquiring new sites and planning permission we work closely with the local Council planning officers and expert consultants. We also engage with established groups, local residents and businesses, and keep the neighbours updated on the construction progress.
- When a new site is close to completion we work with Jobcentre Plus to communicate the new job opportunities to the local community.
- Fundraising for GOSH.



PENSION TRUSTEES

Whitbread is committed to maintaining its positive and constructive relationship with the pension scheme Trustee and to ensuring security of members' benefits in the pension scheme.

Key focuses

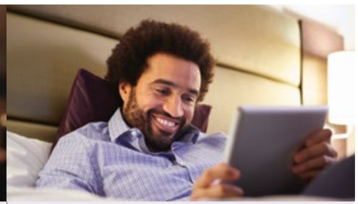
- Pension scheme funding
- Investment Strategy
- Communications to pension scheme members

How we engage at Board and Executive Committee level

- The Group FD 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 Group FD regularly interacts with the Chair of Trustees.

How we engage across the Group

- 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.



LENDERS

Whitbread keeps a regular dialogue with our key lenders on operational and strategic financing requirements. The Board has identified our key lenders as our syndicate of banks that participate within our revolving credit facility, our Bond holders, who hold our 2015 and 2021 Bonds and our private placement note holders.

Key focuses

- To engage with our lenders regarding:
  - current performance and financing strategy;
  - the nature and quantum of debt and level of liquidity and financing the Company needs;
  - the timing of any refinancing; and
  - the support and product offerings that the lenders provide.
- To align the Group's financing activities with its Green Framework.

How we engage at Board and Executive Committee level

- Once a year the CEO and FD meet the key lenders within the revolving credit facility to discuss the annual results and business performance.

How we engage across the Group

- The Group has introduced dialogue with our Bond Holders with a fixed income call after the 2021 annual results presentation.
- Our Director of Financial Reporting & Control 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.

Non-financial information statement

As the UK's largest hotel company, we have a responsibility to focus and lead on our most important people, social and environmental issues which is why one of our Force for Good commitments is to ensure we always do business in the right way. We aim to comply with the new non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and the information it refers to, is intended to help stakeholders understand our position on these key non-financial matters. Further information on the various policies mentioned below and throughout the report can be found on our website at www.whitbread.co.uk

Reporting requirement	Policies and standards which govern our approach	See for additional information
Anti-corruption and anti-bribery	› Anti-Bribery Policy › Code of conduct	› Corporate governance, pages 78 and 79
Employees	› Gender Pay Gap Report › Health and Safety Policy – Statement of Intent › Speaking Out Policy	› Group HR Director's review, page 44 › Force for Good, pages 48 to 55, and sections highlighted with Force for Good logos › Audit Committee report, page 82
Corporate Social Responsibility	**Sustainability reporting** › 2020/21 Environmental, Social & Governance Report › TCFD reporting › SASB reporting › CDP reporting **Environmental policies** › Premier Inn Environment Policy › Restaurants Environment Policy **Responsible Sourcing Policy** › Responsible Sourcing – Soy Policy › Responsible Sourcing – Cotton Policy › Responsible Sourcing – Cocoa Policy › Responsible Sourcing – Sugar Policy › Responsible Sourcing – Meat Policy › Responsible Sourcing – Palm Oil Policy › Responsible Sourcing – Timber Policy › Whitbread Responsible Sourcing – Packing Policy › Whitbread Responsible Sourcing Policy 2020 **Animal Welfare** › Egg Track Report 2020 › Dairy Policy 2020 › Laying Hen Policy 2020 › Lamb Welfare Policy 2020 › Poultry Welfare Policy › Animal Welfare Policy › Beef Welfare Policy › Pig Meat Welfare Policy › Fish Policy	› Force for Good, pages 48 to 55, and sections highlighted with the Force for Good logos, in particular our Force for Good targets
Human rights	› Human Rights Policy › Disability Awareness › Equal Opportunities › Human Trafficking Positioning Statement › Modern Slavery Statement 2019/2020	› Group HR Director's review, pages 42 to 47 › Force for Good, pages 48 to 55, and sections highlighted with Force for Good logos
Privacy	› Customer Privacy Policy › Data Protection Policy › Employee Privacy Policy	› Corporate governance, page 78
Social matters	› Gender Pay Gap Report › Responsible Sourcing Policy › Diversity and Inclusion statement	› Group HR Director's review, pages 42 to 47 › Force for Good, pages 48 to 55, and sections highlighted with Force for Good logos
Description of principal risks and impact of business activity		› Principal risks and uncertainties, pages 62 to 66 › COVID-19, pages 4 and 5
Description of the business model		› Our business model, pages 16 and 17
Non-financial performance indicators		› Our strategy at a glance, page 18 and 19
Diversity and Inclusion	As part of our diversity and inclusion commitments, we are undertaking regular reviews of our policies across Whitbread to ensure they are inclusive, particularly of under-represented groups.	

Section 172 statement

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

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

Our directors understand the importance of their section 172 duty to act in good faith to promote the success of the Company. When making decisions, the interests of any key relevant stakeholders will always be considered, including employees, suppliers, customers, investors, the community and the environment.

Some examples of how the Board considers these groups during Board meetings and discussions include the following:

- As part of the monthly Key Performance Indicators (KPI) pack, the Board considers data relating to customer feedback and team retention, as well as data on shareholders.
- The Group Finance Director's report gives details on recent shareholder, lenders and Pension Trustees discussions, and qualitative feedback on specific concerns.
- The Group HR Director's report provides detail of relevant employee-related matters.
- 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.
- The Chief Executive's report gives details of any relevant Government or supplier interaction.
- Board debate on possible mergers and acquisitions include wider impact assessments, considering issues such as integration with the current business, management capabilities, and the ability of our supply chain to react with the plan.

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

This section provides some examples of decisions taken by the Board this year, and how stakeholder views and interests, as well as other section 172 considerations, have been taken into account in its decision making.

Read more about our stakeholder engagement on pages 56 and 57

COVID-19

The Group's response to the COVID-19 pandemic was the Board's biggest focus last year. There were a number of big decisions made in relation to this, each affecting different key stakeholders.

1

Shareholders

The rights issue
The Board agreed to undertake a fully pre-emptive rights issue in order to help keep the Company's balance sheet strong and ensure that the Company emerged from the pandemic strongly, in a position to make acquisitions where opportunities arose. The long-term success of the Company was a big focus of this decision, but so too were the shareholders. The fact that it was a fully pre-emptive rights issue allowed all shareholders to participate, including retail shareholders, and this was an important part of the decision to proceed in this way.

Full-year/half-year results
The Board ensured the full impact of COVID-19 on the business and the Company response to the pandemic were fully disclosed in the full- and half-year results.

Dividend payments
Unfortunately it has been necessary to temporarily stop making dividend payments under the covenant waiver and as the Company navigates the pandemic.

Long-term success of the Company Remuneration
The Board made a number of remuneration decisions to help the Company's financial position during the pandemic, including director and management pay cuts, and agreeing not to adjust profits for COVID-19 when reviewing performance for the 2020/21 incentive payments.

Spending cuts
The Board supported significant cash management measures, including the cutting of all discretionary spend and the removal of the 2020 dividend payment, to keep the Company's financial position as strong as possible during uncertain times.

2

Employees

Job Retention Scheme payments
The Board supported the decision to top up payments to furloughed employees above what the Company could reclaim from the Government, because the Board understood the importance of supporting our team members through an extremely hard year for the hospitality sector. Members of the Board and the Executive Committee agreed to a temporary reduction in pay.

Health and safety measures
The Board was fully briefed on and supportive of the Company's increased hygiene and social distancing measures during the reopening of the business, both at sites and the Support Centre, to ensure the safety of our employees.

Welfare
The Board regularly discussed the welfare of our teams, both the pressures on those working and the circumstances of those on furlough, and ensured that support would be provided where necessary. The Board also supported the Group's push on mental health wellbeing and awareness, which was a big focus last year.

Restructures
During discussions on the possible restructuring of the Support Centre and Operations, the Board carefully considered the impact on affected staff.

'Our Voice' network

A network consisting of team members from across the business who help to have a two-way conversation with senior leaders about shaping business plans and influencing decisions.

For more information, see pages 42 to 47.

3

Customers

Health and safety measures
The Board was fully briefed on and supportive of the Group's increased hygiene, cleaning and social distancing measures during the reopening of the business to ensure the safety of our customers when they visited our hotels and restaurants.

Refunds
The Board supported the decision to allow a full refund to customers during the pandemic, regardless of which rate they had booked, in order to ensure the Group's good relationship with customers continued.

4

Community
NHS and key workers
The Board supported the decision to keep 39 hotels open during the initial lockdown for NHS workers, to ensure the Group was doing what it could to help with the direct COVID-19 response. We have continued to keep hotels open for NHS and key workers ensuring we align with UK Government guidance, local restrictions and levels of demand.

5

Suppliers
Payments
The Board was mindful of the situation the Group's suppliers were in following the pandemic and also Brexit, and continued prompt payments where possible to support them.

6

Lenders and Pensions Trustees
The Board was fully updated on the negotiations and the support that it received from both the Pension Trustees and our syndicate of Banks in reaching agreements around the covenant waivers that existed on our Pension Fund and revolving credit facility. Later in the year the Board was further updated on the support provided by our Banks with the refinancing and extension of the revolving credit facility and issuance of Green Bond.

7

Government
Lockdown and Job Retention Scheme implications
Members of the Board worked closely with the UK Government advisers, policy makers and regulators during the pandemic, and actively contributed to decisions and debate on the implications of lockdown and furlough on the hospitality industry.

FORCE FOR GOOD

Whitbread's Force for Good programme is regularly discussed by the Board.

1

Environment
During the year, the Board approved more ambitious Force for Good targets, including a carbon reduction target of net zero by 2040, together with targets to eliminate single-use plastics and reduce food waste.

2

Community
The Board approved the donation of 500,000 meals to food banks in the UK (via FareShare), and has continued the Company's relationship with GOSH, with significant sums being raised year on year.

3

Opportunity
The Board has approved our eight Diversity and Inclusion commitments, including a target to have greater diversity in our leadership population, with targets of 8% ethnic minority and 40% female representation in our top 100 by the end of 2023.

Further information about our stakeholders and how the Board has discharged its duties having regard to the provisions of the UK Corporate Governance Code is available throughout this report and, in particular, in the stakeholder engagement section on pages 56 and 57, and the corporate governance report on pages 70 to 79.

Understanding and responding to risk

In the current environment an effective and robust risk management process is integral to our ability to achieve our strategic priorities. Our success is underpinned by our ability to identify, manage and mitigate risk within our business.

We understand that risk naturally arises from operational and strategic decisions taken throughout the Group. It is not something that we can avoid but it needs to be actively managed and harnessed in pursuit of our business objectives. The Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks we are willing to take.

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. Risk is managed proactively by the Executive Committee. Our individual business units complete an annual review of the risks relevant to the achievement of their strategic goals, while also taking into account key operational risks, which are updated regularly.

A robust top-down risk assessment is completed to capture Board and Executive Committee views on the principal risks facing the Group and our related risk appetite. This enables us to keep up to date with changes in our risk profile and adapt as necessary. Actions required to manage these risks are monitored and reviewed on a regular basis.

Risk identification

We place high importance on the continual development and versatility of our risk management process. This ensures that we are able to effectively identify and evaluate risks which may affect our ability to achieve our objectives and strategy, and then introduce mitigations to reduce these to an acceptable level.

Under revised working practices we have implemented a new risk working group which takes feeds from across the business, evaluates findings, and reports these directly to the Executive and Audit Committees. All principal risks are assigned to a member of the Executive Committee and this, combined with our robust three lines of defence model, helps to reinforce a tone of accountability throughout the business. Internal audit construct a risk-based work plan aligned to the principal risk register to provide assurance over our highest risk activities.

Risk appetite

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

The Executive Committee communicates the appetite for risk to embed this within our ways of working. Risk appetite is considered when making strategic or operational decisions over new opportunities for the Group.

Emerging risks

Emerging risks are those which, while not immediate, have the potential to materialise over a longer period of time causing a significant impact on our business.

Emerging risks may be new risks not previously identified, or changes to existing risks that are currently difficult to quantify. In order to identify emerging risks at the earliest opportunity, risk themes and trends from industry and professional bodies, and peer networks, are collated and reviewed at least annually by the Executive Committee and managed through the risk management framework as appropriate.

The collective area of environmental, social and governance (ESG) risk is considered an emerging risk for the Group. Key topics include the impacts of climate change, environmental management, working conditions, and compliance with relevant laws and regulations. Recent years have seen growing pressure and scrutiny across all sectors from customers, investors and Governments for businesses to behave in an increasingly sustainable manner, and to be more transparent in doing so. For Whitbread this means increased consideration as to how we can effectively and safely reduce water and energy usage, including sustainability targets when building and refurbishing properties, and maximising our reduction of single-use plastics across sites. We are also working towards publishing our first TCFD report on schedule in 2022 with many of the recommendations already in practice across the business see page 51 for details.

The last year has also highlighted the importance of social justice both within our immediate reach and on a global scale. We have an established diversity and inclusion programme with working groups meeting regularly to highlight any achievements or areas for improvement and providing routine updates to the wider business in order to ensure that these issues are at the forefront of our thinking and embedded within our working practices.

COVID-19 response

COVID-19 has caused significant disruption to the operations and trading activities of the Group. Through remaining alert and responsive to the pandemic situation, both in the UK and overseas, we have worked to minimise impact and mitigate associated risk while at all times keeping the safety of our teams and guests firmly at the forefront of our thinking.

Throughout the year we have had limited trading, having temporarily closed and subsequently reopened our hotels and restaurants numerous times and are still operation under Government trading restrictions in both the UK and Germany. Across the business we work tirelessly to make sure that we are following up-to-date Government and best practice guidance, providing safety and peace of mind to our guests and staff at all times. Sites have robust existing hygiene standards that go above and beyond Government requirements and we have integrated COVID-19 standards into our regular health and safety monitoring to ensure continued compliance. We have updated our Support Centre sites to provide a COVID secure workplace for those needing to work from the office.

When Government restrictions are removed, there is a risk of supply chain disruption, especially around key product lines as demand exceeds supply. This could result in potential delays or inflationary pressures to secure products.

From a business perspective we have taken swift and decisive action, cutting all discretionary P&L spend, and restructuring head office and site level operations to create a lower cost base and more flexible operating model. Government support has been utilised where applicable, such as the Coronavirus Job Retention Scheme ('furlough'), Eat Out to Help Out and business rates holiday in the UK, and Kurzarbeit in Germany. We have sought to strengthen our balance sheet. We have extended and amended our revolving credit facility to September 2023, securing covenant waivers until March 2023 at which point new flexed targets will be tested for leverage and interest cover that taper down across the remaining tenure. We have also issued Green Bonds of seven- and ten-year duration which have no financial covenants, and have repaid our 2017 dated US private placement notes. We have similar waivers in place for an existing EBITDA-related covenant with the pension scheme to March 2022. At this test date if this covenant was breached Whitbread would be required to make whole the secondary funding target deficit.

Despite the measures we have taken, the impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses have resulted in a climate of considerable economic uncertainty. It is therefore unclear as to when our market, the business and its financial performance will return to its pre-pandemic position.

We are closely following Government announcements regarding reopening dates for hospitality in all our markets and developing plans to align with these, while being mindful that there is no certainty that these dates will not change. There is a risk that there may be depressed demand for some time and consumers may be reticent initially to return to public spaces such as pubs, restaurants and hotels. This may also include our team members, some of whom have been on furlough for a significant period of time.

We recognise that going forward as COVID-19 mutates and new variants emerge it is likely that the virus will become more endemic in nature. We are confident in our ability to safely and efficiently close and open sites as required, provide enhanced communications and safety procedures, and our new flexible resilient business model. We will harness the lessons learned in the past year as we continue to navigate and evaluate the ongoing impact of COVID-19, working to identify and mitigate associated risks such as the structural shifts detailed in the principal risk table that follows at the earliest opportunity. It is this ability that will allow us to remain a resilient business best placed to achieve our strategic goals.

Current COVID-19 associated risks and mitigations are included within the principal risks table overleaf.

UK withdrawal from the European Union

The UK exited the EU on 31 January 2020 ('Brexit'). The influence of COVID-19 on current trading and operational conditions means that the true impact of Brexit is unlikely to have been realised at this point, including the impact on restricted access to European labour resources, inflation and the supply of goods. We anticipate that as sites reopen and operational demand returns to normal there is likely to be an increase in the Group's logistical and administrative burden. We have been proactive in seeking to address this early by setting up a new warehouse in Germany giving us the option to route products used for construction and operation of hotels directly into the German market rather than via the UK. Warehousing and local suppliers of food and drink produce and consumables have also been sourced in Ireland and Northern Ireland to help minimise delays and administrative burden caused by additional requirements when exporting from the UK.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT REPORTING AND ESCALATION

BOARD

Accountable for strategic risk management, including the assessment of risk appetite, and ensuring a sound system of internal control and risk management is in place

Read more – pages 72 and 73

AUDIT COMMITTEE

Oversight and challenge of the effectiveness of risk management and mitigating controls

Read more – pages 80 to 84

EXECUTIVE COMMITTEE

Review, challenge and approval of Group risks

Read more – page 74

INTERNAL AUDIT

Coordination and analysis

Read more – pages 82 to 83

GOVERNANCE, STRATEGY, OVERSIGHT AND COMMUNICATIONS

PRINCIPAL RISKS

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**Pandemic** Reoccurring waves of COVID-19 infection with local or national lockdowns, a move towards a more endemic nature of the COVID-19 virus with continued social distancing measures and annual vaccinations, or any new pandemic such events could impact health and safety risks to guests and employees. Increased risk of greater tax burden following the end of Government support packages. Risk of longer-term decline in returns and cash flow, pressures on Whitbread's balance sheet, including the value of Whitbread's property assets, the revolving credit facility covenants tests, requiring us to extend existing waivers or arrange alternative funding, and the pension covenant test requiring us to extend existing waivers or make whole the Pension funds secondary funding target deficit.		N/A	› Safeguarding our guests and team members is our priority, with COVID-secure standards and related training programmes implemented across all brands along with regular monitoring to ensure compliance with Government guidelines. › We continue to optimise Government support packages, taking advantage of the business rates holiday which has saved the business c£120m in the year and will save c£40m in the year ahead. We still have employees in the UK on temporary furlough and have similar support available in Germany under the Kurzarbeit scheme. › We perform extensive scenario modelling to assess the impact of the pandemic changes on our financial facilities, borrowing costs and balance sheet. This allows us to make informed decisions ahead of time to maintain headroom. › Rigorous capital and cost controls are in place across the business to ensure we can react to the level of demand in the market. › We have retained good liquidity through a rights issue in June 2020, the issuance of a Green Bond in February 2021 and the extension to our revolving credit facility. Where our financing arrangements contain financial covenants we have obtained extended waivers, including with our pension fund, as detailed above. › No dividend has been declared in order to retain cash and as a requirement of the financing covenant waivers.
1 2	**Worsening economic climate** The continued economic decline in the UK and Germany, including the impact from Brexit, resulting in prolonged downturn in demand, public and consumer confidence, an increase in cost base inflation and supply chain disruption. In order to fund the potential declining cash flows there would be an increasing quantum and cost of borrowing resulting in strain on our balance sheet strength.	Increased due to economic uncertainty and disruption caused by COVID-19.	N/A	› There is a rigorous business planning process in place which considers many scenarios with appropriate responses. › We have updated our supplier base to include more local suppliers and opened new warehousing in Germany to minimise supply chain disruption. › We continue to make good progress with our efficiency programme with discretionary spend and maintain rigorous discipline over our capital and cost spend in the UK. › 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.
3	**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.		Low	› 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. › 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.

Strategic priorities		Movement vs prior year	
1	Innovate and grow in our core UK businesses	Lower	
2	Focus on our strengths to grow internationally	Higher	
3	Enhance our capability to support long-term growth	Level	

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1 2 3	**Structural shifts** Following the lockdowns in the UK and Germany and across the rest of the world, there is uncertainty as to the permanent or long-term structural shift in working practices and reduction in international travel. The pandemic has accelerated the decline of retail with a shift to online shopping resulting in a change to demand led occasions for travel and hotel stays. All of these factors will potentially have a combined negative impact on returns, cash flow, and property asset valuations particularly of sites located in metropolitan areas.	**New risk**	**N/A**	› We perform extensive scenario modelling allowing us to assess the impact of various structural shifts on the business and enabling us to make informed decisions going forward. › To help offset potential structural shifts we are targeting new customers and new distribution partners, such as Travel Management Companies, 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. We are also taking a cautious approach to further expansion, beyond our existing pipeline, slowing signing of new sites in the UK until the environment is more certain, with our focus shifting to lower-risk market share trading initiatives.
2	**Germany growth** The risk is that international expansion in Germany is impacted by a prolonged downturn in the German economic climate or a failure to achieve our market growth, or cost assumptions making it harder to achieve a level of return in a time frame that satisfies shareholder and analyst expectations. There is some counterbalance identified within the risk created by increased opportunity to acquire sites due to competitor weakness.	Higher Increased due to the quantum of capital committed and the German economic climate/ COVID-19	**High**	› 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 who are 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 mergers and acquisitions (M&A) pipelines and reducing capital costs through better buying power and harnessing efficiencies and synergies with the UK business. › A monthly Executive Meeting reviews the German business in detail, including financial performance, customer feedback, marketing and operations, and people, capital and property plans.
1 2 3	**Change delivery** The risk that we are unable to successfully deliver major projects particularly under time bound pressures and realise benefits due to high volume of change. This particularly refers to the replacement of the legacy CRM system in the next few years, other commercial and IT transformation programmes, and German expansion while embedding new teams and ways of working.	Higher Increased due to criticality of changes for this year	**High**	› To help ensure the successful delivery of change projects we have enhanced our internal project delivery expertise and capability, and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee. › We have delivered a series of projects relating to the changes required to separate Costa from Whitbread and technical infrastructure moving on to new cloud services for our financial systems. In addition we have managed agile and efficient implementation of all the operational changes required during the pandemic.

Strategic priorities	Risk	Movement vs prior year	Risk appetite	Key mitigations
1	**Leadership, succession and talent hot spots** Decline in desirability of careers in the hospitality industry due to the impact of COVID-19 and transferability of functional expertise, especially in the IT and digital areas, could lead to a potential reduction in our talent pool and low levels of diversity in the senior leadership team.	Increased due to internal restructures and the potential difficulties in attracting talent into hospitality in current climate.	**Medium**	› 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 through programmes such as 'Leading in an inclusive world'. › 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 ongoing reviews of high-risk areas such as IT and digital remuneration. › 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 people with opportunities across 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.
2, 3	**Third-party arrangements** Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and Support Centre operations, including IT, food and beverage, distribution and laundry services. Withdrawal of services for one or more of these suppliers or provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices could cause significant business interruption.		**Medium**	› We continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored through our supplier management arrangements.
1, 2, 3	**Health and safety** Adverse publicity and brand damage due to death or serious injury as a result of company negligence or a significant incident resulting from food, fire or another safety failure. This could be due to a failure in safety standards, building standards, supply chain provenance, responsible sourcing or poor hygiene standards.		**Low**	› The safety of our guests and employees is of paramount importance. NSF, an independent company, undertakes unannounced health and safety audits on sites covering food, fire, COVID-19 and general health and safety requirements. › We have robust fire safety policies, procedures, and fire safety training for our team members. In addition, we work closely with C.S. Todd & Associates Ltd, 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.
1, 2, 3	**Terrorism** Actual or threat of death or injury to customers, employees or suppliers and the consequent impact of a sudden or prolonged downturn in demand in key markets and locations due to being directly targeted.		**N/A**	› The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest in ongoing site level training to help identify hostile reconnaissance activities 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.

Viability statement

The COVID-19 pandemic has resulted in the worst period of trading for the travel and hospitality sector over the last 50 years. However, the Group's conservative financial position prior to the pandemic left it in a good position to manage the challenging times. This position has allowed the Group to agree covenant waivers and raise finance through both the equity and investment grade credit markets. The impact of the pandemic will cause structural changes in the leisure and hospitality industry and the actions taken during the year put the Group in a strong position.

The UK Corporate Governance Code 2018 requires that the directors have considered the viability of the Group over an appropriate period of time selected by them. The business planning process reviewed by the Board, as part of the strategic planning process, is over a three- and five-year timeline, with the Board acknowledging that in a COVID-19 environment the certainty of those plans, the potential fluctuations in the global economy, the impact on competitors and customer behaviour in a post-COVID-19 world is far from certain. Multiple scenarios were modelled through the process and were reviewed by the Board.

The directors, in making the assessment that three years was appropriate, considered the current financial and operational position of the Group and carried out a robust assessment of the principal risks and uncertainties facing the Group as outlined on pages 62 to 66 of the Annual Report, focusing specifically on the impact of COVID-19 and the future performance, solvency and liquidity of the Group. In particular, for the purposes of the viability assessment, the directors considered a severe but plausible case scenario in which the UK remains in lockdown for longer than the Government's current roadmap, further Government restrictions are placed on the hospitality sector in winter 2021/22 and the Group trading does not return to 2019/20 levels until 2023/24.

In the event the other risks and uncertainties identified materialise independently of a pandemic, the Group would retain sufficient liquidity throughout. Should the impacts of the pandemic on trading conditions result in a severe but plausible case scenario, or a combination of the severe but plausible pandemic scenario and any of the other risks materialise together, this viability statement would be dependent on the Group's ability to access additional liquidity.

Detailed consideration was given to the financing actions that could be taken, noting the positive outcome of those actions taken during the current year and the potential to raise finance through the Group's freehold properties. The directors believe it is reasonable to expect that the Group would have access to further financing and/or the ability to agree further covenant amendments.

The business's long-term strategy for value creation in the UK and internationally remains unchanged. The combination of compelling structural opportunities and the advantages of our unique operating model should enable the business to outperform in the UK and take market share and to capitalise on the material growth opportunity in Germany. These strong fundamentals, combined with an appropriate capital structure, should drive long-term value.

Based upon this assessment, the directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period.

Longer-term prospects

The sections Market Review and Our Business Model in the strategic report describe how the Board has positioned the Group to take advantage of the growth opportunities in the markets in which the business operates and how the Company is positioned to create value for shareholders, over the longer term, taking account of the risks described in this section of the Annual Report.

The strategic report on pages 1 to 67 was approved by the Board and signed on its behalf by Chris Vaughan, General Counsel on 26 April 2021.

A strong governance structure

ADAM CROZIER
CHAIRMAN

I am pleased to present the Board's report on the Company's compliance with the UK Corporate Governance Code. This year has been an extremely uncertain period as a result of the COVID-19 pandemic. The Board remains committed and focused on driving forward a strong corporate governance framework, while also taking the necessary steps to successfully navigate Whitbread through these unprecedented times.

COVID-19 response

Since the World Health Organisation declared the COVID-19 virus a pandemic back in March 2020, the hospitality industry has been presented with a unique set of challenges. During this time, we have taken a number of steps to ensure the safety of our customers and employees, while also supporting and leading management as they seek to make rapid decisions in an uncertain and challenging time in the industry.

It was important to the Board that the decisions made during this time aligned with the Company's purpose and values while also supporting our long-term growth strategy and practising good governance. In particular the Board closely reviewed health and safety arrangements for teams and guests and had a close involvement in the rights issue, the Green Bonds issuance, changes to Whitbread's revolving credit facilities and negotiations with the pension fund Trustee. The Executive Committee began meeting daily by video conference and twice a month for more formal meetings, also via video conference. This ensured we were available to respond rapidly to the ever-changing restrictions issued by the UK Government at its daily press briefings. The Board was provided with regular updates following these meetings.

In addition to this, the Company established the COVID-19 Working Group to ensure the effective operation of our business within the constraints of the restrictions issued in the UK and Ireland. The party consists of representatives from all functions of the business and meets on a weekly basis.

The swift response from our Board, Executive Committee and management team demonstrate the strength of the Group's strategy, risk management and leadership, while also providing an insight of our dedication to maintaining strong governance.

Further information on our overall response to the COVID-19 pandemic can be found on pages 4 and 5.

Our strong governance framework

The Board's primary objective is to create and maintain a strong governance structure in order to support the long-term success of the business and also generate lasting value for all our stakeholders. At Whitbread, we are committed to ensuring the Company's actions are in keeping with our culture, values and strategic goals. This is achieved by understanding the critical role that strong corporate governance plays.

In last year's corporate governance report we provided our first full review on our compliance with the 2018 Code. The new code provided the Board with an opportunity to reassess what good corporate governance meant to us and provides a new standard against which we measure ourselves. We continue to focus our governance on complying with the new provisions and applying the new principles introduced in this code. We hope to demonstrate throughout this report the Board's emphasis on issues such as Company purpose, culture, strategy and the relationships with shareholders and stakeholders.

With the exception of one provision, which is explained in more detail below, I am pleased to report that we have complied with the Code throughout the 2020/21 financial year. In the pages that follow we have set out how we have complied with the principles set out in the Code.

The one provision that we cannot report full compliance with this year is the new provision requiring that pension contribution rates for executive directors should be aligned with those available to the workforce. As discussed in last year's report, we are taking steps to bring us closer in line. The remuneration policy, approved in December 2019, is phasing the pension contribution of current executive directors by 10% from 25% to 15% over a period of three years. The provision for new executive directors was also reduced to 10%, which aligns with the workforce. We are committed to aligning contribution rates and will further review at the end of the policy period.

Further information on our executive pensions can be found in the remuneration report on page 89.

Culture and purpose
Whitbread's culture is underpinned by ensuring that our customers have a great experience, which we call the 'Customer Heartbeat', comprising:

› Winning Teams;

› Profitable Growth;

› Force for Good; and

› Everyday Efficiency.

This aligns with our purpose of providing sustainable long-term value for our shareholders while delivering a quality and value for money hotel experience to our customers. We aim to follow Whitbread's key values of being genuine, confident and committed to reach our goal of becoming the best budget hotel business in the world. This is accomplished by ensuring our teams are happy and engaged through training and progression opportunities and by continuing to develop our sustainability programme under Force for Good with the intention of enabling everyone to live and work well.

The Board usually assesses and monitors the Company's culture by making regular visits to Whitbread's hotels and restaurants and taking the opportunity to meet and speak to team members. Unfortunately, this has not been possible this year but the Board is excited to get back into the business when it's safe to do so. The Board relies on the regular reports from the executive team, particularly the Chief Executive and the Group HR Director, both of whom are members of the Board. The Group HR Director provides input specifically on employee issues, employee satisfaction surveys, which include questions on culture, and reports from the Employee Forum. Culture is also addressed at the strategy day, and through recruitment decisions to senior positions, including for the new HR Director, where cultural fit was discussed by the Board. The Board has re-committed to the purpose as being fit for the current environment. Regular reports are produced for the Board by functions across the Group to enable the Board to satisfy itself that the purpose its being met.

The Board
The Board is committed to regularly reviewing the skills, experience and knowledge that it has in place as well as those that can be added. It is part of the Nomination Committee's role to regularly review the structure, size and composition of the Board. This helps ensure there is a balance of skills, knowledge, independence and diversity around the table.

In April 2021, Susan Taylor Martin retired from the Board after completing nine years. Deanna Oppenheimer also stepped down from the Board in December 2020.

On 1 March 2021 the Board was pleased to welcome Fumbi Chima and Kal Atwal as new independent non-executive directors fulfilling the need recognised in last year's Board evaluation for technology and digital experience. Fumbi is skilled in digital transformation strategy in high-growth environments, with a great understanding of overall strategic planning and technology. Kal has a substantial amount of digital and marketing experience; she played a central part in driving strategic growth and scaling of the business in her previous role. Fumbi and Kal bring an invaluable mix of skills and will provide a breadth of knowledge to the Board.

As a Board, we believe we have put in place a strong non-executive team with a wide range of skills, knowledge and experience to help assist the Company in pursuing its strategic objectives.

Board evaluation
It was highlighted in last year's Board evaluation that directors wanted to focus on succession planning and diversifying Board experience. As mentioned above, there was exciting progress in this area with the appointment of two new non-executive directors joining the Board in March. However, succession planning has become less of a priority during the exceptional year we have experienced.

The Board and its main committees participated in an internal evaluation during the current year. The results of the review have produced some opportunities for improvement, and a refocus of recommendations made in last year's evaluation:

› Further focus on succession planning for the CEO, executive directors and wider senior leadership teams.

› Emphasis on training and development.

› Evolving the strategy for a post-COVID world and exploration of how technology can be used to support this.

Overall, the results were very positive. They were reported to the Board by the Company Secretary in March and discussed thoroughly to ensure a full understanding.

Further information on the Board evaluation and areas for focus in the year ahead can be found on page 76.

Our stakeholders
The Board has always ensured that it considers the impact of its decisions on all our various stakeholders, but even more so now following the recent focus on s172. It is important to understand the views of our stakeholders in order to build constructive relationships. For example, we consider the views of our wider workforce through the use of the Whitbread Employee Forum and 'Our Voice' representatives which gives our employees an opportunity to shape strategic plans and major decisions. In addition to this, as Chairman I hold governance meetings each year with major shareholders to listen to their views and any issues they may have.

Further information on our stakeholder engagement can be found on pages 56 and 57.

Adam Crozier
Chairman
26 April 2021

The UK Corporate Governance Code 2018

The UK Corporate Governance Code 2018 is the standard against which we measure ourselves. It is issued by the Financial Reporting Council (FRC) and is available to view on their website, www.frc.org.uk
Further information on our compliance with the Code can be found in the table below:

	Section 1: Board leadership and company purpose	**See page**
A	Effective and entrepreneurial board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society	
B	Purpose, values and strategy with alignment to culture	
C	Resources for the company to meet its objectives and measure performance. Controls framework for management and assessment of risks	
D	Effective engagement with shareholders and stakeholders	
E	Consistency of workforce policies and practices to support long-term sustainable success	
	Chairman's statement	6 and 7
	Strategic report	1 to 67
	Board engagement with key stakeholders	56 and 57
	Shareholder engagement	56 and 57
	Audit Committee report	80 to 84
	Conflicts of interest	78

	Section 2: Division of responsibilities	**See page**
F	Leadership of board by chair	
G	Board composition and responsibilities	
H	Role of non-executive directors	
I	Company secretary, policies, processes, information, time and resources	
	Board composition	72 and 73
	Key roles and responsibilities	71
	Information and training	77

	Section 3: Composition, succession and evaluation	**See page**
J	Board appointments and succession plans for board and senior management and promotion of diversity	
K	Skills, experience and knowledge of board and length of service of board as a whole	
L	Annual evaluation of board and directors and demonstration of whether each director continues to contribute effectively	
	Board appointments and succession planning	87
	Board composition	72 and 73
	Diversity, tenure and experience	72 to 77
	Board, Committee and director performance evaluation	76
	Nomination Committee report	85 to 87

	Section 4: Audit, risk and internal control	**See page**
M	Independence and effectiveness of internal and external audit functions and integrity of financial and narrative statements	
N	Fair, balanced and understandable assessment of the company's position and prospects	
O	Risk management and internal control framework and principal risks company is willing to take to achieve its long-term objectives	
	Audit Committee report	80 to 84
	Strategic report	1 to 67
	Fair, balanced and understandable annual report	81
	Going concern basis of accounting	113
	Viability statement	67

	Section 5: Remuneration	**See page**
P	Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and value	
Q	Procedure for executive remuneration, director and senior management remuneration	
R	Authorisation of remuneration outcomes	
	Remuneration report	88 to 108

Board responsibilities

The Board is responsible for the long-term success of the Company and ensures that there are effective controls in place which enable risk to be assessed and managed. All Board members have responsibility for strategy, performance, risk and people.

The Chairman and Chief Executive have clearly defined roles which are separate and distinct. The specific duties and division of responsibilities between the Chairman and Chief Executive have been agreed by the Board and are set out below, together with information on the roles of the Senior Independent Director, the executive directors, the non-executive directors and the Company Secretary.

CHAIRMAN

- Leadership of the Board and setting its agenda, including approval of the Group's strategy, business plans, annual budget and key areas of business importance
- Maintaining appropriate contact with major shareholders and ensuring that Board members understand their views concerning the Company, especially on governance
- Ensuring a culture of openness and debate around the Board table
- Leading the annual evaluation of the Board, the committees and individual directors
- Ensuring, through the General Counsel, that the members of the Board receive accurate, timely and clear information

CHIEF EXECUTIVE

- Optimising the performance of the Group
- Day-to-day operation of the business
- Reviewing and proposing strategy
- Ensuring effective communication with shareholders and employees
- The creation of shareholder value by delivering profitable growth and a good return on capital
- Ensuring the Company has a strong team of high-calibre executives, and putting in place appropriate management succession and development plans
- Leading and motivating a large workforce of people

SENIOR INDEPENDENT DIRECTOR

- The Senior Independent Director provides a sounding board for the Chairman and supports him in the delivery of his objectives. The Senior Independent Director is available to shareholders if they have concerns which the normal channels have failed to resolve, or which would be inappropriate to raise with the Chairman or the executive team. He also leads the annual evaluation of the Chairman on behalf of the other directors.
- The Senior Independent Director can be contacted directly or through the General Counsel.

EXECUTIVE DIRECTORS

- The executive directors are responsible for the day-to-day running of the business and for implementing the operational and strategic plans of the Company

NON-EXECUTIVE DIRECTORS

- The non-executive directors play a key role in constructively challenging and scrutinising the performance of the management of the Company and helping to develop proposals on strategy

COMPANY SECRETARY

At Whitbread the General Counsel is also the Company Secretary. The duties performed in the Company Secretary element of his role include the following:

- Advising the Board on legal matters, corporate governance and Board procedures
- Arranging and minuting the Board and committee meetings
- Providing support to the Chairman, the Chief Executive and the Board Committee Chairs
- Enabling and supporting communication between directors and senior management to the Board and committees

BOARD OF DIRECTORS

We believe that it is vital for the Board to include a diverse range of skills, backgrounds and experiences, to enable a broad evaluation of all matters considered and to contribute to a positive culture of mutual respect and constructive challenge.

The mix of skills and experience represented on the Board is outlined below.

ADAM CROZIER

N R

CHAIRMAN

Date of appointment to the Board: April 2017
Date of appointment as Chairman: March 2018

Age: 57

Experience:

Adam was Chief Executive of ITV plc from 2010 to 2017. Prior to that, Adam was former Joint Chief Executive of Saatchi & Saatchi, Chief Executive of the Football Association and then Royal Mail Group. From 2017 to March 2020, Adam was Chairman of Vue International, a multi-national cinema company. From 2017 to March 2020, Adam was Chairman of Vue International, a multi-national cinema company.

External appointments:

- ASOS (Non-executive Chairman)
- Great Ormond Street Hospital Discovery Appeal (Trustee)
- Kantar Group (Chairman)
- Sony Corporation (non-executive Director)

ALISON BRITTAIN

CHIEF EXECUTIVE

Date of appointment to the Board: September 2015

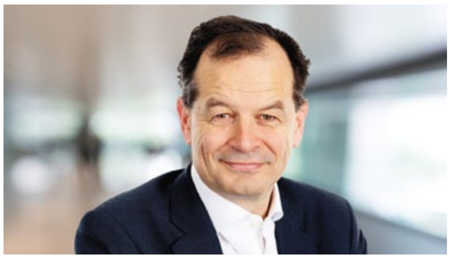
Age: 56

Experience:

Alison joined Whitbread from Lloyds Banking Group, where she was Group Director of the Retail Division, with responsibility for the Lloyds, Halifax and Bank of Scotland retail branch networks, remote/intermediary channels/products and the business banking and UK wealth businesses. Prior to joining Lloyds Bank, Alison was executive director at Santander UK PLC. She previously held senior roles at Barclays Bank, was a Member of the Prime Minister's Advisory Group and non-executive director of Marks & Spencer Plc. Alison was named Business Woman of the Year 2017 in the Veuve Cliquot awards and was awarded a CBE in the 2019 New Year Honours list.

