RNS Number : 2930X
Whitbread PLC
25 April 2023

Premier Inn UK drives significant profit uplift versus FY22 and FY20
Strength of operating model underpins long-term growth opportunities in UK and Germany
Increased dividend plus £300m share buy-back in H1 FY24

Throughout this release all percentage growth comparisons are made comparing the current year (FY23) performance for the 52 weeks to 2 March 2023 to FY22 (53 weeks to 3 March 2022) that was partially impacted by the pandemic and FY20 (52 weeks to 27 February 2020), with FY20 being the last financial period before the onset of the pandemic.

Overview

- Significant profit uplift to above pre-pandemic levels, driven by Premier Inn UK that continues to outperform the UK midscale and economy ('M&E') market
- We are making good progress in Germany, with 51 hotels open, giving us confidence that we can achieve our long-term target of 10-14% return on our £1bn of committed capital
- We see considerable opportunities for growth, both in the UK and Germany, driven by the strength of our operating model and the structural decline in the independent hotel sector
- Current trading remains strong, despite macroeconomic uncertainty, with encouraging lead indicators
- The Board is recommending an increased final dividend of £100m or 49.8p per share
- Confidence in outlook reflected with initial share buy-back of £300m, to be completed during H1 FY24

FY23 Group Financial Summary

£m	FY23	FY22[1]	FY20	*vs FY22*	*vs FY20*
Statutory revenue[2]	2,625	1,703	2,072	*54%*	*27%*
Adjusted EBITDAR†	888	473	753	*88%*	*18%*
Adjusted profit / (loss) before tax† [3]	413	(16)	358	*>1,000%*	*15%*
Statutory profit before tax	375	58	280	*544%*	*34%*
Statutory profit after tax	279	43	218	*556%*	*28%*
Adjusted basic EPS†	162.9p	(2.5)p	166.3p	*>1,000%*	*(2)%*
Statutory basic EPS	138.4p	21.1p	125.3p	*556%*	*11%*
Dividend per share	74.2p	34.7p	32.7p	*114%*	*127%*
Net cash / (debt)†	171	141	(323)	*31*	*494*
Net cash / (debt) and lease liabilities†	(3,787)	(3,561)	(2,944)	*(6)%*	*(29)%*

Financial highlights

- Premier Inn UK: total UK accommodation sales were 55% ahead of FY22 and 37% ahead of FY20 representing a 25.2pp outperformance versus the M&E market[4]
- F&B sales were 40% ahead of FY22 and 4% behind pre-pandemic levels with increased spend per head outweighed by a decline in customer volumes
- UK pre-tax margins† increased to 19.6% (FY22: 4.5%) despite sector-wide inflationary pressures, driven by strong revenue growth and our ongoing cost efficiency programme
- UK ROCE† increased to 12.9% up from 11.2% in FY20
- Premier Inn Germany: ongoing expansion meant that adjusted loss before tax was £50m; our cohort of 18 established hotels performed in line with the market[5] and was profitable in aggregate[6] in FY23; acquisition of six hotels completed on 2 March 2023
- Statutory revenue was 54% ahead of FY22 and 27% ahead of FY20
- Adjusted profit before tax was £413m (FY22: loss of £16m) and statutory profit before tax was £375m (FY22: £58m) after charging £39m of adjusting items (FY22: £74m credit), including £1m of net property impairment credits in the UK and £31m property impairment charges in Germany (FY22: £42m net impairment credit), £14m of technology-related project costs and £4m profit from property disposals (FY22: £33m). The Group recognised £nil government support relating to FY23 (FY22: £171m)
- Strong balance sheet: lease adjusted leverage† reduced to 2.7x (FY22: 4.4x) and net cash

- Strong balance sheet: lease adjusted leverage reduced to 2.7x (FY22: 4.4x) and net cash increased to £171m (FY22: £141m); pension fund surplus was£325m at the end of the period (FY22: £523m)

Segment highlights

Premier Inn UK

£m	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Statutory revenue	2,508	1,668	2,050	*50%*	*22%*
Adjusted profit before tax†	492	75	414	*556%*	*19%*
Revenue per available room (£)†	59.45	38.69	46.91	*54%*	*27%*

Premier Inn Germany

£m	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Statutory revenue	118	35	12	*234%*	*896%*
Adjusted (loss) before tax†	(50)	(24)	(14)	*(108)%*	*(265)%*
Revenue per available room (£)†	37.04	16.49	40.53	*125%*	*(9)%*

Current trading (seven weeks to 20 April 2023)

- Our strong trading momentum has continued into Q1 FY24 - we are adding new rooms and filling them at attractive rates
- Premier Inn UK: Total UK accommodation sales up 17% versus FY23, with RevPAR £6.08 ahead of the M&E market[7]
- Premier Inn UK: forward booked occupancy is in-line with last year but at higher ARRs, providing positive revenue momentum into Q1 FY24
- UK F&B: sales were 10% ahead of FY23, reflecting softer trading in the base year and the benefit of a number of commercial initiatives
- Premier Inn Germany: market demand has rebounded after a soft Q4 FY23 and our cohort of 18 established hotels continue to perform in line with the wider M&E market[8]

Outlook and guidance for FY24

- Current trading is strong despite macroeconomic uncertainties, and we remain confident in the outlook for FY24
- We expect UK inflation of between 7-8% in FY24 and are confident in being able to offset the impact on UK profits through like-for-like sales growth, new room expansion and a focus on cost efficiencies
- In Germany, we continue to expect to incur a loss before tax in FY24 of between £20m and £30m, with an additional £10m adverse profit before tax impact relating to the refurbishment of the c.900 rooms acquired at the end of FY23
- In the UK, we have a current pipeline of 7,400 rooms andexpect to open 1,500-2,000 rooms in FY24
- In Germany, we have a pipeline of 7,000 rooms and expect to open1,000-1,500 rooms in FY24, in addition to the refurbishment of c.900 rooms from our latest acquisition
- We expect total capex expenditure in FY24 to be between £400m - £450m
- Reflecting these points, we have updated our year-on-year guidance for FY24 within this release

1: FY22 was a 53-week period, the impact of week 53: £42m total sales and estimated profit before tax of £4m

2: FY20 revenue includes £9m relating to the Costa disposal transitional service agreement

3: FY22 includes £62m received from the UK Coronavirus Job Retention Scheme, £44m of Germany Government COVID-related grants, £56m of UK business rates relief and £8m of other COVID-related support grants

4: STR data, full inventory basis, 4 March 2022 to 2 March 2023, M&E market excludes Premier Inn

5: STR data, standard basis, 4 March 2022 to 2 March 2023, M&E market includes Premier Inn

6: Aggregate adjusted profit before tax excluding administration and overhead costs for hotels that were open and trading for a full 12 months as at 4 March 2022 (see alternative performance measure ('APM') in the glossary and reconciliation at the end of this document)

7: STR data, standard basis, 3 March 2023 to 13 April 2023, M&E market excludes Premier Inn

8: STR data, standard basis, 3 March 2023 to 13 April 2023, M&E market includes Premier Inn

† Signifies an alternative performance measure ('APM') - further information can be found in the glossary and reconciliation of APMs at the end of this document

Commenting on today's results, Dominic Paul, Whitbread Chief Executive, said:

"These are a fantastic set of results. Whilst the recovery in market demand in conjunction with a structural decline in the independent sector has provided a helpful backdrop, it is the combination of our own initiatives and our clearly differentiated business model that has

combination of our own initiatives and our clearly differentiated business model that has sustained our brand strength and delivered such an impressive operational and financial performance.

"These results reflect the strength of our business model and our persistent focus on delivering an excellent and consistent guest experience across all of our hotels and restaurants. That focus is embedded within our business strategy, that my predecessor, Alison Brittain and the whole Executive team executed brilliantly through one of the Group's most challenging trading periods. It has also created a platform for future growth, both in the UK and in Germany. This sets us apart from our competitors as we continue to invest through the cycle with a clear focus on capital discipline and operational excellence.

"Having spent time out in the business operations, both in the UK and Germany, I am clear that our strategy is the right one and I am hugely excited about the opportunities we now have in front of us. I want us to strengthen further our position as the UK's leading hotel brand, improve our F&B performance, continue to drive our efficiency programme, complete some important technology projects and replicate our UK model at scale in Germany.

"I am confident that we can deliver on each of these tasks and more. To do so will require the continued dedication and hard work of our Executive team and all of our 40,000 team members, each of whom plays a vital role in driving our success. I am excited to be leading such a great team and I am optimistic about our prospects."

For more information please contact:

Investor Relations - Whitbread
investorrelations@whitbread.com
Peter Reynolds, Director of Investor Relations
peter.reynolds@whitbread.com
Abigail Cammack, Investor Relations Manager
abigail.cammack@whitbread.com
Sophie Nottage, Investor Relations Manager
sophie.nottage@whitbread.com

Media - Tulchan
whitbread@tulchangroup.com
Jessica Reid +44 (0) 20 7353 4200

A webcast for investors and analysts will be made available at 8:15am on 25 April 2023 and will be followed by a live Q&A teleconference at 9:15am. Details of both can be found on Whitbread's website (www.whitbread.co.uk/investors).

†Alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures ('APMs') which are consistent with the way that the business performance is measured internally. We report adjusted measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Adjusted measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses. APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Chief Executive's Review

Group Results

Premier Inn UK was the key driver behind the Group's strong financial performance in FY23. Total statutory revenue increased by 27% versus FY20 to £2,625m and adjusted operating profit increased to £544m, up 12% versus FY20. This performance reflects the strength of our brand and operating model as well as our ability to mitigate inflationary pressures with strong pricing, estate growth and our continued focus on cost efficiency. An interest credit from the pension fund surplus and higher interest receivable on our cash balances, see note 7, resulted in a 15% increase in adjusted profit before tax to £413m (FY22: loss of £16m and FY20: profit of £358m). Adjusting items in the period resulted in a charge of £39m, including net impairment charges of

Adjusting items in the period resulted in a charge of £39m, including net impairment charges of £33m, to deliver statutory profit before tax of £375m (FY22: £58m and FY20: £280m). A tax charge of £96m led to a statutory profit after tax of £279m (FY22: £43m and FY20: £218m) resulted in an adjusted basic earnings per share of 162.9p (FY22: (2.5)p and FY20: 166.3p) and a statutory basic earnings per share of 138.4p (FY22: 21.1p and FY20: 125.3p).

This strong performance generated substantial free cashflow in the period, funding our continued programme of investment. While total capital expenditure of £546m was £285m higher than FY22, reflecting further investments in our estate, infrastructure and product, net cash also increased to £171m (FY22: £141m).

Against this backdrop and with strong current trading and a positive outlook, the Board is recommending a final dividend of £100m, an increase of 43% versus FY22. The final dividend of 49.8p per share will be paid to eligible shareholders on 7July 2023 and further details can be found in note 11.

Having set out the Group's capital allocation framework at the time of the half year results in October 2022, the Board has also announced a £300m share buy-back to be completed during the first half of FY24. The programme will commence on 25 April 2023 and end no later than 25 October 2023. Further details regarding the Group's share buy-back can be found in a separate announcement issued today.

Premier Inn UK - Extending our market leading proposition

Having continued to invest in our estate, teams and infrastructure during the pandemic, we were well-placed to capitalise on the uplift in demand once restrictions were lifted. Total accommodation sales rose by 37% versus FY20, driven by increased occupancy, higher average room rate ('ARR') and estate growth. Whilst the performance across the year was evenly spread between London and the Regions, London revenue performance lagged the Regions during the first quarter of the year, but quickly recovered thanks to a rebound in office-based business demand and ended the year 40% ahead of FY20 while the Regions were 36% ahead of FY20.

We saw a return to our well-balanced revenue mix of 50% business and 50% leisure. UK leisure demand remained strong throughout the year with our leisure guests continuing to travel for a broad range of reasons including weddings, events and weekend breaks, helping to drive higher average room rates in the peak leisure periods. UK business demand was also strong, with both office-based and tradespeople volumes remaining robust throughout the year, supported by our own efforts to further improve our business proposition and relationships with Travel Management Companies ('TMCs').

The strength of our trading performance continues to be driven by our 'investing to win' strategy that is enabling us to capitalise on the structural opportunities in the market, increase revenue and continue to deliver annual cost savings. Further details on the individual drivers behind this performance are outlined below:

Structural market opportunities: The accelerated decline in the independent sector during the pandemic contributed to a 4% reduction in total hotel supply in the UK. This supply contraction, in conjunction with strong hotel demand projections, has created an increased opportunity for Premier Inn as we continue to broaden our network coverage and strengthen our customer offer.

Scale and estate optimisation: We opened over 1,700 new rooms across the UK estate in FY23, providing more great quality hotels in locations where our guests want to stay. We continue to optimise our estate, opening bigger more-efficient hotels and closing smaller, less profitable ones, increasing catchment RevPAR and overall levels of return. At the end of FY23 we had a total of 83,576 rooms across 847 hotels confirming our position as the UK's largest hotel chain.

Integrated trading and pricing engine: Having designed and developed our own proprietary, automated trading engine, we are able to manage our pricing strategies across all of our hotels centrally, thereby providing a clear view of demand and creating further opportunities to maximise revenue. Improvements over the last two years have also meant we can now integrate our pricing with our digital marketing to help maximise yields across every hotel, every night of the week.

Best in class operations: Our focus on operational execution has cementedPremier Inn as the UK's number one hotel brand, synonymous with high quality and great value. This achievement is thanks to our 39,000 UK team members who work tirelessly to deliver outstanding experiences for our guests every day.

Increased consumer choice: By providing more flexible pricing options, for a modest premium to our standard room rate, our guests can secure the flexibility they might need when staying at

to our standard room rate, our guests can secure the flexibility they might need when staying at one of our hotels. Our latest product innovation, Premier Plus, is proving popular with our guests that are attracted by the additional in-room benefits for a modest premium to our standard room rate. The result is a meaningful uplift to RevPAR versus a standard room in the same hotel and we now have 4,300 Premier Plus rooms across our estate, up from 2,000 at the end of FY22.

Improved business proposition: The increase in business revenue in FY23 is in part down to the investments we have made in our business proposition over the last two years. By establishing more relationships with TMCs and enhancing the appeal of our Business Account and Business Booker portal, we have increased the volume of business guests whilst also driving incremental RevPAR through our business flex rates.

Each of these factors combined during FY23 to deliver a consistent outperformance, with total accommodation sales 25.2pp and RevPAR £9.63 ahead of the M&E market, reinforcing our position as the UK market leader.

F&B remains an important element of the Premier Inn proposition and also helps drive incremental RevPAR in our hotels. Whilst the hotel market has recovered strongly, the UK pub restaurant market remains challenging with the cost-of-living crisis and high inflationary pressures impacting the recovery in demand. Although higher levels of hotel occupancy meant that F&B sales were 40% ahead of FY22, they remained 4% behind FY20. Despite an increase in spend per head, customer volumes at our branded restaurants, that are focused at the value-end of the market, remained below pre-pandemic levels.

While increased occupancy in our hotels, growth in our estate and increased inflationary pressures drove an increase in total operating costs, strong revenue growth and high operational gearing resulted in UK pre-tax profit margins increasing substantially to be well-ahead of FY22 and only slightly below FY20 levels, at 19.6% (FY22: 4.5%, FY20: 20.2%). This drove a marked increase in UK ROCE to 12.9% which is above that achieved in FY20 (FY20: 11.2%).

A challenging F&B trading environment, together with an increase in market interest rates and a corresponding increase in the weighted average cost of capital ('WACC'), impacted 13 standalone restaurants and sites where F&B represent a more significant proportion of total sales. As a result, the Group incurred an impairment charge of £54m. However, this was more than offset by the reversal of £55m of previously recorded impairments in Premier Inn UK following a strong trading performance during FY23. The net result was a net impairment reversal of £1m being recorded by Premier Inn UK.

Premier Inn Germany - Aiming to become the No.1 hotel chain

In Germany, pandemic-related restrictions lasted longer than in the UK and were only lifted during the first quarter of FY23. Once lifted, the market rebounded strongly with an increasing number of leisure events, trade fairs and the return of business travel. This led to a strong trading performance throughout the first half and into the third quarter with our cohort of 18 established hotels (those which had been trading for more than 12 months at the start of FY23) trading in line with the M&E market. Whilst the fourth quarter is traditionally our lowest occupancy quarter, market demand was a little softer than expected.

Having executed an ambitious growth strategy over the last three years, that included two large acquisitions being completed during the pandemic, most of our hotels traded 'restriction-free' for the first time in FY23. The pace of our expansion also means that the majority of our hotels are not yet mature and will take some time to reach their full profit potential. We are however encouraged by the performance of our cohort of 18 established hotels, which was profitable in aggregate† in FY23. Given our pace of growth over the last three years, together with inflationary pressures, operating costs increased significantly versus FY20 resulting in an adjusted loss before tax of £50m, which was within our previous guidance.

In order to reach scale as quickly as possible, the Group acquired a number of hotel portfolios, each comprising of hotels with a broad range of financial performance. Following an increase in market discount rates and the pace of our expansion in Germany, it has been necessary to impair the value of a small number of hotels resulting in an impairment charge of £31m which is included within adjusting items.

We added 3,167 rooms during the year and now have over 9,000 rooms open in Germany after completing a bolt-on acquisition of six hotels (900 rooms), including a freehold in Austria, at the end of FY23. The hotels we acquired will be refurbished and rebranded as Premier Inn during FY24. We now have almost 7,000 rooms in the committed pipeline and whilst our brand is not yet well known in Germany, with 51 hotels now open (including the newly acquired hotels) and a growing customer base, we are increasing our brand awareness, leveraging our digital marketing and are starting to drive greater guest volumes through our business channels.

and are starting to drive greater guest volumes through our business channels.

We have a clear plan and having invested and committed £1bn on our open estate and committed pipeline, we are determined to become the largest hotel chain in Germany and remain on-track to achieve our long-term target of between 10-14% return on capital.

Capital allocation and share buy-back

The strength of our balance sheet gives us the confidence to continue to invest and seize opportunities which meet our strict investment criteria. Total capital expenditure was £546m (FY22: £261m) and included three freehold purchases and other expansionary capex totalling £362m. Non-expansionary capex of £184m included the planned replacement of 25,000 new beds across our UK estate, our ongoing refurbishment programme and a number of ongoing IT projects including the upgrade to our hotel management system. Our strong operating cashflow meant that, despite the increased level of investment year-on-year, net cash increased to £171m (FY22: £141m) and cash and cash equivalents were £1,165m. Having added over 4,200 additional leasehold rooms during FY23 across the UK and Germany, lease liabilities increased to £3,958m and our ratio of funds from operations ('FFO')† to lease adjusted net debt was 2.7x and within our target leverage threshold of 3.7x.

At the time of our interim results in October 2022 and having reconfirmed our investment grade status, we set out our framework for capital allocation, outlining our key priorities over the next few years, based upon future profit and cash generation under a range of potential scenarios. These priorities include:

- maintaining our investment grade status by operating within our leverage target;
- continuing to fund our ongoing capital expenditure requirements and investing through the cycle;
- selective freehold acquisitions and M&A opportunities that meet our return thresholds;
- growing dividends in line with earnings; and
- returning excess capital to shareholders dependent on outlook and market conditions.

Having applied the framework at the year-end as planned, and underlining our confidence in the outlook, we have announced an initial £300m share buy-back to be completed during the first half of FY24. Future returns will be subject to the Group's financial performance, outlook and the availability of alternative, more value-enhancing opportunities.

Our teams

Our teams are at the heart of our business. They deliver outstanding experiences for our guests and are key to our excellent operational and financial performance, underpinning our position as the UK's number one hotel brand. With record levels of occupancy, our teams have been working harder than ever to ensure we continue to deliver a consistent, high-quality experience for our guests.

We remain committed to supporting our people and safeguarding their mental, physical and financial wellbeing in addition to helping them develop their careers. Recognising the impact of the challenging macroeconomic environment and cost-of-living crisis, we continued to invest in team member pay, reward, development and wellbeing, helping to support our teams during this difficult time. In return, we have seen high levels of engagement, an increase in average tenure and a sustained quality experience for our guests. We are delighted to have been recognised as a 'Top Employer' from the Top Employers Institute for the thirteenth consecutive year, which is a testament to our efforts and the strength of our business culture.

Business strategy

Our strategy is focused on driving the performance of our hotels and restaurants whist working with our stakeholders to ensure we are driving positive change through our Force for Good sustainability programme. Our vertically integrated business model and strong balance sheet underpin the three pillars of our business strategy:

- **continuing to grow and innovate in the UK;**
- **focus on our strengths to grow in Germany; and**
- **enhancing our capabilities to support long-term growth**.

Excluding the pandemic, we have a strong track record of delivering consistent rates of return for

shareholders on our growing capital base, whilst continuing to deliver a high-quality proposition at a great price for our guests. As we look forward into FY24, we plan to continue to execute each of these three strategic pillars as summarised below.

1. Continuing to grow and innovate in the UK

Our UK strategy is focused on growing and strengthening our position as the nation's number one hotel brand, delivering a consistent, high-quality and great value proposition for our guests whilst maximising returns for shareholders. With an estimated 162m room nights, the UK remains a large and important market for the Group and has significant scope for future growth. The independent hotel sector declined substantially during the pandemic, but still represents approximately 45% of the UK market. We believe that operational challenges created by labour shortages and cost inflation may put further pressures on the independent sector, creating structural growth opportunities for Premier Inn across the UK. The budget branded hotel sector has consistently delivered attractive rates of room growth and has also proven its resilience during economic downturns, as guests trade down to lower cost alternatives.

Our plans for the coming year include the execution of the following initiatives:

- ***Expand and optimise our estate***: We currently have over 83,500 rooms with a further 7,400 in our committed pipeline. The reduction in hotel supply, combined with projected strong demand for hotels has created an opportunity to increase our UK and Ireland footprint from 110,000 to 125,000 rooms. The pace and extent of expansion will be driven by the levels of financial return available, drawing upon our suite of potential development options including new builds, conversions, single-site acquisitions and extensions. We will also continue to optimise our estate by repurposing, selling or exiting underperforming properties.

- ***Effective marketing and dynamic pricing improvements:*** With less than 1% of our bookings delivered through third party online travel agents ('OTAs'), our direct distribution model provides complete ownership of the customer relationship and lowers acquisition and retention costs. Our brand marketing, including our latest 'Rest Easy' campaign, is a powerful tool in driving bookings, reducing customer acquisition costs and sustaining our market-leading brand awareness scores. Our automated trading engine benefits from a continuous process of improvement and uses predictive algorithms to accurately forecast and price demand, deploying digital marketing spend only where it can drive incremental volume or higher room rates.

- ***Increase consumer choice through product and pricing innovation*****:** The latest iteration of our standard Premier Inn room (ID5) is in test and is already achieving higher guest scores than our previous standard room type. It is also expected to deliver operational savings when it is rolled out during FY24. We have launched our 'bed of the future' in partnership with Silentnight and are on course to replace 89,000 beds by the end of FY24. We are also introducing more Premier Plus rooms and twin rooms, broadening our appeal and attracting a premium to our standard room rate. We offer a broad range of value and flexibility through our different pricing options that are proving popular with our guests. As we look forward, we believe that each of these exciting innovations will drive higher ARRs and enhance our reputation for choice, quality and value so that we stay ahead of the market.

- ***Further improve our business proposition***: We are determined to attract more business customers who tend to drive higher RevPAR and travel more frequently than leisure guests. Having grown our Business Booker and Business Account programmes substantially over the past few years, we plan to drive revenues further through website improvements and by integrating both programmes into a single offering for the benefit of users. We have established good relationships with a number of TMCs over the past few years and these are continuing to drive incremental booking volumes that represented 8% of accommodation sales in FY23.