External appointments:

- Prince's Trust Council (Deputy Chair)
- Experian PLC (non-executive Director)



NICHOLAS CADBURY

GROUP FINANCE DIRECTOR

Date of appointment to the Board: November 2012

Age: 55

Experience:

Nicholas joined Whitbread in November 2012 as Group Finance Director. He previously worked at Dixons Retail PLC, in a variety of management roles, including Chief Financial Officer from 2008 to 2011. Nicholas also held the position of Chief Financial Officer of Premier Farnell PLC, which he joined in 2011. Nicholas originally qualified as an accountant with Price Waterhouse.

External appointments:

- Land Securities Group PLC (non-executive director)

LOUISE SMALLEY

GROUP HR DIRECTOR

Date of appointment to the Board:
November 2012

Age: 53

Experience:

Louise joined Whitbread in 1995 and has held the position of Group HR Director since 2007. During her time at Whitbread, Louise has held a variety of key transformation and HR roles across the Whitbread businesses, including HR Director of David Lloyd Leisure and Whitbread Hotels & Restaurants. She previously worked in the oil industry, with BP and Esso Petroleum. Louise is an alumna of the Cambridge Institute of Sustainability Leadership and has experience of leading timely evolutions to sustainability strategies.

External appointments:

- DS Smith Plc (non-executive director)

RICHARD GILLINGWATER

N R

SENIOR INDEPENDENT DIRECTOR

Date of appointment to the Board:
June 2018

Age: 64

Experience:

Richard is Chairman of both Janus Henderson plc and SSE plc and serves as a Governor to the Wellcome Trust. Richard is a highly experienced executive and has spent much of his career in corporate finance and investment banking with Kleinwort Benson, BZW and Credit Suisse First Boston, before he moved out of banking and became Chief Executive of the Shareholder Executive, and then Dean of Cass Business School.

External appointments:

- Janus Henderson plc (Chairman)
- SSE PLC (Chairman)
- The Wellcome Trust (Chair of the Investment Committee)

FRANK FISKERS

R A N

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
February 2019

Age: 59

Experience:

Frank is a highly experienced executive with a solid background in the global hospitality industry. He has held senior roles with The Radisson Hotel Group and Hilton Hotels Worldwide, and was CEO of Scandic Hotels for eight years, taking the company public in 2015.

External appointments:

- Shurgard Self Storage SA (non-executive director)
- EQT (Industrial Adviser)
- RAK Hospitality Holding LLC (non-executive director)

Key

(A) Audit Committee (N) Nomination Committee (R) Remuneration Committee

● Chairman ○ Committee member

CHRIS KENNEDY (A — Chairman) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: March 2016

Age: 57

Experience:

Chris is Chief Financial Officer of ITV plc, which he joined in February 2019. Prior to this, Chris held roles with Micro Focus International plc, ARM Holdings plc, and easyJet plc, having previously spent 17 years in a variety of senior roles at EMI.

External appointments:

- ITV plc (Chief Financial Officer)
- The EMI Group Archive Trust (Trustee)
- Great Ormond Street Hospital Trust (Trustee)

KAL ATWAL (N) (R)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: March 2021

Age: 49

Experience:

Kal has over 13 years' executive committee experience at BGL Group Limited, where she played a central role in driving the strategic growth and scaling of the business, in particular as the founding managing director of comparethemarket.com. Kal serves as a non-executive director of Royal London Group, WH Smith plc and Admiral Financial Services Ltd and was also Chair of SimplyCook prior to its sale to Nestlé, where she remains as a Board Adviser.

External appointments:

- Admiral Financial Services Ltd (non-executive director)
- Royal London Group (non-executive director)
- WH Smith PLC (non-executive director)
- SimplyCook Ltd (Board Adviser)

DAVID ATKINS (A) (N) (R)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board: January 2017

Age: 55

Experience:

David was Chief Executive and executive director of Hammerson plc from 2009 to December 2020, former Chairman and executive board member of the European Public Real Estate Association (EPRA) and past President and a former committee member of Revo (formerly BCSC).

External appointments:

- British Property Federation (committee member)
- Reading Real Estate Foundation (director and Trustee)
- OCS Group Ltd (non-executive director)

FUMBI CHIMA (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
March 2021

Age: 46

Experience:

Fumbi is a Global Chief Information Officer, adept at digital transformation strategy in high-growth environments across a range of industries. Fumbi is currently Executive Vice-President and Chief Information Officer at BECU, having previously served as Chief Information Officer at adidas, Fox Network Group, Burberry, Walmart Asia's business operations and American Express global corporate technologies.

External appointments:

- BECU (Chief Information Officer and Executive Vice-President)
- Africa Prudential (Independent Director)
- Women at Risk International Foundation (director)
- The Azek Company (board member)

HORST BAIER (A) (N)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of appointment to the Board:
November 2019

Age: 64

Experience:

Horst is a highly experienced executive with more than 20 years' background in the leisure industry. He was for eight years the Chief Financial Officer of TUI AG, the London-listed Anglo-German leisure travel group until the end of September 2018. During his time as board member of TUI AG, Horst played an important role in TUI's transformation from a tour operator to a global provider of holidays operating 380 leisure hotels and 17 cruise ships.

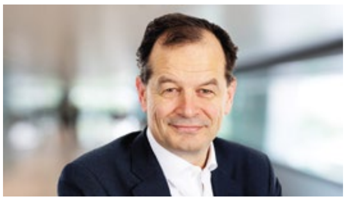
External appointments:

- Bayer AG (member of the supervisory board)
- DIAKOVERE GmbH (member of the supervisory board)
- Ecclesia Holding GmbH (member of the supervisory board)
- Hotel San Francisco S.A. (Consultant)
- Riu Family (Consultant)

BOARD EXPERIENCE

	Number of directors
Consumer/retail	6
Travel and hospitality	6
Digital	6
Corporate transformation	7
Financial	9
International	5
Commercial property	4
People	8
Corporate social responsibility	6

ALISON BRITTAIN
CHIEF EXECUTIVE



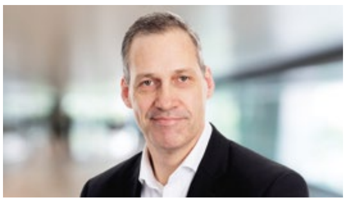
NICHOLAS CADBURY
GROUP FINANCE DIRECTOR

LOUISE SMALLEY
GROUP HR DIRECTOR

CHRIS VAUGHAN
GENERAL COUNSEL

SIMON JONES
MANAGING DIRECTOR FOR PREMIER INN AND RESTAURANTS UK AND GLOBAL COMMERCIAL DIRECTOR

NIGEL JONES
GROUP OPERATIONS DIRECTOR



SIMON EWINS
MANAGING DIRECTOR, UK HOTELS & RESTAURANTS

MARK ANDERSON
MANAGING DIRECTOR, PROPERTY AND INTERNATIONAL

The Executive Committee meets on a fortnightly basis and is chaired by Alison Brittain

It has authority to manage the day-to-day operations of the Group's businesses, with the exception of those matters reserved for the Board, within the financial limits set by the Board.

The Committee's responsibilities include:

› formulation of strategy for recommendation to the Board;
› management of performance in accordance with strategy and budgets;
› talent and succession;
› risk management;
› capital investment decisions (where Board approval is not required);
› cost efficiency, procurement and organisational design;
› reputation and stakeholder management;
› culture, values and sustainability;
› health and safety; and
› customer engagement and product development.

Nigel Jones is responsible for managing Whitbread's supply chain, leading the overall Whitbread transformation plan and the IT department.

Mark Anderson has led the property function since 2008 and is responsible for Premier Inn Germany.

Simon Jones has led on key initiatives such as product development, network planning, pricing and marketing.

Simon Ewins has accountability for Whitbread's largest UK businesses and represents a very large proportion of the Whitbread workforce.

Chris Vaughan has been General Counsel since joining the Company at the end of 2015. He is also the Company Secretary and has responsibility for the Group's sustainability programme, Force for Good.

Biographical details for Alison Brittain, Nicholas Cadbury and Louise Smalley can be found on page 72.

Board activities during the year

In advance of each Board meeting, a set of Board papers, including monthly financial and trading reports, is circulated so that directors have sufficient time to review them and arrive at the meeting fully prepared.

The Board has a rolling forward agenda which sets matters to be considered throughout the year ahead. One full day every year is dedicated to strategy. Following these sessions, the Board agrees the significant topics to be discussed at its meetings during the year. The rolling agenda is then updated to ensure that there is a structured approach to the consideration of topics and that recurring issues are evenly spread across the calendar. The Board gives its attention to each area of the business in turn so that a strong understanding of the entire Company is maintained. The rolling agenda is regularly reviewed and updated and is circulated as part of the General Counsel's report before each meeting.

The agenda for each Board meeting is agreed with the Chairman and the Chief Executive so that current events and potential future issues can be discussed alongside the regular reports. Standard items for each meeting are a review of progress on action points, reports from the Chief Executive, the Group Finance Director, the Group HR Director, and the General Counsel, and a KPI pack. The General Counsel keeps minutes of the meetings and produces a list of agreed actions for each meeting.

At the meetings during the year, the Board discharged its responsibilities and considered a range of matters as shown in the table at the bottom of this page.

Board processes and topics to be discussed are continually reviewed to ensure that the correct focus is given to the key issues highlighted at the strategy day.

The Chairman meets with the non-executive directors without the executive directors present after Board meetings.

The Senior Independent Director meets annually with all non-executive directors to discuss the performance of the Chairman. A review of the Board was carried out during the year.

There is a schedule of matters reserved exclusively to the Board; all other decisions are delegated to management. Those matters reserved exclusively to the Board include:

- approval of Group financial statements and the preliminary announcement of half- and full-year results;
- changes relating to the Group's capital structure, strategy, the annual budget and the Group's business plan;
- approving capital projects, acquisitions and disposals valued at over the limit set out in the matters reserved to the Board;
- approval of interim dividends and recommendation of final dividends; and
- establishment of Board committees.

BOARD AGENDA 2020/21

Standing agenda items

- Chief Executive's report
- Group Finance Director's report
- Health and safety report (quarterly)
- General Counsel's report
- HR Director's report
- Approval of capital projects
- KPI pack

Q1

- Approval of year-end documentation
- Risk management and insurance
- Succession planning
- Premier Inn performance
- Group valuation and defence considerations
- COVID-19 update
- Employee Forum
- Rights issue

Q2

- Rights issue and year-end investor feedback
- Premier Inn & Restaurants opening plan
- Current operating environment
- Support Centre reorganisation
- Commercial and technology plan
- Risk management update

Q3

- Strategy day
- Operational reorganisation
- 2020/21 Interim results
- Premier Inn & Restaurants opening
- Sustainability
- Pensions
- Brexit
- Capital structure and financing
- German acquisition

Q4

- Operational update
- HR Strategy – diversity and inclusion
- Talent succession
- Green Bond issue
- Revolving credit facilities
- US private placement repayment

BOARD PERFORMANCE EVALUATION

An evaluation of the Board, its committees, individual directors and the Chairman is carried out each year. An externally facilitated Board evaluation was carried out by Ffion Hague on behalf of Independent Board Evaluation in 2019, so the last two years have been carried out internally. Next year there will be an externally facilitated Board evaluation.

BOARD AND COMMITTEE REVIEW CYCLE

Year 1
(Financial year 2018/19)
Externally facilitated review

Year 2
(Financial year 2019/20)
Internal review

Year 3
(Financial year 2020/21)
Internal review

2019/20 INTERNAL EVALUATION

The internal evaluation last year highlighted the following areas:

Areas identified for improvement 2019/20	Progress made in 2020/21
Board agendas – consider reducing the number of items to allow for detailed discussions on all topics.	There has been some progress on this but, in a busy year, there is still more work to do and will continue to be a focus this year.
Succession planning and Board experience – review succession plans for Chief Executive, and consider non-executive directors with specific food and beverage and technology experience in the future.	There has been positive progress with two new NEDs joining the Board in March and this will continue to be a focus going forward, for both the CEO and the wider executive leadership team.
External trends and competition – receive more updates on what competitors are doing and more consideration of external trends.	Progress has been made on this, and information on competitors is now included in the KPI packs and monthly updates.
Link between technology and strategy – improve the Board's knowledge on technology and the associated risks, and more alignment of technology with the Company's strategy.	There has been some progress, but it has been raised again this year and will therefore continue to be a focus for the year ahead.
Risk management – integrate risk discussions with core decision making more, and improve the Board's understanding of risks in relation to major initiatives and how they will be managed.	This is an area which will always be a focus, and may change slightly this year now there is a new head of risk management.
Remuneration – greater monitoring of performance against targets through the year, and consider further ways to engage with the workforce on remuneration matters.	The COVID-19 pandemic has caused this to be a challenge this year and made some of the targets redundant. The Board will continue to monitor this going forward.

2020/21 INTERNAL REVIEW

Method

During the year, the Board conducted the annual evaluation of its performance and that of its three committees by using an online evaluation tool provided by Independent Audit Limited, an independent company which has no other links to Whitbread or its directors. Each director completed a questionnaire in respect of the Board and the respective committees for which they were a member. The General Counsel collated the responses of the evaluation, along with benchmarking data from other boards that had used the same evaluation questionnaires, and the Chairman received an executive summary, highlighting the key outcomes, as did each of the Committee Chairs. Separate reports were then presented to the Board and each committee for discussion. The Chairman and the General Counsel discussed the feedback and developed an action plan for each area of focus. Progress will be reported back to the Board.

Recommendations

Overall, the results of the review were positive, with no major concerns raised. Although there has been some progress on the areas flagged in last year's evaluation, it's no surprise that given the exceptional year we've had and considering that the Board's focus has mainly been on dealing with the issues caused by the ongoing pandemic, some of the same issues have been flagged again this year.

The results combined with the benchmarking data provided by Independent Audit, make it clear that the Board has a strong and open culture, has developed a clear strategy which works for the Company, and there is a solid relationship between the executive directors and the non-executive directors.

The evaluation found relationships and Board culture to be very strong. The Board works well as a unit, is well chaired, and culturally the non-executive directors feel able to contribute their views in a constructive and collaborative environment.

Benchmarking data suggests that the Board is highly effective and performing ahead of benchmarked FTSE companies.

The review did also identify some opportunities for improvement in the year ahead, including the following:

- Succession planning for the CEO, EDs and wider senior leadership team
- A check in on the current strategy and how it might need to be evolved to address a post-COVID world
- Technology and how it can be used to support strategy
- Training and development post-COVID
- Reducing Board agenda items and shortening Board papers

We will report our progress on these points in the 2021/22 Annual Report.

Board meetings and attendance

The Board generally holds regular scheduled meetings during the year and on an ad hoc basis as and when required. During the year, 12 Board meetings were held and four of these were additional as a response to the COVID-19 pandemic. The attendance at meetings by the directors is set out below.

Members of the executive team attended Board and committee meetings as appropriate.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
David Atkins	12/12	4/4	2/2	6/6
Horst Baier	12/12	4/4	2/2	–
Alison Brittain	12/12	–	–	–
Nicholas Cadbury	12/12	–	–	–
Adam Crozier	12/12	–	2/2	6/6
Frank Fiskers	12/12	4/4	2/2	6/6
Richard Gillingwater	12/12	–	2/2	6/6
Chris Kennedy	12/12	4/4	2/2	–
Susan Taylor Martin[1]	12/12	4/4	1/2	–
Deana Oppenheimer	10/10	-	1/1	4/4
Louise Smalley	12/12	–	–	–

1 The one Nomination Committee meeting Susan Taylor Martin could not attend was due to a conflict with a previously arranged meeting.

Insurance cover

The Company has appropriate directors' and officers' liability insurance in place. In addition to this, the Company provides an indemnity for directors against the costs of defending certain legal proceedings and generating claims over and above those covered by insurance. These are reviewed periodically.

Board and committees

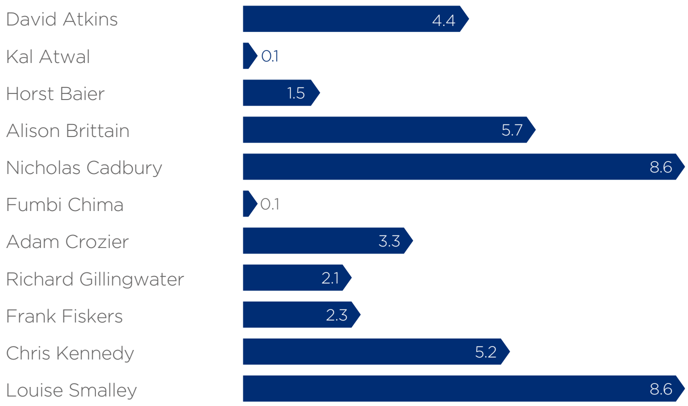
It is believed that the Board and its committees have the appropriate balance of skills, experience, diversity, independence and knowledge of the Company to enable them to discharge their responsibilities effectively. After assessing independence against the Code, the Board considers all non-executive directors to be independent in judgement and character, and also considered the Chairman to be independent on appointment.

During the year, there have been a number of changes to the Board. Deanna Oppenheimer stepped down from the Board on 31 December 2020 to rebalance and spend more time in North America, in light of the COVID-19 pandemic. Fumbi Chima and Kal Atwal were appointed to the Board on 1 March 2021 as independent non-executive directors.

Commitment

During the year all directors, including the non-executive directors, committed significant additional time to the Company, beyond that specified in their service contracts and letters of appointment, in order to deal with exceptional items such as the rights issue and the bond issue. On behalf of the Board, the Nomination Committee has reviewed the extent of other interests of the non-executive directors. The Board is satisfied that the Chairman and each of the non-executive directors commit sufficient time to their duties and fulfil their obligations to the Company. No executive director has taken on more than one non-executive directorship in a FTSE 100 company.

Length of tenure of directors (years)



Training and development

Investor relations and market updates are presented to the Board, together with regular updates from the business. 'Deep dive' sessions were held on certain issues to improve knowledge, including:

- German mergers and acquisitions (M&A) opportunities;
- cyber security;
- diversity and inclusion;
- commercial and technology strategies and tactics; and
- information and security.

In addition, directors attend external training events to update their skills and knowledge. This year directors have undertaken training on a number of issues, including:

- climate change;
- environmental, social and governance;
- audit practice;
- remuneration developments
- inclusive leadership; and
- governance.

All directors have access to independent professional advice at the Company's expense. Directors serving on the Board and committees confirmed that they were satisfied that they received sufficient resources to enable them to undertake their duties effectively. Each director has access to the General Counsel for advice on governance.

The General Counsel prepares a monthly report that includes updates on secretariat and legal matters, along with governance, compliance and insurance. This report is presented and discussed at each Board meeting.

Induction process

On appointment, all directors receive a full and formal induction that is tailored to their specific needs.

Fumbi Chima and Kal Atwal joined the Board as non-executive directors in March 2021. As part of their induction, they had meetings with a number of senior leaders from across the business to get a better understanding of how the Company is run, including the following:

- Chairman;
- Chief Executive;

- Group Finance Director;
- Group HR Director;
- General Counsel;
- Group Operations Director;
- Managing Director, Property and International;
- Managing Director, Premier Inn and Restaurants UK; and
- Director of Investor Relations and Director of Secretariat and Insurance.

Meetings were also held with Deloitte, the Company's auditor, PwC as remuneration consultant and the Company's brokers. Once we are post COVID-19, Fumbi and Kal will have an introduction into the business by visiting our hotels and restaurants around the UK and Germany to get to know the different aspects of the Company.

Conflicts of interest
Directors are required to disclose any conflicts of interest immediately as and when they arise throughout the year. In addition, a formal process is undertaken in January each year when all directors confirm to the Board details of their external interests, including any other directorships which they hold.

These are assessed by the Board to determine whether the director's ability to act in the best interests of the Company could be compromised. If there are no such potential or actual conflicts, the external interests are authorised by the Board. All authorisations are for a period of 12 months. No director is counted as part of a quorum in respect of the authorisation of his or her own conflict. It is recognised that all organisations are potential customers of Whitbread and, in view of this, the Board authorises all directors' current external directorships.

The Board also assesses the commitments of all the directors to ensure they have sufficient time to dedicate to Whitbread.

Privacy
Our data protection policies, guidelines and processes set a globally applicable privacy and security standard for the Company and regulate the sharing of information both internally and externally. During the year, various privacy enhancements were made to business processes and systems to ensure the requirements of the General Data Protection Regulation (GDPR) were met. Our data protection steering group will continue to drive awareness and monitor GDPR compliance through ongoing training and governance.

Anti-corruption and anti-bribery
Whitbread is strongly opposed to any form of corruption and bribery. We recognise that it impacts societies in many negative ways. Our reputation is built on trust: the trust of our customers, our people, our partners and suppliers, our investors and the communities we serve. Our anti-corruption and anti-bribery policies apply our strict standards worldwide and are reinforced through training and our day-to-day conduct. We encourage all with concerns to speak out and have facilitated this further through our Speaking Out helplines, enabling reporting of concerns on a named or anonymous basis.

Shareholder relations
In accordance with the Code, the Board recognises that it has responsibility for ensuring that a satisfactory dialogue with shareholders takes place and any major shareholders' issues and concerns are communicated to the Board through the Chairman.

The Company communicates with both the institutional and private shareholders through a number of different means. Further information on shareholder engagement can be found on page 56.

The annual general meeting
The AGM provides all shareholders with the opportunity to communicate directly with the Board, which under normal circumstance encourages their participation at the meeting.

Unfortunately, due to the current COVID-19 pandemic and the uncertainty surrounding the rules on public gatherings, it is likely that it will be impossible to hold a normal AGM and, under the current restrictions, shareholders will be unable to attend the meeting. However, the AGM will be a live meeting held via webcast this year, which will allow shareholders to submit their questions and vote in real time. We will, of course, continue to monitor Government guidance and if our plans change we will provide an update via the Regulatory News Service and our website.

In accordance with the Code, the notice of AGM and related papers are usually sent to shareholders at least 20 working days before the meeting. The Company proposes a separate resolution on each substantially separate issue including a specific resolution to approve the Annual Report and Accounts. For each resolution, proxy appointment forms provide shareholders with the option to vote in advance of the AGM. All valid proxy votes received for the AGM are properly recorded and counted by Whitbread's registrars.

Share capital
The information that is required by DTR 7.2.6 relating to the share capital of the Company can be found within the directors' report on pages 110 to 111.

Statement of the directors in respect of the Annual Report and Accounts
As required by the Code, the directors confirm their responsibility for preparing the Annual Report and Accounts and consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further detail on how this conclusion was reached can be found in the report of the Audit Committee on pages 80 to 84.

Going concern
The directors' going concern statement can be found in the directors' report on page 113.

Viability statement
The viability statement can be found on page 67.

Business model and strategy
Information on the Group's business model and the strategy for delivering the objectives of the Company can be found on pages 16 to 19.

Board committees
The Board is supported by three committees; the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are reviewed regularly and updated in line with best practice. They are available in full on the Company's website at www.whitbread.co.uk. A detailed report from the Chairman of the Remuneration Committee is set out on pages 88 to 108. Reports for the Audit and Nomination Committees can be found on pages 80 to 87.

ACCOUNTABILITY AND INTERNAL CONTROL

Internal control and risk management

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. These systems are designed to manage rather than eliminate risk of failure to achieve business objectives. They can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the Group's principal risks. This process was in place throughout the 2020/21 financial year and up to the date of this report. The process is reviewed by the Board and accords with the internal control guidance for directors in the Code. A report of the principal risks, together with the viability statement, can be found on pages 62 to 67.

Risk analysis

- The Board identifies the principal risks of the Company on a regular basis and throughout the year it reviews the actions in place to mitigate the risks together with assurance and monitoring activity. The analysis covers business and operational risks, health and safety, financial, market, operational and reputational risks which the Company may face as well as specific areas identified in the business plan and budget process.
- All major capital and revenue projects, together with significant change programmes, include the consideration of the risks involved and an appropriate action plan.

Controls

- The Company reviews and confirms its level of compliance with the Code on an annual basis.
- The matters reserved to the Board require that major projects and programmes must have specific Board approval.
- Limits of delegation and authority are prescribed to ensure that the appropriate approvals are obtained if Board authority is not required to ensure appropriate segregation of tasks.
- Group financial policies, controls and procedures are in place and are regularly reviewed and updated.
- The Whitbread Code of Conduct, setting out required levels of ethics and behaviour, is communicated to employees and training is provided. An externally hosted whistleblowing system is also available.
- The Code of Conduct makes reference to specific policies and procedures which have to be followed.
- Employees are required to undertake tailored training on risk areas including IS security, data protection, anti-bribery and anti-trust law.
- Management is responsible for ensuring the appropriate maintenance of financial records and processes that ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations and is distributed both internally and externally in a timely manner.
- A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected.
- All financial information published by the Group is subject to the approval of the Audit Committee and the Board.
- An annual review of internal controls is undertaken by the Board with the assistance of the Audit Committee.

Assurance

- The Audit Committee approves the audit programme which ensures that the significant areas of risk identified are monitored and reviewed.
- The programme and the results of the internal audits are regularly assessed during the year.
- The Audit Committee reviews the major findings from both internal and external audits.
- Internal audits are carried out under the control of the Head of Internal Audit. The reports are reviewed by the Audit Committee and, on a monthly basis, by the Executive Committee to ensure that the actions required to address issues identified are implemented.
- The Head of Internal Audit reports annually to the Audit Committee on the effectiveness of operational and financial controls across the Group.
- Deloitte LLP, the Company's external auditor, reviews and reports on the significant issues identified in its audit report.
- An internal control evaluation process is overseen by the management team which assesses the level of compliance with the controls, policies and processes and the results are reviewed and tested on a sample basis by the internal audit team.
- Post-completion reviews of major projects and investments are carried out and reported on to the Board.

Audit Committee report

CHRIS KENNEDY
CHAIRMAN, AUDIT COMMITTEE

MEMBERSHIP OF THE AUDIT COMMITTEE AND MEETING ATTENDANCE

Name of director	Meetings attended and eligible to attend
Chris Kennedy (Chairman)	**4/4**
David Atkins	**4/4**
Frank Fiskers	**4/4**
Susan Taylor Martin	**4/4**
Horst Baier	**4/4**

The Committee met four times in 2020/21. Meetings were attended by all members of the Committee and, by invitation, the Chairman of the Board, the Chief Executive, the Finance Director, the Head of Internal Audit, the Director of Financial Reporting & Control and other relevant people from the business when appropriate.

The external auditor, Deloitte LLP, is also invited to meetings except where discussion includes matters relating to its own independence, performance, reappointment, fees or audit tendering.

The Audit Committee was pleased to welcome Fumbi Chima as a new member in March 2021.

Composition of the Committee

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Board has confirmed that all members of the Committee are independent non-executive directors and have been appointed to the Committee based on their individual financial and commercial experience.

The Board has also confirmed that I, as Chairman of the Committee, have recent and relevant financial experience through my current appointment as Chief Financial Officer of ITV plc and my previous appointments as Chief Financial Officer of Micro Focus International plc and ARM Holdings plc, together with my past role as group finance director of easyJet plc.

As part of the Company's annual compliance with the Code, an evaluation was undertaken of the skills and experience of the Committee. In accordance with the Code, the Board has agreed that the Committee as a whole has the competencies relevant to the sector in which the Company operates and the recent evaluation report confirmed that the Committee operates effectively. Through the external appointments that David Atkins, Frank Fiskers, Susan Taylor Martin and Horst Baier have held, they bring a depth of financial and commercial experience that add to the strengths of the Committee. In addition, I would like to thank Susan for her contribution across the years, as she stepped down from the Committee on 22 April 2021.

Role and responsibilities of the Committee

The Board has delegated specific responsibilities to the Committee in accordance with the Code. The key responsibilities of the Audit Committee are to:

- monitor and review the integrity of the Group's half-year and full-year financial results, and the financial reporting process;
- monitor the statutory audit of the parent company and consolidated financial statements;
- review the Group's internal controls and risk management systems;
- review and monitor the independence and effectiveness of the external auditor, in particular, the provision of additional services;
- monitor and review the effectiveness of the Group's internal audit function; and
- have primary responsibility for the recommendations to the Board in relation to the external auditor.

To aid its review, the Committee considers reports from the Director of Financial Reporting & Control, the Tax Director, the Head of Internal Audit and also reports from the external auditor on the outcomes of its half-year review and annual audit. The Committee looks for constructive challenge from Deloitte as external auditor.

Impact of COVID-19

Although the Committee's roles and responsibilities have not changed, a number of areas have required increased levels of scrutiny due to the impact of the COVID-19 pandemic and the risks that arose as a result. As a priority, a review of the Group's risk management and internal control arrangements were completed including the impact of increased levels of remote working.

Significant matters in the financial statements

The key areas of judgement and estimates considered by the Committee, in relation to the 2020/21 accounts and disclosed in Note 2 to the consolidated financial statements on pages 146 and 147, were:

Adjusting items

The Committee challenged the appropriateness of the presentation of adjusting items, giving consideration to the nature and significance of each item classified as adjusting. The Committee concluded that the items met the criteria as defined by the accounting policy and that the policy had been applied consistently across years.

Defined benefit pension

The Committee reviewed, considered and exercised judgement on the assumptions used to calculate the fair value of pension scheme assets and present value of defined benefit obligations under IAS 19, to satisfy itself that appropriate consideration and balance had been given to all macroeconomic factors. The principal assumptions used and the sensitivities around them were considered and the consistency in approach from 2019/20 to 2020/21 was assessed, concluding with the same estimates as reached by management.

Impairment testing – property, plant and equipment, goodwill and right-of-use assets

The Group's impairment reviews require significant judgement in estimating the recoverable amount of its cash generating units. An impairment review was performed for the purpose of the Group's Interim Report resulting in impairments of £238.8m of goodwill, £54.0m of property, plant and equipment and £35.9m of right-of-use assets. The Committee reviewed the approach taken to the impairment review. The Committee challenged management's approach, in particular the methodology used to estimate both value in use and fair value less costs of disposal for site level impairment reviews and in calculating the impairment of the newly acquired goodwill in Germany. The Committee also challenged the inputs used in management's model with a specific focus on the impact of the COVID-19 pandemic on discount rates and growth rates. The Committee reviewed a further paper detailing management's year-end impairment review which resulted in the recording of further impairments of £7.2m of property, plant and equipment and £0.8m of right-of-use assets with a specific focus on the Group's forecast recovery as lockdown restrictions are eased. The Committee was satisfied that the Group has appropriately performed the impairment reviews, accounted for the impairments identified and that the related disclosures were appropriate.

Coronavirus Job Retention Scheme Governance

As a result of the complex requirements of the Coronavirus Job Retention Scheme and the value of claims made by the Group, the Committee has reviewed the overall governance arrangements in place. This included reviewing the management controls over the data used in the claims process and reviewing the results of an internal audit report on the accuracy of the claims which was prepared with the support of external specialists.

Fair, balanced and understandable

In order to confirm to the Board that the Annual Report and Accounts, taken as whole is fair, balanced and understandable, there has been a thorough verification and approval process using the Committee's knowledge of the Company, as outlined below:

- the Annual Report and Accounts is drafted by the appropriate senior management with overall coordination by the Secretariat team to ensure consistency;
- comprehensive reviews of the drafts of the Annual Report and Accounts are undertaken by management, the Executive Committee and the Audit Committee Chairman;
- a final draft is reviewed by the Audit Committee prior to consideration by a committee of the Board; and
- formal approval of the Annual Report and Accounts is given by a Committee of the Board.

Going concern and viability

The Committee received regular updates on the steps taken by management to secure liquidity for the likely duration of the crisis and recovery period beyond. These steps include the following:

- The covenant waivers agreed with the Group's lenders and pension fund Trustees in May 2020 covering the period to March 2022.
- The June 2020 rights issue raising £1bn.
- The extension, agreed in February 2021, of the Group's revolving credit facility until September 2023 and further extension of associated covenant waivers until March 2023.
- The Green Bond issue in February 2021 raising £550m and subsequent early repayment of £200m of US private placement loan notes in March 2021.

The Committee is satisfied that the increased liquidity risk because of the impact of COVID-19 has been reduced by these steps.

The Committee has reviewed the Group's severe but plausible scenario and is satisfied that this is appropriate in supporting the Group as a going concern. The committee has also reviewed the Reverse Stress Test scenario where the business remains closed for the following 12 months due to COVID-19 and concluded that it is considered remote.

In addition, the Committee has reviewed the Group's assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group's position following the steps taken during the year as listed above and the three-year plan recently approved by the Board. The Committee considered the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with Government restrictions in response to the COVID-19 pandemic. The Committee has concluded that these assumptions are appropriate.

Internal control and risk management

The Audit Committee monitors the systems of risk management and internal control. In addition, the Committee completes an annual review of the effectiveness of these systems, assessing the risk management framework and policy, management's risk assessment and review process, and the monitoring and reporting of risk. This review is completed in conjunction with an internal control effectiveness review from Internal Audit and Group Finance, and considers all material controls, including financial, operational and compliance controls. The system and processes were considered to be robust and no significant weaknesses were noted.

A robust assessment of the principal and emerging risks facing the Company was carried out by the Board, considering risk appetite, and each risk was assessed and the level of assurance required was determined. Further details of the principal risks identified and agreed by the Company can be found on pages 62 to 66.

'Speaking Out' facility

In accordance with the Code, the Committee has continued to review the Company's whistleblowing function, known as 'Speaking Out'. The system is operated by two external third-party providers, Hospitality Action in the UK and Navex Global internationally, and allows employees to report anonymously and in confidence. The Committee receives annual reports from the General Counsel and reviews the operation of this function and outcomes. The Committee is satisfied that there are appropriate arrangements in place for proportionate and independent investigations. Any significant issues or risks raised through this process are escalated to the Board, and the Board receives updates on the number and types of reports throughout the year from the General Counsel.

Internal audit

The internal audit function provides independent assurance through reviewing the risk management processes and internal controls established by management.

The Audit Committee monitors and reviews the scope, extent and effectiveness of Whitbread's internal audit function. Regular presentations and updates are given to the Committee by the Head of Internal Audit and complemented by private discussions as and when necessary. The Committee has approved the Group internal audit terms of reference, which sets out the role, accountability, authority, independence, and objectivity of the function. The Committee considers matters raised through audit reports and the adequacy of management's response to them, including the time taken to resolve any such matters. The main focus areas for internal audit during the year included information security strategy and programme, key financial controls for Support Centre, COVID-19 health and safety across sites, the Coronavirus Job Retention Scheme, Germany expansion and capital processes, and significant systems and change programme assurance, including the replacement of Whitbread's CRM system over the next few years

The scope of activity of internal audit is monitored and reviewed at each Audit Committee meeting. An annual plan was agreed by the Committee in March 2021 which covers the activities to June 2022. The internal audit plan is determined based on the Audit Universe which sets out all auditable areas of the business and assigns each area a risk level and recommended audit frequency. The internal audit plan is aligned to the Group's principal risks which are formally reviewed and agreed by the Executive Committee and Board on a biannual basis against a standard set of risk assessment criteria. The plan also considers areas of major change within the business, recurring themes from previous audit results and the views of management. Follow-up audits are also planned in areas where past audits highlighted significant risks to ensure remedial actions have been implemented and are working effectively to reduce Whitbread's risk exposure.

Areas highlighted for audit on the current plan include systems and processes to support Whitbread's operations in Germany, and an overall greater focus on centrally managed Premier Inn and Restaurants operational and commercial risks including repairs and maintenance, payroll, pricing and compliance with the requirements of the Coronavirus Job Retention Scheme. The in-house IT internal audit team provides assurance over Whitbread's information systems, and delivers integrated IT audits, as well as coordinating assurance reviews to de-risk Whitbread's ongoing major change projects, including the replacement of the Group's CRM system.

Internal audit ways of working have been modified to accommodate remote working. The overall approach has remained the same and the underlying audit methodology and processes are unchanged with audits still fully compliant with best practice and internal audit standards.

External auditor

On behalf of the Board, the Committee oversees the relationship with the external auditor. Deloitte was appointed as the auditor of the Company in 2015 following a formal tender process, and reappointed at the 2020 annual general meeting. The current audit partner is Katie Houldsworth, who was appointed in 2020 after Nicola Mitchell stepped down from the role after holding it since Deloitte's initial appointment.

Audit effectiveness

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. We receive from Deloitte a detailed audit plan, identifying its assessment of these key risks.

These risks were reviewed and they, together with the work done by the auditor, were challenged to test management's assumptions and estimates around these areas, as well as other areas reported upon. The effectiveness of the audit process was assessed in addressing these matters through the reporting we received from Deloitte at both the half-year and year-end. In addition, feedback was sought from the Committee, the Board and management on the effectiveness of the audit process and targeted and tailored questionnaires were completed.

An assessment of the effectiveness of Deloitte in respect of the previous financial year was undertaken in July 2020. Overall, it was noted that the audit team had adapted well to the challenges of remote working and that the audit was effective, executed to a high standard and that improvements had been made on the prior financial year. However, it was noted that there was still room for improvement in respect of the planning and timeliness of audit requests.

As part of our review process for this financial year, the Committee will be assessing the work of the year-end audit, once finalised, and an effectiveness review for this financial year will be undertaken and reported to the Audit Committee.

The FRC's Audit Quality Review (AQR) team monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits and related procedures at individual audit firms. During the year, the FRC's Audit Quality Review Team (AQRT) reviewed Deloitte's audit of the Group's financial statements for the year ended 27 February 2020 as part of its annual inspection of audit firms. The Committee Chairman received and reviewed the final report from the AQRT which indicated that there were no significant areas of concern.

The Committee confirms that the Company has complied with regard to the requirement of the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. The Group intends to put the external audit out to tender every ten years in the future, with the next tender expected to be in 2025.

Auditor independence

To safeguard the objectivity and independence of the external auditor, the Committee's terms of reference set out the policy is respect of provision of services by the external auditor. The Committee regularly reviews this policy for necessary changes in response to changes in related standards and regulatory requirements. This policy was updated in March 2020 to incorporate the Revised Ethical Standards issued by the FRC in December 2019.

The policy defines prohibited services that are not to be provided by the auditor because they represent a risk to the external auditor's independence. For certain services that are not prohibited, because of the knowledge and experience of the external auditor and/or for reasons of confidentiality, it can be more efficient or prudent to engage the external auditor rather than another party. This is particularly the case with audit-related assurance services that are closely connected to the audit function where the external auditor has the benefit of knowledge gained from work already performed as part of the audit.

For certain specified audit and audit-related services, the Group can employ the external auditor without reference to the Audit Committee, subject to a specified fee limit of up to £250,000. For the services permitted in certain circumstances, agreement must be sought from me, as Chairman of the Committee, where fees are less than the limit specified, or with full Audit Committee approval where fees are anticipated to be greater than £250,000. A tender process would be held where appropriate.

Total non-audit fees amounted to £1.2m consisting of £0.1m of audit-related services and £1.1m of other non-audit services.

Audit-related services are represented by the interim review. Although this is considered to be a non-audit service, the objectives of the review are aligned with the audit.
Details of other non-audit fees are as follows:

Services in relation to the June 2020 rights issue – £1.0m
Provision of reporting accountant services, including working capital reports and comfort letters. The work was led by a separate engagement team with services performed by the audit team limited to routine letters whereby it is both allowable and expected that the audit team and audit partner are involved. These are subject to independent reviews.

Services in relation to the February 2021 Green Bond issue – £0.1m
Provision of reporting accountant services including comfort letters. The work performed was subject to independent review from partners outside the audit team.

As a result of the level of non-audit fees incurred during the year, Deloitte was required to obtain waivers from the FRC. The waivers were accepted prior to commencement of the non-audit services.

Following a review of the services provided by our external auditor, Deloitte LLP, we can confirm that it continues to be independent.

Chris Kennedy
Chairman, Audit Committee
26 April 2021

MAIN ACTIVITIES DURING THE YEAR

In 2020/21, the Audit Committee's work covered internal controls, risk management, internal audit, external audit and financial reporting. The details of the matters discussed at Committee meetings are shown below. Through the year, the Committee has also covered the quality and integrity of accounting policies and practices.