- ***Driving F&B:*** All of our UK hotels have a bar and restaurant, either within the hotel or located next door. Our F&B offer is central to our overall customer offering, helping drive higher RevPAR in our hotels and generating additional revenue from non-hotel guests. Whilst we have continued to try and improve the revenue performance of F&B over the past couple of years, revenues are not yet back to pre-pandemic levels. We will continue to work on improving our F&B performance to get us back on track. Initiatives include: new menus, brand-led initiatives focusing on key events and further procurement improvements - all driven by market research and customer feedback.

2. Focus on our strengths to grow in Germany

Our ambition is to become the market leader in Germany, replicate our UK model and create

Our ambition is to become the market leader in Germany, replicate our UK model and create substantial value. We have committed £1bn of capital to date and expect to deliver long-term return on capital between 10-14%. The German hotel market today is very similar to where the UK was 15 years ago: it is highly fragmented, with a large independent hotel sector, a relatively small, branded budget hotel segment and high volumes of domestic and inbound travel. The market re-opened fully following the pandemic during the first quarter of FY23 and rebounded strongly during the first three quarters, albeit with a softer market performance during the seasonally quiet fourth quarter.

Our estate now stands at 51 hotels, with over 9,000 rooms open and a further 7,000 rooms in the committed pipeline. With our continued planned expansion, we are determined to become the largest budget hotel brand in Germany. We plan to grow our estate through organic growth and bolt-on M&A, with our latest acquisition of six hotels, including a freehold in Austria, having completed at the end of FY23.

Whilst we are not yet at our target levels of return, we remain on-track with our plan and are making good progress towards becoming a business of scale. As our German network expands, we are raising our brand awareness through digital marketing and other promotional campaigns and channels. With a high number of international trade fairs and a large, short-stay domestic business travel market, we are focused on improving our business proposition and have established a network of local sales managers to help build and secure relationships with corporates whilst also promoting our Business Booker and Business Account programmes. We are continuing to refine our operating model as well as tailor our customer offer for localised preferences such as modified breakfast menus and new payment methods. We are also trialling several new products which have been successful in our UK hotels including Premier Plus, additional pricing options and our new standard room format (ID5) to help drive revenue growth.

The trajectory of our cohort of 18 established hotels underpins our confidence in replicating our UK model. This cohort of hotels was profitable in aggregate† in FY23 and we remain on-course for our entire estate to breakeven on a run-rate basis during calendar year 2024. Having increased the size of our estate rapidly, through both organic growth and acquisitions, we are building a scalable platform in Germany from which we plan to grow further.

3. Enhancing our capabilities to support long term growth

In order to safeguard the execution of the first two pillars of our strategy, we need to continue to invest in our infrastructure and core capabilities. Over many decades, we have developed a lean, financially strong and resilient operating model. Whilst this requires ongoing investment, it also continues to deliver attractive long-term returns. Given our scale and asset-backed balance sheet, we have the financial flexibility to continue to invest in our teams and systems, extract further cost efficiencies and ensure we remain a Force for Good by continuing to conduct business in the right way.

Financial flexibility: The Group's balance sheet is strong, with net cash of £171m at the end of FY23. This means we can continue to invest with confidence, even during periods of heightened macroeconomic uncertainty. Having reaffirmed our investment grade status during 2022, the strength of our financial covenant makes us a highly attractive partner when being considered for leasehold and other transactions, both in the UK and Germany. Our financial strength and significant cash flow mean we can self-fund our capital expenditure programme that is integral to our 'investing to win' strategy. It also means we can grow dividends in line with earnings and return excess capital to shareholders. Having the flexibility to purchase attractive freeholds and execute bolt-on M&A in Germany without the need for external financing is a competitive advantage and underpins our long-term growth plans. Our capital discipline and rigorous investment appraisal process ensures an efficient allocation of capital to drive attractive long-term returns.

Freehold backing: Approximately 54% of the Group's hotels are freehold with the remaining 46% operated as leaseholds. Whilst this mix of assets differentiates the Group from many of its competitors, such a significant freehold estate also provides us with a number of operational and financial advantages:

- total control over the initial development of the hotel as well as all maintenance and redevelopment;
- access to development profits through sale and leasebacks;
- a strong financial covenant, helping to secure more favourable lease terms with landlords and attractive financing terms with lenders;
- protection from increasing property costs and therefore lower earnings volatility during economic downturns; and
- an additional and flexible source of funding, one that can often be available at more

attractive rates than other sources of finance.

Being flexible between freehold or leasehold when approaching new property opportunities improves our prospects of securing the best assets in the best locations. It also means we can optimise the size and format of our assets in order to maximise returns.

Technology: We continue to invest in our IT platforms and infrastructure, enhancing our digital capability, driving additional revenue growth and cost savings opportunities. During the second half of FY24, we will start to roll-out our upgraded hotel management system in both the UK and Germany as well as begin the process of improving our digital networks and HR system. These multi-year projects are ongoing and are expected to release operational and financial benefits in the future.

Lean and agile cost model: We have a long track record of delivering material cost efficiencies. Our teams continue to seek new and alternative ways of working to both improve the service to our guests and drive savings through procurement and process improvements. With heightened inflationary pressures, such initiatives are more important than ever, and we remain on-track to meet our previous commitment to deliver £140m of savings between FY22 and FY25.

Operating responsibly and sustainably: Our scale and national coverage mean we have a significant presence across the UK and a growing presence in Germany. Recognising our responsibilities in those communities where we have a presence, our long-established Force for Good sustainability programme continues to drive our social and environmental agenda. Stretching targets are embedded within our overall business strategy and hold us accountable for the change we seek to implement, whether that is reducing our environmental footprint, supporting our team members or contributing to our communities.

Current Trading - seven weeks to 20 April 2023

UK trading has remained buoyant with strong demand in both London and the Regions. Total UK sales were 17% ahead of the same period last year, with a RevPAR of £60.98 and representing a continued RevPAR outperformance versus the wider M&E market[1] of £6.08. Occupancy in the period was 81% and average room rate was £74.94.

Total UK food and beverage sales were up 10% vs the same period in FY23, reflectingsofter trading in the base year as well as a number of commercial initiatives put in place since the start of the year.

In Germany, demand has picked up steadily during the first quarter helped by a number of trade fairs and rising business and leisure volumes. Total accommodation sales were 140% ahead of the same period in FY23 and RevPAR was €47.94 with occupancy at 61%. RevPAR for our cohort of 18 established hotels was €56.47, which continues to be in line with the M&E market[2].

1: STR data, standard basis, 3 March 2023 to 13 April 2023, M&E market excludes Premier Inn

2: STR data, standard basis, 3 March 2023 to 13 April 2023, M&E market includes Premier Inn

Outlook and FY24 Guidance

Despite ongoing macroeconomic uncertainty, with strong current trading, a healthy balance sheet, significant structural opportunities in both the UK and German M&E hotel markets and an ongoing programme of cost efficiencies, we remain confident in the outlook for FY24.

As FY23 was a full trading period which was largely unaffected by pandemic-related restrictions, we are returning to providing year-on-year guidance. A summary of our guidance for FY24 is detailed below.

UK

- Sales: every 1% change in accommodation sales vs FY23 has a £15m - £16m impact on profit before tax and every 1% change in F&B sales vs FY23 has a £4m impact on profit before tax
- Inflation: year-on-year net inflation is expected to be between 7-8% (no change to our guidance at the time of our Q3 trading update), including labour, F&B and utilities which are now 100% hedged for FY24, mitigated by a positive movement in business rates
- New rooms: 1,500 - 2,000 (c90% leasehold)

Germany

- Expect a loss before tax in FY24 between £20m and £30m with an additional £10m adverse profit before tax impact relating to the refurbishment of the c.900 rooms acquired at the end of FY23

· New rooms: 1,000 - 1,500 (c70% leasehold)

Central and other costs

· Interest on cash balances in line with Bank of England rates

Cashflow

· Total capex: £400-£450m - depending on future M&A opportunities and leasehold/freehold mix

A Force for Good

Being a Force for Good is vital to the sustainable and long-term growth of our business. This is why our sustainability programme is embedded across all business functions, ensuring that responsible business practices are integrated into our operations. We have set some stretching targets and while our programme is broad, it is based on robust materiality analysis and focuses on our commitment to enable everyone to live and work well and to look after the environment and resources on which we, and our business depend.

Our Force for Good programme is central to our business culture and provided a strong foundation as we exited the pandemic and moved back into revenue growth. With an ever-increasing focus and more stringent regulatory demands, we are proud to have moved forward on many of our sustainability objectives and to have set new targets to address our material issues.

Last year we committed to obtaining SBTi accreditation and this year both short-term, and long-term, targets for Scopes 1, 2 and 3 have been submitted and are undergoing review. We hope to receive validation early in FY24. In the meantime, we have been making good progress against all of our carbon targets and we will soon publish our first Transition Plan. This is in line with the Transition Plan Taskforce guidance and presents our action plan for how we will get to net zero carbon over the coming years. Trials undertaken over the last year relating to the electrification of our estate have gone well and we are continuing at pace with our first gasless hotel in Swindon. We continue to build new hotels to the BREEAM Excellent standard and have also begun working on our turnkey specification, with the aim that all new hotels will be built to this gasless standard. These are all important steps towards our net zero goal and we will continue our work this year by undertaking site 'net zero ready' audits and testing new technology to start to move the existing estate away from gas through refurbishments. We ended the year with a carbon intensity figure of 52.5% against our baseline year of FY17.

Our latest TCFD report, together with the 2023 Annual Report, outlines the most material risks and opportunities for our business in relation to climate change. We have once again worked through the scenario analysis and quantification process, assessing which risks and opportunities have the potential for the highest financial cost or gain. This helps to ensure that climate change is considered in our financial decisions. We are also currently analysing the best approach to setting an internal carbon target to strengthen the linkage between financial planning and climate impact. Our approach to green finance is illustrated by the use of our Green Bond proceeds, with £504m having now been allocated over the last two years on green projects across the business. We plan to allocate the remaining proceeds during the coming financial year.

Carbon in our supply chain has also been an area of focus. Having set our Scope 3 reduction target, we have worked with our suppliers to understand where they are on their emission reduction journey. We have started to work on some of the most material categories as a priority, such as F&B and Construction. We recalculated our Scope 3 emissions this year for the first time since the base year of FY19 and results show that we have reduced our carbon emissions intensity by 28.1% since the base year. We will be working on developing specific supply chain strategies for our highest emitting categories in the coming year.

During the past year we have been working on a new target to reduce our environmental impact by setting a water reduction target to both minimise water usage across our estate and to prioritise water management in high-risk areas. This new target is to reduce water usage by 20% per sleeper by 2030. We have also been working through the initial guidelines from the Taskforce on Nature-related Financial Disclosures ('TNFD') to begin setting our biodiversity strategy and understand what our company-wide target should be, aligning with a nature positive approach. We plan to provide an update on this during FY24.

Our commitment to cut food waste in half by 2030 and to eliminate single-use plastics by 2025 remain challenging. The impact of the pandemic on our food waste has been material and as we return to more normalised figures post-pandemic, our food waste has reduced by 12% from our baseline year. We have continued our partnership with FareShare to donate food to charity partners and in FY24 we will adopt a renewed focus on strategic food waste reduction with our

partners and in FY24 we will adopt a renewed focus on strategic food waste reduction with our team members, suppliers and waste service provider to identify potential routes for further waste reduction. With single use plastics, through collaboration and engagement with wider industry groups, it has become clear that elimination targets are difficult to meet. We have been working hard on our target and have further defined our scope to align with the UK Plastics Pact, focusing in on the shared 'problematic' plastics and prioritising the elimination of them as we continue to tackle the wider challenge of capturing data for single use plastic across the global value chain.

Having raised nearly £22m for Great Ormond Street Hospital ('GOSH') over the past 12 years, we have reset our commitment to continue to fundraise for the charity and set new fundraising targets of £3m per year with an overarching total of £20m. We are excited to start this new phase in our partnership with GOSH as we continue to help them to raise money to support some of the most seriously ill children across the UK.