MARCH 2020

- Correspondence with FRC regarding irrevocable buyback commitment
- External auditor – approval of remuneration, terms of engagement and other fees, and controls update
- Internal audit – approval of plan
- Risk and controls – review of risk management process, approval of policy, update on financial control framework and litigation review
- Review of Committee's rolling agenda and terms of reference
- Review of the previous year's Speaking Out reports
- Audit Committee evaluation report

APRIL 2020

- 2019/20 Annual Report and Accounts
- 2019/20 Deloitte external audit report
- Non-audit services and fees
- Internal audit – review of 2019/20 report and terms of reference
- Compliance report
- Risk and controls – review of statements on risk management
- Payment practices reporting – review of full-year report
- Going concern and viability, including the impact of COVID-19 and the £1.0bn rights issue

JULY 2020

- Risk and controls – BART update, IS Strategy update, assessment of effectiveness of audit process
- Compliance – treasury policy, financial control update
- Internal audit – update on plan, procurement review update, COVID-19 risk register
- Update on Coronavirus Job Retention Scheme
- Review of effectiveness of external auditor

OCTOBER 2020

- Review of FY21 Interim Results – judgements and estimates, impairment and going concern
- External audit – half-year report, letter of representation, UK Corporate Governance Code update, approval of terms of engagement
- Risk and controls – litigation review, compliance report, controls update, BART, PCI compliance update, procurement update
- Internal audit – interim update
- Payment practices report

Nomination Committee report

ADAM CROZIER
CHAIRMAN, NOMINATION COMMITTEE

MEMBERSHIP OF THE NOMINATION COMMITTEE AND MEETING ATTENDANCE

Name of director	Meetings attended and eligible to attend
Adam Crozier (Chairman)	**2/2**
David Atkins	**2/2**
Richard Gillingwater	**2/2**
Frank Fiskers	**2/2**
Chris Kennedy	**2/2**
Deanna Oppenheimer[1]	**1/1**
Susan Taylor Martin[2]	**1/2**
Horst Baier	**2/2**

1 Deanna stepped down from the Board at the end of December and therefore was no longer a Committee member for the January meeting.

2 The one meeting Susan was unable to attend was due to a conflict with a previously arranged meeting.

This year we are pleased to welcome Fumbi Chima and Kal Atwal to the Board as new independent non-executive directors and members of the Nomination Committee. Fumbi will also be joining the Audit Committee, while Kal will become a member of the Remuneration Committee.

Role of the Committee
The role of the Nomination Committee is to review the Board composition and to plan for its refreshment as applicable. The Committee is also responsible for evaluating the directors on an annual basis, striving for a balance of skills, knowledge, independence, experience and diverse representation to allow for it to operate effectively, and ensuring there is no undue reliance on any one individual.

Responsibilities of the Committee
The Committee has specific responsibilities on behalf of the Board and these are detailed below:

- to regularly review the structure, size and composition of the Board (including balance of skills, independence and diversity), and make recommendations to the Board;
- to consider succession planning for the Board and to determine the skills and experience required for future Board appointments;
- to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge, experience and diversity required prior to making an appointment to the Board and, on the basis of this evaluation, to prepare a role description outlining the capabilities required for a particular appointment;
- to keep the leadership needs of the Company under review, both for executive and non-executive directors with a view to ensuring the continued ability of the Company to effectively compete;
- to keep up to date with strategic issues and commercial changes affecting the Company and the market in which it operates;
- to ensure that, on appointment to the Board, non-executive directors receive a formal letter of appointment setting out the time commitment in respect of the role;
- to annually review the time required from non-executive directors and to ensure that a performance evaluation is undertaken to determine if non-executive directors are spending sufficient time to fulfil their duties;
- for the appointment of a Chairman, to prepare a job description including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes reported to the Board as they arise; and
- to review the results of the annual Board evaluation that relate to the composition of the Board.

Diversity and inclusion
The Board believes that diversity in many forms is critical to the effectiveness of the Board and to the Group's continued success, which is why we have made a commitment to put diversity at the core of our business agenda with an aim to become the most inclusive hospitality business.

Our Executive Committee is a sponsor of Whitbread's approach to diversity and inclusion across Whitbread. There is a Diversity and Inclusion (D&I) strategy now in place, which was created in line with industry standards to ensure we are focusing on the right areas. Whilst our current diversity targets measure our progress relative to data which captures gender and race, our actions focused on greater inclusion are just as relevant to the inclusion of broader underrepresented groups and those individuals who feel they are in a minority due to their sexual orientation, gender identity, disability or age and experience.

We have now invested in a Diversity and Inclusion Centre of Excellence, responsible for leading the implementation of the D&I strategy, guided by our new Commitments:

We have four commitments to greater diversity:

1. Have greater diversity in our leadership population, with targets of 8% ethnic minority and 40% female representation in our top 100 by the end of 2023
2. Have greater ethnic diversity in our middle management population through stringent recruitment practices that mitigate individual biases
3. Invest more in a diverse talent pipeline to ensure we can promote diverse talent equitably
4. Complete ethnicity pay gap analysis, and share our results and findings with our internal colleagues

We have four commitments to create an environment of greater inclusion:

1. Equip all our leaders to be fluent around diversity and inclusion, through mandated development
2. Amplify the voices of all our minorities, through the sponsorship of networks and forums
3. Review our policies to make sure they are inclusive of minority groups
4. Celebrate key cultural events throughout the year

Our progress against these commitments is detailed in the Group HR Director's review on pages 42 to 47.

Female representation
Our 2020 Gender Pay Gap Report, released in February 2021, highlights an 11.65% pay gap, reduced by 1.58 percentage points from 2019. We have strong female representation across Whitbread, with 66% of our hourly paid roles filled by women, along with 34% of our female leadership population. We are also proud to be one of currently six FTSE 100 businesses to have a female CEO.

Our focus continues to be driving female representation in senior roles across all functions, remaining committed to the recommendations outlined in the Hampton Alexander Review. We recognise that senior level representation continues to be a theme in our Gender Pay Reports, and are focused on accelerating progress through our stretching targets, set out in our commitments, in the next 12 months.

You can read our 2020 Gender Pay Gap Report and our actions in more detail on our website, www.whitbread.co.uk

Ethnic representation
Whilst our D&I commitments focus on all underrepresented groups, they also have specific relevance in increasing our diversity of colleagues from ethnic minorities.

84% of our Board identify as White, 8% identify as Asian and 8% identify as Black. We are proud to have met the Parker Review '1 by 21' target, but recognise that this by itself is not enough, and there is more to do to increase the ethnic representation across Whitbread.

Whilst 13%* of our colleagues identify as Asian, Black or Mixed Ethnic, our representation of these groups at leadership level is lower than we would wish and we recognise we have more to do. We have set up a Race, Religion and Cultural Heritage colleague network with executive sponsorship to partner with our D&I Centre of Excellence and drive change. So far they have amplified the voices of many of our minority groups, celebrated key cultural events and reviewed and relaunched key HR policies. The recent training all our leaders (including our Executive Committee) attended included a module on Race Allyship.

We are committed to change, and over the next 12 months are confident that we will accelerate our progress.

Setting targets
Our diversity commitments give us challenging internal targets that reflect our ambition to be more diverse and more inclusive. Our Executive Committee has individual and collective targets relating to the diversity of its functional leadership teams, alongside accountability to deliver the wider D&I commitments.

We continue to be very committed to the recommendations outlined by the Parker Review, particularly its target for all UK FTSE 100 businesses to meet the '1 by 21' target of at least one ethnically diverse member of the board by 2021 and the signalling of intent this brings to the wider business with regard to leadership representation.

Our two recent Board appointments, Fumbi Chima and Kal Atwal, are both highly talented individuals who bring valuable executive experience and expertise to our Board from March 2021. Following these appointments, the Board now fully meets the standards expected by the Hampton Alexander Review on gender and the McGregor Smith Review on ethnicity.

* 13% of colleagues who have chosen to enter their ethnicity data.

Succession planning

The Committee annually evaluates the balance of skills, experience, independence and knowledge on the Board, preparing a description of the role and capabilities required for a particular appointment. A matrix of the skills and competencies of the current Board is mapped against the skills and competencies the Committee believes will be required in the future. The process, which is also used when the Board is considering new appointments, of either executive or non-executive directors, along with the Board's policies and Diversity and Inclusion Commitments, listed opposite, help the Committee succession plan and develop a diverse pipeline.

Following the 2020 Board evaluation, one of the Committee's focuses for last year was to consider the Board's experience in relation to consumer marketing and technology. The appointment of Fumbi Chima and Kal Atwal brings an invaluable mix of skills to the Board, especially in the technology sector, digital transformation, marketing and general management which has been gained from working in a variety of businesses. They will add huge value to the Board.

We use external search consultants to engage and identify a number of candidates, ensuring equal representation, aligned with the role and capabilities required for the appointment. For the appointment of Fumbi and Kal, we partnered with Korn Ferry and Audeliss, both independent consultancies which have no other links to Whitbread or any directors.

Once a new director has been appointed, they receive a tailored induction which helps introduce them to the business. Following their appointment in March, Fumbi and Kal met with a variety of senior leaders across the business and intend to visit sites and meet team members post COVID-19.

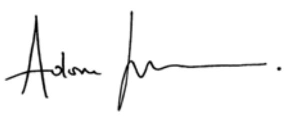
Further information on Fumbi and Kal's induction process can be found on page 77.

As part of our annual talent cycle, we review the long term succession plan for our Executive Committee as standard. In addition to this, we have robust emergency and medium term succession plans in place for all our Executive Committee. These have been revised this year as part of our COVID contingency planning and Senior Leadership succession planning.

Our approach to the annual re-election of directors

As required by the Code, all directors will be subject to re-election at the next annual general meeting (AGM). During the year, I completed the individual performance review of each non-executive director in respect of their contribution and time commitment to the Company. All directors are proposed for reappointment at this year's AGM.

Details setting out why each director is deemed to be suitable for reappointment, and how their contribution continues to be important to the Company's long-term success, will be included with the AGM papers circulated to all shareholders.



Adam Crozier
Chairman, Nomination Committee
26 April 2021

MAIN ACTIVITIES DURING THE YEAR

In 2020/21, the Committee's main activities have included:

- the appointment of Fumbi Chima and Kal Atwal;
- Board succession planning;
- HR strategy including diversity and inclusion;
- the re-election of directors at the 2020 annual general meeting; and
- a review of the Committee's effectiveness and its terms of reference.

Remuneration report

FRANK FISKERS
CHAIRMAN, REMUNERATION COMMITTEE

When I took over as Chairman of the Remuneration Committee in January 2020, none of us could have foreseen the challenges that lay ahead.

However, by the time I wrote my first letter to you in last year's Annual Report, we were firmly in the midst of the COVID-19 pandemic and already taking a number of remuneration-related actions in response.

These included steps such as:

- the directors waiving their May 2020 annual salary and fee reviews;
- the executive directors taking a temporary three-month 30% reduction in base salary;
- the Chairman and non-executive directors taking a temporary three-month 20% reduction in their base fees;
- annual incentive payments being settled wholly in shares; and
- a commitment not to adjust the pre-pandemic profit targets relating to the 2020/21 annual incentive and therefore to lapse this element of the opportunity.

Subsequently, the Committee has determined that no incentive payments will be made in 2021 to the executive directors in relation to the 2020/21 financial year.

The Committee also closely considered how the pay of the wider Whitbread workforce was being impacted during the crisis. In particular, whilst a number of team members had been placed on furlough during the year, the Company had topped up the pay of furloughed team members beyond the level that could be reclaimed under the UK Government's Coronavirus Job Retention Scheme.

A robust response

Since I last wrote to you, it has been quite a year. In one of the hardest hit sectors, the executive directors have played an outstanding role in taking decisive action throughout the pandemic to protect their teams, their guests and the continuity of the business. They have positioned the business to emerge strongly in a way that is expected to maximise long-term shareholder value. Since the start of the pandemic, Premier Inn has consistently grown market share. In addition, the team has delivered on its commitment to use rights issue proceeds for growth initiatives with the acquisition of 13 hotels in Germany and two in the UK. They have also continued to deliver on broader stakeholder concerns on the ESG agenda through the Force for Good programme. The executive directors' decisive action has been to the benefit of all stakeholders and further details of what has been delivered during the year can be found throughout the strategic report on pages 1 to 67.

Clearly, though, despite this outstanding response to the pandemic, much of Whitbread's business has had no option but to be closed for large parts of the year. We recognise the context in which our remuneration decisions are made. 2020/21 has been a challenging year for all our stakeholders and the payment of any variable pay must be considered in this light. We must also recognise that, in navigating well through this period, Whitbread has drawn on financial support from Government and our shareholders, and we remain intently focused on preserving the business's cash position. Taking this into account, no incentive payments will be made to the executive directors in 2021.

As a result of our decisions, the total remuneration received by the executive directors has fallen significantly when compared to the previous year, with each of the executive directors having a reduction in total remuneration of between 51% and 54% vs the prior year. This can be seen in the single total figure of remuneration table on page 98.

2020/21 annual incentives

As the targets for the 2020 incentive scheme had been established prior to the first COVID-19 lockdown coming into force, it was clear from early in the year that the 50% of the scheme relating to profit performance would not be payable in 2021 and I explained this in my report last year.

The remaining 50% of the incentive was assessed against an efficiency measure and individual strategic objectives. Although the restrictions on the business made the efficiency target more challenging, that element was achieved in full.

The Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. We therefore consider that the formulaic outcome under the 2020/21 annual incentive plan, with performance against these objectives resulting in overall outcomes of between 48.6% and 48.9% of maximum for the three executive directors, is a fair reflection of the personal performance delivered over the year. Further details can be found on pages 98 to 101.

To that end, and taking account of the context described above, the Committee has determined that the fairest outcome for all stakeholders is that no incentive payment should be made this year, but incentives which have been earned should be carried over to next year, at which point they may be awarded subject to continued strong performance in relation to the objectives for the year ahead. Making payment contingent on a two-year view of performance serves several purposes: it defers the payment of the cash portion of the bonus in the context of continued cash conservation; it creates a more retentive structure at a time when the executives have very little retention arising from long-term incentives; and it places a further incentive on the coming year as Whitbread seeks to optimise its recovery.

The underpin on this deferred element will require strong and sustainable performance against the executive directors' strategic objectives over the course of the coming year. For the underpin to be met satisfactory, performance must be delivered on at least 50% of each executive's objectives. These objectives will include managing the impacts of the COVID-19 pandemic, growing our rooms in the UK and Germany, delivering property cost savings, progressing technology development and maintaining overhead cost efficiency disciplines. These will all be clearly itemised with actual outcomes disclosed in the 2021/22 Annual Report in a similar way to pages 99 to 101 of this year's Annual Report. If the underpin is met, 50% of the award will be paid in cash at that point, and 50% will be deferred in shares vesting in March 2024, i.e. three years from when the award would have been paid under normal circumstances. If the underpin is not satisfied, the award will lapse in full. The entire award will be forfeited in the case of an executive director leaving the Company within the 12-month underpin period, except in exceptional circumstances and at the discretion of the Committee.

For our most senior leaders, the approach will mirror that for the executive directors, with no payments being made in 2021 and any future payment in relation to the 2020/21 financial year being subject to stretching performance criteria.

The Committee is driven by the principle of fairness across the organisation and was keen to ensure that team members around the country are rewarded for their effort and contribution during this difficult year. I am pleased therefore to say that team members at all levels, other than the most senior levels, will be receiving special recognition payments in May this year.

Rewarding delivery in 2021/22 and beyond

The Committee has also had to carefully consider how best to structure the Annual Incentive Scheme for 2021/22, as well as how to structure the underpins for the 2021 awards under the Restricted Share Plan.

It is vital that there is an incentive in place for 2021/22 that appropriately motivates the executives and rewards them for delivery of what is in their control, in the context of a unique environment and Government restrictions which significantly affect our operations. Recognising that there remains significant uncertainty because of the unpredictable external environment, the Committee has had to take a different approach to the setting of the profit target for the 2021/22 incentive. The profit target is sales adjusted enabling the executives to be rewarded for profit conversion and sales relative to the market. The strategic growth objectives and the efficiency target have been set in the usual way and more information can be found on pages 106 and 107.

The Committee believes this appropriately incentivises the executives to steer the Company through the present crisis and drive its recovery which aligns with the long-term interest of shareholders. Whilst it is expected that this will drive an incentive outcome that reflects overall Company performance, the Committee has the discretion to override the formulaic measure should it feel this is not the case. This approach has been taken to address the current uncertainty and the Committee would expect to revert to the usual approach next year.

We have also reviewed the underpins for the Restricted Share Plan for 2021 and discussed our ideas with major shareholders, who were supportive of setting underpins to reflect Whitbread's recovery plan. We have therefore elected to select two new underpins for the awards to be made in 2021. This is on the basis that the underpins used in the prior year were selected before the pandemic in November 2019 and are not considered appropriate for new awards to be made this year. One will be a three-year cumulative cost efficiency measure, while the other will be a balanced overall assessment of performance and delivery against strategic priorities. More details can be found on page 108.

We have not made any changes to the underpins for the 2020 RSP awards or any other in-flight awards but, as I explained in last year's report, we are concerned that the impact of the pandemic has put the 2020 RSP underpins beyond reach with significant consequences for motivation and retention. We therefore intend to evaluate performance in its full context at vesting. We will fully disclose any decisions that we take in this regard.

We believe that the combination of targets we have set appropriately incentivise the executives to deliver on the Company's objectives as we emerge from the pandemic.

Base salary and pensions

As stated above, all executive directors waived their entitlement to base salary increases in May 2020. For 2021 the Committee has awarded a 2% salary increase to each executive director, in line with the general increases in pay for salaried employees across the organisation.

The current plan for pension provision was well considered as part of the policy review in 2019 and in the context of other changes to the policy. As explained in last year's report, the Committee will review the executive directors' pension levels further at the end of the three-year policy period in 2022. The Committee continues to be committed to aligning the executive directors' pensions with the wider workforce who are all currently able to choose to pay a contribution of up to 10% matched by the Company.

We recognise that Whitbread regularly reviews the pay and benefits for the wider workforce. If, at the end of the policy period, the maximum contribution available to the wider workforce is no higher than 10%, then executive directors' pension levels will phase down to 10% over the period to May 2024.

Group HR Director

As announced previously, our current Group HR Director, Louise Smalley, will retire from the Board on 31 August 2021. You will see later in this report that the Committee elected to treat Louise as a 'good leaver' for share scheme purposes. All of the remuneration treatment agreed in relation to Louise's departure were in accordance with the approved policy. Her successor has been appointed, but the position will no longer be an executive director position.

A brighter future

With the announcement in February of the Government's roadmap to reopening society, I hope that we can all look forward to a brighter future. While we won't be able to meet in person at the AGM this June, I will be available to answer any questions you have at the interactive online meeting and very much hope that, by 2022, we will be meeting in London.

Frank Fiskers
Chairman, Remuneration Committee
26 April 2021

Remuneration at a glance

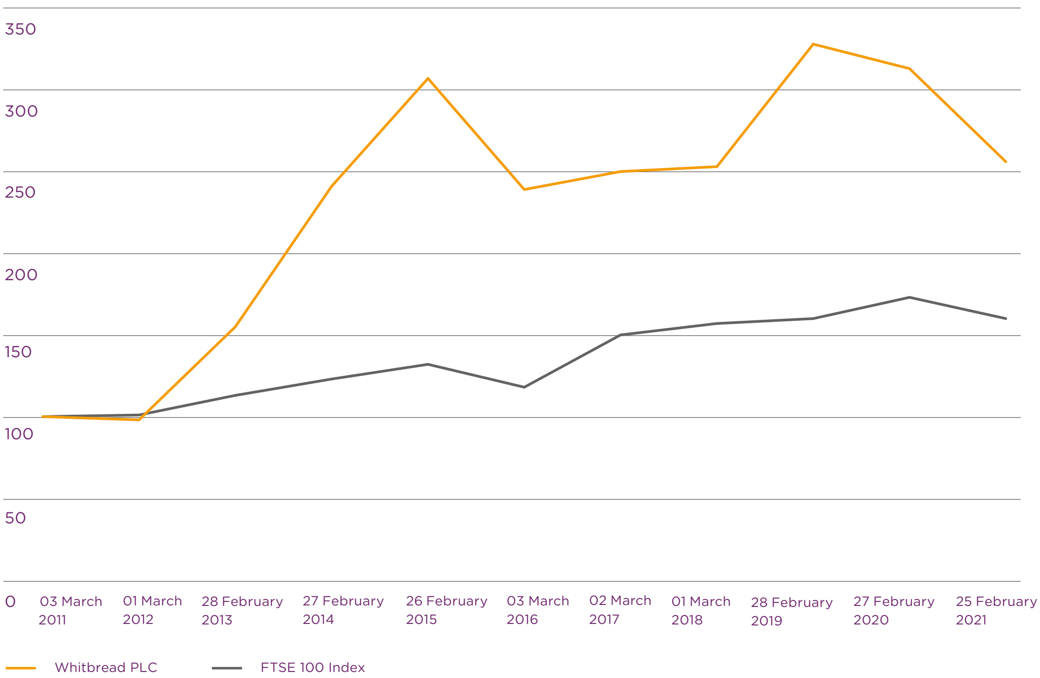
BUSINESS PERFORMANCE

FINANCIAL MEASURES

£635.1m
ADJUSTED LOSS BEFORE TAX[1]

£40m
EFFICIENCY SAVINGS

TOTAL SHAREHOLDER RETURN



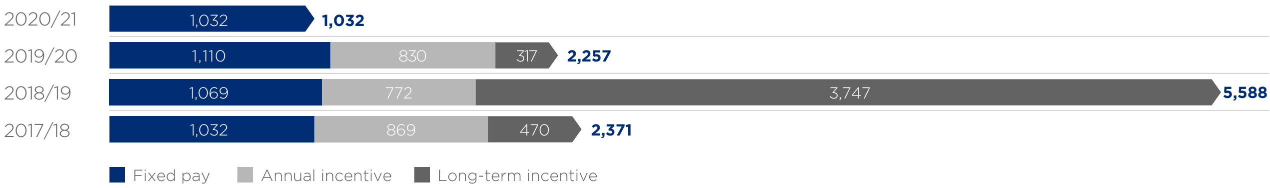
The chart looks at the value over ten years of £100 invested in Whitbread PLC on 3 March 2011 compared, on a consistent basis, with that of £100 invested in the FTSE 100 index based on 30 trading day average values. The FTSE 100 has been selected by the Committee as an appropriate comparator group due to Whitbread's position within the FTSE.

1 See pages 206 to 209 for definitions of alternative performance measures.

No long-term incentives were due to vest based on performance in 2020/21.

REMUNERATION OUTCOMES
TOTAL REMUNERATION (£'000)

ALISON BRITTAIN
CHIEF EXECUTIVE



SHARE OWNERSHIP

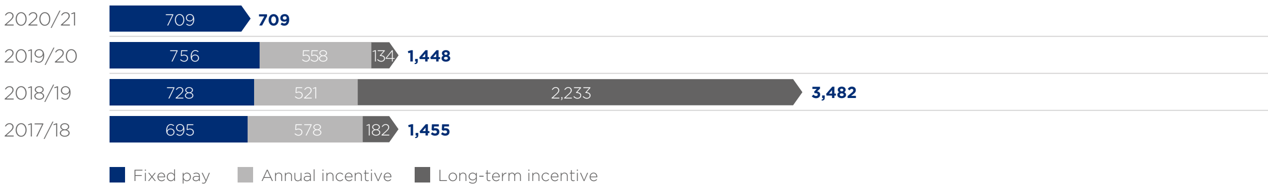
126,023 SHARES

57,092 VESTED, BUT UNEXERCISED, SHARE AWARDS

593 % OF SALARY

MEETING REQUIREMENT[1]

NICHOLAS CADBURY
GROUP FINANCE DIRECTOR



SHARE OWNERSHIP

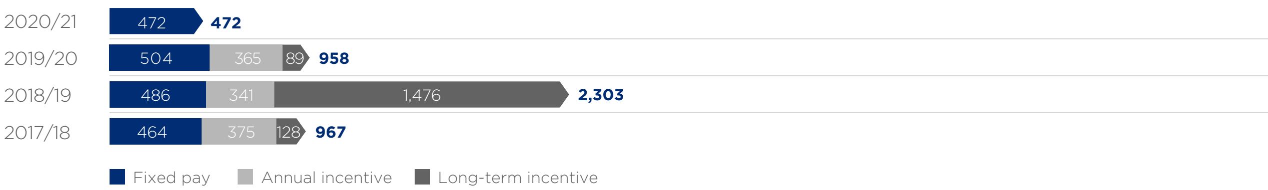
55,267 SHARES

33,920 VESTED, BUT UNEXERCISED, SHARE AWARDS

400 % OF SALARY

MEETING REQUIREMENT[1]

LOUISE SMALLEY
GROUP HR DIRECTOR



SHARE OWNERSHIP

59,344 SHARES

26,962 VESTED, BUT UNEXERCISED, SHARE AWARDS

663 % OF SALARY

MEETING REQUIREMENT[1]

1 Details of shareholding requirements can be found on pages 102 and 103.

Remuneration policy

The remuneration policy was approved by shareholders at a general meeting in December 2019 and can be found on the Company's website at www.whitbread.co.uk. A summary of the directors' remuneration policy is set out below.

Policy table

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Base salary	Base salaries are set to be sufficient to attract and retain the calibre of executive talent needed to support the long-term interests of the business.	Salaries are reviewed annually taking account of: › the salary review across the Group; › trading circumstances; › personal performance, including against agreed objectives; and › market data for an appropriate comparator group of companies.	› Annual salary increases would normally be in line with the average increases for employees in other appropriate parts of the Group. › On occasion, increases may be larger where the Committee considers this to be necessary. Circumstances where this may apply include growth into a role, to reflect a change in scope of role and responsibilities, where market conditions indicate a level of under-competitiveness and where the Committee judges that there is a risk in relation to attracting or retaining executive directors. › Where the Committee awards increases above the average for other employees, it will do so in accordance with policies applying across the Group and the resulting salary will not exceed the competitive market range.	None.
Benefits	› Benefits are intended to be competitive in the market so as to assist the recruitment and retention of executive directors.	› Executive directors are entitled to benefits relating to a car or car allowance and healthcare or personal insurance. › In exceptional circumstances, such as the relocation of a director, or for a new hire, additional benefits may be provided in the form of a relocation allowance and benefits including tax equalisation, reimbursement of expenses for temporary accommodation, travel and legal and/or financial assistance.	› We do not anticipate that the maximum payable would exceed 10% of salary. However, the Committee may provide benefits above this level in certain situations where it deems it necessary. This may include, for example, the appointment of a director based overseas or a significant increase in the cost of the benefits.	None.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual Incentive Scheme (AIS)	› To provide a direct link between annual performance and reward. › To incentivise the achievement of outstanding results across appropriate key stakeholder measures. › To align with the long-term interests of shareholders and help participants build a significant stake in the business over time, by awarding a material part of the annual incentive in deferred equity.	› Targets for measures set at the beginning of the financial year. › Cash awards paid following the end of the financial year. › Deferred share awards normally vest after three years, subject to continued employment. › Malus provisions apply to unvested deferred shares and clawback provisions apply to cash awards.	› Up to 200% of base salary (up to 50% of maximum paid in cash and the remainder is paid in deferred share awards). › The maximum bonus for 2021/22 for the current executive directors will be 170% of base salary. Any increase beyond this level in future years will only be applied in exceptional circumstances and will be at the discretion of the Committee.	› Awards are payable based on a mix of adjusted profit performance, business performance measures and growth objectives. Performance measures under each area are determined annually and the Committee is able to adjust the weighting of the areas annually based on prevailing business needs. However, the underlying profit performance will represent no less than 50% of the total award at any time. Other measures will be objective and, when possible, externally benchmarked leading indicators of future financial performance will be used. Normally around 25% of the maximum incentive is paid for threshold performance, with around 50% paid for on target performance and the full incentive payment being paid for delivering stretch performance. These vesting levels may vary from year to year. › The Committee may at its discretion adjust the outcome under the formulaic measures where it considers it is appropriate to do so to better reflect overall Company performance.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Restricted Share Plan (RSP)	› To enable the growth strategy in both the UK and Germany, which requires different strategies and approaches. › To promote long-term value creation rather than focusing on specific targets at a time when the executive directors need to balance investment and growth. › To retain executive directors throughout an important time for the business to deliver the growth strategy.	› The first grant will be made in Whitbread's 2020/21 financial year. › Awards normally vest after a period of at least three years, subject to one or more performance underpins and continued employment. › After vesting there will be an additional holding period during which vested shares cannot be sold, such that the combined underpin measurement period and holding period is at least five years. › Subject to clawback and malus provisions as set out below. › Dividend equivalents may be provided on vested awards during a holding period.	› Annual awards to a maximum of 125% of base salary in respect of each financial year. › The maximum grant for 2021/22 for the current executive directors will be 125% of base salary for the CEO and 110% of base salary for the FD. Any increase beyond this level for the FD will only be applied in exceptional circumstances and will be at the discretion of the Committee.	› Vesting will be subject to two or more performance underpins, which will be disclosed at or around the time of grant in the DRR. Where there are two underpins, if one of the underpins is not met, then up to 50% of the award will lapse. If both underpins are not met, then up to 100% of the award will lapse, subject to the overall discretion set out in the full policy. › The Committee may vary the underpins in future years in order to align with the Company's strategy, but will always include objective financial metrics, which will be disclosed prospectively at or around the time of grant, in the DRR. › It is anticipated that all performance underpins applicable to awards will be equally weighted, although the Committee retains the discretion to adjust the weighting of any underpins in future years. › In addition, the Committee will have general discretion to determine the most appropriate vesting levels if it believes this will better reflect the underlying financial performance of the Company over the period and such other factors as it may determine.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Sharesave scheme	To encourage long-term shareholding in the Company.	› Annual invitation to all employees, including the executive directors. › Option price calculated by reference to the market price discounted by 20% on the invitation date. › Options granted subject to participant agreeing to save over a three- and/or five-year period.	Consistent with prevailing HMRC limits, currently savings limited to £500 per month.	None.
Pension	Pension benefits are provided in order to offer a market competitive remuneration package that is sufficient to attract and retain executive talent.	› Executive directors are entitled to participate in the Company's pension scheme (or other pension arrangements relevant to their location if based overseas). › Defined contribution scheme. › Can elect for cash in lieu of pension contributions.	› 25% of base salary (maximum of 10% for new joiners although the actual level will be determined based on all relevant factors at the time of appointment, including having regard to the pension contribution rates available to the majority of the workforce). › Contribution rates of incumbent executive directors will phase down to 15% of base salary over three financial years, with the first reduction in May 2020 to 21.5%. At the end of the three-year policy period, the Committee will review the pension levels further.	None.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Chairman and non-executive director fees	To attract and retain a Chairman and non-executive directors of the highest calibre.	› The Chairman receives an annual fee and the non-executive directors receive a base fee, with additional fees for acting as the Senior Independent Director or for chairing, or being a member of, the Audit or Remuneration Committees or any other Board committee as may be constituted from time to time. › The Chairman and non-executive directors are entitled to claim all reasonable expenses, and the Company may settle any tax incurred, but do not receive any other fees or remuneration in connection with their roles at Whitbread.	The fees are reviewed annually by the Board (excluding the non-executive directors), taking into account a range of factors including the time commitment required of the directors, the responsibilities of the role and the fees paid by other similar companies.	None.

Annual report on remuneration

Remuneration Committee – membership

Name of director	Meetings attended and eligible to attend
Frank Fiskers (Chairman)	6/6
David Atkins	6/6
Adam Crozier	6/6
Richard Gillingwater	6/6
Deanna Oppenheimer[1]	4/4

1 Deanna stepped down from the Board at the end of December 2020 and therefore was no longer a Committee member for the further three meetings.

Remuneration Committee – responsibilities

- Set the broad policy for the remuneration of the Chairman and members of the Executive Committee, including the executive directors.
- Within the terms of the agreed policy, determine the total individual remuneration package (including incentive payments, share awards and other benefits) of the Chairman and each executive director.
- Monitor the structure and level of remuneration of Executive Committee members.
- Approve the design of, and determine the targets for, executive incentive schemes.
- Approve awards to be made to executive directors and other senior executives under incentive schemes.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the alignment of incentives with the Company's wider culture.
- Obtain ideas and concerns from the wider workforce about reward and take into account workforce remuneration across the Company and externally when setting remuneration policy for the executive directors.

In carrying out its duties the Committee has taken into account the principles outlined in the UK Corporate Governance Code 2018. The Committee believes that the Company's remuneration structures are aligned to the Company's culture and values. Furthermore, the Company's remuneration structures are simple and clear, with executive directors receiving base salary, an annual incentive and a long-term incentive under the RSP.

Risk is managed, with both the Annual Incentive Scheme and the RSP being subject to malus and clawback provisions. In addition, a poor health and safety performance would lead to a reduced payout under the Annual Incentive Scheme and the underpins under the RSP provide protection against any payment for failure.

Outcomes are predictable to the extent that the Company achieves its targets over any given performance period.

A significant proportion of an executive's total reward is linked to performance, with much of the reward achieved being deferred. This helps to align the interests of executives to investors.

Remuneration Committee – advisers

Internal advisers

Chris Vaughan – General Counsel and Secretary to the Committee
Steve Jones – Reward, Pensions and Insight Director

External advisers

PwC, one of the founding members of the Remuneration Consultants Group Code of Conduct, was appointed remuneration consultant by the Committee with effect from September 2017 following a rigorous tender process and adheres to this code in its dealings with the Committee. PwC also provides international tax advice to the Group. Fees paid to PwC in respect of advice received by the Committee amounted to £124,400. These fees were charged on a time and material basis.

The Committee is satisfied that the advice received is independent and objective. The Committee is comfortable that the PwC engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence.

Remuneration Committee agenda – 2020/21

- Approval of Annual Incentive Scheme and targets for 2020/21.
- Approval of awards of cash-replacement shares and deferred shares to executive directors under the Annual Incentive Scheme for 2019/20.
- Executive directors' salary review – no increases were awarded.
- Confirmation of the vesting percentage for the LTIP awards made in 2017 and vesting in 2020.
- Approval of the 2020 awards made under the RSP.
- Approval of the 2020 remuneration report.
- Various remuneration-related actions necessary in the light of the COVID-19 pandemic.
- Review of wider remuneration strategy across the organisation.
- Review of RSP underpins.
- Review of executive director pension arrangements.
- Committee effectiveness evaluation.
- Review of the terms of reference.

Single total figure of remuneration – executive directors (audited information)

	Base salary		Benefits		Pension		Fixed pay		Annual Incentive Scheme		LTIP[1]		Variable pay		Total	
Director	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000
Alison Brittain	**816**	871	**22**	21	**194**	218	**1,032**	1,110	**–**	830	**–**	317	**–**	1,147	**1,032**	2,257
Nicholas Cadbury	**556**	592	**22**	21	**131**	143	**709**	756	**–**	558	**–**	134	**–**	692	**709**	1,448
Louise Smalley	**367**	391	**19**	18	**86**	95	**472**	504	**–**	365	**–**	89	**–**	454	**472**	958

1 The awards vesting under the Long Term Incentive Plan on 21 May 2020 have been re-stated to show their value on the vesting date, based on a price of 2,114.3p per share. The value shown includes dividend equivalents. The awards were originally made in 2017 based on a share price of 3,822.2p per share, so none of the value shown for 2019/20 relates to share price appreciation.

Details of each of the elements included in the table above are as follows:

Base salary
Annual salary increases across the Group are usually effective from 1 May each year. However, the executive directors did not receive an increase in base salary in 2020 and agreed to a temporary 30% reduction in their base salaries for a three-month period in 2020 as part of our remuneration-related response to the pandemic.

Benefits
The benefits received by each executive director include family private healthcare and a cash allowance in lieu of a company car.

Annual Incentive Scheme
The Remuneration Committee recognises the exceptional performance shown by the executive directors in leading Whitbread through a very challenging year while positioning the Company to capture future growth. The Committee considers that the formulaic outcome under the 2020/21 annual incentive plan is a fair reflection of the personal performance delivered over the year.

At the same time, we recognise the context in which any decision to award a payment is made. 2020/21 has been a challenging year for all our stakeholders and the payment of any variable pay must be considered in this light. We must also recognise that in navigating well through this period, we have drawn on financial support from Government and our shareholders, and we remain intently focused on preserving the business's cash position.

To that end, the Committee has determined that the fairest outcome for all stakeholders is that no incentive payment should be made this year, but the incentives which have been earned should be carried over to next year, at which point it may be released subject to continued strong performance. Making payment contingent on a two-year view of performance serves several purposes: it defers the payment of the cash portion of the incentive in the context of continued cash conservation; it creates a more retentive structure at a time when our executives have very little retention coming from our long-term incentives; and it places a further incentive on the coming year as we seek to optimise our recovery.

Strong and sustainable performance against the executive directors' strategic objectives over the course of the coming year will be required for the awards to be made. These objectives will include managing the impacts of the COVID-19 pandemic, growing our rooms in the UK and Germany, delivering property cost savings, progressing technology development and maintaining overhead cost efficiency disciplines. Further information can be found on pages 88 and 89. These will all be clearly itemised with actual outcomes in the 2021/22 Annual Report. For the underpin to be met satisfactory, performance must be delivered on at least 50% of each executive's objectives. If the underpin is met, 50% of the award will vest in cash at that point, and 50% will be deferred in shares and vest in March 2024, in line with our normal deferral policy (i.e. three years from when the award would have been made under normal circumstances). If the underpin is not satisfied, the award will lapse in full. The entire award will be forfeited in the case of an executive director leaving the company within the 12-month underpin period, except in exceptional circumstances and at the discretion of the Remuneration Committee.

As a result, no incentive payment is shown in the table above for the 2020/21 financial year.

Team members across the organisation will receive special recognition payments in May 2021 to recognise their effort and contribution to Whitbread in such difficult circumstances.

Awards based on profit measure (50% of total award – maximum 85% of salary)
The profit target, which was agreed before the COVID-19 pandemic began, was set at £278.0m, with the threshold set at £250.2m and maximum payout due at £305.8m. This target was not met and, as a result, no payment is due under the Annual Incentive Scheme in relation to this element of the incentive.

Director	Total % of salary
Alison Brittain	**0.00**
2019/20	18.13
Nicholas Cadbury	**0.00**
2019/20	18.13
Louise Smalley	**0.00**
2019/20	18.13

Awards based on efficiency target (25% of total award)
Total efficiency savings of £40m were achieved in the year which was in line with the incentivised efficiency target for 2020/21 of £40m. This was achieved despite restrictions on the business caused by COVID-19 making the target more challenging. The savings achieved do not include any direct variable cost savings as a result of our reduced operations nor any benefit from Government support schemes. As a result, the awards to be made based on the efficiency target are as follows (the prior year comparison was a combination of WINcard and efficiency targets):

Director	Total % of salary
Alison Brittain	**42.50**
2019/20	44.59
Nicholas Cadbury	**42.50**
2019/20	44.59
Louise Smalley	**42.50**
2019/20	44.59

As explained on page 98, the payments outlined above are to be carried over until 2022 and are then only payable subject to the achievement of a number of strategic objectives during the 2021/22 financial year.

Awards based on business objectives (25% of total award)
Each of the executive directors had a number of business objectives and 25% of the maximum incentive opportunity was linked to performance against these objectives. A summary of each of the executive directors' objectives, together with the incentive outcomes, is shown in the table below.

Strategic growth objectives 2020/21 – outcomes

Alison Brittain, Chief Executive

Objectives	Measures	Actual outcome	Achievement per outcome
Group projects	Evaluate Group options for strategic growth and development	Completed and presented to the Board	✓
	Develop the property plan and assess strategic options to enhance shareholder value	Completed	✓
	Produce savings from UK property costs	Achieved, ahead of target	✓
	Complete the separation and delivery of key infrastructure for Costa and remove the TSAs	Completed as scheduled	✓
Manage the COVID-19 response: Financial	Maintain investor engagement, regular investor feedback to the Board across COVID-19 actions and strategic and defence themes	Completed	✓
	Develop and execute a deep cost and capital saving plan	Capital reduced by £200m	✓
	Prepare sale and leaseback options	Completed	✓
	Prepare cash and capital action plan ready for execution	£1bn rights issue completed, £550m Green Bonds issued, RCF extended and covenants waived	✓
	Active management and communication with banking partners, pension fund and investors	Completed	✓
Manage the COVID-19 response: Operational	Manage the operational impact at sites	Completed through multiple lockdown scenarios	✓
	Develop and implement new people policies to support hours and pay management along with staff welfare	Completed	✓
	Manage supply chain to ensure continuity of supply for essential goods and services	All essential supply protected and new PPE supply chain established	✓
Premier Inn UK	Develop commercial plans including new network channel	Completed, delivering revenue significantly ahead of the market	✓
	Develop clear plan for optimising the property network	Portfolio analysed	✓

Objectives	Measures	Actual outcome	Achievement per outcome
German growth	Integrate the Foremost Hospitality acquisition across all operations	Completed	✓
	Complete the rebranding of the Foremost Hospitality hotels and reopen	Completed	✓
	Manage the acom hotels and increase to three sites	Completed and increased to three sites with the addition of Stuttgart in October 2020	✓
	Deliver agreed technology and upgrade and remediation plan for Germany	Completed	✓
	Evaluate priority portfolio acquisition options	Evaluation completed with first acquisition, from Centro, completed	✓
	Open two organic sites plus one acom and one Foremost	Three organic sites opened in Essen, Hamburg and Leipzig in addition to 13 Centro Hotels and one Star Inn	✓
	Sign four organic sites to the pipeline	Five signed	✓
	Refurbish and rebrand acom sites to Premier Inn	Refurbishment delayed to conserve cash with Foremost hotels prioritised	✗
Total outcome		**Achieved 95.45% of maximum = 40.57% of salary**	

Nicholas Cadbury, Finance Director

Objectives	Measures	Actual outcome	Achievement per outcome
Group projects	Evaluate Group options for strategic growth and development	Completed and presented to the Board	✓
	Develop the property plan and assess strategic options to enhance shareholder value	Completed	✓
	Produce savings from UK property costs	Achieved, ahead of target	✓
	Complete the separation and delivery of key infrastructure for Costa and remove the TSAs	Completed as scheduled	✓
	Triennial pension agreement	In progress	✓
	Plans in place for execution of payment strategy in 2021	Completed in readiness for scheduled execution	✓
Manage the COVID-19 response: Financial	Develop and execute a deep cost and capital saving plan	Capital reduced by £200m and £40m discretionary costs removed	✓
	Prepare sale and leaseback options	Completed	✓
	Prepare cash and capital action plan ready for execution	£1bn rights issue completed, £550m Green Bonds issued, RCF extended and covenants waived	✓
	Active preparations and communication with banking partners, pension fund and investors	Completed	✓
Premier Inn UK	Develop commercial plans including new channel development	Completed, delivering revenue significantly ahead of the market	✓
	Optimise the property network	Portfolio analysed	✓
German growth	Integrate the Foremost Hospitality acquisition across all operations	Completed	✓
	Complete the rebranding of the Foremost Hospitality hotels and reopen	Completed	✓
	Integrate the acom hotels	Completed	✓
	Complete rebranding of acom sites and reopen	Refurbishment delayed to conserve cash with Foremost hotels prioritised	✗
	Evaluate priority portfolio acquisition options	Evaluation completed with first acquisition, from Centro, completed	✓
	Open two organic sites plus one acom and one Foremost	Three organic sites opened in Essen, Hamburg and Leipzig in addition to 13 Centro Hotels and one Star Inn	✓
Total outcome		**Achieved 94.44% of maximum = 40.14% of salary**	

Louise Smalley, Human Resources Director

Objectives	Measures	Actual outcome	Achievement per outcome
Group projects	Progress the work plan for maintaining labour supply post Brexit in the UK	Immediate implications of post-Brexit rules managed through but net impact of COVID-19 impact on labour supply vs net migration still TBD	✓
	Pay for Progression: Prioritise the most critical of the planned spend ahead of Brexit to mitigate the risk of talent shortages and apply best practice to Germany hotels on opening	Pay for Progression priorities accelerated through operations reorganisations	✓
	Diversity and Inclusion: Deliver year 1 priorities of the 3-year plan	Targets, networks, education and visible engagement plan	✓
	Complete the full separation and delivery of payroll admin for Costa, mitigating the cost of retained services	Completed as scheduled, achieving net reduction in stranded costs	✓
	Prepare people plan model for network optimisation	Completed	✓
Manage the COVID-19 response: Strategic	Develop and execute a deep overhead cost savings plan considering implications of the decisions in relation to team and guest service	Completed with Support Centre restructure achieving £17m savings	✓
Manage the COVID-19 response: Operational	Plan and execute the operational impacts at sites and Support Centre	Completed at significant scale and high volume sustained over multiple lockdowns. Furlough optimised	✓
	Develop and implement new people policies to support hours and pay management balancing welfare and engagement priorities	Completed	✓
	Plan for immediate ability to flex up as required as restrictions are lifted and execution of operations restructure to optimise site labour hours	Completed, ensuring minimal risk of repeat labour efficiency activity	✓
German growth	Deliver HR technology upgrade and mitigate risks ahead of that	Short-term upgrade plan completed. IT investment plan rephased to FY22 due to COVID-19	✓
	Establish overhead model, organisation structure and capabilities for the business post integration for 2021, prioritising key capabilities and cost	Completed restructure with re-prioritised future investment to critical roles	✓
	Integrate the Foremost Hospitality hotels	Completed	✓
	Integrate the acom and Centro hotels	Completed	✓
Total outcome		**Achieved 94.23% of maximum = 40.05% of salary**	

Total awards

The maximum potential award was 170% of salary and the total incentive earned is as follows:

Director	% of salary based on profit	% of salary based on efficiency target	% of salary based on strategic objectives	Total % of salary	Total £'000
Alison Brittain	**00.00**	**42.50**	**40.57**	**83.07**	**729**
2019/20					830
Nicholas Cadbury	**00.00**	**42.50**	**40.14**	**82.64**	**492**
2019/20					558
Louise Smalley	**00.00**	**42.50**	**40.05**	**82.55**	**325**
2019/20					365

The amounts shown above are not included in the single figure table on page 98. As explained on page 98, any payment of these awards has been carried over until 2022 and will then only be made subject to the achievement of strategic growth objectives during the 2021/22 financial year.

Long Term Incentive Plan
There was no LTIP award in 2018, therefore nothing was due to vest in 2021.

Pension
The percentage of salary or pension allowance received by the executive directors in pension contributions is shown in the table below.

Director	% of salary
Alison Brittain	21.50
Nicholas Cadbury	21.50
Louise Smalley	21.50

The executive directors receive a monthly amount in cash in lieu of pension contributions. This reduced from 25% for Alison Brittain and 24.17% for Nicholas Cadbury and Louise Smalley to 21.5% in May 2020. It will further reduce to 18% and 15% in May 2021 and 2022 respectively.

The current plan was well considered as part of the policy review in 2019 and in the context of other changes to the policy. As explained in last year's report, the Committee will review the executive directors' pension levels further at the end of the three-year policy period in 2022. The Committee continues to be committed to aligning the executive directors' pensions with the wider workforce who are all currently able to choose to pay a contribution of up to 10% matched by the Company.

The Committee recognises that Whitbread regularly reviews the pay and benefits for the wider workforce. If, at the end of the policy period, the maximum contribution available to the wider workforce is no higher than 10%, then executive directors' pension levels will phase down to 10% over the period to May 2024.

Single total figure of remuneration – Chairman and non-executive directors (audited information)

	Base fee		Senior Independent Director fee		Fee as Chairman of a Board Committee		Fee as a member of a Board Committee		Total	
Director	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000	20/21 £'000	19/20 £'000
Adam Crozier	380	400	–	–	–	–	–	–	380	400
David Atkins	58	61	–	–	–	–	10	10	68	71
Horst Baier	58	20	–	–	–	–	5	2	63	22[1]
Frank Fiskers	58	61	–	–	20	3	5	8	83	72
Richard Gillingwater	58	61	15	15	–	–	5	5	78	81
Chris Kennedy	58	61	–	–	20	20	–	–	78	81
Deanna Oppenheimer	48	61	–	–	–	16	4	1	52[1]	78
Susan Taylor Martin	58	61	–	–	–	–	5	5	63	66

1 Fees for part year. Deanna Oppenheimer stepped down from the Board on 31 December 2020 and Horst Baier joined the Board in November 2019.

Statement of directors' shareholding and share interests (audited information)
The Committee believes that the shareholding requirements for executives play an important role in the alignment of the interests of executives and shareholders and help to incentivise executives to deliver sustainable long-term performance.

When the new remuneration policy was approved in December 2019, we took the opportunity to bring our shareholding requirements for the executive directors in line with market practice. We increased the requirement for the Chief Executive from 200% of salary to 300% of salary and the requirement for the other executive directors from 125% of salary to 200% of salary. In addition, new post-cessation shareholding requirements have been introduced. These are subject to transitional arrangements for the current executive directors. We have also made changes to the method of calculation, with unexercised share awards no longer subject to performance testing being taken into account (adjusted for any deductions to be made at the point of exercise). All of the executive directors are in compliance with the requirement.

The Chairman and the non-executive directors are each required to build a holding to the value of 100% of their annual fee over a three-year period.

The table below shows the holdings of directors as at 25 February 2021:

Director	Counting towards requirement				Performance vs requirement			Share awards not counting towards requirement
	Ordinary shares	Share awards[1]	Value based on input price £'000	Value based on market price £'000	Requirement % of salary/ base fee	% of salary based on input price	% of salary based on market price	
Chairman								
Adam Crozier[2]	7,500	–	255	237	100	64	59	–
Executive directors								
Alison Brittain	126,023	57,092	5,197	4,936	300	593	563	46,297
Nicholas Cadbury	55,267	33,920	2,383	2,314	200	400	388	27,673
Louise Smalley	59,344	26,962	2,610	2,326	200	663	591	18,295
Non-executive directors								
David Atkins	2,137	–	67	67	100	109	110	–
Horst Baier	1,600	–	72	76	100	118	124	–
Frank Fiskers	2,115	–	63	67	100	104	109	–
Richard Gillingwater	2,000	–	70	63	100	114	103	–
Chris Kennedy	2,250	–	73	71	100	119	116	–
Deanna Oppenheimer[3]	1,600	–	66	51	100	108	83	–
Susan Taylor Martin	2,235	–	61	71	100	100	115	–

1 The market price used was the average for the last quarter of the financial year (3,158.6p). The number of share awards shown is the full number, but the valuation of those awards has been reduced to reflect deductions to be made at the point of exercise in respect of income tax and national insurance contributions. The awards include deferred shares awarded under the Annual Incentive Scheme and vested, but unexercised, awards under the Long Term Incentive Plan. All share awards a structured as nil-cost options on vesting.
2 Adam Crozier continues to build towards a 100% holding and intends to meet the requirement during the current financial year.
3 Deanna Oppenheimer stepped down from the Board on 31 December 2020, so the number of shares shown above reflect her holding at that date. Deanna actually held 6,400 ADRs in Whitbread PLC, each of which represent 0.25 of a Whitbread ordinary share.

With the exception of Deanna Oppenheimer, who was not entitled to participate due to her shares being held via ADRs, all of the directors fully participated in last year's rights issue. There has been no other change to the interests in the tables shown on this page between the end of the financial year and the date of this report.

Options exercised (audited information)

The following options were exercised by executive directors under the Company's share schemes during the year.

Director	Scheme	Number of shares	Exercise price	Exercise date	Market price on exercise (p)
Alison Brittain	LTIP	14,275	N/A	19-Jun-20	2,435.0
	AIS	10,596	N/A	19-Jun-20	2,435.0
	PSP	97,408	N/A	05-Feb-21	3,238.0
Nicholas Cadbury	LTIP	5,275	N/A	19-Jun-20	2,435.0
	AIS	7,132	N/A	22-Jun-20	2,385.0
	PSP	58,063	N/A	05-Feb-21	3,238.0
Louise Smalley	LTIP	3,699	N/A	19-Aug-20	2,328.0
	PSP	38,384	N/A	05-Feb-21	3,238.0

Key
AIS: Awards of deferred shares under the Annual Incentive Scheme as a result of performance in the 2019/20 financial year.
RSP: Awards made under the Restricted Share Plan.

Awards granted

No awards were granted during the year under the LTIP or PSP. During the year, awards were granted under the Annual Incentive Scheme and the Restricted Share Plan as follows:

Director	Scheme	Date of award	Number of shares	Market price (£)	Total value (£'000)
Alison Brittain	AIS	17.06.20	17,535	23.68	415
	RSP	17.06.20	46,297	23.68	1,096
Nicholas Cadbury	AIS	17.06.20	11,773	23.68	279
	RSP	17.06.20	27,673	23.68	655
Louise Smalley	AIS	17.06.20	7,704	23.68	182
	RSP	17.06.20	18,295	23.68	433

Key
AIS: Awards of deferred shares under the Annual Incentive Scheme as a result of performance in the 2019/20 financial year.
RSP: Awards made under the Restricted Share Plan.

Performance metrics

The deferred shares shown above made under the Annual Incentive Scheme have no further performance conditions and are due to vest in June 2023. At the point of vesting they will convert to nil-cost options with an 18-month exercise period.

The awards made under the Restricted Share Plan will vest in 2023, subject to two underpins being met. They will then be subject to a two-year holding period. The underpins were set as part of the directors' remuneration policy when it was approved in December 2019. The first underpin is that the Company's average lease-adjusted net debt to funds from operations leverage ration should be less than 4.5x. The second underpin is that Company's average return on capital for the UK business should be at least equal to the weighted cost of capital plus 1%. These underpins are based on a three-year measurement period ending at the end of the 2022/23 financial year and, if only one of the underpins is met, 50% of the awards will vest. No changes have been made to the underpins for these RSP awards but, as explained in last year's report, the Committee is concerned that the impact of the pandemic has put the 2020 RSP underpins beyond reach with significant consequences for motivation and retention. The Committee therefore intends to evaluate performance in its full context at vesting. We will fully disclose any decisions that we take in this regard.

Payments to past directors (audited information)

With the exception of regular pension payments and dividends on Whitbread shares and the exercise of share awards as permitted under the rules of the Annual Incentive Scheme, the LTIP and the Savings-related Share Option Scheme, no other payments were made during the year to past directors.

Remuneration terms for Louise Smalley's departure

In line with the approved remuneration policy, the Committee elected to apply 'good leaver' terms to Louise Smalley on her retirement from the Company. In accordance with the policy: unvested deferred share awards earned in respect of annual incentive schemes prior to 2020/21 will vest in full on their original vesting dates; the 2020 RSP award will vest on its original vesting date and will be pro-rated based on service during the performance period; and Louise will participate in the 2021/22 Annual Incentive Scheme with the award pro-rated for service in the year. Louise's award in respect of the 2020/21 Annual Incentive Scheme will be made next year, subject to the underpin being achieved, in line with the other executive directors. The terms do not include any pay in lieu of notice or eligibility to participate in the 2021 RSP. The post-employment shareholding requirements will apply.

Chief Executive's remuneration

Whitbread is in the hospitality business and has a large workforce of around 28,000 team members who are employed directly by the business and the majority being in hourly paid customer-facing roles in our hotels and restaurants. We have an aligned set of reward principles for all employees which includes a core principle to offer competitive pay rates at all levels reflecting our position as a leading organisation in the hospitality sector. This enables us to attract and retain the right talented people for our winning teams.

For our hourly paid team members, we benchmark other hospitality companies to ensure we are competitive when comparing pay with similar organisations and we operate an approach to pay which increases pay for skills progression with clear and transparent pay rates for each role that increase as new skills are developed. For our Chief Executive, we benchmark against the FTSE 100 (removing any non-comparative industries such as Financial Services, Oil & Gas and Natural Resources which include significantly higher levels of remuneration) and this allows us to have an appropriate comparison for this role in our sector.

As noted last year, the Chief Executive has a high level of variable pay which impacts the ratio, and for 2020/21 this has led to the median pay ratio reducing significantly from 143:1 to 53:1.

All three of the UK employee reference points compare our Chief Executive's remuneration with that of hourly paid team members in customer-facing roles in the operational outlets and again there is relatively limited difference in the outcomes as shown below. Given this, we believe the median pay ratio is consistent with the reward policies for our UK employees.

Whitbread has continued to use Option A to calculate its ratio, as the data required is readily available and this option provides the most accurate comparison as the figures are calculated on a like-for-like basis.

The table below shows how the total pay of the Chief Executive compares to our UK employees at the 25th, median and 75th percentile:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	Total pay (FTE):	£18,138	£18,970	£20,218
	Total pay & benefits (FTE):	£18,682	£19,539	£20,824
	Pay ratio (Option A):	55:1	53:1	50:1
2019/20	Pay ratio (Option A):	150:1	143:1	134:1

The figures were calculated on 15 February 2021 (the 'snapshot date') and use the single figure methodology (salary, benefits, annual incentive, LTIP, pension) and for the Chief Executive this is taken from the total single figure remuneration for 2020/21 on page 98 of £1,032m.

The following table shows the Chief Executive's pay over the last ten years, with details of the percentage of maximum paid out under the Annual Incentive Scheme and the LTIP vesting percentage for each year.

Year	Chief Executive	Single total figure of remuneration £'000	% of maximum annual incentive achieved	% of LTIP award vesting
2020/21	Alison Brittain	1,032	49.7[2]	N/A
2019/20	Alison Brittain	2,636	56.7	36.0
2018/19	Alison Brittain	5,588[1]	54.8	0.0
2017/18	Alison Brittain	2,336	64.1	38.3
2016/17	Alison Brittain	2,509	49.8	76.5
2015/16	Alison Brittain	634	38.8	N/A
	Andy Harrison	2,423	38.8	97.2
	Combined CEO remuneration for 2015/16	3,057	38.8	97.2
2014/15	Andy Harrison	4,554	86.8	100.0
2013/14	Andy Harrison	6,374	82.6	100.0
2012/13	Andy Harrison	3,432	74.9	89.8
2011/12	Andy Harrison	1,444	45.6	N/A

1 Includes £3.7m from the vesting of a one-off award under the PSP in relation to the sale of Costa. This award vested at 97.53% of maximum.
2 The % of maximum annual incentive achieved for the 2020/21 financial year has been deferred until 2022 and will only become payable in the event that Alison achieves further strategic objectives during the 2021/22 financial year.

Annual percentage change in remuneration
Whitbread PLC has no employees, but for information purposes, the Chief Executive's remuneration (including base salary, benefits and annual incentive payment) decreased by 51.3% in the year, compared with an increase of 5.1% for the Group's employees as a whole.

Comparison of executive remuneration policy with wider employee population
This section of the report describes each element of the executive remuneration package and explains the extent to which those elements are made available to the wider employee population. The Committee consulted with employees in relevant roles and took account of feedback from the Employee Forum (see page 46 for more details) when developing the directors' remuneration policy.

Base salary
All employees, including the executive directors, receive an annual review of base salary. Under normal circumstances the annual increase in salary for an executive director will be in the same range as the increase for employees across the Group.

Benefits
Approximately 430 employees across the Group are entitled to a company car or cash in lieu of a company car. The executive directors are no longer entitled to a company car under this scheme, but are entitled to receive cash in lieu of a car.

Approximately 1,600 employees are entitled to participate in the Group's private healthcare scheme, with 600 of these, including the executive directors, entitled to family cover.

All employees receive discounts on Company products, but the directors have waived their right to this benefit.

Whitbread's Sharesave scheme is a standard HMRC approved SAYE scheme. It is offered to all UK employees, including the executive directors, on equal terms.

Annual Incentive Scheme
Approximately 3,600 employees are eligible to take part in an annual incentive scheme linked to the achievement of profit and other targets. Approximately 80 senior leaders are given individual strategic objectives in addition to the profit and WINcard targets mentioned above. The maximum opportunity is dependent on the role.

Approximately 45 employees, including the executive directors, are entitled to participate in the Annual Incentive Scheme, with maximum payouts split between cash and deferred shares, ranging from 60% to 170% of salary.

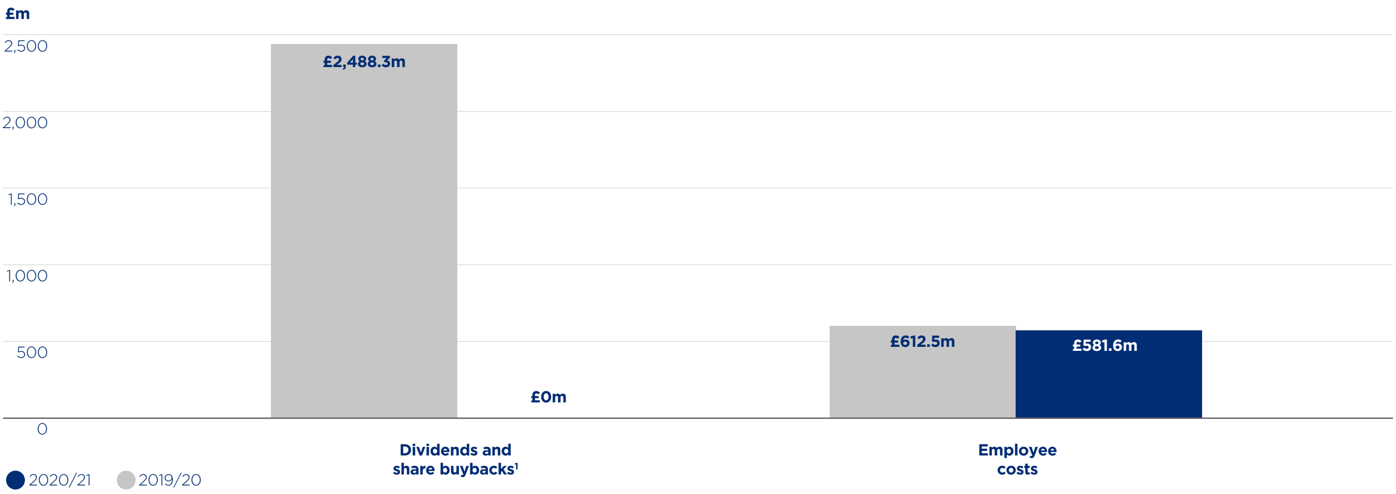
Restricted Share Plan
Approximately 45 employees, including the executive directors, participate in the Restricted Share Plan. This scheme is not available to the wider employee population, although the Sharesave scheme provides employees with a form of long-term incentive.

Pension
Like all employees, the executive directors are entitled to participate in the Company's pension scheme. The scheme is a defined contribution scheme. Employees below the executive level are able to choose a contribution rate of between 5% and 10% and have this matched by the Company. Employees who do not choose to participate may be automatically enrolled with contributions in line with the automatic enrolment regulations. Approximately 20 senior leaders, excluding the executive directors, receive between 10% and 20% of basic salary from the Company, which can be allocated to pension or taken as cash.

The policy for newly appointed executive directors is to provide a contribution of 10% of base salary that can be allocated to pension or taken as cash. The current executive directors receive a monthly amount in cash in lieu of pension contributions. This reduced from 25% for Alison Brittain and 24.17% for Nicholas Cadbury and Louise Smalley to 21.5% in May 2020. It will further reduce to 18% and 15% in May 2021 and 2022 respectively.

Relative importance of spend on pay

The graph below compares the change in total expenditure on employee pay during the year to the change in dividend payments and share buybacks.



1 The dividends and buybacks figure for 2019/20 includes the tender offer, which took place in July 2019.

Implementation of remuneration policy in 2021/22

Base salary
The executive directors waived their right to a salary review in 2020 due to the COVID-19 pandemic. They will each receive a 2% salary increase in May 2021 in line with the general increases in pay for salaried employees across the organisation. The base salaries of the executive directors with effect from 1 May 2021 will be as follows:

Director	**Base salary at 1 May 2021 £'000**	Base salary at 1 May 2020 £'000
Alison Brittain	**895**	877
Nicholas Cadbury	**608**	596
Louise Smalley	**402**	394

Benefits and pension
The benefits received by each executive director will continue to include family private healthcare, a cash allowance in lieu of a company car and cash allowances in lieu of pension.

Annual Incentive Scheme
To be eligible to receive incentive payments there are 'gateway' requirements relating to leadership behaviour. Any incentive payments will be at the discretion of the Remuneration Committee in the event that the health and safety score is red on the WINcard. The expectation is that our leaders' actions reflect Whitbread's values and code of conduct, including our approach to health and safety. Keeping our team and customers safe is not an incentive lever but a core responsibility that earns the right to achieve incentivised rewards. The Committee has the discretion to amend formulaic outcomes.

In the light of the impact of the COVID-19 pandemic on the business, and in particular the fact that many of the Company's hotels and restaurants are not currently operating, the Committee determined that WINcard team and customer measures will not be included within the incentivised framework for 2021/22. Instead, as it did for 2020/21, the Committee agreed that the 50% of the incentive not based on profit be allocated between efficiency and business objectives.

The measures and weightings for the 2021/22 annual incentive are therefore as follows:

Measure	Scope	Weighting
Profit performance	Group adjusted profit before tax	50%
Business objectives	See below	30%
Efficiency	Efficiency savings	20%

Financial measures
The targets of the two financial metrics, which make up 70% of the annual incentive, are considered by the Board to be commercially sensitive and, for that reason, are not disclosed in advance. The Committee intends to disclose the targets retrospectively in the 2021/22 report. As explained on page 89, recognising that there remains significant uncertainty because of the external environment, the profit target will be measured on a basis that adjusts for the level of actual sales. This enables the executives to be rewarded for delivery of what is in their control: profit conversion; and sales relative to the market, and eliminates the uncontrollable element of overall market demand, which will be driven largely by the lifting of restrictions on the hospitality sector. The profit measure will therefore be assessed in two parts. To assess profit conversion the first element measures the Whitbread profit against the expected profit given the actual Whitbread sales. Given the restrictions on trade during 2021/22 are uncertain this enables the profit target to be sales-adjusted and remain appropriate if restrictions are more/less onerous than expected.

To assess sales relative to market, the second element will measure Whitbread sales growth vs Market sales growth, using FY20 as a reference point, as a pre-COVID-19 reference point.

Business objectives
Each executive director also has business objectives linked to the Group's strategic priorities. They will be eligible to receive up to 30% of the maximum incentive opportunity based on the delivery of these objectives. Achievement of the approved objective outcomes has been aligned to a payment level that would be recognised as stretch performance. The objectives are quantifiable and linked to the business plan and future financial performance.

The table below shows a summary of the individual strategic growth objectives for each of the executive directors, together with details on which of the three strategic priorities (see pages 18 and 19) each objective is linked to:

Objectives	Strategic priority
Alison Brittain	
Manage the impacts of the pandemic, to include financing options, health and safety, reopening plans, cost efficiencies and the launch of a new brand marketing campaign	**1,2,3**
Premier Inn growth and optimisation, to include the opening of new hotels, the refurbishment of existing hotels, the addition of new sites to the pipeline and the continuation of new product trials such as Premier Plus rooms	**1**
Growth of the German business, integration of acquired hotels and delivery of the commercial strategy	**2**
Group projects to include a full technical review of all commercial and data systems and a number of ESG matters such as accelerated carbon reduction targets and progress on diversity and inclusion	**1,2,3**
Nicholas Cadbury	
Growth of Premier Inn in the UK and management of the discretionary cost base as the business reopens	**1**
Growth of the German business to include a review of the market for appropriate mergers and acquisitions (M&A) opportunities and a review of the operational cost model in order to maximise long-term margin opportunities	**2**
Capital structure and capital allocation projects, to include the finalisation of the pension triennial review and embedding the Green Bond framework into the Company's capital discipline	**3**
Property optimisation to include an update to the UK network plan and the delivery of property cost savings	**1**
Group projects including the delivery of a secure payments system programme in the UK and Germany	**3**
Louise Smalley	
Growth and optimisation to include plans for the post-pandemic operation of the Support Centres in the UK and Germany, the maintenance of overhead cost efficiency discipline and the development of a training and communications programme to reboot sites on reopening to accelerate recovery	**1,2**
Simplification, savings and service through technology, to include a review of the HR core IT platform for the UK and Germany.	**3**
Creating the conditions to attract and hire diverse talent, to include the production of an ethnicity pay gap report and the launch of the Gender Network	**3**

The strategic growth objectives have been designed to incentivise the executive directors to steer the Group through the current crisis, both operationally and financially, and to put it in a strong position to meet its strategic priorities as we reopen.

Cash awards will be made in May 2022, with deferred equity issued in April or May 2022 and due to vest in 2025, with no further performance conditions applying.

Restricted Share Plan

It is anticipated that the executive directors will receive awards under the RSP in May 2021. These will be based on 125% of salary for Alison Brittain and 110% of salary for Nicholas Cadbury. Louise Smalley will be retiring on 31 August 2021 and, as such, will not be eligible to receive an RSP award.

The awards will be subject to two underpins and, subject to these underpins being met, are expected to vest in 2024, after which they will be subject to a two-year holding period.

The first of the underpins will be a balanced overall assessment of performance and delivery against strategic priorities. The Committee will determine whether the underpin has been met based on the Group's underlying performance and delivery against its strategic priorities over the performance period that will drive long-term shareholder value. In doing so, the Committee will take into account factors it considers to be appropriate in the round. Such factors may include the Group's financial performance, balance sheet strength, market share, response to the COVID-19 pandemic and recovery of shareholder value and performance against environmental, social and governance priorities. The default should be that the underpin will be met in the absence of clear evidence of management failure or significant underperformance. If there is evidence of clear management failure or significant underperformance, the underpin will not be met.

The second underpin will be a cumulative cost efficiency saving of £60m over the three-year performance period.

In setting this underpin, the Committee is conscious that the environment remains highly unpredictable. Under the plan rules and approved policy, the Committee may amend an underpin if it is no longer suitable, so long as the new condition is not materially easier or more difficult to achieve than when the award was initially granted. It would be our intention to monitor changes in the external environment and their effect on this underpin, and to consider adjustment if the Committee judges that the underpin is no longer operating as intended.

Chairman's fee

Adam Crozier's fee as Chairman was set at £400,000 when he was appointed to the position in March 2018, with the fee to be reviewed annually. Adam indicated that he did not wish to receive an increase in 2019 and, due to the COVID-19 pandemic, again waived his right to an increase in 2020 as well as agreeing to a temporary 20% reduction in his fee. The Chairman received a 2% increase in his fee with effect from 1 March 2021, taking his annual fee to £408,000.

Non-executive director fees

The base annual fee for non-executive directors increased on 1 March 2021 by 2% to £62,425. The fees for the chairmanship of the Audit Committee and the Remuneration Committee are unchanged at £20,000. The fee for the Senior Independent Director remains at £15,000 and the fees for membership of the Audit and Remuneration Committees are unchanged at £5,000.

Statement of shareholder voting

The current remuneration policy was put to shareholders for approval at a general meeting in December 2019 and, at the annual general meeting in 2020, the advisory resolution to approve the annual report on remuneration was put to shareholders. Both resolutions were passed.

The voting results were as follows:

Resolution	For	Against	Total	Withheld
Remuneration policy	64,495,817 (70.5%)	27,038,317 (29.5%)	91,534,134	178,635
Annual report on remuneration	107,891,324 (83.2%)	21,786,928 (16.8%)	129,678,252	12,389,877

Directors' report

Certain information required for disclosure in this report is provided in other appropriate sections of the Annual Report and Accounts. These include the corporate governance and remuneration reports and the Group financial statements and notes to those financial statements, and accordingly these are incorporated into the report by reference.

The directors present their Report and Accounts for the year ended 25 February 2021.

Results and dividends

Group adjusted loss before tax	£635m
Group loss before tax	£1,007m
Interim dividend paid on	00.00p
Total dividend for the year	00.00p

Details on the Group's dividend policy can be found on page 38 in the Group Finance Director's review.

In light of the covenant waivers and the impact of the COVID-19 pandemic, the Board has decided not to declare dividends for 2021.

THE BOARD

Board of Directors

The directors at the date of this report are listed on pages 72 and 73. Director changes throughout the year are shown on page 77 of the corporate governance report.

Details of directors' training are given in the corporate governance report on page 77.

Directors' service contracts

The key terms of the executive directors' service contracts are as follows:

- notice period – six months by the director and 12 months by the Company;
- termination payment – details of the termination policy are set out in our remuneration policy, which can be found on the Company's website (www.whitbread.co.uk);
- sickness – full salary for a maximum of 12 months in any three-year period or for a maximum of nine consecutive months; and
- non-compete – for six months after leaving.

The dates of the executive directors' service contracts are as follows:

- Alison Brittain: 21 May 2015
- Nicholas Cadbury: 3 September 2012
- Louise Smalley: 25 October 2012

Non-executive directors are appointed by letters of appointment and are subject to annual re-election.

Powers of directors

The business of the Company is managed by the directors who may exercise all the powers of the Company, subject to the Company's articles of association, any relevant legislation and any directions given by the Company by passing a special resolution at a general meeting. In particular, the directors may exercise all the powers of the Company to borrow money, issue shares, appoint and remove directors and recommend and declare dividends.

Appointment and replacement of directors

Directors shall be no fewer than two and no more than 20 in number. Directors may be appointed by the Company, by ordinary resolution or by the Board of Directors.

In accordance with the UK Corporate Governance Code 2018 (the 'Code') all directors will stand for annual re-election at each AGM.

The Company may, by special resolution, remove any director before the expiration of his/her term of office.

Directors automatically stop being directors if:

- they give the Company a written notice of resignation (at the date such notice expires);
- they give the Company a written notice in which they offer to resign and the other directors decide to accept the offer;
- all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- they are or have been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;

- they have missed directors' meetings (whether or not an alternate director appointed attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- a bankruptcy order is made against them or they make any arrangement or composition with their creditors generally;
- they are prohibited from being a director under any applicable legislation; or
- they cease to be a director under any applicable legislation or are removed from office under the Company's articles of association.

Directors' indemnity
A qualifying third-party indemnity provision was in force for the benefit of the directors during the financial year. In addition, a qualifying pension scheme indemnity provision was in force for the benefit of Whitbread Pension Trustees during the financial year.

Compensation for loss of office
There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid.

Directors' share interests
Details regarding the share interests of the directors in the share capital of the Company, including with respect to options to acquire ordinary shares, are set out in the remuneration report on pages 103.

SHARES

Share capital
Details of the issued share capital can be found in Note 27 to the accounts.

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives to attend general meetings and to exercise voting rights. Holders of ordinary shares may receive a dividend and, on a liquidation, may share in the assets of the Company. Holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at AGMs.

Voting rights
On a show of hands at a general meeting of the Company, every holder of ordinary shares present, in person or by proxy, and entitled to vote, has one vote (unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution) and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Voting rights for any ordinary shares held in treasury are suspended. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's registrars not later than (i) 48 hours before a meeting or adjourned meeting (excluding non-working days), or (ii) 24 hours before a poll is taken, if the poll is not taken on the same day as the meeting or adjourned meeting.

Unless the directors decide otherwise, a shareholder cannot attend or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he or she has not paid all amounts relating to those shares which are due at the time of the meeting.

Where a shareholder with at least a 0.25% interest in a class of shares has been served with a disclosure notice in relation to a particular holding of shares and has failed to provide the Company with information concerning those shares, those shares will no longer give that shareholder any right to vote at a shareholders' meeting.

Restrictions on transfer of shares
There are the following restrictions on the transfer of shares in the Company:

- certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws);
- pursuant to the Company's share dealing code, the directors and senior executives of the Company require approval to deal in the Company's shares;
- where a person with at least a 0.25% interest in a class of shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares;
- the subscriber ordinary shares may not be transferred without the prior written consent of the directors;
- the directors can, without giving any reason, refuse to register the transfer of any shares which are not fully paid;
- transfers cannot be in favour of more than four joint holders; and
- the directors can refuse to register the transfer of an uncertificated share in the circumstances set out in the uncertificated securities rules (as defined in the Company's articles of association).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

B shares and C shares
Holders of B shares and C shares are entitled to receive an annual non-cumulative preferential dividend calculated at a rate of 75% of six month LIBOR on a value of 155 pence per B share and 159 pence per C share respectively, but are not entitled to any further right of participation in the profits of the Company. They are also entitled to payment of 155 pence per B share and 159 pence per C share respectively on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis).

Except in limited circumstances, the holders of the B shares and C shares are not entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

Both B and C shares represent significantly less than 0.01% of the total share capital.

Purchase of own shares

The Company is authorised to purchase its own shares in the market. Approval to renew this authority will be sought from the shareholders at the 2021 AGM. The Company did not purchase and of its own shares during the year. At 25 February 2021 12.5 million shares were held as treasury shares (27 February 2020: 12.5 million).

Employee share schemes

Whitbread does not have any employee share schemes with shares which have rights with regard to the control of the Company that are not exercisable directly by the employees.

Major interests

As at the end of the financial year, the Company had received formal notification, under the Disclosure and Transparency Rules, of the following material holdings in its shares (the percentages shown are the percentages at the time of the disclosure and have not been re-calculated based on the issued share capital at the year-end):

	Number of shares	% of issued share capital[1]
Aberdeen Asset Management	9,155,869	4.99%
BlackRock, inc	9,105,321	6.76%
Longview Partners	9,046,346	4.48%
MFS Investment Management	8,855,756	4.82%
Vulcan Value Partners LLC	6,698,606	4.98%

1 The % of issued share capital is taken from the date of the relevant notification and changes to the voting rights since that date can cause higher numbers of shares to have lower percentages and vice versa.

No changes to the above have been disclosed to the Company in accordance with Rule 5 of the Disclosure and Transparency Rules between the end of the financial year and 26 April 2021.

ADDITIONAL DISCLOSURES

Share capital

The table below sets out the location of information required to be disclosed in the directors' report (in accordance with Listing Rule 9.8.4R, and otherwise) which can be found in other sections of this Annual Report and Accounts and is incorporated by reference:

Item	Section
An indication of likely future developments in the business	Strategic report, pages 1 to 67
Financial risk management objectives and policies	Financial statements, Note 24
Research and development	N/A
Existence of branches	N/A
Post balance sheet events	Financial statements, Note 34
Stakeholder and employee engagement	Stakeholder engagement, pages 56 and 57
Conflicts of interest	Corporate governance report, page 78
Statement of capitalised interest	Financial statements, Note 14
Long-term incentive schemes	Remuneration report, pages 94, 102 and 108

Details on Whitbread's compliance with Disclosure Guidance and Transparency Rules 7.2 can be found on this page.

MANDATORY GREENHOUSE GAS REPORTING

In order to comply with the requirements of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have amended our environmental reporting accordingly.

We have considered the six main GHGs and report in CO_2e for our scope 1 (direct) and scope 2 (indirect) CO_2 emissions. We have used the GHG Protocol Corporate Accounting and Reporting Standard methodology to calculate our emissions as well as DEFRA and International Energy Standards GHG Conversion Factors for Company Reporting.

Limited independent assurance has been carried out on selected environmental and sustainability performance data against DEFRA Environmental Reporting Guidelines, the GHG Protocol Corporate Accounting and Reporting Standard and the GRI Principles for defining report quality. This assurance report can be found on the company website.

Scope 1 includes emissions from the fuels we use in our hotels, restaurants and offices such as natural gas and liquid petroleum gas. It also includes CO_2e from business owned vehicles which includes company cars and food logistics vehicles as we own the lease arrangements. CO_2e from company cars is calculated using the manufacturers stated performance multiplied by an uplift stated in the DEFRA standards methodology paper.

Scope 2 relates to the indirect emissions associated with the generation of the electricity consumed in our sites including district heating.