We also look to support those in need on an ad hoc basis. For example, during a new bedding roll out, we partnered with a charity partner to send over 50,000 duvets and pillows to those displaced by the war in Ukraine. This is in addition to the £688,000 that we raised for DEC ('Disaster Emergency Committee') at the beginning of the year.

Having conducted a survey to monitor team member engagement across Operations and Support Centre, we received a 79% positive response to 'recommend this as a place to work'. We are pleased that so many of our team members feel this way as we strive to ensure they are listened to, developed in their career paths and are part of a diverse and inclusive community.

We continue to make good progress on bringing to life our eight Diversity and Inclusion commitments across Whitbread. We are on-track to meet our female representation target, with 40% of senior leadership positions already held by women and are working towards our target to have 8% ethnic minority representation. Our four inclusion networks, enAble (disability), Gender Equality, GLOW (LGBTQ+) and Race, Religion and Cultural Heritage are now all well-established, and, alongside providing a community for our teams, are taking an active role consulting with our teams on initiatives such as: listening with our Black colleagues to further understand their experience of working for Whitbread; consulting on our new accessible rooms concept (supported by the Business Disability Forum); and launching a new workplace adjustments policy and process.

We celebrated several cultural events during FY23 to support our communities and provide education to our teams. Our Pride celebrations were a particular highlight, where our sites got involved and GLOW participated in the Manchester Pride march in August 2022 with participation from our teams from across the UK and Germany. Representation is important to us and we continue to be guided by our 2023 and 2026 representation targets on gender and ethnicity. Our recently released 2022 Gender and Ethnicity Pay Gap report demonstrates the action we are continuing to take as an organisation on this important issue.

We believe that our sustainability credentials set us apart from many of our peers and so have been working to share more of what we do with our team members, shareholders and customers. We have started to embed ESG messages into our brand and marketing strategies (consumer and B2B), using in-site activations and through our 'Rest Easy' marketing campaign. This is an ongoing process and one that we will continue during FY24. We actively engage with our key stakeholders and are pleased to report our sustainability ratings with MSCI (AA) and Sustainalytics (medium risk). We were also placed in the Dow Jones Sustainability Index and in the Corporate Sustainability Assessment Yearbook, a reflection of the work that we are doing in this space and scored B in both the Carbon Disclosure Project's climate change and water disclosures this year. It is through these activities that we are able to drive meaningful change with the overall aim of enabling people to live and work well.

For further information on our Force for Good programme, please see our most recent ESG Report: https://www.whitbread.co.uk/sustainability/our-strategy-targets/.

Business Review | Strong outperformance driving margin recovery

Premier Inn UK[1]

£m	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Statutory Revenue	**2,508**	**1,668**	**2,050**	***50%***	***22%***
Other income (excl rental income)[2]	5	70	14	*(93)%*	*(65)%*
Operating costs before depreciation, amortisation & rent	(1,595)	(1,249)	(1,270)	*(28)%*	*(26)%*
Adjusted EBITDAR[†]	**918**	**490**	**794**	***87%***	***16%***
Net turnover rent and rental income	1	4	2	*(77)%*	*(57)%*

Net turnover rent and rental income	1	4	2	*(75)%*	*(50)%*
Depreciation: Right-of-use asset	(134)	(125)	(103)	*(7)%*	*(30)%*
Depreciation and amortisation: Other	(169)	(169)	(163)	*0%*	*(3)%*
Adjusted operating profit†	**617**	**200**	**529**	***209%***	***17%***
Interest: Lease liability	(125)	(125)	(115)	*0%*	*(9)%*
Adjusted profit before tax†	**492**	**75**	**414**	***557%***	***19%***
PBT Margins†	19.6%	4.5%	20.2%	*1,510bps*	*(60)bps*
ROCE†	12.9%	2.3%	11.2%	*1,060bps*	*170bps*

Premier Inn UK[1] key performance indicators

	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Number of hotels	847	841	820	*1%*	*3%*
Number of rooms	83,576	82,286	78,547	*2%*	*6%*
Committed pipeline (rooms)	7,425	8,332	13,011	*(11)%*	*(43)%*
Occupancy	82.7%	68.3%	76.3%	*>1,000bps*	*640bps*
Average room rate†	£71.84	£56.67	£61.50	*27%*	*17%*
Revenue per available room†	£59.45	£38.69	£46.91	*54%*	*27%*
Sales growth[3]:					
Accommodation	*37%*				
Food & beverage	*(4)%*				
Total	*22%*				
Like-for-like† sales[3] growth:					
Accommodation	*27%*				
Food & beverage	*(7)%*				
Total	*14%*				

1: Includes one site in each of: Guernsey and the Isle of Man and two sites in each of: Jersey and Ireland

2: FY22 includes Government support - see note 8 of the accompanying financial statements for further details

3: Total and like-for-like on a three-year basis versus FY20

The impact of the pandemic on the FY22 results meant that the FY23 comparative performance was stronger than versus FY20. Total statutory revenue was 22% ahead of FY20, driven by the strength of our UK hotel performance. UK accommodation sales were 37% ahead of FY20, driven by a 640bps increase in occupancy and 17% increase in average room rates as well as the addition of over 6,000 rooms to our estate. Factors behind our strong performance included external drivers such as strong consumer demand, a reduced level of supply and a robust pricing environment.

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

UK performance vs M&E market

	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23
PI Accommodation sales performance (vs FY20)[1]	+25.6pp	+25.0pp	+23.9pp	+26.9pp	+25.2pp
PI Occupancy performance (vs FY20)[1]	11.6pp	10.9pp	9.9pp	10.7pp	10.7pp
PI ARR performance (vs FY20)[1]	(2.6)pp	(2.7)pp	(1.9)pp	(3.6)pp	(2.8)pp
PI RevPAR performance (absolute)[1]	£9.90	£10.50	£9.70	£8.48	£9.63
PI Market share[2]	9.5%	8.8%	8.7%	8.9%	8.9%
PI Market share gains pp (vs FY20)[2]	2.0pp	1.7pp	1.5pp	1.8pp	1.7pp

1: STR data, full inventory basis, Premier Inn accommodation revenue, occupancy, ARR and RevPAR 4 March 2022 to 2 March 2023, M&E market excludes Premier Inn

2: STR data, revenue share of total UK market, 4 March 2022 to 2 March 2023

F&B sales were well-ahead of FY22, driven by the commercial initiatives we implemented during the year and the market recovery following the pandemic. Despite this recovery and the benefits of high hotel occupancy and a number of commercial initiatives helping to drive F&B sales, the value pub restaurant sector remains challenging with the result that overall F&B sales were 4% behind pre-pandemic levels.

Other income of £5m related to a provision release following the completion of an HMRC review of the Group's COVID-related support claims, for further information see note 8. Whilst in FY22,

other income of £70m included £62m benefit from the Coronavirus Job Retention Scheme and £8m benefit from other COVID-related grants, no claims for COVID-related Government support were made in FY23.

Operating costs of £1,595m were 28% higher than FY22 driven by increased occupancy across a higher number of rooms, higher inflation, the absence of any benefit received in relation to the Government's business rates holiday (FY22: £56m) and after the benefit of our ongoing cost efficiency programme. EBITDAR margins recovered strongly to 37% (FY22: 29%) and total EBITDAR increased to £918m which was 16% above pre-pandemic levels. Right-of-use asset depreciation was £134m and lease liability interest was £125m reflecting the addition of net 1,495 more leasehold rooms during the year. A total of ten new hotels and an extension added 1,722 new rooms while four hotels totalling 432 rooms were closed as the Group continues to optimise its estate when suitable opportunities arise. At the end of the year, the UK and Ireland estate stood at 847 hotels with a total of 83,576 rooms and a committed pipeline of 7,425 rooms.

The increase in EBITDAR meant that adjusted profit before tax increased to £492m, significantly ahead of FY22 and 19% ahead of FY20. Despite the challenge of sector-wide inflationary pressures, pre-tax profit margins reached 19.6% which was a marked increase from FY22 and almost back to the 20.2% achieved in FY20.

The strong profit performance coupled with our disciplined approach to capital allocation fed through into a marked recovery in ROCE that was 12.9% for the year, up from 2.3% in FY22 and 11.2% in FY20.

Premier Inn Germany[1]

£m	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Statutory revenue	**118**	**35**	**12**	***234%***	***896%***
Other income (excl. rental income)[2]	0	44	0	*(100)%*	*(33)%*
Operating costs before depreciation, amortisation and rent	(110)	(66)	(24)	*(68)%*	*(362)%*
Adjusted EBITDAR†	**7**	**14**	**(12)**	***46%***	***163%***
Net turnover rent and rental income	0	4	1	*(97)%*	*(88)%*
Depreciation: Right-of-use asset	(32)	(23)	(1)	*(41)%*	*>(1,000)%*
Depreciation and amortisation: Other	(11)	(10)	(2)	*(13)%*	*(600)%*
Adjusted operating loss†	**(36)**	**(15)**	**(13)**	***(133)%***	***(168)%***
Interest: Lease liability	(14)	(9)	(0)	*(62)%*	*>(1,000)%*
Adjusted loss before tax†	**(50)**	**(24)**	**(14)**	***(108)%***	***(265)%***

Premier Inn Germany[1] key performance indicators

	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Number of hotels	51	35	6	*46%*	*750%*
Number of rooms	9,042	5,875	1,085	*54%*	*733%*
Committed pipeline (rooms)	6,907	8,454	8,709	*(18)%*	*(21)%*
Occupancy	59.4%	40.7%	58.3%	*1,870bps*	*110bps*
Average room rate†	£62.36	£40.53	£69.47	*54%*	*(10)%*
Revenue per available room†	£37.04	£16.49	£40.53	*125%*	*(9)%*
Sales growth[3]:					
Accommodation	*924%*				
Food & beverage	*738%*				
Total	*892%*				
Like-for-like† sales[3] growth:					
Accommodation	*32%*				
Food & beverage	*13%*				
Total	*29%*				

1: Includes one site in Austria

2: FY22 includes Government support - see note 6 of the accompanying financial statements for further details

3: Total and like-for-like on a three-year basis versus FY20

Pandemic-related restrictions were finally lifted during the first quarter which prompted an uplift in leisure demand throughout the summer months. This continued into the third quarter with leisure demand remaining buoyant, supported by a high number of leisure events, as well as a rebound in business travel including the return of a number of large international trade fairs. Despite the popularity of Christmas markets in a number of German cities, market demand in the seasonally quiet fourth quarter was softer than expected. The net result was that total statutory revenue increased by 234% versus FY22 and given the increase in the size of our estate, was significantly ahead of FY20.

Other income was significantly less than last year, with no claims being made for COVID-related Government support in FY23 (FY22: £44m).

Operating costs increased by £44m versus FY22 reflecting the continued growth in our estate and inflationary pressures. We made good progress on continuing to refine our operating model and tailor our customer proposition. We also continued to drive cost efficiencies without compromising our ability to drive revenue growth. The addition of 2,706 new leasehold rooms to the estate meant that right-of-use-asset depreciation increased by 41% to £32m and lease liability interest increased by 63% to £14m. During the year we opened ten hotels and acquired six hotels including a freehold hotel in Austria, ending the period with 51 hotels and 9,042 rooms open.

With the softer than expected market demand in the fourth quarter, the adjusted loss before tax of £50m was towards the upper end of our previous guidance. Whilst the overall result is heavily influenced by our pace of opening and the fact that most of our hotels are not yet mature, we remain encouraged by the performance of our cohort of 18 established hotels, which became profitable in aggregate† during the year.

Central and other costs

£m	FY23	FY22	FY20	*vs FY22*	*vs FY20*
Operating costs before depreciation, amortisation and rent	(40)	(31)	(27)	*(26)%*	*(46)%*
Share of loss from joint ventures	2	0	(2)	*475%*	*210%*
Adjusted operating loss†	**(37)**	**(31)**	**(29)**	***(20)%***	***(27)%***
Net finance costs	9	(36)	(13)	*124%*	*165%*
Adjusted loss before tax†	**(29)**	**(67)**	**(42)**	***57%***	***33%***

Central operating costs of £40m were 26% higher than FY22 and 46% higher than FY20 reflecting consultancy fees, staff-related costs and project costs. Higher interest rates prompted a marked increase in interest receivable on the Group's cash balances which, together with IAS 19 pension finance income of £14m (FY22: £4m), resulted in a net finance benefit of £9m (FY22: charge of £36m).