Source of emissions	Scope	2020/21 UK	2020/21 Rest of the world	2020/21 Total	2019/20 UK	2019/20 Rest of the world	2019/20 Total	Total % change
Gas (T CO_2e)	Scope 1	35,954	590	**36,544**	54,575	112	54,687	-33.2%
LPG (T CO_2e)	Scope 1	2,594	0	**2,594**	2,821	0	2,821	-8.0%
Fuel oil (T CO_2e)	Scope 1	0	0	**0**	0	0	0	0.0%
F-gas (T CO_2e)	Scope 1	3,921	0	**3,921**	5,963	15	5,978	-34.4%
Business travel (T CO_2e)	Scope 1	3,110	85	**3,195**	6,647	38	6,685	-52.2%
Electricity and district heating (location based) (T CO_2e)	Scope 2	51,509	3,483	**54,992**	84,621	1,195	85,816	-35.9%
Electricity and district heating (market based) (T CO_2e)	Scope 2	2,711	2,114	**4,825**	5,110	1,984	7,094	-32.0%
Gross emissions (location based)		97,088	4,157	**101,245**	154,627	1,360	155,986	-35.1%
Gross emissions (market based)		48,290	2,789	**51,079**	75,116	2,149	77,264	-33.9%
Floor area (m^2)		2,516,989	68,821	**2,585,810**	2,499,376	19,252	2,518,628	2.7%
Tonnes carbon per m^2 floor area (location based)				**0.0392**			0.0619	**-36.8%**
Tonnes carbon per m^2 floor area (market based)				**0.0198**			0.0307	-35.6%
Gas (kWh)		195,542,009	3,205,701	**198,747,710**	296,844,457	607,835	297,452,291	-33.2%
LPG (kWh)		11,263,465	0	**11,263,465**	13,115,428	0	13,115,428	-14.1%
Fuel oil (kWh)		0	0	**0**	0	0	0	0.0%
Business travel (kWh)		12,237,601	333,754	**12,571,355**	25,547,455	146,149	25,693,604	-51.1%
Electricity, district heating and EV charging (kWh)		220,932,960	13,272,101	**234,205,061**	331,067,531	3,847,653	334,915,184	-30.1%
Self-generated electricity via solar PV (kWh)		4,406,461	0	**4,406,461**	3,652,758	0	3,652,758	20.6%
Total (kWh)		444,382,496	16,811,556	**461,194,052**	670,227,629	4,601,637	674,829,265	-31.7%

When defining the scope of our data we do not report on operations under Joint Venture agreements, or are fully franchised, where we do not have operational control such as Premier Inn (UAE). For reasons of materiality, small, one man, offices in Australasia and the Far East have been excluded. All other sites throughout the world are included.

Where possible we have reported billed or AMR data. For those operations which are currently beyond our reporting capabilities, we have used an estimation model based on historic budgeted or billed usage.

In 2020/21 we have continued our strong track record on the energy efficiency of our estate, with a focus around utilising our remote BMS control to allow us to achieve reductions without the need to visit sites. Through this control we reduced the runtime of assets in unoccupied sites, saving energy whilst also extending the lifecycle of the assets. In addition, we utilised our energy management software throughout the year during both trading and non-trading periods to monitor and target sites to optimise energy consumption.

We have continued to trial cutting edge technologies that will form the investment programmes of future years. For example, we have installed smart controllers to improve the efficiency of our space heating and cooling, and air source heat pumps for efficient hot water generation to reduce carbon. We continue to work with suppliers and technical experts across a range of technologies to develop our options for investment in sustainability that also have good paybacks to support the business.

Environmental policies
Whitbread businesses depend upon the environment to operate hotels and restaurants through the energy we use and the services and products we provide to our customers. Our main environmental impacts are from the use of natural resources, water consumption and generation of residual waste and from GHG emissions associated with energy and fuel use.

Whitbread's strategic drive is provided by the corporate responsibility Force for Good programme which includes energy, water and waste reduction activities. We are committed to minimising our impact on the environment, preventing pollution and promoting good environmental practices. Further details can be found on pages 48 to 55.

ADDITIONAL INFORMATION

Stakeholder engagement
Information on how the directors engage with Whitbread's different stakeholders, including shareholders, employees and customers, and on how directors have regard to stakeholders' interests and the need to foster stakeholder relationships when making decisions can be found in the stakeholder engagement section on pages 56 and 57.

Employment policies
Whitbread has a range of employment policies covering such issues as diversity, employee wellbeing and equal opportunities.

The Company takes its responsibilities to the disabled 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 or for any other reason. Fair and full 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 help with rehabilitation and training.

Employee involvement

The importance of good relations and communications with employees is fundamental to the continued success of our business. Each of the Group's operating businesses maintains employee relations and consults employees as appropriate to its own particular needs. In addition, our employee opinion survey, YourSay, is conducted to provide insight into the views of employees.

Our employees are actively encouraged to take part in our Sharesave scheme, which is available to all employees and offers an option price discounted by 20%.

An Employee Forum has been established to ensure that the views of the workforce are properly represented. More details can be found on page 46.

Regular internal communications are made to all employees to ensure that they are kept well informed of the performance of the Group and of financial and economic factors that may affect the Company's performance.

Further information on employee involvement can be found on page 46.

Amendment of the Company's articles of association

Any amendments to the articles of association of the Company may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Significant agreements

The Company's facility, bond and private placement loan notes agreements, details of which can be found in Note 20 to the accounts, contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company.

Contractual arrangements

The Group has contractual arrangements with numerous third parties in support of its business activities, none of which are considered individually to be essential to its business and, accordingly, it has not been considered necessary for an understanding of the development, performance or position of the Group's business to disclose information about any of those third parties.

Post balance sheet events

Information on post balance sheet events is provided in Note 34 to the accounts.

Political donations

The Company has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor of the Company and a resolution proposing its reappointment will be put to shareholders at the 2021 AGM.

After proper consideration, the Audit Committee is satisfied that Deloitte LLP continues to be objective and independent of the Company. In coming to this conclusion, the Audit Committee gave full consideration to any non-audit work carried out by Deloitte LLP, and has concluded that certain services will not be carried out by Deloitte LLP, as outlined in the Committee's terms of reference.

Disclosure of information to auditor

The directors have taken all reasonable steps to make themselves aware of relevant audit information and to ensure that the auditor is aware of that information. The directors are not aware of any relevant audit information which has not been disclosed to the auditor.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 67. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out in the Group Finance Director's review on pages 36 to 41.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies (Note 24) and on financial instruments (Note 25).

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.

The viability statement can be found on page 67.

Annual general meeting

The AGM will be held at 2:00pm on 17 June 2021 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. The Notice of Meeting is enclosed with this report for shareholders receiving hard copy documents and is available at www.whitbread.co.uk for those who have elected to receive documents electronically. Due to the exceptional circumstances of the COVID-19 pandemic, it is currently anticipated that shareholders will not be able to attend the meeting. The meeting will be held via webcast and shareholders will be able to fully participate in the meeting by both asking questions and voting remotely in real time. In the event that Government restrictions change after the Notice of Meeting is mailed to shareholders, we will announce any changes to the arrangements via the Regulatory News Service and our website.

Approved by the Board on 26 April 2021 and signed.

Chris Vaughan
General Counsel and Company Secretary

Registered Office:
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE
Registered company number: 04120344

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS Standards) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

› properly select and apply accounting policies;

› present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

› provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

› make an assessment of the Group's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

This responsibility statement was approved by the Board of Directors on 26 April 2021 and is signed on its behalf by:

Alison Brittain
Chief Executive

Nicholas Cadbury
Group Finance Director

Independent auditor's report to the members of Whitbread plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Whitbread 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 25 February 2021 and of the Group's loss for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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";
- 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 35, including the accounting policies; and
- the related notes to the Parent Company financial statements 1 to 9.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: › Going concern; › Impairment of property, plant and equipment and right-of-use assets. › Impairment of goodwill relating to the Germany cash generating unit; and › Presentation and valuation of the UK Coronavirus Job Retention Scheme claims. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £16.0 million (2020: £16.9 million) which was determined on the basis of 0.42% of net assets. In the prior year, we determined materiality on the basis of 5% of adjusted profit before tax. We changed the basis year on year, and determined a lower materiality overall, in order to reflect the impact of COVID-19 on the Group.
Scoping	We focused our Group audit scope primarily on all significant trading entities at Premier Inn in the UK and the Group head office. These locations represent the principal business units and account for 98% of the Group's revenues, 93% of the Group's loss before tax and 87% of the Group's net assets.
Significant changes in our approach	As noted above, we changed the basis for determining materiality compared to the prior year. Our 2020/21 report includes two new key audit matters as set out below: › Impairment of goodwill relating to the Germany cash generating unit; and › Presentation and valuation of the UK Coronavirus Job Retention Scheme claims. We no longer report the following as key audit matters: › IFRS 16 *Leases: Discount rate methodology* – this matter was specific to the transition to IFRS 16 in the prior period and the material balances that were recognised at that time. › *Share buy-back and tender offer* – the audit procedures were not required in the current period as no such transactions have occurred. We have performed specified audit procedures on significant balances in the Germany operating segment due to its growth in the period, following the acquisition of Foremost Hospitality Hiex GmbH and the 13 hotels from Centro Hotel Group.

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 is discussed in section 5.1.

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.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

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

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

5.1. Going concern

Key audit matter description	As stated in Note 2 to the financial statements, the directors' Report on page 113 and the Audit Committee report on page 82, the consolidated financial statements have been prepared on the going concern basis. The Board of directors has concluded that there are no material uncertainties which may cast significant doubt over the Group's and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements. At 25 February 2021, the Group had cash and cash equivalents of £1,256 million and committed facilities of £2,233 million, of which £1,302.5 million had been drawn down. The impact of the COVID-19 pandemic has had a significant impact on the revenue, profits and cash flows of the business over the last financial year. The future financial performance of the Group is dependent on the wider market and its recovery from the pandemic. The current and ongoing restrictions in place to control the virus spreading has heightened uncertainty in the Group's assessment of these factors. The Group has taken a number of actions to reduce cash outflows and maintain liquidity including, but not limited to: the raising of £981 million through a rights issue; the issuance of £550 million of Green bonds; the extension of the Revolving Credit Facility ("RCF") to September 2023; and a number of cost reduction measures (as set out in Note 2). Subsequent to the year end, the Group has repaid £200 million of the US Private Placement ("USPP") Notes due to mature in 2027. Following the extension of the RCF, repayment (and planned repayment) of the USPPs, no covenants associated with these facilities are required to be measured within the going concern period of assessment. These have been replaced with temporary covenants, which require that net debt (excluding lease liabilities) must be less than £2 billion and liquidity headroom to available facilities must be greater than £400 million. The Group received covenant waivers associated with the defined benefit pension scheme in the prior year. These will be tested in March 2022, and so will be tested within the going concern period. As a result of this uncertainty, the Group has modelled three scenarios: › Base case – operations recover in line with the UK Government's four step road map; › Severe but plausible – slower-than-expected easing of restrictions and further national restrictions during winter FY22; and › Reverse stress test – assumes near-zero occupancy. Under the base case, the Group is not forecast to breach either the relaxed covenants related to the RCF (agreed as part of the waivers received in the prior year) or the pension covenant. However, under the severe but plausible scenario, the Group is forecast to breach the pension covenant to be tested in March 2022, which would require a further payment to the Group's pension scheme. There is judgement in assessing the valuation of this payment which is based upon the prevailing market conditions at the time of calculation. However, the Group has sufficient forecast liquidity to meet this additional requirement under the sensitivities modelled. Making this payment would remove any impact of a breach in the pension covenant and has no cross-default implications. The reverse stress test assumes an extension of the current lockdown restrictions, with hotels operating at near zero-occupancy. This shows that the Group would continue to have enough liquidity to meet its obligations as they become due, for a period well beyond what is considered reasonable when taking into account the past closure experience over the last 13 months. As at the date of this report, the global outlook as a result of COVID-19 remains uncertain and the range of potential outcomes is unknown. In particular, should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the directors, the Group's going concern assessment would be dependent on its ability to access additional liquidity. As a result of the ongoing impact of COVID-19 on the Group and the uncertainties in the wider market and road-map restriction, as well as the judgement surrounding the quantum of the pension payment, we identified a key audit matter related to going concern.

5.1. Going concern continued

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 relating to the Group's budgeting and forecasting process; › Reviewed and assessed the RCF extension and Green Bond issuance documentation and terms of the early repayment of the US private placements to understand the principal terms, related financial covenants and associated waivers; › Verified the mechanical accuracy of the models used to prepare the Group's forecasts; › In conjunction with our pension specialists, assessed the procedures performed and assumptions used by management's experts in estimating the pension payment, alongside the related legal documents; › Challenged, with reference to external data, recent performance and historic forecasting accuracy, the key assumptions underpinning the Group's forecasts; › Performed further sensitivities to the severe but plausible scenario, with reference to external market data and forecasts; › Assessed the likelihood of the assumptions in the reverse stress test; › Considered and challenged the mitigating actions available to the Group; and › Assessed the sufficiency of the Group's disclosure concerning the adoption of the going concern basis of accounting.
Key observations	The directors' forecasts, as well as reasonably possible downside scenarios, indicate that the Group has sufficient financial resources over the going concern period, including the ability to make a further payment to the Group's pension scheme to the extent the covenant is breached. We consider that the period over which the reverse stress test assumes further closures is beyond what is considered reasonable. Based on the information available at the date of this report and the current UK roadmap, we consider the forecasts prepared by the directors and their underlying assumptions to be reasonable. We have reviewed the disclosures prepared by the directors set out on pages 127 and 128 and consider them to be appropriate.

5.2. Impairment of property, plant and equipment and right-of-use assets

Key audit matter description

As described in Note 15 (Impairment), Note 14 (Property, plant and equipment) and Note 22 (Lease Agreements) of the financial statements, the Group held £4,213.1 million (2020: £4,232.0 million) of Property, plant and equipment and £2.738.4 million (2020: £2,273.7 million) of Right-of-use assets at 25 February 2021.

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, our risk was focused on maturing sites where an impairment indicator had been identified, but no impairment recognised. In the current year, a pervasive indicator of impairment has been identified, across all sites, as a result of the impact of the COVID-19 pandemic on trading. The pandemic is expected to continue to impact the short-term cashflows, which are a key assumption in the impairment assessment. The extent of this impact is inherently uncertain and has led to an increase in the level of risk of material misstatement compared to the prior year.

An impairment of £89.9 million was recognised at the half year (27 August 2020) with a further £8.0 million at the year end, a total of £97.9 million (2020 full year: £36.6 million).

Estimation is required in determining the recoverable amount of the Group's portfolio of sites, particularly in relation to sites which are not yet considered to be mature, where there is limited history to use as objective evidence to support future plans and the recovery profile post COVID-19. 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. Where a review for impairment 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. A CGU is determined to be each individual trading outlet;
- Calculation of the appropriate discount and long-term growth rates;
- Estimates of future trading and cash flow projections, including the recovery post COVID-19;
- Assessing the future growth profile of sites which have not yet reached maturity;
- Appropriateness of other valuation methodologies, 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. In addition, Impairment testing – property, plant and equipment and right-of-use assets is also a significant issue considered by the Audit Committee, as discussed on page 81.

5.2. Impairment of property, plant and equipment and right-of-use assets continued

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 outlets displaying impairment indicators through challenging locations which have been heavily impacted by COVID-19 and considering other risk factors; › 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 EBITDA 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 FY22 as COVID-19 restrictions are eased, and longer term expectations; › Performed testing on a sample of sites where impairment had been recognised or impairment indicators identified, but no impairment recognised; 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 15.
Key observations	Based on the audit procedures performed, we are satisfied that the impairment recognised throughout the year and the carrying value of property, plant and equipment and right-of-use assets is appropriate. We consider the disclosures, including the sensitivities in Note 15, to be appropriate.

5.3. Impairment of goodwill relating to the Germany cash generating unit ⓘ

Key audit matter description	On 28 February 2020, the Group acquired 100% of the share capital of Foremost Hospitality Hiex GmbH for consideration of £225.8 million. Goodwill of £224.2 million was recognised on acquisition, which was allocated to the Germany CGU. IAS 36 requires that goodwill be tested for impairment at least annually, but also when there is an indication of impairment. As a result of the difficult trading conditions arising from the COVID-19 pandemic, an impairment indicator was identified in respect of the Germany CGU. As set out in Note 15, an impairment of £238.8 million (representing the total goodwill allocated to the Germany CGU, following foreign exchange movements since the original acquisition) was recorded reflecting the impact of the pandemic on current and future growth rates. No impairment has been recognised against the property, plant and equipment or right-of-use assets in Germany. There are inherent challenges in forecasting results due to the COVID-19 pandemic as well as the Group's current positioning in Germany, which is in its early phases. The impairment test compares the carrying value of the goodwill to the higher of the value-in-use or the fair value less costs of disposal (the 'recoverable amount'). Developing a recoverable amount requires significant management judgement; the key assumptions applied by management in the impairment model are: › the sales and EBITDA forecasts for the Germany CGU in the next five years (the budget was prepared on an individual site basis in earlier periods); › the discount rate applied; and › the long term growth rate. There is significant judgement in assessing the current and future growth rates in Germany, particular as a result of Covid-19 and the Group's current position in the German market. The assumptions used within management's assessment and further detail on the impairment are set out in Note 15. We consider this to represent a key audit matter reflecting the inherent uncertainty in the forecasts and estimation required in setting the assumptions.
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 relating to the review and approval of the impairment review, as well as the forecasting process for Germany; › Understood the context of the acquisition, the Group's current positioning within the German market and wider strategic plans; › Tested the integrity of the model and cash flow forecasts and assessed whether the methodology used was consistent with IAS 36; › Assessed the mechanical accuracy of the impairment model; › With the involvement of our internal valuation specialists, evaluated the discount rate assumptions; › Assessed the long term growth rate applied, with reference to external data sources; › Challenged the cash flow projections through comparison to the German business plan, testing of individual hotel assumptions (through an assessment of forecast occupancy and daily rates with reference to competitor sites operating in the same region) and engaged our industry specialists to provide a view on the overall assumptions used, including the growth trend for the next 3-5 years; this was performed with reference to the ongoing COVID-19 restrictions and the forecast recovery thereafter; and › Assessed the appropriateness of disclosures within the financial statements in accordance with IFRS.
Key observations	We are satisfied that the assumptions used by management in determining the impairment of the goodwill allocated to the Germany CGU and the disclosures made are appropriate.

5.4. Presentation and accuracy of the UK Coronavirus Job Retention Scheme claims ⓘ

Key audit matter description	As described in Note 9 (Government grants and assistance) and the Audit Committee report on page 81, during the year, the Group has 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"). This funding meets the definition of a government grant under IAS 20 Government Grants and a total of £138.3 million (2020: £Nil) 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 the CJRS is complex, particularly the application of the rules in relation to "CJRS2", which provides employers with the flexibility to return employees part time under the flexible furlough option. 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 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 (offsetting payroll expenses). Management has concluded that the clearest presentation is as Other Income. Furthermore, as described in the Audit Committee report on page 81 and 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 CJRS does not meet the definition as an adjusting item on the basis that the funding is compensation for costs that form part of the normal operations of the business (salary costs). Additionally, the salary costs have not been classified as adjusting and therefore the related income (CJRS income) has not been classified as an adjusting item. We consider the presentation and accuracy of the UK Job Retention Scheme 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 CJRS claims; › 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 CJRS specialists, evaluated a sample of CJRS models and challenged the approach to calculating claims and the application of the scheme rules; › With input from our CJRS specialists, recalculated a sample of claims to assess whether 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; › Checked the mechanical accuracy of the CJRS models, with input from our analytics and modelling specialists; › Assessed whether the disclosure of the CJRS income is in line with IAS 20 Government Grants requirements; › Challenged management on the judgement exercised in classifying the CJRS income as a non-adjusting item; and › Evaluated the status of claims spanning the year end and whether these have been accounted for correctly as at 25 February 2021.
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 yearend to be reasonable. We are satisfied that the valuation and presentation of the CJRS is appropriate.

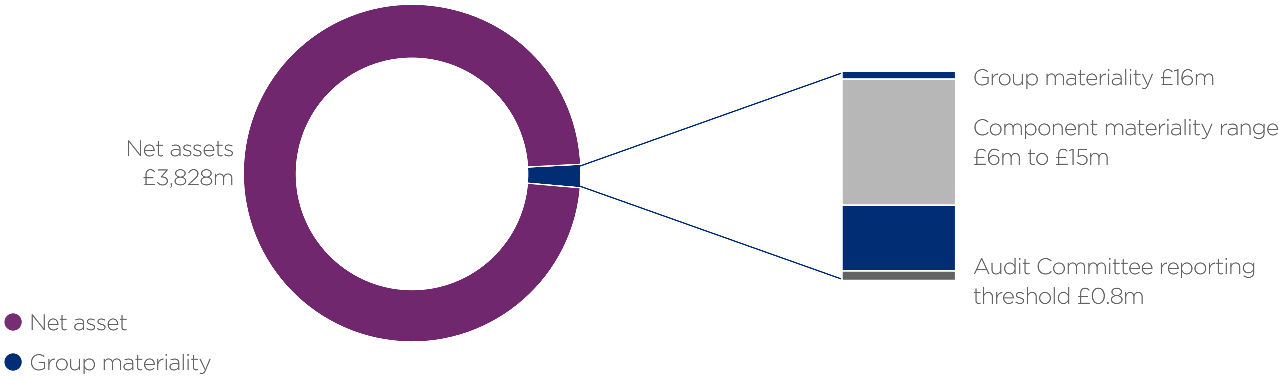
6. Our application of materiality

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 (2020: £16.9 million)	£6.4 million (2020: £6.7 million)
Basis for determining materiality	We have determined materiality to be £16.0 million, which represents 0.42% (2020: 0.45%) of net assets. In the prior year, we determined materiality based on 5% of adjusted profit before tax.	Materiality was determined on the basis of the Parent Company's net assets. This was then capped at 40% of Group materiality. The approach is consistent with 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, and determined a lower materiality overall compared to the prior year.	The entity is non-trading 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	65% (2020: 70%) of Group materiality	65% (2020: 70%) 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 impact of COVID-19 on the business, including the restructuring at both support centres and operations, which has resulted in turnover of staff.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2020: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee 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

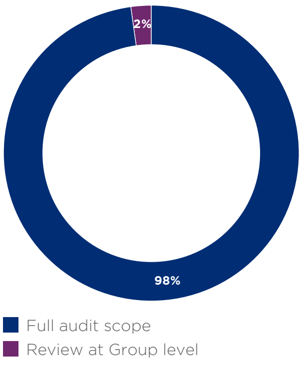
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

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 all performed by the Group audit team.

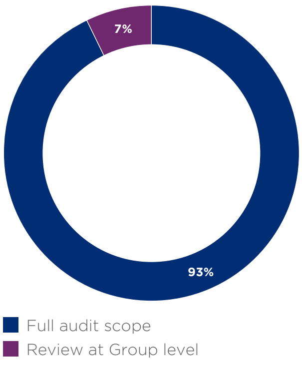
At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.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

All audit procedures were completed by the Group audit team in the UK.

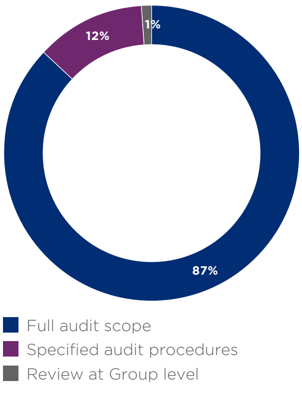
Revenue



Statutory loss before tax



Net assets



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 surrounding 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, expenditure (processed through Oracle Fusion) and IFRS 16 modifications 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 revenue, expenditure (processed through Oracle Fusion), additions to property plant and equipment and intangible assets processes.

8. Other information

The other information comprises the information included in the annual report, being the strategic reports on pages 2 to 67 and the governance reports on pages 68 to 114, 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, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, General Counsel and the Audit Committee 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, financial instrument specialists and industry specialist 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 of property, plant and equipment and right-of-use assets and impairment of goodwill related to the Germany CGU. 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, the Listing Rules, UK corporate governance legislation, 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 of property, plant and equipment and right-of use assets and impairment of goodwill relating to the Germany CGU as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 113;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- the directors' statement on fair, balanced and understandable set out on page 81;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 82;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 82; and
- the section describing the work of the Audit Committee set out on page 81.

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

14.1. 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.

14.2. 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 or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

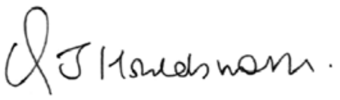
Following the recommendation of the audit committee, we were appointed by the members on 21 June 2016 to audit the financial statements for the year ended 3 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 3 March 2016 to 25 February 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

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

16. 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
26 April 2021

Consolidated accounts 2020/21

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Consolidated income statement

Year ended 25 February 2021

	Notes	52 weeks to 25 February 2021 Before adjusting items £m	52 weeks to 25 February 2021 Adjusting items (Note 6) £m	52 weeks to 25 February 2021 Statutory £m	52 weeks to 27 February 2020 Before adjusting items £m	52 weeks to 27 February 2020 Adjusting items (Note 6) £m	52 weeks to 27 February 2020 Statutory £m
CONTINUING OPERATIONS							
Revenue	3	**588.9**	**0.5**	**589.4**	2,062.1	9.4	2,071.5
Other income	4	**161.8**	**6.3**	**168.1**	18.8	18.3	37.1
Operating costs	5	**(1,231.4)**	**(351.7)**	**(1,583.1)**	(1,592.0)	(105.6)	(1,697.6)
Impairment of loans to joint ventures	16	**–**	**(5.8)**	**(5.8)**	–	–	–
OPERATING (LOSS)/PROFIT BEFORE JOINT VENTURES		**(480.7)**	**(350.7)**	**(831.4)**	488.9	(77.9)	411.0
Share of loss from joint ventures	16	**(6.0)**	**(1.7)**	**(7.7)**	(2.1)	(0.4)	(2.5)
OPERATING (LOSS)/PROFIT		**(486.7)**	**(352.4)**	**(839.1)**	486.8	(78.3)	408.5
Finance costs	8	**(153.8)**	**(21.2)**	**(175.0)**	(144.4)	–	(144.4)
Finance income	8	**5.4**	**1.3**	**6.7**	15.9	–	15.9
(LOSS)/PROFIT BEFORE TAX	3	**(635.1)**	**(372.3)**	**(1,007.4)**	358.3	(78.3)	280.0
Tax credit/(expense)	10	**94.1**	**6.8**	**100.9**	(69.1)	7.0	(62.1)
(LOSS)/PROFIT FOR THE YEAR		**(541.0)**	**(365.5)**	**(906.5)**	289.2	(71.3)	217.9

Earnings per share

(Note 11)

	52 weeks to 25 February 2021 pence	52 weeks to 25 February 2021 pence	52 weeks to 25 February 2021 pence	52 weeks to 27 February 2020 (restated[1]) pence	52 weeks to 27 February 2020 (restated[1]) pence	52 weeks to 27 February 2020 (restated[1]) pence
Basic	**(287.6)**	**(194.3)**	**(481.9)**	166.3	(41.0)	125.3
Diluted	**(287.6)**	**(194.3)**	**(481.9)**	165.4	(40.7)	124.7

1 Earnings per share figures for the comparative period have been restated to reflect the bonus element of the June 2020 rights issue (see Note 11).

Consolidated statement of comprehensive income

Year ended 25 February 2021

	Notes	52 weeks to 25 February 2021 £m	52 weeks to 27 February 2020 £m
(LOSS)/PROFIT FOR THE YEAR		**(906.5)**	217.9
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT:			
Re-measurement (loss)/gain on defined benefit pension scheme	32	**(16.3)**	19.7
Current tax on defined benefit pension scheme	10	**2.7**	18.3
Deferred tax on defined benefit pension scheme	10	**(2.4)**	(19.6)
Share of other comprehensive loss of joint ventures	16	**–**	(2.8)
		(16.0)	15.6
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO THE INCOME STATEMENT:			
Net gain on cash flow hedges	25	**2.3**	3.5
Deferred tax on cash flow hedges	10	**(0.6)**	(0.6)
Net (loss)/gain on hedge of a net investment	25	**(8.5)**	13.0
Deferred tax on net (loss)/gain on hedge of a net investment	10	**0.8**	–
		(6.0)	15.9
Exchange differences on translation of foreign operations		**19.3**	(12.1)
Deferred tax on exchange differences on translation of foreign operations	10	**(1.5)**	–
		17.8	(12.1)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(4.2)**	19.4
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(910.7)**	237.3

Consolidated statement of changes in equity

Year ended 25 February 2021

	Share capital (Note 27) £m	Share premium (Note 28) £m	Capital redemption reserve (Note 28) £m	Retained earnings (Note 28) £m	Currency translation reserve (Note 28) £m	Other reserves (Note 28) £m	Total £m
At 1 March 2019	150.6	81.5	12.3	7,938.3	17.7	(2,547.7)	5,652.7
Profit for the year	–	–	–	217.9	–	–	217.9
Other comprehensive income	–	–	–	15.6	0.9	2.9	19.4
Total comprehensive income	–	–	–	233.5	0.9	2.9	237.3
Ordinary shares issued on exercise of employee share options (Note 27)	0.2	9.3	–	–	–	–	9.5
Loss on ESOT shares issued	–	–	–	(3.3)	–	3.3	–
Accrued share-based payments (Note 31)	–	–	–	11.6	–	–	11.6
Tax on share-based payments	–	–	–	(4.1)	–	–	(4.1)
Reserves transfer	–	–	–	(1.4)	–	1.4	–
Equity dividends (Note 12)	–	–	–	(159.9)	–	–	(159.9)
Release of irrevocable commitment – share buyback (Note 28)	–	–	–	–	–	330.1	330.1
Shares purchased in share buyback (Note 28)	–	–	–	–	–	(315.8)	(315.8)
Shares purchased under tender offer (Note 27)	(31.0)	–	31.0	(2,012.6)	–	–	(2,012.6)
Shares cancelled (Note 27)	(6.9)	–	6.9	(140.2)	–	140.2	–
AT 27 FEBRUARY 2020	**112.9**	**90.8**	**50.2**	**5,861.9**	**18.6**	**(2,385.6)**	**3,748.8**
Loss for the year	**–**	**–**	**–**	**(906.5)**	**–**	**–**	**(906.5)**
Other comprehensive income	**–**	**–**	**–**	**(16.0)**	**10.1**	**1.7**	**(4.2)**
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**(922.5)**	**10.1**	**1.7**	**(910.7)**
Ordinary shares issued on exercise of employee share options (Note 27)	**0.1**	**2.8**	**–**	**–**	**–**	**–**	**2.9**
Ordinary shares issued on rights issue[1] (Note 27)	**51.7**	**929.3**	**–**	**–**	**–**	**–**	**981.0**
Loss on ESOT shares issued	**–**	**–**	**–**	**(6.7)**	**–**	**6.7**	**–**
Accrued share-based payments (Note 31)	**–**	**–**	**–**	**14.0**	**–**	**–**	**14.0**
Tax on share-based payments	**–**	**–**	**–**	**(1.9)**	**–**	**–**	**(1.9)**
AT 25 FEBRUARY 2021	**164.7**	**1,022.9**	**50.2**	**4,944.8**	**28.7**	**(2,377.2)**	**3,834.1**

1 The share premium amount of £929.3m is net of £28.2m in relation to transaction costs associated with the rights issue.

Consolidated balance sheet

At 25 February 2021

	Notes	25 February 2021 £m	27 February 2020 £m
NON-CURRENT ASSETS			
Intangible assets	13	**159.1**	172.8
Right-of-use assets – property, plant and equipment	22	**2,738.4**	2,273.7
Right-of-use assets – investment property[1]	22	**65.0**	–
Property, plant and equipment	14	**4,213.1**	4,232.0
Investment property	14	**21.6**	20.3
Investment in joint ventures	16	**37.3**	54.8
Derivative financial instruments	25	**6.6**	28.6
Defined benefit pension surplus	32	**188.0**	190.3
Trade and other receivables	18	**–**	5.1
		7,429.1	6,977.6
CURRENT ASSETS			
Inventories	17	**12.1**	13.7
Derivative financial instruments	25	**8.2**	9.0
Current tax asset		**–**	14.9
Trade and other receivables	18	**74.2**	292.8
Cash and cash equivalents	19	**1,256.0**	502.6
		1,350.5	833.0
Assets classified as held for sale	14	**19.0**	14.9
TOTAL ASSETS		**8,798.6**	7,825.5
CURRENT LIABILITIES			
Borrowings	20	**312.0**	84.0
Lease liabilities	22	**112.1**	79.9
Provisions	23	**30.5**	40.8
Derivative financial instruments	25	**2.4**	2.2
Current tax liabilities		**1.8**	–
Trade and other payables	26	**316.5**	440.0
		775.3	646.9
NON-CURRENT LIABILITIES			
Borrowings	20	**990.5**	741.5
Lease liabilities	22	**3,119.5**	2,540.7
Provisions	23	**9.0**	7.6
Derivative financial instruments	25	**–**	2.2
Deferred tax liabilities	10	**44.6**	137.8
Trade and other payables	26	**25.6**	–
		4,189.2	3,429.8
TOTAL LIABILITIES		**4,964.5**	4,076.7
NET ASSETS		**3,834.1**	3,748.8
EQUITY			
Share capital	27	**164.7**	112.9
Share premium	28	**1,022.9**	90.8
Capital redemption reserve	28	**50.2**	50.2
Retained earnings	28	**4,944.8**	5,861.9
Currency translation reserve	28	**28.7**	18.6
Other reserves	28	**(2,377.2)**	(2,385.6)
TOTAL EQUITY		**3,834.1**	3,748.8

1 Right-of-use assets – investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which are being temporarily subleased to a third party (see Note 22).

Alison Brittain

ALISON BRITTAIN CHIEF EXECUTIVE

NICHOLAS CADBURY FINANCE DIRECTOR

26 April 2021

Consolidated cash flow statement

Year ended 25 February 2021

	Notes	52 weeks to 25 February 2021 £m	52 weeks to 27 February 2020 £m
CASH (USED IN)/GENERATED FROM OPERATIONS	29	**(227.0)**	686.4
Payments against provisions	23	**(24.4)**	(20.1)
Pension payments	32	**(14.8)**	(288.4)
Interest paid – lease liabilities	22	**(123.2)**	(115.3)
Interest paid – other		**(22.0)**	(31.9)
Interest received		**1.2**	12.0
Corporation taxes received/(paid)		**19.1**	(8.5)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		**(391.1)**	234.2
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment and investment properties	3	**(217.4)**	(372.7)
Proceeds from disposal of property, plant and equipment		**2.6**	11.9
Investment in intangible assets	13	**(10.8)**	(20.7)
Acquisition of a subsidiary, net of cash acquired[1]	35	**1.4**	(179.5)
Cash flows on aborted acquisition[2]		**1.3**	(12.8)
Payment of deferred and contingent consideration		**(3.8)**	–
Capital contributions to joint ventures	16	**(1.3)**	–
Loans advanced to joint ventures	16	**–**	(2.0)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(228.0)**	(575.8)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issue of shares on exercise of employee share options	27	**2.9**	9.5
Proceeds from issue of shares on rights issue, net of fees		**981.0**	–
Shares purchased in tender offer	27	**–**	(2,012.6)
Shares purchased in share buyback	28	**–**	(315.8)
Drawdowns of long-term borrowings		**596.8**	50.0
Repayments of long-term borrowings		**(125.1)**	(50.0)
Costs of long-term borrowings		**(5.5)**	–
Lease incentives (paid)/received		**(7.3)**	1.0
Payment of principal of lease liabilities		**(71.7)**	(73.1)
Dividends paid	12	**–**	(159.9)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**1,371.1**	(2,550.9)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21	**752.0**	(2,892.5)
Opening cash and cash equivalents	21	**502.6**	3,403.2
Foreign exchange differences	21	**1.4**	(8.1)
CLOSING CASH AND CASH EQUIVALENTS	19	**1,256.0**	502.6

1 Cash consideration for the Group's acquisition of Foremost Hospitality Hiex GmbH of £157.2m (see Note 35) was included in the consolidated cash flow statement for the year ended 27 February 2020.

2 During the year ended 27 February 2020, the Group paid a deposit of £12.8m in advance of an acquisition which was subsequently aborted. In the consolidated cash flow statement for the year ended 27 February 2020, this was included within cash paid in advance of acquisitions. During the year ended 25 February 2021, the Group recovered £1.3m following settlement negotiations.

Notes to the consolidated financial statements

At 25 February 2021

1 GENERAL INFORMATION AND AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Whitbread PLC for the year ended 25 February 2021 were authorised for issue by the Board of Directors on 26 April 2021. Whitbread 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 ordinary shares are traded on the London Stock Exchange. The address of the registered office is shown on page 113.

Whitbread 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 PLC and all its subsidiaries have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

Going concern

The Group's and Company's (the 'Group') business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 67. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review on pages 36 to 41. The principal risks of the Group are set out on pages 62 to 66. In addition, Note 24 includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, its exposure to liquidity risk and details of its capital structure. The directors have considered these areas alongside the principal risks and how they may impact going concern.

The future financial performance of the Group is dependent upon the wider market in which it operates. The COVID-19 pandemic and the temporary measures put in place to control the virus spreading, including social distancing restrictions, and both local and national lockdowns, has heightened the inherent uncertainty in the Group's assessment of these factors.

The Group has implemented a number of mitigating actions to reduce cash outflows and maintain liquidity, as follows:

- Received covenant test waivers for the period to March 2023 for its revolving credit facility (RCF). Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn bank facilities and total net debt must not exceed £2.0bn.
- Raised £550.0m through the issue of Green Bonds and, subsequent to the year-end, used £220.4m of the proceeds to make an early repayment of the US private placement loan notes which were due to be settled in 2027. As a result, all of the Group's US private placement loan notes will have matured prior to the end of the covenant waiver period in March 2022.
- Received covenant test waivers for its defined benefit pension scheme such that the covenants will not be tested until March 2022.
- Raised £981.0m net of fees through a rights issue.
- Significantly reduced the level of capital expenditure, limiting the outflows to only committed, work in progress compliance and health and safety related spend, pausing all non-essential discretionary and variable spending.
- Did not declare a final dividend for FY20 and FY21. No dividends will be paid during the covenant waiver period unless the Group complies with the waived covenants.
- Participated in Government initiatives to protect the viability of the business, including the Coronavirus Job Retention Scheme, Eat Out to Help Out Scheme, Business Rates Relief and grants specific to the leisure and hospitality sector in the UK and Germany.
- Completed a major restructuring programme of the Group's Support Centre and site operations. In addition, the Board and management team have taken voluntary reductions in remuneration.

2 ACCOUNTING POLICIES CONTINUED

The Group has modelled two financial scenarios that reflect the impact of the COVID-19 pandemic on the rate of recovery of the Group's operations in the UK and Germany:

› A 'base case' in which the Group's operations recover in line with the UK Government's four-step roadmap.

› A 'severe but plausible case' which sensitises these forecasts for a slower than expected easing of restrictions and allows for further national restrictions during winter FY22.

Under both the base case and severe but plausible scenarios, the Group can meet its funding needs through available funds and is able to meet the relaxed covenants agreed as part of the waivers throughout the 12-month going concern assessment period.

In the severe but plausible scenario, the Group would fail to meet the covenant associated with its defined benefit pension scheme as at 3 March 2022, and as a result, a further variable payment, based upon the prevailing market conditions at the time of calculation, would need to be made into the Group's pension scheme. Under these variable payment scenarios the Group would have sufficient liquidity to meet this additional funding need and continue to be in compliance with other covenants.

The long-term impact of COVID-19 remains uncertain and the impacts of the pandemic on trading conditions could be more prolonged or severe than that which the directors have considered in the severe but plausible scenario.

A reverse stress test was performed to determine the market conditions in which the Group, without additional mitigating action, would cease to be able to operate under its current facilities. The significant reduction in sales modelled was well beyond what is considered reasonable taking into account the past, near zero occupancy, closure experience and current economic forecasts for the Group.

The scenarios modelled do not make any allowance for further mitigations that are within the control of the directors, including the sale of parts of the Group's valuable freehold property estate, which would be subject to the prevailing market conditions.

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 27 February 2020, except for the adoption of the new standards and policies applicable for the year ended 25 February 2021. 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 28 February 2020.

***Covid-19-Related Rent Concessions* (Amendment to IFRS 16)**

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

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

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); 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 International Accounting Standards Board (IASB) in May 2020) 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.

2 ACCOUNTING POLICIES CONTINUED

Amendments to IFRS 3 *Definition of a Business*

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output and clarifies that a business can exist without including all of the inputs and processes needed to create outputs. Furthermore, it introduces an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

Impact of adoption

As set out in Note 35, the Group has applied the clarifications to the definition of a business in determining that the acquisition of Foremost Hospitality Hiex GmbH on 28 February 2020 is a business combination and has applied the concentration test in determining that the acquisition of 13 hotels from Centro Hotel Group is an asset acquisition.

In addition, the Group has also adopted the following standards which have been assessed as having no financial impact or disclosure at this time:

- Amendments to IAS 1 and IAS 8 *Definition of Material*
- Amendments to References to the Conceptual Framework in IFRS Standards

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)
- *Interest Rate Benchmark Reform – Phase 2* (effective for periods beginning on or after 1 January 2021)
- 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 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*
- *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 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.

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

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.

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.

2 ACCOUNTING POLICIES CONTINUED

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.

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.

2 ACCOUNTING POLICIES CONTINUED

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.

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.

2 ACCOUNTING POLICIES CONTINUED

Adjusting items and use of alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given on pages 205 to 209.

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;
- impairment and related charges for sites which are underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; and
- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

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

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.

2 ACCOUNTING POLICIES CONTINUED

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.

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.

2 ACCOUNTING POLICIES CONTINUED

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 32 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

During the year, the Group has received Government support. 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.

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. 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, 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.

2 ACCOUNTING POLICIES CONTINUED

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.

Share buyback scheme and tender offer
Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable.
Shares purchased and held by the Group (treasury shares) are deducted from the treasury reserve at the total consideration paid or payable. On cancellation of treasury shares, the cost is transferred from the treasury reserve to retained earnings. When treasury shares are issued at below cost, an amount representing the difference between the cost of those shares and issue proceeds is transferred to retained earnings. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

2 ACCOUNTING POLICIES CONTINUED

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.

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 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.

2 ACCOUNTING POLICIES CONTINUED

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 25 for more details.

Financial liabilities

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

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

Borrowings

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

Contingent consideration

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

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

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.

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.

2 ACCOUNTING POLICIES CONTINUED

Key sources of estimation uncertainty

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

Defined benefit pension

Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates used to calculate the present value of the defined benefit obligation. Note 32 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

Where there are indicators of impairment, 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 15.

3 SEGMENT INFORMATION

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

In previous years, the UK & Ireland and Germany Premier Inn segments have been aggregated on the grounds that the Germany segment did not meet the thresholds of being a reportable segment. As a result of the increasing size of the German operations, the Germany segment will be presented separately going forward. As the Group's reportable segments have been changed, the comparative information for 2019/20 has been re-presented.

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. The UK & Ireland segment includes one site in each of Jersey and the Isle of Man. Included within central and other in the following tables are the costs of running the public company, other central overhead costs and share of losses from joint ventures.

3 SEGMENT INFORMATION CONTINUED

The following tables present revenue and profit information regarding business operating segments for the years ended 25 February 2021 and 27 February 2020.

REVENUE	Year to 25 February 2021 UK & Ireland £m	Germany £m	Central and other £m	Total £m	Year to 27 February 2020 UK & Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**388.5**	**10.2**	**–**	**398.7**	1,311.6	9.8	–	1,321.4
Food, beverage and other items[1]	**188.9**	**1.3**	**–**	**190.2**	738.7	2.0	–	740.7
REVENUE BEFORE ADJUSTING ITEMS	**577.4**	**11.5**	**–**	**588.9**	2,050.3	11.8	–	2,062.1
Adjusting revenue (Note 6)				**0.5**				9.4
REVENUE				**589.4**				2,071.5

1 Revenue from food, beverage and other items for the UK & Ireland segment includes £12.0m (2019/20: £nil) of consideration receivable from HM Revenue & Customs under the Eat Out to Help Out Scheme.

(LOSS)/PROFIT	Year to 25 February 2021 UK & Ireland £m	Germany £m	Central and other £m	Total £m	Year to 27 February 2020 UK & Ireland £m	Germany £m	Central and other £m	Total £m
ADJUSTED OPERATING (LOSS)/PROFIT BEFORE JOINT VENTURES	**(415.7)**	**(38.8)**	**(26.2)**	**(480.7)**	529.4	(13.4)	(27.1)	488.9
Share of loss from joint ventures	**–**	**–**	**(6.0)**	**(6.0)**	–	–	(2.1)	(2.1)
ADJUSTED OPERATING (LOSS)/PROFIT	**(415.7)**	**(38.8)**	**(32.2)**	**(486.7)**	529.4	(13.4)	(29.2)	486.8
Net finance costs	**(117.1)**	**(6.1)**	**(25.2)**	**(148.4)**	(115.1)	(0.2)	(13.2)	(128.5)
ADJUSTED (LOSS)/PROFIT BEFORE TAX	**(532.8)**	**(44.9)**	**(57.4)**	**(635.1)**	414.3	(13.6)	(42.4)	358.3
Adjusting items before tax (Note 6)				**(372.3)**				(78.3)
(LOSS)/PROFIT BEFORE TAX				**(1,007.4)**				280.0

Adjusted operating (loss)/profit for the UK & Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £117.8m (2019/20: £nil) and income from the job retention schemes in the UK of £138.3m (2019/20: £nil). Adjusted operating loss for the German segment includes £1.5m (2019/20: £nil) from the Kurzarbeit scheme and other Government grants of £10.3m.

OTHER SEGMENT INFORMATION	Year to 25 February 2021 UK & Ireland £m	Germany £m	Central and other £m	Total £m	Year to 27 February 2020 UK & Ireland £m	Germany £m	Central and other £m	Total £m
Capital expenditure:								
Property, plant and equipment and investment property – cash basis	**121.0**	**96.4**	**–**	**217.4**	293.4	79.3	–	372.7
Property, plant and equipment and investment property – accruals basis (Note 14)	**105.9**	**93.2**	**–**	**199.1**	288.4	70.6	–	359.0
Intangible assets (Note 13)	**10.8**	**–**	**–**	**10.8**	18.0	2.7	–	20.7
Cash outflows from lease interest and payment of principal of lease liabilities	**173.0**	**21.9**	**–**	**194.9**	186.6	0.8	–	187.4
Depreciation – property, plant and equipment and investment property (Note 14)	**145.2**	**5.1**	**–**	**150.3**	143.6	1.4	–	145.0
Depreciation – right-of-use assets (Note 22)	**109.9**	**16.4**	**–**	**126.3**	103.2	0.8	–	104.0
Amortisation (Note 13)	**23.3**	**0.3**	**–**	**23.6**	19.6	0.2	–	19.8

3 SEGMENT INFORMATION CONTINUED

Revenues from external customers are split geographically as follows:

	2020/21 £m	2019/20 £m
United Kingdom	**575.5**	2,051.6
Germany	**11.5**	11.8
Other	**2.4**	8.1
	589.4	2,071.5

Non-current assets[1] are split geographically as follows:

	2020/21 £m	2019/20 £m
United Kingdom	**6,343.6**	6,326.2
Germany	**809.3**	343.6
Other	**81.6**	88.9
	7,234.5	6,758.7

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:

	2020/21 £m	2019/20 £m
Rental income	**7.8**	4.9
Rates rebates relating to prior financial years	**–**	13.6
Government grants (Note 9)	**153.4**	–
Other	**0.6**	0.3
OTHER INCOME BEFORE ADJUSTING ITEMS	**161.8**	18.8
Insurance proceeds (Note 6)	**1.8**	16.0
Legal settlement (Note 6)	**–**	2.3
VAT settlement (Note 6)	**4.5**	–
OTHER INCOME	**168.1**	37.1

5 OPERATING COSTS

	2020/21 £m	2019/20 £m
Cost of inventories recognised as an expense[1]	**72.2**	208.5
Employee benefits expense[2] (Note 7)	**581.5**	612.5
Amortisation of intangible assets (Note 13)	**23.6**	19.8
Depreciation – property, plant and equipment and investment property (Note 14)	**150.3**	145.0
Depreciation – right-of-use assets (Note 22)	**126.3**	104.0
Utilities, rates and other site property costs	**220.8**	431.8
Variable lease payment (credit)/expense (Note 22)	**(0.6)**	2.0
Net foreign exchange differences	**0.4**	(0.2)
Other operating charges[2]	**56.9**	68.6
Adjusting operating costs[2] (Note 6)	**351.7**	105.6
	1,583.1	1,697.6

1 Cost of inventories recognised as an expense includes £14.6m (2019/20: £3.6m) of inventory write downs recorded during the year.

2 Adjusting operating costs includes a charge for impairments and write offs of £350.4m (2019/20: £67.0m), a credit of £9.0m (2019/20: charge of £41.1m) relating to other operating charges and a charge of 10.3m (2019/20: credit of £2.5m) relating to employee benefit expenses (see Note 6).

5 OPERATING COSTS CONTINUED

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

	2020/21 £m	2019/20 £m
Audit of the Group's financial statements	**0.9**	0.6
Audit of the Group's subsidiaries	**0.6**	0.3
TOTAL AUDIT FEES	**1.5**	0.9
Audit-related assurance	**0.1**	0.1
Other non-audit fees[1]	**1.1**	–
TOTAL NON-AUDIT FEES	**1.2**	0.1
INCLUDED IN OTHER OPERATING CHARGES	**2.7**	1.0

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. See page 84 of Audit Committee Report for further details.

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.

	2020/21 £m	2019/20 £m
ADJUSTING ITEMS WERE AS FOLLOWS:		
Revenue:		
TSA income[1]	**0.5**	9.4
Other income:		
Insurance proceeds[2]	**1.8**	16.0
Legal settlement[3]	**–**	2.3
VAT settlement[4]	**4.5**	–
ADJUSTING OTHER INCOME	**6.3**	18.3
Operating costs:		
TSA costs[1]	**(0.5)**	(8.9)
Costa disposal – separation costs and other costs[5]	**6.4**	(15.2)
Impairment – goodwill[6]	**(238.8)**	–
Impairment and write offs – property, plant and equipment, right-of-use assets and other intangible assets[7]	**(109.2)**	(67.0)
Impairment – investment in joint ventures[8]	**(8.2)**	–
Guaranteed minimum pension[9]	**(1.1)**	–
Aborted acquisition costs[10]	**(12.4)**	(2.4)
UK restructuring[11]	**(12.1)**	0.2
Gains/(losses) on disposals, property and other provisions[12]	**18.4**	(9.3)
Employment tax settlement[13]	**–**	(3.0)
ADJUSTING OPERATING COSTS	**(357.5)**	(105.6)
Share of loss of joint ventures:		
Impairment[14]	**(1.7)**	(0.4)
Finance (costs)/income:		
Early prepayment charge (Note 20)[15]	**(21.2)**	–
VAT settlement[4]	**1.3**	–
ADJUSTING ITEMS BEFORE TAX	**(372.3)**	(78.3)

6 ADJUSTING ITEMS CONTINUED

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

	2020/21 £m	2019/20 £m
Tax on adjusting items	**19.3**	7.0
Impact of change in tax rates	**(12.5)**	–
ADJUSTING TAX CREDIT	**6.8**	7.0

1 Following the sale of Costa to The Coca-Cola Company, the Group entered into a Transitional Services Agreement (TSA) to provide certain services to facilitate the successful separation of Costa from the rest of the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and has now been concluded.

2 During the year the Group recognised insurance claim proceeds of £1.8m (2019/20: £16.0m) in other income covering property and loss of trade in relation to a fire at a site in the prior year.

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

4 In May 2020, HMRC confirmed it would not appeal the ruling of the Upper Tier Tribunal in the cases of Rank Group plc and Done Brothers (Cash Betting) Ltd that VAT was incorrectly applied to revenues earned from certain gaming machines prior to 2013. The Group has submitted claims which are substantially similar and has received a refund of overpaid VAT of £4.5m plus interest on this amount of £1.3m.

5 In the prior year the Group recognised a charge of £15.2m which included expected costs of £4.0m relating to the separation of Costa and £2.4m relating to the impact of the disposal on the continuing business which the Group no longer expects to incur.

6 The Group has 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 (see Note 35) which the Group entered into in the year ended 1 March 2018 and has been impaired as a result of the impact of the COVID-19 pandemic on current and future growth rates.

7 As a result of the COVID-19 pandemic, the Group identified impairment indicators relating to assets held by the Group. An impairment review of those assets was undertaken, resulting in a total impairment charge of £99.6m. This is made up of £61.2m relating to property, plant and equipment, £36.7m relating to right-of-use assets and £1.7m relating to IT assets. In addition, following a review of early stage expansion projects, assets with a value of £5.7m were written off relating to sites where the Group has decided not to proceed with the project, and an impairment charge of £3.9m was recorded in relation to assets classified as held for sale. Further information is provided in Note 15. In the prior year, a total charge of £67.0m was recorded, made up of £36.6m of impairment losses on trading sites, £10.3m following a fire at a site, £5.0m relating to assets classified as held for sale and £15.1m relating to the cancellation of significant IT projects.

8 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 has been recorded within adjusting items. Further information is available in Note 16.

9 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 at the year-end was estimated at £1.1m, which has been recognised as a past service cost in the income statement in the current year. 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.

10 At 27 February 2020, the Group had purchased a call option for an acquisition as part of the Group's strategy for international growth. As a result of the COVID-19 pandemic, the Group decided subsequent to the year-end not to proceed with the acquisition. An amount of £1.3m was recovered following settlement negotiations resulting in a charge of £12.4m, including fees, being recorded in the income statement. During the prior year, the Group incurred fees of £2.4m in relation to acquisitions which did not proceed to completion.

11 During the year, the Group restructured its Support Centre and site operations resulting in redundancy and project costs of £12.1m. During the prior year, a provision for restructuring of £0.2m was released to the income statement.

12 From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of sites (see Note 23). During the year, the Group has received reimbursements of those costs from property developers totalling £13.4m (2019/20: £nil) and has released costs of £3.3m which are no longer expected to be incurred (2019/20: provided for costs of £14.5m). In addition, during the year, the Group made a loss on disposal of £1.1m (2019/20: gain of £5.2m) and released other provisions of £2.8m (2019/20: £nil). Further details of the property and other provisions are included in Note 23.

13 During the prior year, the Group received an enquiry from HMRC into its historic PAYE Settlement Agreements and provided for the potential settlement in full. The enquiry is ongoing and the provision is unchanged at 25 February 2021.

14 The Group recorded a cost of £1.7m (2019/20: £0.4m) representing its share of a site level impairment in the accounts of its Middle East joint venture, Premier Inn Hotels LLC.

15 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 incurred.

7 EMPLOYEE BENEFITS EXPENSE

	2020/21 £m	2019/20 £m
Wages and salaries	**531.1**	559.9
Social security costs	**38.9**	41.6
Pension costs	**11.5**	11.0
	581.5	612.5

The amounts above exclude adjusting items. Wages and salaries excludes a charge of £12.1m (2019/20: credit of £2.5m) relating to the restructuring of the Group's operations and a credit of £2.9m (2019/20: £nil) relating to costs associated with the separation of Costa. Pension costs excludes £1.1m (2019/20: £nil) 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 £12.7m (2019/20: £11.6m), which arises from transactions accounted for as equity-settled share-based payments.

7 EMPLOYEE BENEFITS EXPENSE CONTINUED

Average number of employees directly employed	2020/21 Number	2019/20 Number
UK & Ireland	**32,190**	35,862
Germany	**313**	172
	32,503	36,034

Employees of joint ventures are excluded from the numbers above.

Directors' remuneration is disclosed below:

	2020/21 £m	2019/20 £m
Directors' remuneration	**3.0**	3.3
Aggregate contributions to the defined contribution pension scheme	**–**	–
Aggregate gains on the exercise of share options	**7.3**	1.5

	2020/21 Number	2019/20 Number
Number of directors accruing benefits under defined contribution schemes	**2**	2

8 FINANCE (COSTS)/INCOME

	2020/21 £m	2019/20 £m
FINANCE COSTS		
Interest on bank loans and overdrafts	**(5.3)**	(3.7)
Interest on other loans	**(24.1)**	(27.3)
Interest on lease liabilities (Note 22)	**(123.2)**	(115.3)
Unwinding of discount on provisions (Note 23)	**–**	(0.1)
Unwinding of discount on contingent consideration (Note 26)	**(2.1)**	–
Interest capitalised (Note 14)	**0.9**	2.2
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**–**	(0.2)
	(153.8)	(144.4)
FINANCE INCOME		
Bank interest receivable	**1.2**	11.6
Other interest receivable	**0.8**	0.3
Impact of ineffective portion of cash flow and fair value hedges (Note 25)	**0.4**	–
IAS 19 pension finance income (Note 32)	**3.0**	4.0
	5.4	15.9
ADJUSTED NET FINANCE COSTS	**(148.4)**	(128.5)
ADJUSTING NET FINANCE (COSTS)/INCOME		
Early prepayment charge (Note 20)	**(21.2)**	–
VAT settlement (Note 6)	**1.3**	–
TOTAL NET FINANCE COSTS	**(168.3)**	(128.5)
Total finance costs	**(175.0)**	(144.4)
Total finance income	**6.7**	15.9
TOTAL NET FINANCE COSTS	**(168.3)**	(128.5)

Net finance costs includes £172.9m (2019/20: £144.1m) finance costs and £2.0m (2019/20: £11.9m) finance income in respect of financial assets and liabilities that are measured at amortised cost using the effective interest rate method.

9 GOVERNMENT GRANTS AND ASSISTANCE

During the year, the Group has 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. 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 £138.3m (2019/20: £nil) has been recorded within other income. The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

In Germany, the Government 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 £0.9m and a total of £0.6m was recognised in other income relating to compensation for social security payments.

The UK Government introduced a business rates holiday for retail, hospitality and leisure businesses for the 2020/21 tax year. The relief has allowed the Group to reduce operating costs by £117.8m in the year. Subsequent to the year-end, an extension to this relief of three months in England and one year in Scotland was announced.

The Group has recognised £10.3m within other income as amounts receivable from the German Government under the November Support and December Support schemes. Subsequent to the year-end, the German Government removed a restriction in place on the Bridge Aid scheme which will allow the Group to make a grant claim under this scheme. This change is a non-adjusting post balance sheet event. As a result, the Group expects to make claims of £10.4m which will be recognised in FY22 relating to the period from January 2021 to June 2021.

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 has claimed £12.0m (2019/20: £nil) as part of the scheme which has been recognised as revenue.

The UK Government provided grants to support businesses in the retail, hospitality and leisure section who had been forced to close as a result of lockdown restrictions in January and February 2021. The Group has recognised £3.5m in other income relating to these grants.

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. See Note 20 for more details.

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) are charged at 5% VAT. A new reduced rate of 12.5% will then be introduced which will end on 31 March 2022.

The Group has taken part in the COVID-19 VAT deferral scheme allowing it to defer VAT payments totalling £14.9m which would ordinarily have fallen due during FY21 to FY22.

10 TAXATION

CONSOLIDATED INCOME STATEMENT – CONTINUING OPERATIONS	2020/21 £m	2019/20 £m
Current tax:		
Current tax (credit)/expense	**(10.7)**	24.7
Adjustments in respect of previous periods	**11.9**	–
	1.2	24.7
Deferred tax:		
Origination and reversal of temporary differences	**(109.4)**	34.3
Effect of rate change	**12.5**	–
Adjustments in respect of previous periods	**(5.2)**	3.1
	(102.1)	37.4
TAX REPORTED IN THE CONSOLIDATED INCOME STATEMENT	**(100.9)**	62.1

The adjustments in respect of prior periods arise primarily as a result of the decision to disclaim an element of prior year capital allowances (impacting both current and deferred tax) and a reassessment of deferred tax on historic items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – CONTINUING OPERATIONS	2020/21 £m	2019/20 £m
Current tax:		
Defined benefit pension scheme	**(2.7)**	(18.3)
Deferred tax:		
Cash flow hedges	**0.6**	0.6
Tax on net gain on hedge of a net investment	**(0.8)**	–
Tax on exchange differences on translation of foreign operations	**1.5**	–
Defined benefit pension scheme	**2.4**	19.6
TAX REPORTED IN COMPREHENSIVE INCOME	**1.0**	1.9

A reconciliation of the tax (credit)/charge applicable to adjusted (loss)/profit before tax and (loss)/profit before tax at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 25 February 2021 and 27 February 2020 respectively is set out below. All items have been tax effected at the UK statutory rate of 19%, with the exception of the effect of unrecognised losses in overseas companies, which has been tax effected at the statutory rate in the relevant jurisdictions with an adjustment to account for the differential tax rates included in the effect of different tax rates.

	2020/21		2019/20	
	Tax on adjusted profit £m	**Tax on profit £m**	Tax on adjusted profit £m	Tax on profit £m
PROFIT BEFORE TAX AS REPORTED IN THE CONSOLIDATED INCOME STATEMENT	**(635.1)**	**(1,007.4)**	358.3	280.0
Tax at current UK tax rate of 19% (2019/20: 19%)	**(120.7)**	**(191.4)**	68.1	53.2
Effect of different tax rates	**(6.9)**	**(6.9)**	(1.8)	(1.8)
Unrecognised losses in overseas companies	**14.7**	**17.0**	5.4	5.4
Effect of joint ventures	**0.3**	**0.3**	0.1	0.1
Tax credit on defined benefit pension scheme contribution	**–**	**–**	(3.8)	(3.8)
Expenditure not allowable	**10.0**	**59.1**	2.1	6.9
Adjustments to current tax expense in respect of previous years	**9.0**	**11.9**	–	–
Adjustments to deferred tax expense in respect of previous years	**(1.7)**	**(5.2)**	–	3.1
Impact of deferred tax being at a different rate from current tax rate	**–**	**12.5**	(1.0)	(1.0)
Other movements	**1.2**	**1.8**	–	–
TAX EXPENSE REPORTED IN THE CONSOLIDATED INCOME STATEMENT	**(94.1)**	**(100.9)**	69.1	62.1

10 TAXATION CONTINUED

Deferred tax

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

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
AT 1 MARCH 2019	(53.4)	(63.0)	(4.1)	45.2	–	4.2	(71.1)
Charge to consolidated income statement	(0.9)	(1.4)	(32.6)	(1.9)	–	(0.6)	(37.4)
Charge to statement of comprehensive income	–	–	(19.6)	–	–	(0.6)	(20.2)
Charge to statement of changes in equity	–	–	–	–	–	(4.4)	(4.4)
Arising on acquisitions	–	–	–	–	–	(4.9)	(4.9)
Foreign exchange and other movements	–	–	–	–	–	0.2	0.2
AT 27 FEBRUARY 2020	**(54.3)**	**(64.4)**	**(56.3)**	**43.3**	–	**(6.1)**	**(137.8)**
Charge to consolidated income statement	**10.0**	**6.6**	**(3.8)**	**0.7**	**84.4**	**4.2**	**102.1**
Charge to statement of comprehensive income	**–**	**–**	**(2.4)**	**–**	**(0.7)**	**(0.6)**	**(3.7)**
Charge to statement of changes in equity	**–**	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Transfer	**–**	**–**	**–**	**(4.7)**	**–**	**4.7**	**–**
Arising on acquisitions	**–**	**–**	**–**	**(3.5)**	**–**	**–**	**(3.5)**
Foreign exchange and other movements	**0.1**	**–**	**–**	**0.2**	**–**	**(0.1)**	**0.2**
AT 25 FEBRUARY 2021	**(44.2)**	**(57.8)**	**(62.5)**	**36.0**	**83.7**	**0.2**	**(44.6)**

Total deferred tax liabilities relating to disposals during the year were £nil (2020: £nil).

The Group has incurred overseas tax losses of £84.8m (2020: £30.0m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these assets in their entirety would result in an increase in the reported deferred tax asset of £26.2m (2020: 10.0m).

At 25 February 2021, no deferred tax liability is recognised (2020: £nil) on gross temporary differences of £3.0m (2020: £3.1m) 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 (2019/20: £0.4m).

Factors affecting the tax charge for future years

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by the Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2020: 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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 to 25%, effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the UK deferred tax balances that are expected to unwind at 25% were remeasured at the balance sheet date at 25%, the Group estimates that this would result in an increase in the net deferred tax liability, which could vary based on a number of factors and judgements, up to £22.0m.

11 EARNINGS PER SHARE

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

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. There are 2.3m (2020: nil) share options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

Basic and diluted earnings per share figures for the comparative period have been restated for the bonus factor of 1.1640 to reflect the bonus element of the June 2020 rights issue, in accordance with IAS 33 *Earnings per Share*. Amounts as originally stated at 27 February 2020 were 145.9p basic earnings per share (145.0p diluted) and 193.6 basic adjusted earnings per share (192.4p diluted).

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

	2020/21 million	2019/20 (restated) million
Basic weighted average number of ordinary shares	**188.1**	173.9
Effect of dilution – share options	**–**	0.9
DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	**188.1**	174.8

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 214.4m, less 12.5m treasury shares held by Whitbread PLC and 0.4m held by the ESOT (2020: 147.0m, less 12.5m treasury shares held by Whitbread PLC and 1.0m held by the ESOT).

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

	2020/21 £m	2019/20 £m
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	**(906.5)**	217.9
Adjusting items before tax (Note 6)	**372.3**	78.3
Adjusting tax credit (Note 6)	**(6.8)**	(7.0)
ADJUSTED (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO PARENT SHAREHOLDERS	**(541.0)**	289.2

	2020/21 pence	2019/20 (restated) pence
BASIC EPS ON (LOSS)/PROFIT FOR THE YEAR	**(481.9)**	125.3
Adjusting items before tax (Note 6)	**197.9**	45.0
Adjusting tax credit (Note 6)	**(3.6)**	(4.0)
BASIC EPS ON ADJUSTED (LOSS)/PROFIT FOR THE YEAR	**(287.6)**	166.3
DILUTED EPS ON (LOSS)/PROFIT FOR THE YEAR	**(481.9)**	124.7
DILUTED EPS ON ADJUSTED (LOSS)/PROFIT FOR THE YEAR	**(287.6)**	165.4

12 DIVIDENDS PAID

	2020/21		2019/20	
	pence per share	£m	pence per share	£m
Final dividend, proposed and paid, relating to the prior year	–	–	67.00	116.3
Interim dividend proposed, and paid, for the current year	–	–	32.65	43.6
TOTAL EQUITY DIVIDENDS PAID IN THE YEAR		**–**		159.9
Dividends on other shares:				
B share dividend	**0.90**	**–**	0.90	–
C share dividend	**0.90**	**–**	0.60	–
TOTAL DIVIDENDS PAID		**–**		159.9

As a condition agreed with Whitbread's lenders and Pension Trustees, dividends will not be paid during the current covenant waiver period which lasts until March 2023 unless the Group demonstrates compliance with agreed metrics, being net debt/EBITDA < 3.5x and EBITDA/interest > 3.0x.

Dividends per share for the comparative period stated above are as declared and paid to shareholders in issue when dividends were paid. Restating these amounts to take account of the bonus element of the June 2020 rights issue would result in final dividends declared and paid of 57.56p per share and interim dividend declared and paid of 28.05p per share.

13 INTANGIBLE ASSETS

	Goodwill £m	IT software and technology £m	Total £m
COST			
At 1 March 2019	113.5	116.1	229.6
Additions	–	20.7	20.7
Assets written off	(2.2)	(27.9)	(30.1)
Foreign currency adjustment	–	(0.1)	(0.1)
AT 27 FEBRUARY 2020	**111.3**	**108.8**	**220.1**
Additions	**–**	**10.8**	**10.8**
Recognised on acquisition of a subsidiary (Note 35)	**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**
AMORTISATION AND IMPAIRMENT			
At 1 March 2019	(3.0)	(51.0)	(54.0)
Amortisation during the year	–	(19.8)	(19.8)
Amortisation on assets written off	2.2	24.3	26.5
AT 27 FEBRUARY 2020	**(0.8)**	**(46.5)**	**(47.3)**
Amortisation during the year	**–**	**(23.6)**	**(23.6)**
Impairment during the year (Note 35)	**(238.8)**	**–**	**(238.8)**
Amortisation on assets written off	**–**	**8.7**	**8.7**
AT 25 FEBRUARY 2021	**(239.6)**	**(61.4)**	**(301.0)**
NET BOOK VALUE AT 25 FEBRUARY 2021	**110.5**	**48.6**	**159.1**
NET BOOK VALUE AT 27 FEBRUARY 2020	**110.5**	**62.3**	**172.8**

An impairment of £238.8m was recorded in relation to goodwill recognised on the acquisition of Foremost Hospitality Hiex GmbH (see Note 35) reflecting the impact of the COVID-19 pandemic on current and future growth rates. Further details of the impairment are included in Note 15.

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

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £0.5m (2020: £0.5m).

14 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 1 March 2019	3,402.5	1,373.4	4,775.9	–	4,775.9
Additions	158.7	178.3	337.0	22.0	359.0
Acquisition of a subsidiary (Note 35)	–	0.6	0.6	–	0.6
Interest capitalised	2.2	–	2.2	–	2.2
Movements to held for sale in the year	(10.1)	(3.0)	(13.1)	–	(13.1)
Disposals	(1.0)	–	(1.0)	–	(1.0)
Assets written off	(10.2)	(12.8)	(23.0)	–	(23.0)
Foreign currency adjustment	(4.0)	(0.5)	(4.5)	(1.6)	(6.1)
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**
Acquisition of a subsidiary (Note 35)	**–**	**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**
DEPRECIATION AND IMPAIRMENT					
At 1 March 2019	(174.6)	(511.3)	(685.9)	–	(685.9)
Depreciation charge for the year	(18.0)	(126.9)	(144.9)	(0.1)	(145.0)
Impairment (Note 15)	(32.3)	(2.6)	(34.9)	–	(34.9)
Movements to held for sale in the year	2.5	2.2	4.7	–	4.7
Disposals	0.9	–	0.9	–	0.9
Depreciation on assets written off	10.2	7.7	17.9	–	17.9
Foreign currency adjustment	0.1	–	0.1	–	0.1
AT 27 FEBRUARY 2020	**(211.2)**	**(630.9)**	**(842.1)**	**(0.1)**	**(842.2)**
Depreciation charge for the year	**(16.1)**	**(134.1)**	**(150.2)**	**(0.1)**	**(150.3)**
Impairment (Note 15)	**(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)**
NET BOOK VALUE AT 25 FEBRUARY 2021	**3,353.3**	**859.8**	**4,213.1**	**21.6**	**4,234.7**
NET BOOK VALUE AT 27 FEBRUARY 2020	**3,326.9**	**905.1**	**4,232.0**	**20.3**	**4,252.3**

Included above are assets under construction of £289.9m (2020: £341.2m).

There is a charge in favour of the pension scheme over properties with a market value of £500.0m (2020: £450.0m). See Note 32 for further information.

Amounts relating to right-of-use assets under IFRS 16 are detailed in Note 22.

14 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY CONTINUED

Investment property

During the prior year the Group acquired a freehold site which is currently being leased to a third party and is recorded within investment property. The Group intends to take over the operations of the hotel in due course at which point the asset will be transferred to property, plant and equipment. The Group recognised rental income of £0.4m (2019/20: £0.2m) within other income and £0.1m (2019/20: £nil) of direct operating expenses in relation to this property.

The Group has performed an internal appraisal of the value of the investment property and concluded that the fair value approximates the carrying value. The fair value of the property was measured using a discounted cash flow approach taking into account the forecast performance of the site once the Group has taken over the operations. This is a level 3 measurement as per the fair value hierarchy set out in Note 25.

CAPITAL EXPENDITURE COMMITMENTS	2021 £m	2020 £m
Capital expenditure commitments for property, plant and equipment for which no provision has been made	**82.5**	168.8

Capitalised interest

Interest capitalised during the year amounted to £0.9m, using an average rate of 2.9% (2019/20: £2.2m, using an average rate of 3.3%).

Assets held for sale

During the year, seven property assets with a combined net book value of £9.1m (2019/20: four at £8.5m) were transferred to assets held for sale. One property was transferred back to property, plant and equipment with a net book value of £0.6m (2019/20: one at £0.1m). Three property assets sold during the year had a net book value of £3.9m (2019/20: three at £4.1m). An impairment loss of £0.7m (2019/20: £1.6m) was recognised relating to assets classified as held for sale. By the year-end there were 14 sites with a combined net book value of £19.0m (2020: 11 at £14.9m) 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 £11.4m (2020: £9.9m). 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.

15 IMPAIRMENT

During the year, impairment losses of £348.8m (2019/20: £51.2m) and asset write offs of £7.4m (2019/20: £8.7m) were recognised within operating costs. These impairments are primarily driven by a reduction in anticipated cash flows, particularly over the next 12-24 months, and an increase in the discount rate reflecting increased market risk and volatility. The losses were recognised on the following classes of assets:

	2020/21 £m	2019/20 £m
IMPAIRMENT LOSSES		
Property, plant and equipment – impairment review	**61.2**	21.9
Property, plant and equipment – site fire	**–**	9.6
Property, plant and equipment – transfer to assets held for sale	**3.2**	3.4
Intangible assets – goodwill	**238.8**	–
Right-of-use assets – impairment review	**36.7**	14.7
Investments in joint ventures	**8.2**	–
Assets held for sale	**0.7**	1.6
ASSET WRITE OFFS		
Property, plant and equipment – early stage expansion projects	**5.7**	–
IT Assets	**1.7**	8.4
Other	**–**	0.3
TOTAL CHARGE FOR IMPAIRMENT LOSSES AND ASSET WRITE OFFS	**356.2**	59.9

The Group recognised impairment reversals during the year of £nil (2019/20: £nil).

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

As a result of the COVID-19 pandemic, the Group identified indicators of impairment and as a result performed an impairment assessment of all trading sites. This resulted in an impairment of £61.2m being recorded in relation to property, plant and equipment in the UK and £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 9.5% in the UK, and 8.9% in Germany (2020: 7.1% UK and 6.2% Germany). The discount rate has increased reflecting market volatility in the spot risk-free rate and equity risk premium inputs used in the Group's WACC calculation.

Approved budget period

Forecast cash flows for the initial five-year period are based on actual cash flows for FY20 being the period before the impact of the COVID-19 pandemic and applying management's assumptions of the impact of the pandemic and expected recovery period.

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

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

15 IMPAIRMENT CONTINUED

Long-term growth rates

A long-term growth rate of 2.0% (2020: 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 cash flow method were similar to those used in the value in use assessment, modified to reflect estimated cost of disposal and lease payments. The inclusion of lease payments is reflected in the discount rate, increasing WACC for the specific asset class from 9.5% to 11.0%.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgements used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to the growth rates used in the five-year business plan, long-term growth rates, pre-tax discount rates and EBITDAR multiple would be an incremental impairment charge in the year to 25 February 2021 of:

INCREMENTAL IMPAIRMENT CHARGE	Total £m
Increase to impairment charge if discount rate increased by 2.0%	**5.0**
Increase to impairment charge if long-term growth rates reduced by 1%	**5.8**
Increase to impairment charge if EBITDAR multiple reduced by 10%	**12.9**
Increase to impairment charge if year one and year two cash flows were reduced on average by 33%	**8.2**

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. Given the current uncertainty that remains in relation to the timing and length of the recovery from COVID-19 restrictions and the economic recovery, it may result in some of the impairments recognised during the year reversing in the next 12 months.

The long-term impact of COVID-19 remains uncertain and the impact of the pandemic could be more prolonged or severe than management has considered in the sensitivities presented.

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 1 MARCH 2019 AND 27 FEBRUARY 2020	110.5	–	110.5
Recognised on acquisition of a subsidiary (Note 35)	–	224.2	224.2
Foreign exchange	–	14.6	14.6
Impairment	–	(238.8)	(238.8)
AT 25 FEBRUARY 2021	110.5	–	110.5

An impairment of £238.8m was recorded in relation to goodwill arising on the acquisition of Foremost Hospitality Hiex GmbH (see Note 35) 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% (2020: 2.0%) growth rate. The pre-tax discount rate applied to cash flow projections is 9.5% for the UK and 8.9% for Germany (2020: 7.1% UK and 6.2% Germany).

15 IMPAIRMENT CONTINUED

As a result of the German goodwill being impaired in the period 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. As a result, an impairment review was carried out and an impairment charge of £8.2m has been recorded in the financial statements relating to the Group's investment in Healthy Retail Limited. This included £5.8m impairment relating to loans advanced to joint ventures determined under IFRS 9. See Note 16 for details.

Property, plant and equipment – early stage expansionary projects and assets held for sale
As a result of the impact of the COVID-19 pandemic and the focused application of investment cash flows, the Group reviewed its early stage expansion projects and decided not to proceed with certain sites resulting in a write off of costs of £5.7m that had been incurred and capitalised.

During the period, seven hotels were transferred to assets held for sale, resulting in an impairment charge of £3.2m. In addition, 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.

IT assets
An impairment review of IT intangible and tangible assets was carried out as a result of the COVID-19 pandemic which identified a total of £1.7m of assets which are not expected to generate future economic benefits for the Group.

16 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 £1.3m.

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 £8.2m.

The Group has an option to purchase the remaining 51% interest which expires on 30 June 2021. 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 £m	2020 £m
Opening investment in joint ventures	**54.8**	56.6
Share of loss for the year	**(7.7)**	(2.5)
Share of other comprehensive loss for the year	**–**	(2.8)
Foreign exchange movements	**(3.3)**	1.5
Impairment[1]	**(8.2)**	–
Interest on loans	**0.4**	–
Capital contribution	**1.3**	–
Loans advanced	**–**	2.0
CLOSING INVESTMENT IN JOINT VENTURES	**37.3**	54.8

1 Includes an impairment of loans advanced to joint ventures of £5.8m determined under IFRS 9.

16 INVESTMENT IN JOINT VENTURES CONTINUED

	2021			2020		
	Premier Inn Hotels LLC £m	**Healthy Retail Limited £m**	**Total £m**	Premier Inn Hotels LLC £m	Healthy Retail Limited £m	Total £m
SUMMARY OF JOINT VENTURES' BALANCE SHEETS						
Current assets	**6.7**	**0.8**	**7.5**	6.7	2.8	9.5
Non-current assets	**138.1**	**26.3**	**164.4**	159.9	29.3	189.2
Current liabilities	**(11.4)**	**(14.1)**	**(25.5)**	(11.4)	(14.0)	(25.4)
Non-current liabilities	**(57.2)**	**(19.3)**	**(76.5)**	(63.0)	(19.5)	(82.5)
NET ASSETS	**76.2**	**(6.3)**	**69.9**	92.2	(1.4)	90.8
Group's share of interest in joint ventures' net assets	**37.3**	**(3.1)**	**34.2**	45.2	(0.7)	44.5
Premium paid on acquisition	**–**	**4.5**	**4.5**	–	4.5	4.5
Loans to joint ventures	**–**	**5.8**	**5.8**	–	5.8	5.8
Accumulated impairment	**–**	**(7.2)**	**(7.2)**	–	–	–
GROUP'S CARRYING AMOUNT OF THE INVESTMENT	**37.3**	**–**	**37.3**	45.2	9.6	54.8
WITHIN GROSS BALANCE SHEETS						
Cash and cash equivalents	**5.2**	**–**	**5.2**	3.8	2.5	6.3
Current financial liabilities	**(3.6)**	**(10.9)**	**(14.5)**	(3.7)	(10.6)	(14.3)
Non-current financial liabilities	**(56.8)**	**(19.3)**	**(76.1)**	(61.9)	(19.3)	(81.2)
SUMMARY OF JOINT VENTURES' INCOME STATEMENT						
Revenue	**11.2**	**4.5**	**15.7**	22.5	26.0	48.5
Other income	**–**	**2.4**	**2.4**	–	–	–
Depreciation and amortisation	**(5.9)**	**(4.5)**	**(10.4)**	(5.3)	(3.9)	(9.2)
Impairment	**(3.5)**	**–**	**(3.5)**	(0.8)	–	(0.8)
Other operating costs	**(11.2)**	**(6.1)**	**(17.3)**	(16.2)	(22.8)	(39.0)
Finance costs	**(2.6)**	**(1.2)**	**(3.8)**	(3.4)	(1.2)	(4.6)
LOSS BEFORE TAX	**(12.0)**	**(4.9)**	**(16.9)**	(3.2)	(1.9)	(5.1)
Income tax	**–**	**–**	**–**	–	–	–
Loss after tax	**(12.0)**	**(4.9)**	**(16.9)**	(3.2)	(1.9)	(5.1)
Other comprehensive income	**–**	**–**	**–**	(3.8)	(1.9)	(5.7)
TOTAL COMPREHENSIVE INCOME	**(12.0)**	**(4.9)**	**(16.9)**	(7.0)	(3.8)	(10.8)
GROUP SHARE						
Loss after tax[1]	**(5.9)**	**(1.8)**	**(7.7)**	(1.6)	(0.9)	(2.5)
Other comprehensive income	**–**	**–**	**–**	(1.9)	(0.9)	(2.8)

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 year.