Financial review

Financial highlights

£m	FY23	FY22	FY20	*vs FY22 FY22*	*vs FY20 FY20*
Statutory revenue	**2,625**	**1,703**	**2,072**	***54%***	***27%***
Transitional service agreement revenue	-	-	9	*0%*	*(100)%*
Adjusted revenue†	**2,625**	**1,703**	**2,062**	***54%***	***27%***
Other income (excl rental income)[1]	5	115	14	*(96)%*	*(65)%*
Operating costs before depreciation, amortisation and rent	(1,742)	(1,345)	(1,323)	*(30)%*	*(32)%*
Adjusted EBITDAR†	**888**	**473**	**753**	***88%***	***18%***
Net turnover rent and rental income	1	8	3	*(87)%*	*(66)%*
Depreciation: Right-of-use asset	(166)	(148)	(104)	*(12)%*	*(59)%*
Depreciation and amortisation: Other	(180)	(179)	(165)	*(0)%*	*(9)%*
Adjusted operating profit †	**544**	**153**	**487**	***255%***	***12%***
Net finance costs (excl. lease liability interest)	9	(36)	(13)	*(124)%*	*(165)%*
Interest: Lease liability	(139)	(133)	(115)	*(4)%*	*(20)%*
Adjusted profit / (loss) before tax†	**413**	**(16)**	**358**	***> (1,000)%***	***15%***
Adjusting items	(39)	74	(78)	*(152)%*	*(51)%*
Statutory profit before tax	**375**	**58**	**280**	***544%***	***34%***
Tax expense	(96)	(16)	(62)	*(512)%*	*(55)%*
Statutory profit after tax	**279**	**43**	**218**	***556%***	***28%***

1: Includes UK and German Government support received in FY22 (£nil Government support was received in FY23) - see note 8 of the accompanying financial statements for further details.

Statutory revenue

Statutory revenues were up 54% compared to FY22 and 27% ahead of FY20 driven by our continued estate growth and the continued outperformance by our UK hotels of the wider M&E market.

Adjusted EBITDAR

Other income was £5m in FY23 (FY22: £115m), as the Group made no claims for any COVID-related support in the UK or in Germany (FY22: £114m). Operating costs were 30% higher than FY22, driven by an increase in revenue-related variable costs as a result of higher occupancy, estate growth, cost inflation and no benefit being received relating to the UK Government's business rates holiday (FY22: £56m credit). Adjusted EBITDAR was £888m, up 88% versus FY22 reflecting strong trading in the UK and the lifting of pandemic-related restrictions.

Adjusted operating profit

The leasehold estate in the UK grew by net 1,495 rooms and in Germany by 2,706 rooms resulting in a 12% increase in right-of-use asset depreciation charges to £166m. Other depreciation and amortisation charges were in line with FY22. The strength of our UK trading performance meant that adjusted operating profit increased to £544m, significantly ahead of FY22 and 12% ahead of FY20, even after increased operating losses in Germany of £36m (FY22: £15m loss).

Net finance costs

Higher interest receivable on the Group's cash balances and an interest credit of £14m on the pension fund surplus resulted in a net finance credit (excluding lease liability interest) of £9m (FY22: charge of £36m). Lease liability interest of £139m was marginally ahead of FY22 reflecting the growth in our leasehold estate in the UK and Germany.

Adjusting items

Total adjusting items resulted in a £39m charge (FY22: credit of £74m) and include £33m of net property impairment charges (FY22: £36m net impairment credit), £14m of technology-related project costs, £4m profit from property disposals (FY22: £33m credit) and other adjusting items credits of £5m (FY22: £5m credit).

Rising interest rates have driven higher discount rates and increased levels of impairment in both the UK and Germany. Gross impairment losses of £46m in the UK impacted 13 standalone restaurants and those sites where F&B revenues represent a more significant proportion of total sales. The consequential increase in the WACC resulted in further impairments of £9m which were offset by impairment reversals of £55m as a number of previously impaired sites returned to more normal levels of trading. The result was a total net impairment reversal of £1m being recorded in the UK. In Germany, the increase in market discount rates and the pace of our expansion resulted in a £31m impairment charge relating to a small number of hotels.

During the year, the Group has assessed the presentation of costs incurred in relation to the current and future implementation of strategic IT programmes. The programmes currently scheduled include upgrades to the Group's hotel management system and HR & payroll system. These represent significant business change costs for the Group rather than replacements of IT systems, with the system products being Software as a Service ('SaaS'). The start date of these projects varies and as such we expect costs to be incurred within this category over the next few financial years, with their strategic benefit seen as lasting multiple years. The Group incurred £14m costs in FY23 and expects to incur costs presented within adjusting items across future financial years as follows: FY24: £15m to £25m; FY25: £5m to £15m; and FY26: £0m to £5m.

On 7 March 2022, the Group disposed of a property in Marylebone as part of a property transaction, receiving gross proceeds of £46m. A profit of £1m was recognised on disposal of the property. During the period, the Group has recorded aggregate profits on other property disposals of £3m.

Other adjusting items include a settlement of £5m in relation to a legal claim.

Taxation

The tax charge of £85m on the profit before adjusting items (FY22: £11m credit) represents an effective tax rate on the profit before adjusting items of 21% (FY22: 68%). This is higher than the UK statutory corporate tax rate of 19%, primarily due to the impact of overseas tax losses for which no deferred tax has been recognised, partially offset by the impact of the super deduction tax relief.

The statutory tax charge for the period of £96m (FY22: £16m charge) represents an effective tax rate of 26% (FY22: 27%). This effective tax rate is driven by the impact of overseas losses not yet being recognised as well as the tax impact of certain adjusting items, primarily relating to the effect of the in-year UK rate differential and gains on property disposals, partially offset by the impact of the super deduction tax relief.

Statutory profit after tax

Statutory profit after tax for the year was £279m, compared to a profit of £43m in FY22, which

was impacted by COVID-related restrictions in the UK and Germany.

Earnings per share

	FY23	FY22	FY20[1]	*vs FY22*	*vs FY20*
Adjusted basic earnings per share†	162.9p	(2.5)p	166.3p	*>1,000%*	*(2)%*
Statutory basic earnings per share	138.4p	21.1p	125.3p	*556%*	*10%*

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

Adjusted basic earnings per share of 162.9p and statutory basic earnings per share of 138.4p reflect the adjusted and statutory profits reported in the period (see note 10).

Dividend

The Board has recommended a final dividend of 49.8p per share, reflecting the Group's strong FY23 performance, its strong balance sheet, continued momentum of current trading and confidence in the full year outlook. If approved by shareholders at the AGM to be held on 22 June 2023, this would result in a total dividend payment for the year of £149m and the final dividend will be paid on 7 July 2023 to all shareholders on the register at the close of business on 26 May 2023. Shareholders will be offered the option to participate in a dividend re-investment plan. The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. Full details are set out in note 11 to the accompanying financial statements.

Cashflow

£m	FY23	FY22
Adjusted EBITDAR†	**888**	**473**
Change in working capital	99	183
Net turnover rent and rental income	1	8
Lease liability interest and principal lease payments	(269)	(258)
Adjusted operating cashflow†	**719**	**404**
Interest (excl. IFRS 16)	(9)	(18)
Corporate taxes	(30)	(0)
Pension	(16)	(15)
Capital expenditure: non-expansionary	(184)	(94)
Capital expenditure: expansionary[1]	(362)	(168)
Disposal Proceeds	60	56
Other	4	20
Cashflow before shareholder returns and debt repayments	**182**	**187**
Dividend	(119)	-
Shares purchased for Employee Share Ownership Trust ('ESOT')	(32)	-
Replacement of long-term borrowings	-	(304)
Net cashflow	**31**	**(117)**
Opening net cash/(debt)†	141	(47)
Issuance of debt	-	304
Closing net cash†	**171**	**141**

1: FY23 includes £2m loans advanced to joint ventures and £25m payment of contingent consideration (FY22 includes £2m loans advanced to joint ventures, £36m payment of contingent consideration and £1m capital contributions to joint ventures)

Adjusted EBITDAR increased by 88% to £888m (FY22: £473m), driven by the strength of the trading performance of Premier Inn UK, resulting in an adjusted operating cashflow of £719m (FY22: £404m). Expansionary and maintenance capital expenditure increased to £546m in FY23 (FY22: £261m) resulting in total cashflow before shareholder returns and debt repayments of £182m broadly in line with last year (FY22: £187m).

The £99m working capital inflow was driven by an increase in trade creditors, accruals and customer deposits as a result of the strong trading performance. This was partially offset by an increase in debtors driven by an increase in the volume of Business Accounts and accrued income relating to property disposals.

Corporate tax outflows of £30m relate to payments on account for the FY23 UK corporation tax liability.

Non-expansionary capital expenditure was £184m and expansionary capital expenditure was £362m which included the purchase of three freehold properties. Lease liability interest and lease repayments increased by £11m to £269m reflecting the increase in our leasehold estate.

Other items include an inflow of £4m (FY22: £3m) of non-cash pension scheme administration costs. Disposal proceeds of £60m include £46m relating to a property transaction in Marylebone and the disposal of other properties as the Group continues to optimise its estate when suitable opportunities arise.

Following the recommencement of dividend payments at the FY22 results, the Board recommended a final dividend of 34.7 pence per share on 27 April 2022. This resulted in a dividend payment of £70m paid on 1 July 2022. At the interim results in October 2022, the Board declared an interim dividend of 24.4 pence per share, resulting in a £49m total interim dividend payment. During the year, 1.3m shares were purchased by the Group's independently managed Employee Share Ownership Trust ('ESOT') for consideration of £32m.

Net cash at the end of the period was £171m.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
Revolving Credit Facility	(775)	-	2027
Bond	(450)	(450)	2025
Green Bond	(300)	(300)	2027
Green Bond	(250)	(250)	2031
	(1,775)	(1,000)	
Cash and cash equivalents		1,165	
Total facilities utilised, net of cash[1]		***165***	
Net cash†		***171***	
Net cash and lease liabilities†		***(3,787)***	

1: Excludes unamortised fees associated with debt instrument

The Group received confirmation of its investment grade status on 20 February 2023 and aims to manage to investment grade metrics of lease adjusted net debt of less than 3.7x[1] funds from operations† over the medium term. During the first half, the Group returned to below this level and as at the end of FY23 the ratio was 2.7x.

1: Fitch methodology post-IFRS 16

Revolving Credit Facility

During the first half of FY23, the Group entered into a new £775m revolving credit facility ('RCF'), replacing the previous £850m facility that was due to expire in September 2023. The new five-year facility, with two one-year extension options, is a multi-currency revolving credit facility and is provided by a syndicate of seven banks led by Banco Santander, Barclays, NatWest and Bank of China. The RCF has variable interest rates with GBP linked to SONIA and EUR being linked to EURIBOR.

Capital investment

£m	FY23	FY22
UK maintenance and product improvement	182	91
New / extended UK hotels[1]	265	80
Germany and Middle East[2]	99	90
Total	**546**	**261**

1: FY23 includes £2m and FY22 includes £2m loans advanced to joint ventures

2: FY23 includes £25m payment of contingent consideration, FY22 includes £36m payment of contingent consideration and £1m capital contributions to joint ventures

Total capital expenditure in FY23 was £546m driven by the development of new sites and extensions in the UK including freehold purchases in London and Dublin. UK maintenance and product improvement spend was focused on investing in the refurbishment programme of our core UK estate, a number of transformational technology projects and the roll-out of our new bed proposition. In Germany, capital expenditure of £99m was driven by the development of our committed pipeline in addition to the acquisition of six hotels made at the end of FY23.

Property, plant and equipment of £4,554m was ahead of FY22 (£4,227m), with an increase in capital expenditure partially offset by depreciation charges.