At 25 February 2021, the Group's share of the capital commitments of its joint ventures amounted to £0.1m (2020: £0.7m).

17 INVENTORIES

	2021 £m	2020 £m
Finished goods held for resale	**7.5**	12.5
Consumables	**4.6**	1.2
	12.1	13.7

The carrying value of inventories is stated net of a provision of £5.5m (2020: £nil).

Included within inventories at the year-end is £2.9m (2020: £nil) of personal protective equipment and other consumables which are being used to comply with new COVID-19 protocols.

18 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Trade receivables	**22.1**	58.6
Prepayments and accrued income	**17.6**	204.8
Other receivables	**34.5**	34.5
	74.2	297.9

Analysed as:		
Current	**74.2**	292.8
Non-current	**–**	5.1
	74.2	297.9

Trade and other receivables are non-interest bearing and are generally on 30-day terms. Trade receivables includes £16.0m (2020: £55.2m) relating to contracts with customers. Other receivables include £14.0m (2020: £nil) 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 25 February 2021 was £1.3m (2020: £0.7m). During the year, credit losses of £0.7m (2019/20: £0.1m) were recognised within operating costs in the consolidated income statement.

Prepayments includes an amount of £nil (2020: £169.0m) in relation to consideration paid in advance of the year-end for the post-year-end acquisition of Foremost Hospitality Hiex GmbH (see Note 35) and a deposit of £nil (2020: £12.8m) in relation to an acquisition which was written off subsequent to the year-end following the decision not to proceed with the acquisition (see Note 6).

19 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank and in hand	**19.2**	78.9
Money market funds	**1,011.8**	253.7
Short-term deposits	**225.0**	170.0
	1,256.0	502.6

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.

20 BORROWINGS

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

	Current		Non-current	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Revolving credit facility	**–**	–	**–**	–
Private placement loan notes	**312.0**	84.0	**–**	295.6
Senior unsecured bonds	**–**	–	**990.5**	445.9
UK Government CCFF	**–**	–	**–**	–
	312.0	84.0	**990.5**	741.5

Covenants

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. Dividends will not be paid during the current covenant waiver period which lasts until March 2023 unless the Group demonstrates compliance with agreed metrics, being net debt/EBITDA < 3.5x and EBITDA/interest > 3.0x. There are no financial covenants associated with the Group's senior unsecured bonds.

Revolving credit facility (£950m)

On 29 January 2021, the Group agreed to amend and extend its revolving credit facility (RCF). The new agreement gives total committed credit of £950.0m which is available until 29 December 2021 and subsequently reduces to £850.0m available until 7 September 2022 and £725.0m available until 7 September 2023. The facility is multi-currency and has a variable interest rate linked to GBP LIBOR or EURIBOR which will transition to SONIA following the discontinuation of IBOR.

At 25 February 2021, the Group had available £950.0m (2020: £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

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year issued	Principal value	Maturity	Coupon
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%
Series A loan notes[1]	2017	£100.0m	26 March 2021[1]	2.54%
Series B loan notes[1]	2017	£100.0m	26 March 2021[1]	2.63%

1 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, the total repayment due of £220.4m, which includes a charge of £21.2m due to the noteholders as a result of the early repayment is included within current liabilities as at the balance sheet date. This was settled subsequent to the year-end (see Note 34). The early repayment charge of £21.2m has been recorded within finance costs in the consolidated income statement (see Note 8). On 25 February 2021, the Group also entered into an interest rate swap and cross-currency swap to hedge interest rate risk and foreign currency risk associated with the early repayment charge.

On 13 August 2020, the Group repaid loan notes on maturity with a value of US$75.0m and £25.0m. As a result of fair value hedges in place, the total cash outflow recorded by the Group was £75.1m.

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in Note 25.

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 bonds	2021	£300.0m	31 May 2027	2.375%
2031 senior unsecured green use of proceeds bonds	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.

20 BORROWINGS CONTINUED

On issue of these bonds, the Group received gross proceeds of £546.8m and incurred arrangements 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 £3.9m (2020: £1.3m) 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 facility remained undrawn throughout the year. As at 25 February 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-.

21 MOVEMENTS IN CASH AND NET DEBT

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 CASH/(DEBT)	**(322.9)**	**5.5**	**280.3**	**–**	**7.2**	**7.5**	**(24.1)**	**(46.5)**

Amortisation of fees and discounts includes an early repayment charge of £21.2m associated with the US private placement loan notes (see Note 20).

YEAR ENDED 27 FEBRUARY 2020	1 March 2019 £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	27 February 2020 £m
Cash and cash equivalents	3,403.2	–	(2,892.5)	–	(8.1)	–	–	502.6
LIABILITIES FROM FINANCING ACTIVITIES								
Borrowings	(819.9)	–	–	–	(2.2)	(1.8)	(1.6)	(825.5)
Lease liabilities	(2,471.8)	–	73.1	(222.6)	0.7			(2,620.6)
Derivatives held to hedge financing activities	10.6	–	–	–	5.5	1.6		17.7
Total liabilities from financing activities	(3,281.1)	–	73.1	(222.6)	4.0	(0.2)	(1.6)	(3,428.4)
Less: lease liabilities	2,471.8	–	(73.1)	222.6	(0.7)	–	–	2,620.6
Less: derivatives held to hedge financing activities	(10.6)	–	–	–	(5.5)	(1.6)	–	(17.7)
NET CASH/(DEBT)	2,583.3	–	(2,892.5)	–	(10.3)	(1.8)	(1.6)	(322.9)

Net cash/(debt) includes US$ denominated loan notes of US$93.5m (2020: US$168.5m) retranslated to £66.6m (2020: £131.3m). These notes have been hedged using cross-currency swaps. At maturity, £58.5m (2020: £108.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net debt would be £38.4m (2020: £300.1m).

22 LEASE ARRANGEMENTS

The Group 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 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 1 March 2019	2,139.1	2.6	2,141.7	–	2,141.7
Additions	205.6	1.2	206.8	–	206.8
Recognised on acquisition of a subsidiary (Note 35)	45.8	–	45.8	–	45.8
Impairment	(14.7)	–	(14.7)	–	(14.7)
Foreign currency adjustment	(1.9)	–	(1.9)	–	(1.9)
Depreciation	(102.4)	(1.6)	(104.0)	–	(104.0)
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 acquisition of a subsidiary (Note 35)	**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**

LEASE LIABILITY	Property £m	Other £m	Total right-of-use assets £m	Investment property £m	Total £m
At 1 March 2019	2,469.6	2.2	2,471.8	–	2,471.8
Additions	206.6	1.2	207.8	–	207.8
Recognised on acquisition of a subsidiary (Note 35)	14.8	–	14.8	–	14.8
Interest	115.2	0.1	115.3	–	115.3
Foreign currency adjustment	(0.7)	–	(0.7)	–	(0.7)
Payments	(186.7)	(1.7)	(188.4)	–	(188.4)
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 acquisition of a subsidiary (Note 35)	**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**

1 Investment property represents leasehold sites which the Group acquired on the acquisition of Foremost Hospitality Hiex GmbH which are being temporarily subleased to a third party (see Note 35).

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of £399.7m (2019/20: £129.3m) relating to new leases and £36.8m (2019/20: £77.6m) relating to amendments to existing leases. The Group received cash lease incentives of £2.7m (2019/20: £1.0m) and paid cash lease incentives of £7.6m (2019/20: £nil) on entering new and amended leases.

A maturity analysis of gross lease liability payments is included within Note 24.

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

During the final quarter of the financial year, the Group underpaid lease payments with a total value of £22.7m and remains in discussion with substantially all of the impacted landlords. As a result, the underpaid amount is included within lease liabilities in the consolidated balance sheet. The Group has early adopted the requirements of Amendments to IFRS 16: *Covid-19-Related Rent Concessions* during the 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 consolidated income statement.

22 LEASE ARRANGEMENTS CONTINUED

Amounts recognised in the Group income statement

	2020/21 £m	2019/20 £m
Depreciation expense of right-of-use assets	**126.3**	104.0
Interest expense on lease liabilities	**123.2**	115.3
Expense relating to low-value assets and short-term leases	**–**	–
Variable lease payment (credit)/expense	**(0.6)**	2.0
Impairment of right-of-use assets (Note 15)	**36.7**	14.7
Lease income	**(7.8)**	(4.9)
NET LEASE EXPENSE RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	**277.8**	231.1

Amounts recognised in the Group cash flow statement

The Group's total cash outflow in relation to leases was £201.8m (2019/20: £190.4m).

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 £m	2020 £m
Extension options expected not to be exercised	**797.6**	782.2
Termination options expected to be exercised	**–**	3.3
	797.6	785.5

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 73% 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 25 February 2021, the Group was committed to leases with future cash outflows totalling £2,690.0 (2020: £1,774.4m) 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 is £7.8m (2019/20: £4.9m). Future minimum rentals receivable under non-cancellable operating leases at the year-end are as follows:

	2021 £m	2020 £m
Within one year	**7.9**	4.3
After one year but not more than five years	**10.0**	9.9
More than five years	**10.7**	9.9
	28.6	24.1

23 PROVISIONS

	Restructuring £m	Onerous contracts £m	Property costs £m	Other £m	Total £m
At 1 March 2019	11.6	15.3	23.1	5.3	55.3
Created	–	1.1	14.5	–	15.6
Unwinding of discount rate	–	0.1	–	–	0.1
Utilised	(7.3)	(5.4)	(5.7)	(1.7)	(20.1)
Released	(2.3)	–	–	(0.2)	(2.5)
AT 27 FEBRUARY 2020	**2.0**	**11.1**	**31.9**	**3.4**	**48.4**
Created	**5.8**	**4.9**	**–**	**5.8**	**16.5**
Transferred	**–**	**–**	**–**	**6.8**	**6.8**
Utilised	**(5.8)**	**(4.3)**	**(12.9)**	**(2.1)**	**(25.1)**
Released	**(0.9)**	**(1.6)**	**(3.3)**	**(1.3)**	**(7.1)**
AT 25 FEBRUARY 2021	**1.1**	**10.1**	**15.7**	**12.6**	**39.5**
Analysed as:					
Current	**1.1**	**8.3**	**15.7**	**5.4**	**30.5**
Non-current	**–**	**1.8**	**–**	**7.2**	**9.0**
AT 25 FEBRUARY 2021	**1.1**	**10.1**	**15.7**	**12.6**	**39.5**
Analysed as:					
Current	2.0	3.5	31.9	3.4	40.8
Non-current	–	7.6	–	–	7.6
AT 27 FEBRUARY 2020	**2.0**	**11.1**	**31.9**	**3.4**	**48.4**

Restructuring

A provision of £2.0m was carried forward in relation to the restructure of the Group announced following the disposal of Costa. During the year, the Group utilised £1.1m of the provision and £0.9m was released to the income statement.

As a result of the COVID-19 pandemic, the Group recognised a provision of £5.8m for the restructure its Support Centre and site operations. A total of £4.7m of costs were utilised during the period. The remaining costs are expected to be utilised 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% (2020: 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 £1.1m has been utilised in the period.

During the year, a new onerous property contract was recognised for £0.8m and an amount of £1.6m was released to the income statement as the Group agreed to exit a number of leases earlier than expected.

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 £3.0m (2020: £5.1m) 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. At the year-end a provision of £0.4m was held in relation to this contract which is expected to be utilised within one year.

23 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 £31.9m was brought forward in relation to these costs. During the year £12.9m of the provision has been utilised and £3.3m of costs have been released. The remaining provision is expected to be utilised within one year.

In addition, the Group has received reimbursements of those costs from property developers totalling £13.4m which are credited to adjusting operating costs (see Note 6). 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.

Other

During the year ended 25 February 2021, an amount of £6.8m, representing an estimate of the cost of future claims against the Group from employees and the public was transferred from other payables to other provisions to better reflect the nature of the liability. The claims covered typically relate to accidents and injuries sustained in Whitbread's sites. During the year further provisions of £2.1m were created and £1.8m of the provision was utilised.

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 25 February 2021, £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.

A provision of £0.3m was carried forward and utilised during the year in relation to certain procurement contracts required as a result of the Costa disposal.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Group's financial instrument policies can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. Although the private placement loan notes are US dollar denominated, cross-currency swaps mean that the interest rate risk is effectively sterling only. At the year-end, £1,302.5m (100%) of Group debt was fixed for an average of 5.3 years at an average interest rate of 3.0% (2020: £817.7m (99%) for 5.3 years at 3.5%).

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 25 February 2021 and 27 February 2020 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

› balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;

› gains or losses are recognised in equity or the consolidated income statement in line with the accounting policies set out in Note 2; and

› cash flow hedges were effective.

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 £12.5m (2020: £5.0m), and equity by £0.8m (2020: £2.0m).

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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

The tables below summarise the maturity profile of the Group's financial liabilities at 25 February 2021 and 27 February 2020 based on contractual undiscounted payments, including interest:

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
Interest-bearing loans and borrowings	–	221.8	102.4	573.7	609.3	1,507.2	1,302.5
Lease liabilities[1]	–	54.6	175.1	925.5	4,513.4	5,668.6	3,231.6
Derivative financial instruments	–	–	2.4	–	–	2.4	2.4
Trade and other payables	–	71.2	37.7	26.8	–	135.7	134.0
	–	347.6	317.6	1,526.0	5,122.7	7,313.9	4,670.5

27 FEBRUARY 2020	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
Interest-bearing loans and borrowings	–	–	101.0	164.9	673.1	939.0	825.5
Lease liabilities[1]	–	48.9	147.9	784.8	3,999.1	4,980.7	2,620.6
Derivative financial instruments	–	–	2.2	2.2	–	4.4	4.4
Trade and other payables	–	126.3	4.4	–	–	130.7	130.7
	–	175.2	255.5	951.9	4,672.2	6,054.8	3,581.2

1 Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,140.2m (2020: £932.3m) due between 5 and 10 years, £1,859.4m (2020: £1,653.8m) due between 10 and 20 years and £1,513.8m (2020: £1,413.0m) 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 £1,327.4m (2020: £639.1m).

Foreign currency risk

Foreign exchange exposure is currently not significant to the Group. Although the Group has US dollar denominated loan notes, these have been swapped into sterling, thereby eliminating foreign currency risk. Sensitivity analysis has therefore not been carried out.

The Group monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required. In October 2019, the Group entered into a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in its business in Germany. See Note 25 for more details.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Capital management

The Group's primary objective in regard to capital management is to ensure that it continues to operate as a going concern and has sufficient funds at its disposal to grow the business for the benefit of shareholders. The Group seeks to maintain a ratio of debt to equity that balances risks and returns and also complies with lending covenants. See pages 36 to 41 of this report for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023. In addition it has received covenant test waivers for its pension scheme 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 £50.0m interest rate swap in a cash flow hedge is an IFRS 9 designated hedge relationships that is impacted by IBOR reform. The swap references six-month GBP LIBOR and uncertainty arising from the Group's exposure to IBOR reform will cease when the swaps mature in 2022. The Group has assessed the wider impact of IBOR reform on the business and concluded that there are no further material impacts.

The Group's RCF documentation contains transitional provisions so that borrowings entered into after the later of (a) 31 December 2022 or (b) the relevant LIBOR tenor being replaced are linked to the agreed risk-free rate (SONIA).

25 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities at each reporting date are as follows:

	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Hedging instruments £m	Other £m	Carrying value £m
AS AT 25 FEBRUARY 2021					
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	**–**	**(71.2)**	**–**	**–**	**(71.2)**
Contingent consideration	**–**	**–**	**–**	**(62.8)**	**(62.8)**
AS AT 27 FEBRUARY 2020					
Trade and other receivables	93.1	–	–	–	93.1
Cash and cash equivalents	248.9	–	–	253.7	502.6
Interest-bearing loans and borrowings	–	(825.5)	–	–	(825.5)
Lease liabilities	–	(2,620.6)	–	–	(2,620.6)
Derivative financial instruments	–	–	33.2	–	33.2
Trade and other payables	–	(126.3)	–	–	(126.3)
Contingent consideration	–	–	–	(4.4)	(4.4)

Fair values

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 – Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

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

Financial assets and liabilities measured at amortised cost

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

The fair value of the Group's borrowings is estimated at £1,327.0m. 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

Financial assets and liabilities measured at fair value

	2021 £m	2020 £m
FINANCIAL ASSETS		
Derivative financial instruments – level 2	**14.8**	37.6
FINANCIAL LIABILITIES		
Derivative financial instruments – level 2	**2.4**	4.4
Contingent consideration – level 3	**62.8**	4.4

25 FINANCIAL INSTRUMENTS CONTINUED

During the year ended 25 February 2021, there were no transfers between fair value measurement levels. Derivative financial instruments include £6.6m assets (2020: £28.6m) and £nil liabilities (2020: £2.2m) due after one year. Contingent consideration includes £25.6m (2020: £nil) 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 26.

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 has interest rate swaps in place to swap a notional amount of £50.0m (2020: £50.0m) whereby it receives a variable interest rate based on LIBOR and pays fixed rates of between 5.145% and 5.190% (2020: 5.145% and 5.190%).

Foreign currency risk

The Group is exposed to foreign currency risk associated with the private placement bonds denominated in US$. The Group has a cross-currency swap in place in relation to the interest and principal repayment whereby it receives a fixed interest rate of 4.86% (2020: 4.86%) on a notional amount of US$93.5m (2020: US$93.5m) and pays an average of 5.22% on a notional sterling balance of £58.5m (2020: 5.22% on £58.5m).

Fair value hedge

At 27 February 2020, the Group had a cross-currency swap in relation to private placement bonds denominated in US$. These bonds were repaid during the year (see Note 20) and therefore the cross-currency swap is no longer held. The swap was in place in relation to the interest and principal repayment whereby the Group received a fixed interest rate of 5.23% on a notional amount of US$75.0m and paid a spread of between 1.715% and 1.755% over six-month GBP LIBOR on a notional sterling balance of £50.1m.

Fair value and cash flow hedge effectiveness

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate and cross-currency swaps match the notional amount and expected payment date of the hedged items. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the instruments are identical to the hedged risk components. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness relates to foreign currency risk and arises from foreign currency basis spread. There is no hedge ineffectiveness relating to interest rate risk. The ineffectiveness recorded within finance income in the consolidated income statement for 2020/21 was £0.4m (2019/20: finance costs of £0.2m).

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.

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 25 February 2021 and a net unrealised gain of £8.5m (2020: gain of £13.0m) has been recorded in the translation reserve. The ineffectiveness recorded within finance costs in the consolidated income statement for 2020/21 was £nil (2019/20: £nil).

25 FINANCIAL INSTRUMENTS CONTINUED

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

AS AT 25 FEBRUARY 2021	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	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 loans	**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**

AS AT 27 FEBRUARY 2020	Notional amount £m	Carrying amount £m	Line item in statement of financial position £m	Change in fair value used for measuring ineffectiveness for the year £m	Hedged item £m	Change in fair value of hedged item £m
CASH FLOW HEDGES						
Interest rate swaps	50.0	(4.4)	Derivative financial instruments	(0.8)	Revolving credit facility	0.8
Cross-currency swaps	58.5	13.7	Derivative financial instruments	4.7	US$ denominated loans	(4.7)
FAIR VALUE HEDGES						
Cross-currency swaps	50.1	8.6	Derivative financial instruments	1.6	US$ denominated loans	(1.8)
NET INVESTMENT IN FOREIGN OPERATIONS						
Cross-currency swaps	450.0	15.3	Derivative financial instruments	13.0	Net investment in foreign subsidiaries	(13.0)

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 £m	Accumulated value recognised in cash flow hedge reserve £m
2020/21				
Interest rate swaps	**(0.4)**	**2.4**	Finance costs	**(2.4)**
Cross-currency swaps	**(5.4)**	**5.7**	Finance costs	**0.1**
2019/20				
Interest rate swaps	(0.8)	2.2	Finance costs	(4.4)
Cross-currency swaps	4.7	(2.6)	Finance costs	(0.2)

25 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 1 March 2019	(7.9)	17.7
Change in fair value recognised in other comprehensive income		
– Interest rate swaps	(0.8)	–
– Cross-currency swaps	4.7	–
Reclassified to profit or loss as hedged item effects profit or loss		
– Interest rate swaps	2.2	–
– Cross-currency swaps	(2.6)	–
Foreign exchange arising on consolidation	–	(12.1)
Fair value movement on derivatives designated as net investment hedges	–	13.0
Reserves transfer	1.4	–
Deferred tax impact	(0.6)	–
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**

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 24. 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 £4.5m (2020: £13.0m) relating to derivatives designated as net investment hedges.

26 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	**24.2**	55.5
Other taxes and social security	**26.5**	42.6
Contract liabilities	**41.3**	110.0
Accruals	**140.3**	156.7
Other payables	**47.0**	70.8
Contingent consideration	**62.8**	4.4
	342.1	440.0

ANALYSED AS:

Current	**316.5**	440.0
Non-current	**25.6**	–
	342.1	440.0

Included with contract liabilities is £37.5m (2020: £106.5m) relating to payments received for accommodation where the stay will take place after the year-end and £3.8m (2020: £3.5m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £51.0m presented as a contract liability in 2020 has been recognised in revenue (2020: £105.4m). 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.

26 TRADE AND OTHER PAYABLES CONTINUED

Contingent consideration

	2021 £m	2020 £m
Opening contingent consideration	**4.4**	–
Recognised on acquisition of a subsidiary (Note 35)	**56.3**	4.4
Recognised on acquisition of assets (Note 35)	**1.9**	–
Unwinding of discount rate (Note 8)	**2.1**	–
Paid during the period	**(3.8)**	–
Foreign exchange movements	**1.9**	–
CLOSING CONTINGENT CONSIDERATION	**62.8**	4.4

The Group has contingent consideration in relation to 13 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 £0.6m.

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

27 SHARE CAPITAL

ORDINARY SHARE CAPITAL
ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH (2020: 76.80P EACH)

	million	£m
At 1 March 2019	195.9	150.6
Issued on exercise of employee share options	0.3	0.2
Cancelled	(9.0)	(6.9)
Tender offer	(40.2)	(31.0)
AT 27 FEBRUARY 2020	**147.0**	**112.9**
Issued on exercise of employee share options	**0.1**	**0.1**
Issued in rights issue	**67.3**	**51.7**
AT 25 FEBRUARY 2021	**214.4**	**164.7**

Rights issue
In June 2020, the Group offered a fully underwritten rights issue to existing shareholders on the basis of one share for every two fully paid ordinary shares held. The Company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550p per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

Employee share options
During the year, options over 0.1m (2019/20: 0.3m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Group received proceeds of £2.9m (2019/20: £9.5m) on exercise of these options.

Tender offer
During the year ended 27 February 2020, the Group announced and completed a tender offer to purchase 40.2m ordinary shares at a price of £49.72 per share, and an aggregate cost of £2,012.6m, including transaction costs of £12.6m. The shares acquired under the tender offer were immediately cancelled, creating a capital redemption reserve of £31.0m.

Share cancellation
During the year ended 27 February 2020, following the completion of the share buyback programme (see Note 28), the Group cancelled 9.0m ordinary shares that were previously held as treasury shares, creating a capital redemption reserve of £6.9m and transferring the cost of treasury shares of £140.2m to retained earnings.

27 SHARE CAPITAL CONTINUED

Preference share capital

ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2020: 1P EACH)	B shares million	B shares £m	C shares million	C shares £m
AT 1 MARCH 2019, 27 FEBRUARY 2020 AND 25 FEBRUARY 2021	2.0	–	1.9	–

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 2 July each year on a notional amount of 155p per share.

C shareholders are entitled to an annual non-cumulative preference dividend paid in arrears on or around 14 January each year on a value of 159p per share.

Other than shares issued in the normal course of business as part of the share-based payments schemes, there have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

28 RESERVES

Share premium

The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve

A capital redemption reserve was created on the cancellation of the Group's B and C preference shares and also includes the nominal value of cancelled 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.

Other reserves

The movement in other reserves during the year is set out in the table below:

	Treasury reserve £m	Merger reserve £m	Hedging reserve £m	Total other reserves £m
At 1 March 2019	684.8	1,855.0	7.9	2,547.7
Other comprehensive income – net gain on cash flow hedges (Note 25)	–	–	(3.5)	(3.5)
Other comprehensive income – deferred tax on cash flow hedges (Note 25)	–	–	0.6	0.6
Loss on ESOT shares issued	(3.3)	–	–	(3.3)
Reserves transfer	–	–	(1.4)	(1.4)
Release of irrevocable commitment – share buyback	(330.1)	–	–	(330.1)
Shares purchased – share buyback scheme (Note 27)	315.8	–	–	315.8
Shares cancelled (Note 27)	(140.2)	–	–	(140.2)
AT 27 FEBRUARY 2020	**527.0**	**1,855.0**	**3.6**	**2,385.6**
Other comprehensive income – net gain on cash flow hedges (Note 25)	**–**	**–**	**(2.3)**	**(2.3)**
Other comprehensive income – deferred tax on cash flow hedges (Note 25)	**–**	**–**	**0.6**	**0.6**
Loss on ESOT shares issued	**(6.7)**	**–**	**–**	**(6.7)**
AT 25 FEBRUARY 2021	**520.3**	**1,855.0**	**1.9**	**2,377.2**

28 RESERVES CONTINUED

Treasury reserve
This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
At 1 March 2019	15.6	677.2	0.5	7.6
Exercised during the year	–	–	(0.2)	(3.3)
Release of irrevocable commitment – share buyback	–	(330.1)	–	–
Shares purchased – share buyback scheme (see Note 27)	6.5	315.8	–	–
Shares cancelled (Note 27)	(9.0)	(140.2)	–	–
Transferred	(0.7)	(8.2)	0.7	8.2
AT 27 FEBRUARY 2020	**12.5**	**514.5**	**1.0**	**12.5**
Exercised during the year	**–**	**–**	**(0.6)**	**(6.7)**
AT 25 FEBRUARY 2021	**12.5**	**514.5**	**0.4**	**5.8**

Following the completion of the sale of Costa Limited on 3 January 2019, the Group announced its intention to start a share buyback programme to return £500.0m to shareholders. As at 1 March 2019, the Group had purchased shares with an aggregate cost of £169.9m and recognised an irrevocable commitment for the remaining £330.1m. During the year ended 27 February 2020, the Group purchased 6.5m ordinary shares at an average price of £48.00 per share and an aggregate cost of £315.8m including transaction costs of £3.1m under the share buyback programme. The remaining £14.3m, representing the difference between the announced programme and the value repurchased, was released to other reserves.

Merger reserve
The merger reserve arose as a consequence of the merger in 2000/01 of Whitbread Group PLC and Whitbread PLC.

Hedging reserve
The hedging reserve records movements for effective cash flow hedges measured at fair value.

29 ANALYSIS OF CASH FLOWS GIVEN IN THE CASH FLOW STATEMENT

	2021 £m	2020 £m
(Loss)/profit for the period	**(906.5)**	217.9
Adjustments for:		
Tax (credit)/expense	**(100.9)**	62.1
Net finance costs (Note 8)	**168.3**	128.5
Share of loss from joint ventures	**7.7**	2.5
Depreciation and amortisation	**300.2**	268.8
Share-based payments	**12.7**	11.6
Impairments (Note 15)	**356.2**	59.9
(Gains)/losses on disposals, property and other provisions	**(5.0)**	9.3
Timing difference on insurance receipts	**14.0**	(14.0)
Other non-cash items	**26.1**	3.8
CASH (USED IN)/GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL C	**(127.2)**	750.4
Decrease in inventories	**1.5**	0.9
Decrease/(increase) in trade and other receivables	**27.8**	(4.1)
Decrease in trade and other payables	**(129.1)**	(60.8)
CASH (USED IN)/GENERATED FROM OPERATIONS	**(227.0)**	686.4

Other non-cash items includes an inflow of £12.4m (2020: £nil) representing the write off of a deposit paid in relation to an acquisition (see Note 6), an inflow of £9.2m (2020: £0.7m) as a result of net provision movements and an inflow of £3.8m (2020: £2.2m) representing non-cash pension scheme administration costs.

30 CONTINGENT LIABILITIES

There are no contingent liabilities to be disclosed in the year ended 25 February 2021 (2020: none).

31 SHARE-BASED PAYMENT PLANS

Long Term Incentive Plan (LTIP)
The LTIP awards shares to directors and senior executives of the Group. Vesting of all shares under the scheme will 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). Details of the performance targets for the LTIP awards can be seen in the remuneration report on pages 88 to 108. The awards are settled in equity once exercised.

Deferred equity awards
Awards are made under the Whitbread Leadership Group Incentive Scheme implemented during 2004/05. The awards are not subject to performance conditions and will vest in full on the release date subject to continued employment at that date. If the director or senior executive of the Group ceases to be an employee of Whitbread prior to the release date, normally three years after the award, by reason of redundancy, retirement, death, injury, ill health, disability or some other reason considered to be 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) is 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 is 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). During the 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 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. The awards are settled in equity once exercised. During the year ended 27 February 2020, 97,939 awards previously made to employees under the LTIP were replaced with 69,191 awards under the Restricted Share Plan.

31 SHARE-BASED PAYMENT PLANS CONTINUED

Movements in the number of share awards are as follows:

52 WEEKS TO 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**

52 WEEKS TO 27 FEBRUARY 2020	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	635,923	105,736	(97,939)	(54,621)	(246,677)	342,422	54,067
Deferred equity awards	219,977	55,857	–	(94,931)	(2,693)	178,210	54,561
Performance Share Plan	162,627	–	–	–	–	162,627	162,627
R&R Scheme	337,533	3,195	–	(69,058)	(37,635)	234,035	86,600
Restricted Share Plan	–	–	69,191	–	–	69,191	–
	1,356,060	164,788	(28,748)	(218,610)	(287,005)	986,485	357,855

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:

	2020/21		2019/20	
	Options	**WAEP £ per share**	Options	WAEP £ per share
Outstanding at the beginning of the year	**775,294**	**32.25**	1,059,297	31.81
Granted during the year[1]	**783,707**	**25.68**	305,458	32.48
Exercised during the year	**(111,796)**	**25.37**	(308,211)	30.99
Expired during the year	**(307,230)**	**27.53**	(281,250)	32.24
Outstanding at the end of the year	**1,139,975**	**26.59**	775,294	32.25
Exercisable at the year-end	**101,400**	**27.23**	64,335	30.33

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 2021 and 2026 are exercisable at prices between £25.27 and £33.22 per share (2020: between 2020 and 2025 at prices between £29.42 and £38.66). The weighted average share price at the date of exercise for options exercised during the year was £25.94 (2020: £46.20).

The weighted average contractual life of the share options outstanding as at 25 February 2021 is between two and three years.

31 SHARE-BASED PAYMENT PLANS CONTINUED

The following table lists the inputs to the model used for the years ended 25 February 2021 and 27 February 2020:

	Grant date	Exercise price £	Price at grant date £	Expected term Years	Expected dividend yield %	Expected volatility %	Risk-free rate %	Vesting conditions
LTIP awards	01.03.2019	–	48.54	3.00	2.0	N/A	N/A	Non-market[1,2,3]
Deferred equity awards	01.03.2020	–	23.63	3.00	0.25	N/A	N/A	Service[3]
	01.03.2019	–	48.54	3.00	2.0	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	01.03.2020	–	23.63	3.00	0.25	N/A	N/A	Non-market[1,3,4]
SAYE – 3 years	23.12.2020	25.33	31.38	3.25	0.75	45.0	0.02	Service[3]
	29.11.2019	32.49	46.01	3.25	2.0	25.0	0.49	Service[3]
SAYE – 5 years	23.12.2020	25.33	31.38	5.25	1.25	45.0	(0.08)	Service[3]
	29.11.2019	32.49	46.01	5.25	2.0	25.0	0.50	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 grant date which, in most cases, is the historic dividend yield. No other features relating to the granting of options were incorporated into the measurement of fair value.

Employee share ownership trust (ESOT)

The Company funds an ESOT to enable it to acquire and hold shares for the LTIP. The ESOT held 0.4m shares at 25 February 2021 (2020: 1.0m). All dividends on the shares in the ESOT are waived by the Trustee.

TOTAL CHARGED TO THE CONSOLIDATED INCOME STATEMENT FOR ALL SCHEMES	**2020/21 £m**	2019/20 £m
Long Term Incentive Plan	**0.7**	1.7
Deferred equity	**2.7**	2.5
Performance Share Plan	**0.1**	(0.1)
R&R Scheme	**4.7**	3.2
Restricted Share Plan	**0.1**	1.0
Employee Sharesave scheme	**4.4**	3.3
EQUITY-SETTLED	**12.7**	11.6

Accrued share-based payments in the consolidated statement of changes in equity includes £1.3m relating to shares issued to satisfy the prior year annual incentive scheme.

32 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 £10.8m (2019/20: £11.0m). At the year-end, the Group owed outstanding contributions of £1.7m (2020: £2.5m) in respect of the defined contribution scheme.

At the year-end, 20,985 employees (2020: 24,051) were active members of the scheme, which also had 48,152 deferred members (2020: 45,485).

32 RETIREMENT BENEFITS CONTINUED

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 (2020: nil), 19,243 deferred pensioners (2020: 19,853) and 16,145 pensions in payment (2020: 16,371).

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 (2020: 18.0 years).

Funding

Expected contributions to be made in the next reporting period total £13.7m (2019/20: £13.3m). In 2020/21, contributions were £13.0m with £2.7m from the employer, £10.2m from Moorgate Scottish Limited Partnership (SLP) and £0.1m of benefits settled by the Group in relation to an unfunded scheme (2019/20: £286.5m, with £276.4m from the employer, £10.0m from Moorgate SLP and £0.1m of benefits settled by the Group in relation to an unfunded scheme). In addition, Whitbread paid £1.8m (2019/20: £1.9m) 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 2017 by Willis Towers Watson Ltd using the projected unit credit method. The valuation showed a deficit of assets relative to technical provisions of £450.0m (31 March 2014: deficit of £564.0m). A deficit recovery plan and some protection whilst the scheme remained in deficit had been agreed with the Trustee. On completion of the sale of Costa Limited, the Group paid the Pension Scheme a cash contribution of £381.0m following which there are no ongoing deficit recovery contributions, Costa Limited was released from its obligations to the Pension Scheme and new protections were agreed by the Group and Trustee.

A scheme specific actuarial valuation of the scheme as at 31 March 2020 is currently being carried out and is expected to be completed by June 2021.

In 2019, as part of the funding arrangement related to the sale of Costa Limited, two previous charges were released and replaced with a consolidated charge in favour of Whitbread Pension Trustees securing properties totalling £450.0m that would have reduced to £408.0m following completion of the 2020 actuarial valuation. In May 2020, the Group agreed with the Trustee covenant waivers for the defined benefit pension scheme covering the period to March 2022. As a condition of receiving these waivers, the charge was increased to £500.0m for the duration of the waiver and two further properties were added to the charge. Following the end of the waiver period, the charge will revert to £450.0m and remain at that level. The charge secures the obligations of various Group companies to make payments to the scheme.

The Group has received covenant waivers in relation to the defined benefit pension scheme and therefore the covenants will next be tested at 3 March 2022. Under the terms of the waiver, 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. In the event the Group would fail to meet the covenant test as at 3 March 2022 , a further variable payment, based upon the prevailing market conditions at the time of calculation, would need to be made into the Group's pension scheme. The scenario in which this could apply is outlined in the Going concern Note 2.

32 RETIREMENT BENEFITS CONTINUED

Investment in Moorgate SLP

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

Moorgate SLP holds an investment in a further partnership, Farringdon Scottish Partnership (SP), which was also established by the Group during 2009/10. Property assets with a market value of £221.0m were transferred from other Group companies to Farringdon SP and leased back to Whitbread Group PLC and Premier Inn Hotels Limited. The Group retains control over these properties, including the flexibility to substitute alternative properties. However, the Trustee has first charge over the property portfolio and certain other assets with an aggregate value of £228.0m which is included in the charge of £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 £162.4m (2020: £162.4m) 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 on assets 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 re-measurement of movements in other comprehensive income. There is the potential for a period of heightened market volatility due to the economic impact of the COVID-19 pandemic and Brexit.	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

32 RETIREMENT BENEFITS CONTINUED

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 25 February 2021 for IAS 19 *Employee Benefits* purposes were:

	At 25 February 2021 %	At 27 February 2020 %
Pre-April 2006 rate of increase in pensions in payment	**3.10**	2.80
Post-April 2006 rate of increase in pensions in payment	**2.20**	2.00
Pension increases in deferment	**3.10**	2.80
Discount rate	**1.90**	1.60
Inflation assumption	**3.20**	2.90

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 20.5 years (2020: 20.8 years) if they are male and for a further 23.1 years (2020: 23.3 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 21.5 years (2020: 21.9 years) after retirement if they are male and for a further 24.3 years (2020: 24.5 years) after retirement if they are female.

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

	2020/21 £m	2019/20 £m
Net interest on net defined benefit surplus	**(3.0)**	(4.0)
Administrative expense	**2.7**	2.2
Past service cost (GMP equalisation reserve)	**1.1**	–
TOTAL EXPENSE/(INCOME) RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT (GROSS OF DEFERRED TAX)	**0.8**	(1.8)

Amounts recognised in operating costs for past service costs or curtailment are £1.1m (2020: £nil).

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

	2020/21 £m	2019/20 £m
Actuarial (gains)/losses	**(130.2)**	389.6
Return on plan assets lower/(greater) than discount rate	**146.5**	(409.3)
RE-MEASUREMENT EFFECTS RECOGNISED IN OTHER COMPREHENSIVE INCOME	**16.3**	(19.7)

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

	2021 £m	2020 £m
Present value of defined benefit obligation	**(2,804.3)**	(2,992.7)
Fair value of scheme assets	**2,992.3**	3,183.0
SURPLUS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET	**188.0**	190.3

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

	2020/21 £m	2019/20 £m
Opening defined benefit obligation	**2,992.7**	2,643.2
Interest cost	**48.7**	67.4
Past service cost to recognise additional liability in respect of guaranteed minimum pensions	**1.1**	–
Re-measurement due to:		
Changes in financial assumptions	**30.5**	401.9
Changes in demographic assumptions	**(70.6)**	–
Experience adjustments	**(90.1)**	(12.3)
Benefits paid	**(107.9)**	(107.4)
Benefits settled by the Group in relation to an unfunded pension scheme[1]	**(0.1)**	(0.1)
CLOSING DEFINED BENEFIT OBLIGATION	**2,804.3**	2,992.7

32 RETIREMENT BENEFITS CONTINUED

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

	2020/21 £m	2019/20 £m
Opening fair value of scheme assets	**3,183.0**	2,523.6
Interest income on scheme assets	**51.7**	71.4
Return on plan assets (lower)/greater than discount rate[2]	**(146.5)**	409.3
Contributions from employer[1]	**2.7**	276.4
Additional contributions from Moorgate SLP[1]	**10.2**	10.0
Investment manager expenses paid by the employer[1]	**1.8**	1.9
Benefits paid	**(107.9)**	(107.4)
Administrative expenses	**(2.7)**	(2.2)
CLOSING FAIR VALUE OF SCHEME ASSETS	**2,992.3**	3,183.0

The major categories of plan assets are as follows:

	2021			2020		
	Quoted and pooled £m	Unquoted £m	Total £m	Quoted and pooled £m	Unquoted £m	Total £m
Equities	**75.5**	**–**	**75.5**	125.4	–	125.4
Alternative assets	**200.7**	**–**	**200.7**	340.0	–	340.0
Bonds	**196.5**	**5.1**	**201.6**	205.3	7.2	212.5
Private markets	**–**	**403.1**	**403.1**	0.1	343.4	343.5
Liability driven Investments[3]	**2,060.5**	**–**	**2,060.5**	2,122.6	–	2,122.6
Cash and other[4]	**50.9**	**–**	**50.9**	39.0	–	39.0
	2,584.1	**408.2**	**2,992.3**	2,832.4	350.6	3,183.0

1 The total of these items equals the cash paid by the Group as per the consolidated cash flow statement. 'Contributions from employer' include:
- Company deficit contributions;
- Company contributions towards an augmentation; and
- 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, gilt 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:

	(Increase)/decrease in liability	
	2021 £m	2020 £m
DISCOUNT RATE		
1.00% increase to discount rate	**421.0**	467.0
1.00% decrease to discount rate	**(546.0)**	(610.0)
INFLATION		
0.25% increase to inflation rate	**(92.0)**	(101.0)
0.25% decrease to inflation rate	**90.0**	98.0
LIFE EXPECTANCY		
Additional one-year increase to life expectancy	**(130.0)**	(102.0)

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.