Property-backed balance sheet

Freehold / leasehold mix	**Open estate**	**Total estate**[1]

Premier Inn UK	57%:43%	55%:45%
Premier Inn Germany	22%:78%	23%:77%
Group	54%:46%	51%:49%

1: Open plus committed pipeline

The current UK estate is 57% freehold and 43% leasehold and once the committed pipeline has been constructed the estate will be 55% freehold and 45% leasehold. The higher leasehold mix in Germany reflects the greater proportion of city centre locations.

Our continued expansion in the UK and Germany resulted in right-of-use assets increasing to £3,505m (FY22: £3,268m) and lease liabilities increasing to £3,958m (FY22: £3,702m).

Return on capital[1] - Premier Inn UK

Returns	FY23	FY22	FY20
UK ROCE[†]	12.9%	2.3%	11.2%

1: Germany ROCE not included as losses were incurred in the year

We remain confident in being able to deliver long-term sustainable returns on incremental investment. We believe that our vertically integrated business model means we are particularly well-placed to capitalise on the significant structural opportunities in both the UK and Germany. Despite ongoing inflationary pressures, we believe that such headwinds can be mitigated through a combination of continued estate growth, our long-standing efficiency programme and our ability to drive ARRs through improvements to our proprietary pricing engine and the continuous evolution of our product.

Events after the balance sheet date

The Board of Directors approved a share buy-back on 24 April 2023 for £300m and is in the process of appointing the relevant brokers to undertake the programme in accordance with that approval.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the 'Pension Fund'), had an IAS19 Employee Benefits surplus of £325m at the end of the year (FY22: £523m). The lower funding position was primarily driven by asset performance being lower than the discount rate and the remeasurement effect of entering into a pensioner buy-in contract. This was partially offset by a decrease in the assumed rates of future inflation and an increase in corporate bond yields resulting in an increase in the discount rate and changes to the mortality assumptions which reduced the value of the pension obligations.

During the year, the Pension Fund became fully funded on the Secondary Funding Target basis, following which the Trustee has reduced the investment risk in line with the de-risking journey agreed between the Trustee and Whitbread. There has been further risk reduction as a result of the Trustee entering into a £661m buy-in with Standard Life. There are currently no deficit reduction contributions being paid to the Pension Fund, however annual contributions of approximately £10m continue to be paid to the Fund through the Scottish Partnership arrangements. The Trustee holds security over £532m of Whitbread's freehold property which will remain at this level until no further obligations are due under the Scottish Partnership arrangements, which is expected to be in 2025. Following that, the security held by the Trustee will be the lower of: £500m; and 120% of the buy-out deficit and will remain in place until there is no longer a buy-out deficit.

Going concern

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

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group, which are detailed below.

We have previously recognised the significant risk from the COVID-19 pandemic on our operations and trading activities more latterly due to the government trading restrictions which have now been removed. We demonstrated our resilience over this period and have included the lessons learned into our business-as-usual processes in all functional and operational areas. We do, however, remain alert and responsive, and will monitor updates from the World Health Organisation ('WHO') with regards to both COVID-19 and any new viruses; their associated vaccine developments and efficacy, which will be assessed and reported via the emerging risk framework highlighting where there is the potential to impact the business.

We have recognised two new principal risks in the period, being (1) the possible impact on our pipeline of future sites from any stagnation in the property market; and (2) the increasing divergence of performance between the hotel business and the food and beverage business, and the impact this could have on our ability to maintain a RevPAR premium in our hotels.

- Uncertain economic outlook - both in the UK and Germany, with the threat of a deep and prolonged recession, exacerbated by the impact from wider macroeconomic trends and current geopolitical conflicts.
- Cyber and data security - data breaches or operational disruption caused by malware such as ransomware, result in a loss of brand trust and regulatory fines.
- Technology-led business change and interdependencies - we are unable to successfully deliver major transformational programmes particularly under time bound pressures and realise benefits due to a high volume of change.
- Germany profitable growth - the inability to successfully execute our strategy in Germany.
- Talent attraction and retention - continued labour market challenges, compounded by real cost-of-living pressures, with functional specific challenges, a reduction in our talent pool and low levels of senior diversity.
- Third party arrangements - business interruption due to withdrawal of services for one or more critical suppliers, provision of services below acceptable standards, or reputational damage as a result of unethical supplier practices.
- Structural shifts impacting demand - changes to working practices, reduced international travel and demand-led occasions for hotel stays, including the impact from the cost-of-living crisis, along with potential new disruptors entering the market driving a decline in brand strength and loss of market share.
- 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, in particular the risk from allergens, fire, terrorism or another safety failure.
- Environmental, Social and Governance including climate change risk - uncertainty as to how these collective risks will materialise for example, our inability to meet carbon targets, natural resource scarcity, and long-term impact from growing social trends such as veganism.
- Increased and extended focus on food and beverage propositions - continued challenges in the pub and restaurant market, with headwinds from inflation and the cost-of-living impact on demand yet to be fully understood, drives a disproportional focus to satisfy any investment required in a short timeframe.
- Extended stagnation of the UK property market - stagnation continues for longer than expected and impacts our ability to maintain the UK pipeline, putting pressure on our returns and UK growth in subsequent years.

We consider a wide range of emerging risks and their potential impact on our ability to successfully deliver on our strategic objectives. The most notable being: continued geopolitical conflicts that could impact Whitbread's operations, including movement of key resources and willingness to travel and the scarcity of computer chips. We are also impacted by increased regulatory change and compliance, which has the potential to impact many areas across the business including governance and controls, external disclosure requirements and sustainability. Across the people-related risks, talent retention and labour supply and how this will change over time as younger generations drive change in workforce requirements and expectations is closely monitored. Our approach to identifying and managing emerging risks is embedded into the risk management framework and integrated through policies and risk control mechanisms.

American Depositary Receipts

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

Notes

†The Group uses certain APMs to help evaluate the Group's financial performance, position and cashflows, 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, return on capital employed ('ROCE'), profit margin, adjusted (loss)/ profit before tax, adjusted (loss)/ profit before tax of our cohort of 13 established German hotels in aggregate, adjusted basic earnings per share, net debt, net

18 established German hotels in aggregate, adjusted basic earnings per share, net debt, net debt and lease liabilities, adjusted operating cashflow, adjusted EBITDA (pre IFRS 16) and adjusted EBITDAR. Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Consolidated income statement

Year ended 2 March 2023

		52 weeks to 2 March 2023			53 weeks to 3 March 2022		
	Notes	**Before adjusting items £m**	**Adjusting items (Note 6) £m**	**Statutory £m**	Before adjusting items £m	Adjusting items (Note 6) £m	Statutory £m
Revenue	3	**2,625.2**	**-**	**2,625.2**	1,703.4	-	1,703.4
Other income	4	**8.0**	**4.7**	**12.7**	122.4	8.7	131.1
Operating costs	5	**(2,090.5)**	**(43.2)**	**(2,133.7)**	(1,671.1)	65.3	(1,605.8)
Impairment of loans to joint ventures		**(1.5)**	-	**(1.5)**	(1.8)	-	(1.8)
Operating profit/(loss) before joint ventures		**541.2**	**(38.5)**	**502.7**	152.9	74.0	226.9
Share of profit/(loss) from joint ventures		**2.3**	-	**2.3**	0.4	-	0.4
Operating profit/(loss)		**543.5**	**(38.5)**	**505.0**	153.3	74.0	227.3
Finance costs	7	**(166.9)**	-	**(166.9)**	(173.6)	-	(173.6)
Finance income	7	**36.8**	-	**36.8**	4.5	-	4.5
Profit/(Loss) before tax		**413.4**	**(38.5)**	**374.9**	(15.8)	74.0	58.2
Tax credit/(expense)	9	**(85.2)**	**(10.9)**	**(96.1)**	10.7	(26.4)	(15.7)
Profit/(Loss) for the year attributable to parent shareholders		**328.2**	**(49.4)**	**278.8**	(5.1)	47.6	42.5

	52 weeks to 2 March 2023			53 weeks to 3 March 2022		
Earnings per share (Note 10)	**pence**	**pence**	**pence**	pence	pence	pence
Basic	**162.9**	**(24.5)**	**138.4**	(2.5)	23.6	21.1
Diluted	**161.8**	**(24.3)**	**137.5**	(2.5)	23.4	20.9

Consolidated statement of comprehensive income

Year ended 2 March 2023

	Notes	**52 weeks to 2 March 2023 £m**	53 weeks to 3 March 2022 £m
Profit for the year		**278.8**	42.5
Items that will not be reclassified to the income statement:			
Remeasurement (loss)/gain on defined benefit pension scheme	25	**(223.6)**	318.8
Current tax on defined benefit pension scheme	9	**0.7**	(2.3)
Deferred tax on defined benefit pension scheme	9	**54.7**	(88.0)
		(168.2)	228.5
Items that may be reclassified subsequently to the income statement:			
Net (loss)/gain on cash flow hedges		**(1.3)**	2.4
Deferred tax on cash flow hedges	9	**-**	(0.5)
Net (loss)/gain on hedge of a net investment		**(22.2)**	9.0
Deferred tax on net loss/(gain) on hedge of a net investment	9	**2.1**	(0.8)
Cost of hedging		**1.1**	2.5
		(20.3)	12.6
Exchange differences on translation of foreign operations		**37.3**	(16.0)
Deferred tax on exchange differences on translation of foreign operations		**(4.0)**	2.7
		33.3	(13.3)
Other comprehensive (loss)/income for the year, net of tax		**(155.2)**	227.8
Total comprehensive income for the year, net of tax		**123.6**	270.3

Consolidated statement of changes in equity

Year ended 2 March 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total £m
At 25 February 2021	164.7	1,022.9	50.2	4,944.8	28.7	(2,377.2)	3,834.1
Profit for the year	**-**	**-**	**-**	**42.5**	**-**	**-**	**42.5**

Other comprehensive income	-	-	-	228.5	(4.4)	3.7	227.8
Total comprehensive income	-	-	-	271.0	(4.4)	3.7	270.3
Ordinary shares issued on exercise of employee share options (Note 23)	0.1	1.8	-	-	-	-	1.9
Loss on ESOT shares issued	-	-	-	(3.2)	-	3.2	-
Accrued share-based payments	-	-	-	12.9	-	-	12.9
Tax on share-based payments	-	-	-	(0.2)	-	-	(0.2)
At 3 March 2022	164.8	1,024.7	50.2	5,225.3	24.3	(2,370.3)	4,119.0
Profit for the year	-	-	-	278.8	-	-	278.8
Other comprehensive income	-	-	-	(168.2)	10.7	2.3	(155.2)
Total comprehensive income	-	-	-	110.6	10.7	2.3	123.6
Ordinary shares issued on exercise of employee share options (Note 23)	0.1	1.9	-	-	-	-	2.0
Loss on ESOT shares issued	-	-	-	(4.3)	-	4.3	-
Accrued share-based payments	-	-	-	17.7	-	-	17.7
Tax on share-based payments	-	-	-	(0.1)	-	-	(0.1)
Equity dividends paid	-	-	-	(119.1)	-	-	(119.1)
Purchase of ESOT shares	-	-	-	-	-	(31.7)	(31.7)
At 2 March 2023	164.9	1,026.6	50.2	5,230.1	35.0	(2,395.4)	4,111.4

Consolidated balance sheet

At 2 March 2023

	Notes	2 March 2023 £m	3 March 2022 £m
Non-current assets			
Intangible assets	12	**179.6**	159.3
Right-of-use assets		**3,504.6**	3,267.6
Property, plant and equipment	13	**4,554.2**	4,227.1
Investment in joint ventures		**48.2**	41.1
Derivative financial instruments		**-**	15.8
Defined benefit pension surplus	25	**324.7**	522.6
		8,611.3	8,233.5
Current assets			
Inventories	15	**21.7**	19.4
Trade and other receivables	16	**141.8**	116.4
Cash and cash equivalents	17	**1,164.8**	1,132.4
		1,328.3	1,268.2
Assets classified as held for sale	13	**3.2**	64.8
Total assets		**9,942.8**	9,566.5
Current liabilities			
Borrowings	18	**-**	-
Lease liabilities		**144.1**	129.3
Provisions	20	**20.2**	19.6
Current tax liabilities		**4.6**	-
Trade and other payables	22	**676.7**	570.7
		845.6	719.6
Non-current liabilities			
Borrowings	18	**993.4**	991.9
Lease liabilities		**3,814.3**	3,572.5
Provisions	20	**8.3**	11.7
Derivative financial instruments		**7.8**	-
Deferred tax liabilities	9	**158.2**	150.6
Trade and other payables	22	**3.8**	1.2
		4,985.8	4,727.9
Total liabilities		**5,831.4**	5,447.5
Net assets		**4,111.4**	4,119.0
Equity			
Share capital	23	**164.9**	164.8
Share premium		**1,026.6**	1,024.7
Capital redemption reserve		**50.2**	50.2
Retained earnings		**5,230.1**	5,225.3
Currency translation reserve		**35.0**	24.3
Other reserves		**(2,395.4)**	(2,370.3)
Total equity		**4,111.4**	4,119.0

Consolidated cash flow statement

Consolidated cash flow statement

Year ended 2 March 2023

	Notes	**52 weeks to 2 March 2023 £m**	53 weeks to 3 March 2022 £m
Cash generated from operations	24	**996.3**	693.7
Payments against provisions		**(2.7)**	(18.9)
Defined benefit pension scheme payments	25	**(15.7)**	(14.8)
Interest paid - lease liabilities		**(138.7)**	(133.2)
Interest paid - other		**(32.0)**	(20.2)
Interest received		**22.6**	2.2
Corporation taxes paid		**(29.9)**	(0.1)
Net cash flows from operating activities		**799.9**	508.7
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment and investment properties	3	**(482.0)**	(200.4)
Proceeds from disposal of property, plant and equipment		**59.6**	56.4
Investment in intangible assets	12	**(36.8)**	(21.1)
Payment of deferred and contingent consideration	22	**(25.3)**	(36.3)
Capital contributions to joint ventures		**-**	(1.4)
Loans advanced to joint ventures		**(1.5)**	(1.8)
Net cash flows used in investing activities		**(486.0)**	(204.6)
Cash flows (used in)/from financing activities			
Proceeds from issue of shares on exercise of employee share options		**2.0**	1.9
Drawdowns of long-term borrowings		**-**	50.0
Repayments of long-term borrowings		**-**	(353.9)
Payment of facility fees		**(4.2)**	-
Net lease incentives received		**3.5**	2.0
Payment of principal of lease liabilities		**(133.9)**	(127.1)
Purchase of own shares for ESOT		**(31.7)**	-
Dividends paid		**(119.1)**	-
Net cash flows used in financing activities		**(283.4)**	(427.1)
Net increase/(decrease) in cash and cash equivalents	19	**30.5**	(123.0)
Opening cash and cash equivalents	19	**1,132.4**	1,256.0
Effect of foreign exchange rate changes	19	**1.9**	(0.6)
Closing cash and cash equivalents	17	**1,164.8**	1,132.4

Notes to the consolidated financial statements

1. General information

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 2 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2023.

The financial year represents the 52 weeks to 2 March 2023 (prior financial year: 53 weeks to 3 March 2022).

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 2 March 2023 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 2 March 2023 will be delivered to the Registrar of Companies in advance of the Group's annual general meeting.

The statutory accounts for the year ended 3 March 2022, have been delivered to the Registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

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

2. Accounting policies

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 3 March 2022, except for the adoption of the new standards and interpretations that are applicable for the year ended 2 March 2023.

Basis of consolidation

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

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

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

- has the ability to use its power to affect its returns

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

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

Going concern

A combination of the strong cash flows generated by the business, and the significant available headroom on its credit facilities, support the directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. In reaching this conclusion, the directors have considered all elements of the capital allocation framework. The directors have also determined that, over the period of the going concern assessment, there is not expected to be a significant impact as a result of climate change.
The directors have therefore concluded that the going concern basis of preparation remains appropriate.

Adjusting items and use of alternative performance measures

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way the business performance is measured internally by the Board and Executive Committee. A glossary of APMs and reconciliations to statutory measures is given at the end of this report.

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

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

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

- net charges associated with the strategic review of the Group's hotel and restaurant property estate;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of changes to UK defined benefit scheme practices;
- net impairment and related charges for sites which are/were underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- transformation and change costs associated with the implementation of the Group's strategic IT programme;
- 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 Group income statement is presented in a columnar format to enable users of the accounts to see the Group's performance before adjusting items, the adjusting items, and the statutory total on a line-by-line basis. 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.

Changes in accounting policies

The Group has adopted the following standards and amendments for the first time for the annual reporting period commencing 4 March 2022:
• Amendments to IAS 16 Property, Plant and Equipment - proceeds before intended use (effective for periods beginning on or after 1 January 2022)
• Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract (effective for periods beginning on or after 1

January 2022)
• Amendments to IFRS 3 - Reference to the Conceptual Framework (effective for periods beginning on or after 1 January 2022)
• Annual Improvements to IFRS Standards 2018-2020 Cycle

Standards issued by the IASB not effective for the current year and not early adopted by the Group
Whilst the following standards and amendments are relevant to the Group, they have been assessed as having minimal or no financial impact or additional disclosure requirements at this time:
• IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2023)
• Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2023)
• Amendments to IAS 1 - Disclosure of Accounting Policies (effective for periods beginning on or after 1 January 2023)
• Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture
• Amendments to IAS 8 - Definition of Accounting Estimate (effective for periods beginning on or after 1 January 2023)
• Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods beginning on or after 1 January 2023)
The Group does not intend to early adopt any of these new standards or amendments.

Critical accounting judgements and key sources of estimation uncertainty
The critical accounting judgements and key sources of estimation uncertainty are consistent with those disclosed in the Group's annual financial statements for the year ended 3 March 2022 except for the inclusion of property transaction including sale and leaseback of land.

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

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

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

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

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

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

Key sources of estimation uncertainty
Defined benefit pension
Defined benefit pension plans are accounted for in accordance with actuarial advice using the projected unit credit method. The Group makes significant estimates in relation to the discount rates, mortality rates and inflation rates

used to calculate the present value of the defined benefit obligation. Note 25 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

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

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

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

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

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

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

3. Segment information

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

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

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

	52 Weeks to 2 March 2023				53 Weeks to 3 March 2022			
Profit/(loss)	**UK & Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK & Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures[1]	**616.6**	**(35.9)**	**(39.5)**	**541.2**	199.6	(15.4)	(31.3)	152.9
Share of profit/(loss) from joint ventures	**-**	**-**	**2.3**	**2.3**	-	-	0.4	0.4
Adjusted operating profit/(loss)	**616.6**	**(35.9)**	**(37.2)**	**543.5**	199.6	(15.4)	(30.9)	153.3
Net finance costs	**(124.9)**	**(13.8)**	**8.6**	**(130.1)**	(124.7)	(8.5)	(35.9)	(169.1)
Adjusted profit/(loss) before tax	**491.7**	**(49.7)**	**(28.6)**	**413.4**	74.9	(23.9)	(66.8)	(15.8)
Adjusting items before tax (Note 6)				**(38.5)**				74.0
Profit/(loss) before tax				**374.9**				58.2

In relation to the previous year's results, adjusted operating profit/(loss) for the UK & Ireland segment included the impact of £126.5m from Government Grants whilst the German segment included the impact of £44.3m. The UK & Ireland segment includes the impact of the release of a previously held provision of £4.7m. Refer to Note 8 for details.

	52 Weeks to 2 March 2023				53 Weeks to 3 March 2022			
Other segment information	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Capital expenditure:								
Property, plant and equipment and investment property - cash basis	**405.9**	**76.1**	**-**	**482.0**	148.1	52.3	-	200.4

Property, plant and equipment and investment property - accruals basis	**430.4**	**73.7**	**-**	**504.1**	165.8	54.2	-	220.0
Intangible assets	**36.7**	**0.1**	**-**	**36.8**	21.1	-	-	21.1
Cash outflows from lease interest and payment of principal of lease liabilities	**234.0**	**38.6**	**-**	**272.6**	234.5	25.8	-	260.3
Depreciation - property, plant and equipment and investment property	**152.2**	**11.0**	**-**	**163.2**	148.3	9.6	-	157.9
Depreciation - right-of-use assets	**133.6**	**32.2**	**-**	**165.8**	125.2	22.9	-	148.1
Amortisation	**16.3**	**0.2**	**-**	**16.5**	20.6	0.3	-	20.9

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

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

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

[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:

	2022/23 £m	2021/22 £m
Rental income	**3.1**	7.9
Government grants[1] (Note 8)	**4.7**	113.8
Other	**0.2**	0.7
Other income before adjusting items	**8.0**	122.4
Legal claim settlement (Note 6)	**4.7**	-
VAT settlement (Note 6)	**-**	8.7
Other income	**12.7**	131.1

[1] £4.7m has been released from a previously held provision relating to Government grants. Refer to Note 8 for details.

5. Operating costs

	2022/23 £m	2021/22 £m
Cost of inventories recognised as an expense[1]	**229.0**	146.6
Employee benefits expense[2]	**784.3**	678.9
Amortisation of intangible assets (Note 12)	**16.5**	20.9
Depreciation - property, plant and equipment and investment property (Note 13)	**163.2**	157.9
Depreciation - right-of-use-assets	**165.8**	148.1
Utilities	**117.2**	87.8
Rates	**125.0**	71.2
Other site property costs	**384.3**	277.3
Variable lease payment expense	**2.1**	0.3
Net foreign exchange (gain)/loss	**(2.1)**	2.1
Other operating charges[2]	**105.2**	80.0
Adjusting operating costs[2] (Note 6)	**43.2**	(65.3)
	2,133.7	1,605.8

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

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

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

	2022/23 £m	2021/22 £m
Employee costs - hourly paid	**520.1**	440.3
Employee costs - salaried	**264.2**	238.6
	784.3	678.9

6. Adjusting items

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

we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

	2022/23 £m	2021/22 £m
Adjusting items were as follows:		
Other income:		
VAT settlement[1]	-	8.7
Legal claim settlement[2]	**4.7**	-
Adjusting other income	**4.7**	8.7
Operating costs:		
Net impairment (charges)/reversals - property, plant and equipment and right-of-use assets[3]	**(33.4)**	36.2
UK restructuring[4]	**-**	0.3
Net gains on disposals, property and other provisions[5]	**4.0**	28.8
Strategic IT programme costs[6]	**(13.8)**	-
Adjusting operating costs	**(43.2)**	65.3
Adjusting items before tax	**(38.5)**	74.0
Tax on adjusting items	**(1.1)**	(13.3)
Impact of change in tax rates	**(9.8)**	(13.1)
Adjusting tax expense	**(10.9)**	(26.4)

[1]During 2021/22, HMRC confirmed it would not appeal the ruling of the First Tier Tribunal in the case of Rank Group plc that VAT was incorrectly applied to revenues earned from certain gaming machines from 2006 to 2013. The Group has submitted claims for the repayment of overpaid VAT amounting to £8.7m which are substantially similar.

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

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

During 2021/22, a total net impairment reversal of £42.0m was recorded, made up of £10.5m of impairment charges on trading sites (£10.1m relating to property, plant and equipment and £0.4m relating to right-of-use assets), offset by impairment reversals of £52.5m (£30.4m relating to property, plant and equipment and £22.1m relating to right-of-use assets). In addition, an impairment charge of £5.8m was recorded in relation to assets classified as held for sale. This brings the total adjusting net impairment reversals to £36.2m within operating costs.

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

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

During 2021/22, the Group disposed of a single property as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. In addition, during 2021/22, the Group made a profit on other property disposals of £5.7m and recognised other provisions of £4.4m relating to historic indirect tax matters.