33 RELATED PARTY DISCLOSURE

The Group consists of a parent company, Whitbread PLC, incorporated in the UK, and a number of subsidiaries and joint ventures held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 9 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 32.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

RELATED PARTY TRANSACTIONS	**2020/21 Joint ventures £m**	2019/20 Joint ventures £m
Sales to a related party	**0.1**	0.1
Purchases from a related party	**–**	0.1
Amounts owed by related party	**–**	0.1
Amounts owed to related party	**–**	0.1

Joint ventures

For details of the Group's investments in and loans to joint ventures, see Note 16.

Compensation of key management personnel (including directors):

	2020/21 £m	2019/20 £m
Short-term employee benefits	**6.2**	7.4
Post-employment benefits	**–**	–
Share-based payments	**5.1**	4.8
	11.3	12.2

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 (2020: £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.

34 EVENTS AFTER THE BALANCE SHEET DATE

Lockdown restrictions

As at the year-end, all of the Group's restaurants were closed and although the majority of the Group's hotels were open, they were restricted to use by business customers only in line with the Government's roadmap for easing restrictions in the UK and similar restrictions in Germany. On 12 April 2021, the Group opened 65 restaurants where there is capacity for outdoor dining. The Group expects to continue reopening in line with the roadmap meaning the majority of the Group's restaurants will be opened on 17 May and its UK hotels will open to leisure customers.

On 13 April 2021, the German parliament announced changes to the Infection Protection Act to further control the COVID-19 pandemic across the country. The change legally obligates consistent action across all states where infection rates exceed set levels and will apply until 30 June 2021. This change is likely to lengthen the closure of the Group's German sites.

Financing

As set out in Note 20, the Group provided an early repayment notice to holders of its US private placement loan notes. On 26 March 2021, the Group repaid these loan notes and settled the associated hedge relationships resulting in total cash outflows of £221.2m.

As at 22 March 2021, the Group had not drawn down the Covid Corporate Financing Facility (CCFF) and as a result this facility expired.

Government support

On 4 March 2021, the German Government removed a restriction in place on the Bridge Aid scheme which allowed the Group to make a grant claim under this scheme. This change is a non-adjusting post balance sheet event. As a result, the Group expects to make claims of £10.4m which will be recognised in FY22 relating to the period from January 2021 to June 2021 (see Note 9).

The UK Government announced a number of support measures in its Budget of 3 March 2021. These included the following:

› An extension of Business Rates Relief in England to 30 June 2021.

› An extension of the Coronavirus Job Retention Scheme to 30 September 2021.

› A Restart Grant scheme for the hospitality and accommodation sector allowing the Group to claim up to £18,000 per site restricted by State Aid allowances.

› An extension of reduced VAT rates. 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) will be charged at 5% VAT. A new reduced rate of 12.5% will then be introduced which will end on 31 March 2022.

› An increase in the main rate of UK corporation tax to 25% with effect from 1 April 2023.

35 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

The Group has recognised right-of-use assets and lease liabilities in relation to the 13 hotels which have been rebranded.

Lease liabilities are recognised at the present value of future lease payments, using assumptions consistent with those of new leases. Right-of-use assets have been valued at an amount equal to the lease liability as the lease arrangements are considered to be at market rates.

Pipeline hotel leases

Three of the pipeline sites are open and will continue to be operated by a third party. The Group has acquired the headlease for these sites and is subleasing them for a period of up to two years. The Group has recognised investment property and lease liabilities in relation to these sites. Upon expiration of the sublease, the Group will take over the operations of these sites and the investment property will be transferred to right-of-use assets.

The remaining three pipeline sites are still undergoing development with lease commencement tied to the completion of this work. The Group has committed cash outflows in relation to lease payments for the sites in development of £76.3m. Once development is complete and the sites are open, the Group will recognise the related lease liability and right-of-use assets.

Contingent consideration

Contingent consideration has been recognised at the date of acquisition and will be paid in instalments when the Group takes control of the operations of the pipeline hotels. The amount payable of £62.6m is fixed and becomes payable once development of the site is complete and the site has been handed over to the Group. The fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate.

CONSIDERATION TRANSFERRED	£m
Cash	169.5
Deferred consideration	(0.6)
Contingent consideration	56.9
TOTAL CONSIDERATION	**225.8**

FAIR VALUE OF NET ASSETS ACQUIRED	
Property, plant and equipment	6.0
Investment property	51.9
Right-of-use assets	193.3
Trade and other receivables	0.5
Cash and cash equivalents	1.4
TOTAL ASSETS ACQUIRED	**253.1**
Trade and other payables	(2.8)
Deferred tax liabilities	(3.5)
Lease liabilities	(245.2)
TOTAL LIABILITIES ACQUIRED	**(251.5)**
NET IDENTIFIABLE ASSETS ACQUIRED AT FAIR VALUE	**1.6**
Goodwill arising on acquisition	224.2
PURCHASE CONSIDERATION TRANSFERRED	**225.8**

The goodwill acquired in the above transactions comprises certain intangible assets that cannot be separately identified. This includes the skills and experience of the assembled workforce and the future growth opportunities the business provides to the Group's operations. None of the goodwill recognised is expected to be deductible for income tax purposes. Subsequent to the acquisition, an impairment of the goodwill arising on acquisition has been recorded (see Note 15).

From the date of acquisition, the acquiree has contributed £6.3m of revenue and £26.8m of loss before tax.

35 BUSINESS COMBINATIONS CONTINUED

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 has been accounted for as an asset acquisition under IFRS 3 *Business Combinations* as the fair value of the assets is concentrated in a single group of similar assets. The transaction consists of six open hotels and seven pipeline hotels which are due to open between 2021 and 2023. On acquisition, the Group has recognised right-of-use assets of £84.9m and lease liabilities of £77.2m in relation to the open hotels. The Group has also committed to lease commitments of £202.4m in relation to the pipeline hotels. Contingent consideration of £1.9m will become payable once handover of the pipeline sites is complete.

Acquisition in 2019/20 – Acom Hotelbetriebs- und Verwaltungs GmbH

On 17 September 2019, the Group acquired 100% of the share capital of Acom Hotelbetriebs- und Verwaltungs GmbH from a private individual operating under the brand 'Acomhotel' for consideration of £27.4m. The acquisition consisted of two leasehold hotels that were open and trading and a further leasehold hotel which has opened during 2020/21. The acquisition includes the right to purchase the freehold for two of the sites in six and 12 years respectively. The transaction forms part of the Group's strategic priority of international growth.

CONSIDERATION TRANSFERRED	£m
Cash	**22.8**
Deferred consideration	**0.2**
Contingent consideration	**4.4**
TOTAL CONSIDERATION	**27.4**

The contingent consideration became payable on completion of the construction of the remaining leasehold site and was paid during the year.

FAIR VALUE OF NET ASSETS ACQUIRED	£m
Property, plant and equipment	**0.6**
Right-of-use assets	**45.8**
Inventories	**0.1**
Trade and other receivables	**0.7**
Cash and cash equivalents	**0.5**
TOTAL ASSETS ACQUIRED	**47.7**
Trade and other payables	**(0.6)**
Lease liabilities	**(14.8)**
Deferred tax liabilities	**(4.9)**
TOTAL LIABILITIES ACQUIRED	**(20.3)**
NET IDENTIFIABLE ASSETS ACQUIRED AT FAIR VALUE	**27.4**
Goodwill arising on acquisition	**–**
PURCHASE CONSIDERATION TRANSFERRED	**27.4**

Whitbread PLC
Company accounts 2020/21

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Company balance sheet

At 25 February 2021
Company number 04120344

	Notes	**25 February 2021 £m**	27 February 2020 £m
FIXED ASSETS			
Investment in subsidiaries	3	**2,426.4**	2,412.4
TOTAL NON-CURRENT ASSETS		**2,426.4**	2,412.4
CURRENT ASSETS			
Debtors: amounts falling due within one year	4	**–**	253.0
Debtors: amounts falling due after more than one year	4	**1,265.1**	–
		1,265.1	253.0
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	**(11.5)**	(6.2)
		(11.5)	(6.2)
NET CURRENT ASSETS		**1,253.6**	246.8
NET ASSETS		**3,680.0**	2,659.2
CAPITAL AND RESERVES			
Share capital	6	**164.7**	112.9
Share premium	7	**1,022.9**	90.8
Capital redemption reserve	7	**50.2**	50.2
Retained earnings	7	**2,962.5**	2,932.3
Treasury reserve	7	**(520.3)**	(527.0)
SHAREHOLDERS' FUNDS		**3,680.0**	2,659.2

The profit and loss account 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 profit generated in the year for ordinary shareholders, and included in the financial statements of the parent company, amounted to £22.9m (2019/20: £2,742.0m).

ALISON BRITTAIN CHIEF EXECUTIVE

NICHOLAS CADBURY FINANCE DIRECTOR

26 April 2021

Company statement of changes in equity

Year ended 25 February 2021

	Share capital (Note 6) £m	Share premium (Note 7) £m	Capital redemption reserve (Note 7) £m	Retained earnings (Note 7) £m	Treasury reserve (Note 7) £m	Total £m
At 1 March 2019	150.6	81.5	12.3	2,494.7	(684.8)	2,054.3
Profit for the year	–	–	–	2,742.0	–	2,742.0
Total comprehensive income	–	–	–	2,742.0	–	2,742.0
Ordinary shares issued on exercise of employee share options	0.2	9.3	–	–	–	9.5
Accrued share-based payments	–	–	–	11.6	–	11.6
Loss on ESOT shares issued	–	–	–	(3.3)	3.3	–
Equity dividends	–	–	–	(159.9)	–	(159.9)
Release of irrevocable commitment – share buyback	–	–	–	–	330.1	330.1
Shares purchased in share buyback	–	–	–	–	(315.8)	(315.8)
Shares purchased under tender offer	(31.0)	–	31.0	(2,012.6)	–	(2,012.6)
Shares cancelled	(6.9)	–	6.9	(140.2)	140.2	–
AT 27 FEBRUARY 2020	**112.9**	**90.8**	**50.2**	**2,932.3**	**(527.0)**	**2,659.2**
Profit for the year	–	–	–	22.9	–	22.9
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**22.9**	**–**	**22.9**
Ordinary shares issued on exercise of employee share options	0.1	2.8	–	–	–	2.9
Ordinary shares issued on rights issue[1]	51.7	929.3	–	–	–	981.0
Loss on ESOT shares issued	–	–	–	(6.7)	6.7	–
Accrued share-based payments	–	–	–	14.0	–	14.0
AT 25 FEBRUARY 2021	**164.7**	**1,022.9**	**50.2**	**2,962.5**	**(520.3)**	**3,680.0**

1 The share premium amount of £929.3m is net of £28.2m in relation to transaction costs associated with the rights issue.

Notes to the Company financial statements

At 25 February 2021

1 BASIS OF ACCOUNTING

The financial statements of Whitbread PLC for the year ended 25 February 2021 were authorised for issue by the Board of Directors on 26 April 2021. The financial year represents the 52 weeks to 25 February 2021 (prior financial year: 52 weeks to 27 February 2020).

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company meets the definition of a qualifying entity under FRS 100 *Application of Financial Reporting Requirements* as issued by the Financial Reporting Council (FRC). Accordingly, in the year ended 3 March 2016, the Company underwent transition from reporting under UK GAAP to FRS 101 *Reduced Disclosure Framework*. The financial statements are therefore prepared in accordance with FRS 101.

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 non-current assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements of the Group.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Share buyback scheme and tender offer

Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable. Shares purchased and held by the Group (treasury shares) are deducted from the treasury reserve at the total consideration paid or payable. On cancellation of treasury shares, the cost is transferred from the treasury reserve to retained earnings. When treasury shares are issued at below cost, an amount representing the difference between the cost of those shares and issue proceeds is transferred to retained earnings. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Critical accounting judgements and key sources of estimation uncertainty

In the opinion of the directors, there are no critical accounting judgements or key sources of estimation uncertainty in relation to the parent company financial statements.

3 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

INVESTMENTS AT COST	2021 £m	2020 £m
Opening investments	**2,412.4**	2,400.8
Contributions to subsidiaries in respect of share-based payments	**14.0**	11.6
CLOSING INVESTMENTS	**2,426.4**	2,412.4

Significant trading subsidiary undertakings	Principal activity	Country of incorporation	Country of principal operations	% of equity and votes held
Whitbread Group PLC	Hotels & Restaurants	England	England	100.0
Premier Inn Hotels Limited	Hotels	England	England	100.0

Whitbread Group PLC, in which the Company has an investment, 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 Whitbread Group PLC. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees. Further details can be found in Note 32 to the Whitbread PLC consolidated financial statements.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly or indirectly by Whitbread Group PLC or its subsidiaries. A full list of subsidiaries and related undertakings is provided in Note 9.

4 DEBTORS

AMOUNTS FALLING DUE WITHIN ONE YEAR	2021 £m	2020 £m
Amounts due from subsidiary undertakings	**–**	251.2
Corporation tax receivable	**–**	1.8
	–	253.0
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Amounts due from subsidiary undertakings	**1,265.1**	–
	1,265.1	–

5 CREDITORS

AMOUNTS FALLING DUE WITHIN ONE YEAR	2021 £m	2020 £m
Unclaimed dividends	**6.1**	6.2
Corporation tax payable	**5.4**	–
	11.5	6.2

6 SHARE CAPITAL

ORDINARY SHARE CAPITAL

ALLOTTED, CALLED UP AND FULLY PAID ORDINARY SHARES OF 76.80P EACH (2020: 76.80P EACH)	million	£m
At 1 March 2019	195.9	150.6
Issued on exercise of employee share options	0.3	0.2
Cancelled	(9.0)	(6.9)
Tender offer	(40.2)	(31.0)
AT 27 FEBRUARY 2020	**147.0**	**112.9**
Issued on exercise of employee share options	0.1	0.1
Issued in rights issue	67.3	51.7
AT 25 FEBRUARY 2021	**214.4**	**164.7**

Rights issue
In June 2020, the Company offered a fully underwritten rights issue to existing shareholders on the basis of one share for every two fully paid ordinary shares held. The Company received acceptances in respect of 61,452,547 New Ordinary Shares, representing 91.4% of the total New Ordinary Shares to be issued. The remaining 5,824,869 New Ordinary Shares for which acceptances were not received were successfully placed at a price of 2,550p per New Ordinary Share.

As a result, a total of 67,277,416 ordinary shares with an aggregate nominal value of £51.7m were issued for cash consideration of £1,009.2m. Transaction costs of £28.2m were incurred resulting in £929.3m being recognised in share premium and net cash proceeds of £981.0m.

Employee share options
During the year, options over 0.1m (2019/20: 0.3m) ordinary shares, fully paid, were exercised by employees under the terms of various share option schemes. The Company received proceeds of £2.9m (2019/20: £9.5m) on exercise of these options.

Tender offer
During the year ended 27 February 2020, the Company announced and completed a tender offer to purchase 40.2m ordinary shares at a price of £49.72 per share, and an aggregate cost of £2,012.6m, including transaction costs of £12.6m. The shares acquired under the tender offer were immediately cancelled, creating a capital redemption reserve of £31.0m.

Share cancellation
During the year ended 27 February 2020, following the completion of the share buyback programme (see Note 7), the Company cancelled 9.0m ordinary shares that were previously held as treasury shares, creating a capital redemption reserve of £6.9m and transferring the cost of treasury shares of £140.2m to retained earnings.

Preference share capital

	B shares		C shares	
ALLOTTED, CALLED UP AND FULLY PAID SHARES OF 1P EACH (2020: 1P EACH)	million	£m	million	£m
At 1 March 2019, 27 February 2020 and 25 February 2021	2.0	–	1.9	–

7 RESERVES

Share premium
The share premium reserve is the premium paid on the Company's 76.80p ordinary shares.

Capital redemption reserve
A capital redemption reserve was created on the cancellation of the Company's B and C preference shares and also includes the nominal value of cancelled ordinary shares.

Retained earnings
Retained earnings are the net earnings not paid out as dividends, but retained to be reinvested.

Treasury reserve
This reserve relates to shares held by an independently managed employee share ownership trust (ESOT) and treasury shares held by Whitbread PLC. The shares held by the ESOT were purchased in order to satisfy outstanding employee share options and potential awards under the Long Term Incentive Plan (LTIP) and other incentive schemes.

The movement in treasury reserves during the year is set out in the table below:

	Treasury shares held by Whitbread PLC		ESOT shares held	
	million	£m	million	£m
AT 1 MARCH 2019	**15.6**	**677.2**	**0.5**	**7.6**
Exercised during the year	–	–	(0.2)	(3.3)
Release of irrevocable commitment – share buyback	–	(330.1)	–	–
Shares purchased – share buyback scheme	6.5	315.8	–	–
Shares cancelled (Note 6)	(9.0)	(140.2)	–	–
Transferred	(0.7)	(8.2)	0.7	8.2
AT 27 FEBRUARY 2020	**12.5**	**514.5**	**1.0**	**12.5**
Exercised during the year	–	–	(0.6)	(6.7)
AT 25 FEBRUARY 2021	**12.5**	**514.5**	**0.4**	**5.8**

Following the completion of the sale of Costa Limited on 3 January 2019, the Company announced its intention to start a share buyback programme to return £500.0m to shareholders. As at 1 March 2019, the Company had purchased shares with an aggregate cost of £169.9m and recognised an irrevocable commitment for the remaining £330.1m. During the year ended 27 February 2020, the Company purchased 6.5m ordinary shares at an average price of £48.00 per share and an aggregate cost of £315.8m including transaction costs of £3.1m under the share buyback programme. The remaining £14.3m, representing the difference between the announced programme and the value repurchased, was released to the treasury reserve.

Distributable reserves
As at 25 February 2021, Whitbread PLC had distributable reserves of £2,271.9m (2020: £2,249.0m).

8 CONTINGENT LIABILITIES

Whitbread PLC is a member of the Whitbread Group PLC VAT group. All members are jointly and severally liable for the liability. At the balance sheet date the Group liability amounted to £11.1m (2020: £24.0m).

9 RELATED PARTIES

Details of related undertakings are shown below:

Active related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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	49.0
		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	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 Frankfurt City Ostbahnhof GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Frankfurt Eschborn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Glasgow Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Premier Inn GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Hamburg Nordanalstrasse GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Holding GmbH	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
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 München Messe GmbH (formerly Acom Hotel München-Haar GmbH)	Germany[8]	Ordinary EUR 25,000	–	100.0	100.0
Premier Inn Nürnberg City Nordost GmbH (formerly Acom Hotel Nürnberg Nordost 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: Acom Hotelbetriebs- und Verwaltungs GmbH)	Germany[8]	Ordinary EUR 50,000	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Active related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Premier Inn Westminster Limited	England[1]	Ordinary £1.00	–	100.0	100.0
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 Group PLC	England[1]	Ordinary £0.25	100	–	50.0
		A ordinary £0.25	100	–	50.0
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

Dormant related undertakings

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Cherwell Inns Limited	England[1]	A ordinary non-voting £1.00	–	100.0	66.7
		Ordinary £1.00	–	100.0	33.3
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

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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
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

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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	–	100.0	100.0
Sweetings (Chop House) 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
Swingbridge Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Tewkesbury Park Golf and Country Club Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Barcave Group Limited	England[1]	7% cumulative preference £1.00	–	100.0	90.9
		Ordinary £1.00	–	100.0	9.1
The Dominic Group Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Investments Limited	England[1]	8% cumulative preference A £1.00	–	100.0	33.0
		8% cumulative preference B £1.00	–	100.0	28.1
		Ordinary £1.00	–	100.0	30.2
		Preferred ordinary £1.00	–	100.0	8.8
The Four Seasons Hotel Investments Management Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Four Seasons Hotel Limited	England[1]	Ordinary £1.00	–	100.0	100.0
The Oyster Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	100.0
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

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
Threlfalls (Liverpool & Birkenhead) Limited	England[1]	Ordinary £1.00	–	100.0	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
		Ordinary £0.01	–	100.0	1.0
West Country Breweries Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Wentworth Guarantee Company Limited	England[1]	N/A	N/A	N/A	N/A
Wheeler Gate Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread (Condor) Holdings Limited	England[1]	Ordinary £0.0001	–	100.0	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	–	100.0	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	–	100.0	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	N/A
Whitbread Healthcare Trustees Limited	England[1]	Ordinary £1.00	–	100.0	100.0
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	–	100.0	100.0
Whitbread Pension Trustee Directors Company Limited	England[1]	N/A	N/A	N/A	N/A
Whitbread Pension Trustees	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub and Bars Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Partnership Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Pub Restaurants Business Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Quest Trustee Limited	England[1]	Ordinary £1.00	–	100.0	100.0
Whitbread Restaurants (Australia) Limited	England[1]	Ordinary £1.00	–	100.0	–
		Ordinary £0.56	–	100.0	100.0

9 RELATED PARTIES CONTINUED

Dormant related undertakings continued

Company name	Country of incorporation	Class of shares held	% of class of shares held by the parent company	% of class of shares held by the Group (if different from the parent company)	% of nominal value (where applicable)
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	N/A
Whitbread Spa Company Limited	England[1]	Ordinary £1.00	–	100.0	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

The registered office of the above companies is as follows:

1 Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable, Beds, LU5 5XE
2 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN
3 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
4 2nd Floor, St Mary's Court, 20 Hill Street, Douglas, IM1 1EU, Isle of Man
5 4th Floor, St Paul's Gate, 22-24 New Street, St Helier, JE1 4TR, Jersey
6 Ground Floor, Premier Inn Dubai Investment Park, P.O. Box 35118, Dubai, United Arab Emirates
7 3rd Floor, Tornado Towers, PO Box 34040, Doha, Qatar
8 Messeturm (12th Floor), Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany
9 Room 742, 968 West Beijing Road, Jing'an District, Shanghai, China
10 Gandaria 8 Office Tower, 19th Floor Unit A1, Jalan Sultan Iskandarmuda, Kebayoran Lama, 12240, Indonesia
11 TMF Services B.V., Nassima Tower, Office 1401, Sheikh Zayed Road, PO Box 213975, Dubai, United Arab Emirates
12 38 Beach Road, 29-11 South Beach Tower, Singapore 189767, Singapore
13 Almas 6C, Almas Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates
14 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland
15 The Royal Scot Hotel, 111 Glasgow Road, Edinburgh, EH12 8NF, Scotland
16 11 New St, Guernsey GY1 3EG, Guernsey
17 Swallow Royal Scot Hotel, Glasgow Road, Edinburgh, EN12 8NF, Scotland
18 100 Moorgate, London, England, EC2M 6AB

Glossary

ADJUSTED PROPERTY RENT

Total property rent less a proportion of contingent rent.

BASIC EARNINGS PER SHARE (BASIC EPS)

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

COMMITTED PIPELINE

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

DIRECT BOOKINGS/DISTRIBUTION

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

FOOD AND BEVERAGE (F&B) SALES

Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

IFRS

International Financial Reporting Standards.

LEASE DEBT

Eight times adjusted property rent.

OCCUPANCY

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

OPERATING PROFIT

Profit before net finance costs and tax.

OTAS

Online travel agents.

PROPERTY RENT

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

RENT EXPENSE

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

TEAM RETENTION

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

WINCARD

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

YOURSAY

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

Alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
REVENUE MEASURES			
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. *Reconciliation: Note 3*
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude the TSA income. *Reconciliation: Consolidated income statement*
Average room rate (ARR)	No direct equivalent	Refer to definition	Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.

RECONCILIATION	2020/21	2019/20
UK Accommodation sales (£m)	**388.5**	1,311.6
Number of rooms occupied by guests ('000)	**8,415**	21,327
UK AVERAGE ROOM RATE (£)	**46.16**	**61.50**
Germany Accommodation sales (£m)	**10.2**	9.8
Number of rooms occupied by guests ('000)	**255**	141
GERMANY AVERAGE ROOM RATE (£)	**40.17**	**69.47**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
UK like-for-like revenue growth	Movement in accommodation sales per the segment information (Note 3)	Accommodation sales from non like-for-like	Year over year change in revenue for outlets open for at least one year. The directors consider this to be a useful measure as it is a commonly used performance metric and provides an indication of underlying revenue trends.

RECONCILIATION	2020/21	2019/20
UK like-for-like revenue growth	**(70.9%)**	(2.40%)
Contribution from net new hotels	**0.5%**	2.30%
UK ACCOMMODATION SALES GROWTH	**(70.4%)**	**(0.10%)**

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

RECONCILIATION	2020/21	2019/20
UK Accommodation sales (£m)	**388.5**	1,311.6
Available rooms ('000)	**28,620**	27,963
UK REVPAR (£)	**13.57**	**46.91**
Germany Accommodation sales (£m)	**10.2**	9.8
Available rooms ('000)	**1,135**	241
GERMANY REVPAR (£)	**9.02**	**40.53**

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Adjustments to reconcile to IFRS measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">INCOME STATEMENT MEASURES</td></tr>
<tr><td>Adjusted* operating loss/profit</td><td>Loss/profit before tax</td><td>Adjusting items (Note 6), finance income/costs (Note 8)</td><td>Loss/profit before tax, finance costs/income and adjusting items
Reconciliation: Consolidated income statement</td></tr>
<tr><td>Adjusted* operating loss/profit (pre-IFRS 16)</td><td>Loss/profit before tax</td><td>Refer to definition</td><td>Operating loss/profit before adjusting items and after replacing right-of-use asset depreciation with rent expense. The directors consider this to be a useful measure to enable comparison between periods following the adoption of IFRS 16.
<table>
<tr><th>RECONCILIATION</th><th>2020/21 £m</th><th>2019/20 £m</th></tr>
<tr><td>Adjusted operating (loss)/profit</td><td>(486.7)</td><td>486.8</td></tr>
<tr><td>Depreciation – right-of-use assets</td><td>126.3</td><td>104.0</td></tr>
<tr><td>Rent expense</td><td>(224.9)</td><td>(188.2)</td></tr>
<tr><td>ADJUSTED OPERATING (LOSS)/PROFIT (PRE-IFRS 16)</td><td>(585.3)</td><td>402.6</td></tr>
</table></td></tr>
<tr><td>Adjusted* tax</td><td>Tax charge/credit</td><td>Adjusting items (Note 6)</td><td>Tax charge/credit before adjusting items.
Reconciliation: Consolidated income statement</td></tr>
<tr><td>Adjusted* (loss)/profit before tax</td><td>Loss/profit before tax</td><td>Adjusting items (Note 6)</td><td>Loss/profit before tax and adjusting items.
Reconciliation: Consolidated income statement</td></tr>
<tr><td>Adjusted* (loss)/profit before tax (pre-IFRS 16)</td><td>Loss/profit before tax</td><td>Refer to definition</td><td>Loss/profit before tax and adjusting items and after replacing right-of-use asset depreciation and lease liability interest with rent expense. The directors consider this to be a useful measure to enable comparison between periods following the adoption of IFRS 16.
<table>
<tr><th>RECONCILIATION</th><th>2020/21 £m</th><th>2019/20 £m</th></tr>
<tr><td>Adjusted (loss)/profit before tax</td><td>(635.1)</td><td>358.3</td></tr>
<tr><td>Depreciation – right-of-use assets</td><td>126.3</td><td>104.0</td></tr>
<tr><td>Interest on lease liabilities</td><td>123.2</td><td>115.3</td></tr>
<tr><td>Rent expense</td><td>(224.9)</td><td>(188.2)</td></tr>
<tr><td>ADJUSTED (LOSS)/PROFIT BEFORE TAX (PRE-IFRS 16)</td><td>(610.5)</td><td>389.4</td></tr>
</table></td></tr>
<tr><td>Adjusted* basic EPS</td><td>Basic EPS</td><td>Adjusting items (Note 6)</td><td>Adjusted profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT).
Reconciliation: Note 11</td></tr>
</table>

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Adjustments to reconcile to IFRS measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="4">BALANCE SHEET MEASURES</td></tr>
<tr><td>Net debt</td><td>Total liabilities from financing activities</td><td>Exclude lease liabilities and derivatives held to hedge financing activities</td><td>Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group.
Reconciliation: Note 21</td></tr>
<tr><td>Adjusted net debt</td><td>Total liabilities from financing activities</td><td>Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available</td><td>Net debt adjusted for cash, assumed by ratings agencies to not be readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.
<table>
<tr><th>RECONCILIATION</th><th>2020/21
£m</th><th>2019/20
£m</th></tr>
<tr><td>Net debt</td><td>46.5</td><td>322.9</td></tr>
<tr><td>Restricted cash adjustment</td><td>10.0</td><td>10.0</td></tr>
<tr><td>ADJUSTED NET DEBT</td><td>56.5</td><td>332.9</td></tr>
</table></td></tr>
<tr><td>Lease adjusted net debt</td><td>Total liabilities from financing activities</td><td>Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available</td><td>Adjusted net debt plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets.
<table>
<tr><th>RECONCILIATION</th><th>2020/21
£m</th><th>2019/20
£m</th></tr>
<tr><td>Adjusted net debt</td><td>56.5</td><td>332.9</td></tr>
<tr><td>Lease debt</td><td>1,771.0</td><td>1,490.0</td></tr>
<tr><td>LEASE ADJUSTED NET DEBT</td><td>1,827.5</td><td>1,822.9</td></tr>
</table></td></tr>
<tr><td colspan="4">CASH FLOW MEASURES</td></tr>
<tr><td>Discretionary free cash flow</td><td>Cash generated from operations</td><td>Refer to definition</td><td>Cash generated from operations after payments for interest, tax, payment of principal of lease liabilities and maintenance capital expenditure. The directors consider this to be a useful measure as it is a good indicator of the cash generated which is available to fund future growth or shareholder returns.
Reconciliation: Group Finance Director's review</td></tr>
<tr><td>Funds from operations (FFO)</td><td>Net cash flows from operating activities</td><td>Refer to definition</td><td>Net cash flows from operating activities after deducting payment of principal of lease liabilities and adding back changes in working capital, adjusted property rent and cash interest.
While the Group covenant waivers remain in place, FFO is not considered to be a key alternative performance measure.</td></tr>
<tr><td>Lease adjusted net debt to FFO</td><td>No direct equivalent</td><td>Refer to definition</td><td>Ratio of lease-adjusted net debt/(cash) compared to FFO.
While the Group covenant waivers remain in place, lease adjusted net debt to FFO is not considered to be a key alternative performance measure.</td></tr>
</table>

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

RECONCILIATION	2020/21 £m	2019/20 £m
Adjusted operating (loss)/profit	**(486.7)**	486.8
Depreciation – right-of-use assets	**126.3**	104.0
Depreciation – property, plant and equipment	**150.3**	145.0
Amortisation	**23.6**	19.8
Adjusted EBITDA (post IFRS 16)	**(186.5)**	**755.6**
Interest paid – lease liabilities	**(123.2)**	(115.3)
Payment of principal of lease liabilities	**(71.7)**	(73.1)
Lease incentives (paid)/received	**(7.3)**	1.0
Movement in working capital[1]	**(99.8)**	(13.0)
OPERATING CASH FLOW	**(488.5)**	**555.2**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and capital contributions to joint ventures.

OTHER MEASURES

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

RECONCILIATION	2020/21 £m	2019/20 £m
Adjusted operating (loss)/profit	**(486.7)**	486.8
Depreciation – right-of-use assets	**126.3**	104.0
Depreciation – property, plant and equipment	**150.3**	145.0
Amortisation	**23.6**	19.8
ADJUSTED EBITDA (POST-IFRS 16)	**(186.5)**	755.6
Variable lease payments	**(0.6)**	2.0
Rental income	**(7.8)**	(4.9)
ADJUSTED EBITDAR	**(194.9)**	752.7
Rent expense, variable lease payments and rental income	**(216.5)**	(185.3)
ADJUSTED EBITDA (PRE-IFRS 16)	**(411.4)**	**567.4**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Return on Capital Employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating profit (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt, right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. *Return on capital is not disclosed and a reconciliation is therefore not included.*

1 FY20 excludes £51.0m timing of one-off transaction and separation costs relating to the sale of Costa.

* Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the Group's business either from one period to another or with similar businesses. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Shareholder services

USEFUL CONTACTS

Registrars
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

The website address is www.linkassetservices.com

For enquiries regarding your shareholding please telephone +44 (0)344 855 2327. Alternatively you can email: whitbread@linkgroup.co.uk

Registered office
Whitbread PLC
Whitbread Court
Houghton Hall Business Park
Porz Avenue
Dunstable
Bedfordshire LU5 5XE

General Counsel and Company Secretary
Chris Vaughan

Managing your shareholdings
You can manage your shareholdings by visiting www.whitbread-shares.com. This is a secure online site where you can:

- sign up to receive shareholder information by email;
- buy and sell shares via the Link Share Dealing Service;
- view your holding and get an indicative valuation; and
- change your personal details.

You will need to have your investor code to hand. This can be found on the following documentation:

- share certificate;
- dividend voucher; or
- proxy card.

Please ensure that you advise Link promptly of any change of address.

Share dealing service[1]
For Link Share Dealing Services you can telephone +44 (0)371 664 0445. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 8.00am and 4.30pm, Monday to Friday excluding public holidays in England and Wales.

Private shareholder
Private shareholders are shareholders who hold their shares in their own name on the Company's Register of Members. They have full voting rights and have the right to stipulate their communication preferences and bank account preferences on their own holding.

Nominee shareholder
Nominee shareholders are underlying beneficial shareholders who hold their shares through a nominee company. The name of the nominee company will appear on the Company's Register of Members. It will depend on the terms and conditions of the nominee provider as to whether underlying shareholders receive copies of the AGM documents and any other Company documents that are mailed. Dividend options may also be restricted by the nominee. If underlying shareholders wish to receive Company mailings then they have the right to request to be put on the beneficial holders' information rights register, which can be arranged via their nominee provider.

Corporate Sponsored Nominee
We worked with Link to establish the Whitbread Corporate Sponsored Nominee (CSN). We did this because we know that a number of shareholders prefer not to hold their shares in certificated form, but still wish to receive documents and benefits from the Company. This has been raised by shareholders at previous AGMs. The new CSN allows shareholders to hold their Whitbread shares via a nominee, but also allows Whitbread to have direct access to the underlying register, such that we can ensure that participants receive the documents and benefits that they request.

If you would like to hold your shares in the new Whitbread CSN, please log on to www.whitbread-shares.com. If you have not registered before then you will need your Investor Code. Your Investor Code is located on your share certificate.

On the portal you will find further information in relation to the Whitbread CSN. The terms and conditions and various transfer forms that you will need to review and complete are located there. If you need any assistance with the forms or want any additional support, please e-mail custodymgt@linkgroup.co.uk outlining what you would like to do and they will email you back with the relevant instructions.

Annual general meeting 2021
The 2021 AGM will be held at 2.00pm on 17 June 2021 at Whitbread Court, Houghton Hall Business Park, Porz Avenue, Dunstable LU5 5XE. Due to the COVID-19 pandemic, it is currently anticipated that shareholders will not be able to attend the meeting. The meeting will be held via webcast and shareholders will be able to fully participate in the meeting by both asking questions and voting remotely in real time. In the event that Government restrictions change after the Notice of Meeting is mailed to shareholders, we will announce any changes to the arrangements via the Regulatory News Service and our website.

1 These details have been provided for information only and any action you take is at your own risk. If you are in any doubt about what action to take, please consult your own financial adviser. Should you not wish to use these services you could find a broker in your local area, on the internet, or enquire about share dealing at any high street bank or building society. The availability of this service should not be taken as a recommendation to deal.

Analysis of ordinary shares at 25 February 2021

Band	Number of holders	% of holders	Number of shares	% of share capital
1-100	19,959	54.32	691,085	0.32
101-200	5,635	15.34	821,549	0.38
201-500	5,836	15.88	1,885,592	0.88
501-1,000	2,615	7.12	1,837,441	0.86
1,001-2,000	1,246	3.39	1,706,201	0.80
2,001-5,000	582	1.58	1,797,067	0.84
5,001-10,000	213	0.58	1,510,948	0.70
10,001-50,000	325	0.88	7,768,813	3.62
50,001-100,000	100	0.27	7,416,668	3.46
100,001-500,000	147	0.40	33,727,670	15.73
500,001-1,000,000	41	0.11	28,571,585	13.33
1,000,001-5,000,000	38	0.10	74,067,477	34.54
5,000,001-10,000,000	2	0.01	14,469,120	6.75
10,000,001-50,000,000	3	0.01	38,148,363	17.79
Total	**36,742**		**214,419,579**	

Capital gains tax
For further information on:

- the market value of shares in the Company as at 31 March 1982;
- the reduction of capital on 10 May 2001; and
- the special dividend and share consolidation in May 2005,

or if you require any further information on capital gains tax allocations, please refer to the investors' section of the Company's website: www.whitbread.co.uk

Dividend payments by BACS
We can pay your dividends directly to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day we make the payment. Your tax voucher will be posted to your home address. If you would like to use this method please ring the registrars on +44 (0)344 855 2327.

Shareholder FAQs

Where can I find information about B and C shares?
As outlined in the original circulars, the Company made two separate purchase offers for the B and C shares. There will be no further purchase offers. The Company does have the right to convert the B and C shares to ordinary shares, but there is no current intention to do so. The B and C shares will continue to attract an annual dividend payment.

How can I find the current share prices?
You can keep up to date with the current share price at the Company's website: www.whitbread.co.uk.

I have lost my share certificate, how can I get a replacement?
If you have lost your certificate please contact the Company's registrars, Link Asset Services, on the shareholder helpline +44 (0)344 855 2327. They will be able to assist you in arranging a replacement.

Am I entitled to shareholder benefits?
Shareholders with a holding of 64 shares or more are eligible to receive a shareholder benefits card. Those shareholders who have previously registered to receive the shareholder benefits card should automatically have received the card with the Annual Report and Accounts mailing. Shareholders who wish to register for a card can do so by contacting Link, whose contact details are shown on page 210.

Unsolicited mail

We are aware that some shareholders have had occasion to complain of the use, by outside organisations, of information obtained from Whitbread's share register. Whitbread, like other companies, cannot by law refuse to supply such information provided that the organisation concerned pays the appropriate statutory fee. If you are a resident in the UK and wish to stop receiving unsolicited mail then you should register with the Mailing Preference Service; you can register online: www.mpsonline.org.uk

Shareholder warning

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. There operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Conduct Authority (FCA) reported that the average amount lost by investors is around £20,000, with around £200m lost in the UK each year. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be wary of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person or organisation;
- check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk and contact the firm using the details on the register;
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/scams;
- if the calls persist, hang up; and
- REMEMBER if it sounds too good to be true, it probably is!

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme (FSCS) if things go wrong.

The FCA can be contacted by completing an online form at www.fca.org.uk/scams or you can call the FCA Consumer Helpline on 0800 111 6768 or Action Fraud 0300 123 2040 (www.actionfraud.police.uk).

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FCA website, www.fca.org.uk/consumers.

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