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

7. Finance (costs)/income

	2022/23 £m	2021/22 £m
Finance costs		
Interest on bank loans and overdrafts	**(5.1)**	(7.4)

Interest on bank loans and overdrafts	**(5.1)**	(7.4)
Interest on other loans	**(24.3)**	(30.0)
Interest on lease liabilities	**(138.7)**	(133.2)
Unwinding of discount on contingent consideration (Note 22)	**(0.2)**	(1.4)
Interest capitalised	**2.5**	0.9
Impact of ineffective portion of cash flow and cost of hedging	**(1.1)**	(2.5)
	(166.9)	(173.6)
Finance income		
Bank interest receivable	**23.2**	0.7
Other interest receivable	**-**	0.2
IAS 19 pension finance income (Note 25)	**13.6**	3.6
	36.8	4.5
Total net finance costs	**(130.1)**	(169.1)

8. Government grants and assistance

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

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

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

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

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

9. Taxation

Consolidated income statement	**2022/23 £m**	2021/22 £m
Current tax:		
Current tax expense	**35.3**	-
Adjustments in respect of previous periods	**0.7**	(1.0)
	36.0	(1.0)
Deferred tax:		
Origination and reversal of temporary differences	**51.5**	16.5
Effect of in-year rate differential/change in tax rates	**9.8**	13.1
Adjustments in respect of previous periods	**(1.2)**	(12.9)
	60.1	16.7
Tax reported in the consolidated income statement	**96.1**	15.7

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

Consolidated statement of other comprehensive income	**2022/23 £m**	2021/22 £m
Current tax:		
Defined benefit pension scheme	**(0.7)**	2.3
Deferred tax:		
Cash flow hedges	**-**	0.5
Tax on net (loss)/gain on hedge of a net investment	**(2.1)**	0.8
Tax on exchange differences on translation of foreign operations	**4.0**	(2.7)
Defined benefit pension scheme	**(54.7)**	88.0
	(52.8)	86.6
Tax reported in other comprehensive income	**(53.5)**	88.9

A reconciliation of the tax expense/(credit) applicable to adjusted profit/(loss) before tax and profit before tax at the statutory tax rate, to the actual tax expense at the Group's effective tax rate, for the years ended 2 March 2023 and 3 March 2022 respectively is set out below. All items have been tax effected at the UK statutory rate of 19%, with the exception of the effect of unrecognised losses in overseas companies, which has been tax effected at the statutory rate in the relevant jurisdictions with an adjustment to account for the differential tax rates included in the effect of different tax rates.

	2022/23 Tax on adjusted profit £m	2022/23 Tax on profit £m	2021/22 Tax on adjusted loss £m	2021/22 Tax on profit £m
Profit/(loss) before tax as reported in the consolidated income statement	**413.4**	**374.9**	(15.8)	58.2
Tax at current UK tax rate of 19% (2021/22: 19%)	78.5	71.2	(3.0)	11.1
Effect of different tax rates	(7.5)	(11.5)	(3.8)	(3.8)
Unrecognised losses in overseas companies	19.5	29.4	11.8	11.8
Effect of super deduction in respect of tax relief for fixed assets	(4.5)	(4.5)	(2.7)	(2.7)
Expenditure not allowable	2.4	1.4	3.6	1.9
Adjustments to current tax expense in respect of previous years	0.7	0.7	(1.0)	(1.0)
Adjustments to deferred tax expense in respect of previous years	(1.2)	(1.2)	(13.8)	(12.9)
Impact of deferred tax in respect of sale and lease transaction (Note 6)	-	3.4	-	-
Impact of deferred tax being at a different rate from current tax rate	-	9.8	-	13.1
Other movements	(2.7)	(2.6)	(1.8)	(1.8)
Tax expense/(credit) reported in the consolidated income statement	**85.2**	**96.1**	(10.7)	15.7

Deferred tax

The major deferred tax (liabilities)/assets 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[3] £m	Total £m
At 25 February 2021	(44.2)	(57.8)	(62.5)	36.0	83.7	0.2	(44.6)
(Expense)/credit to consolidated income statement[1]	**(28.3)**	**(34.7)**	**(15.4)**	**12.6**	**53.7**	**(4.6)**	**(16.7)**
(Expense)/credit to statement of comprehensive income[2]	**-**	**-**	**(88.0)**	**-**	**1.9**	**(0.5)**	**(86.6)**
Expense to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Foreign exchange and other movements	**-**	**-**	**-**	**0.1**	**-**	**(2.5)**	**(2.4)**
At 3 March 2022	**(72.5)**	**(92.5)**	**(165.9)**	**48.7**	**139.3**	**(7.7)**	**(150.6)**
(Expense)/credit to consolidated income statement[1]	**(14.7)**	**(2.1)**	**(5.2)**	**(3.3)**	**(39.9)**	**5.1**	**(60.1)**
Credit/(expense) to statement of comprehensive income[2]	**-**	**-**	**54.7**	**-**	**(1.9)**	**-**	**52.8**
Expense to statement of changes in equity	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Foreign exchange and other movements	**-**	**0.8**	**-**	**(1.1)**	**-**	**(0.1)**	**(0.4)**
At 2 March 2023	**(87.2)**	**(93.8)**	**(116.4)**	**44.3**	**97.5**	**(2.6)**	**(158.2)**

[1] The total charge to the consolidated income statement of £60.1m (2022: £16.7m) relates largely to the utilisation of tax losses carried forward in the period £33.0m and accelerated capital allowances arising from super deduction relief £15.0m (2022: comprises a rate change charge of £13.1m), these being the largest components of the net charge.

[2] The total credit to other comprehensive income of £52.8m (2022: charge of £86.6m) relates predominantly to a net deferred tax credit on defined benefit pension scheme movements through other comprehensive income £54.7m (2022: charge of £88.0m).

[3] The Other category includes a deferred tax liability of £12.5m (2022: £12.4m) in respect of capitalised interest and a deferred tax asset of £7.1m (2022: £4.0m) in respect of share-based payments.

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

The Group has unrecognised German tax losses of £199.9m (2022: £128.2m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, does not 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 £63.8m (2022: £40.9m). The impact on the effective tax rate from the non-recognition of these assets in the current year is 6.1% (2022: 23.8%).

At 2 March 2023, no deferred asset is recognised (2022: £nil) on gross temporary differences of £11.1m (2022: £13.9m) relating to the accumulated losses of other international subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Tax relief on total interest capitalised amounts to £0.5m (2021/22: £0.2m).

Factors affecting the tax charge for future years

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

10. Earnings per share

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

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price, the options become anti-dilutive and are excluded from the calculation. There are 1.0m (2022: 0.7m) shares options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

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

	2022/23 Million	2021/22 million
Basic weighted average number of ordinary shares	**201.5**	201.9
Effect of dilution - share options	**1.3**	1.0
Diluted weighted average number of ordinary shares	**202.8**	202.9

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 214.6m, less 12.5m treasury shares held by Whitbread PLC and 1.2m held by the ESOT (2022: 214.5m, less 12.5m treasury shares held by Whitbread PLC and 0.2m held by the ESOT).

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

	2022/23 £m	2021/22 £m
Profit/(loss) for the year attributable to parent shareholders	**278.8**	42.5
Adjusting items before tax (Note 6)	**38.5**	(74.0)
Adjusting tax expense (Note 6)	**10.9**	26.4
Adjusted profit/(loss) for the year attributable to parent shareholders	**328.2**	(5.1)

	2022/23 pence	2021/22 pence
Basic EPS on profit for the year	**138.4**	21.1
Adjusting items before tax	**19.1**	(36.7)
Adjusting tax expense	**5.4**	13.1
Basic EPS on adjusted profit/(loss) for the year	**162.9**	(2.5)
Diluted EPS on profit/(loss) for the year	**137.5**	20.9
Diluted EPS on adjusted loss for the year	**161.8**	(2.5)

11. Dividends paid and proposed

	2022/23 pence per share	**£m**	**2021/22** pence per share	£m
Final dividend, proposed and paid, relating to the prior year	**34.70**	**70.1**	-	-
Interim dividend, proposed and paid, for the current year	**24.40**	**49.0**	-	-
Total equity dividends paid in the year		**119.1**		-
Dividends on other shares:				
B share dividend	**-**	**-**	0.30	-
C share dividend	**1.00**	**-**	-	-
Total dividends paid		**119.1**		-
Proposed for approval at annual general meeting:				
Final equity dividend for the current year	**49.80**	**100.0**	34.70	70.0

A final dividend of 49.80p per share amounting to a dividend of £100.0m was recommended by the directors at their meeting on 24 April 2023. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

12. Intangible assets

	Goodwill £m	**IT software and technology £m**	Total £m
Cost			
At 25 February 2021	**350.1**	**110.0**	**460.1**
Additions	**-**	**21.1**	**21.1**
Assets written off	**-**	**(10.8)**	**(10.8)**
Foreign currency translation	**-**	**(0.1)**	**(0.1)**
At 3 March 2022	**350.1**	**120.2**	**470.3**

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

Other than goodwill, there are no intangible assets with indefinite lives. IT software and technology assets, 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.

Note 14 contains details of the impairment review conducted on goodwill as at the year-end date.

Capital expenditure commitments

Capital expenditure commitments in relation to intangible assets at the year-end amounted to £7.7m (2022: £7.3m).

13. Property, plant and equipment and investment property

	Land and buildings £m	**Plant and equipment £m**	**Total property, plant and equipment £m**	**Investment property £m**	**Total £m**
Cost					
At 25 February 2021	3,640.6	1,517.6	5,158.2	21.8	5,180.0
Additions	92.0	128.0	220.0	-	220.0
Interest capitalised	0.9	-	0.9	-	0.9
Movements to assets held for sale in the year	(62.2)	(4.5)	(66.7)	-	(66.7)
Disposals	(8.8)	-	(8.8)	-	(8.8)
Assets written off	(4.1)	(57.9)	(62.0)	-	(62.0)
Transfers	21.4	-	21.4	(21.4)	-
Foreign currency translation	(17.8)	(2.5)	(20.3)	(0.4)	(20.7)
At 3 March 2022	**3,662.0**	**1,580.7**	**5,242.7**	**-**	**5,242.7**
Additions	**295.7**	**208.4**	**504.1**	**-**	**504.1**
Interest capitalised	**2.5**	**-**	**2.5**	**-**	**2.5**
Movements to assets held for sale in the year	**6.1**	**3.8**	**9.9**	**-**	**9.9**
Disposals	**(7.0)**	**(2.0)**	**(9.0)**	**-**	**(9.0)**
Assets written off	**(3.9)**	**(73.7)**	**(77.6)**	**-**	**(77.6)**
Asset reclassified from right-of-use asset	**(3.3)**	**-**	**(3.3)**	**-**	**(3.3)**
Foreign currency translation	**30.4**	**4.5**	**34.9**	**-**	**34.9**
At 2 March 2023	**3,982.5**	**1,721.7**	**5,704.2**	**-**	**5,704.2**
Depreciation and impairment					
At 25 February 2021	(287.3)	(657.8)	(945.1)	(0.2)	(945.3)
Depreciation charge for the year	(22.9)	(135.0)	(157.9)	-	(157.9)
Net impairment reversal/(charge) (Note 14)	16.9	(2.4)	14.5	-	14.5
Net movements to assets held for sale in the year	7.3	2.4	9.7	-	9.7
Disposals	0.6	-	0.6	-	0.6
Depreciation on assets written off	4.1	57.9	62.0	-	62.0
Transfers	(0.2)	-	(0.2)	0.2	-
Foreign currency translation	0.1	0.7	0.8	-	0.8
At 3 March 2022	**(281.4)**	**(734.2)**	**(1,015.6)**	**-**	**(1,015.6)**
Depreciation charge for the year	**(23.5)**	**(139.7)**	**(163.2)**	**-**	**(163.2)**
Net impairment charge (Note 14)	**(26.4)**	**(15.5)**	**(41.9)**	**-**	**(41.9)**
Net movements from assets held for sale in the year	**(6.1)**	**(1.8)**	**(7.9)**	**-**	**(7.9)**
Disposals	**2.2**	**2.0**	**4.2**	**-**	**4.2**
Depreciation on assets written off	**3.9**	**72.1**	**76.0**	**-**	**76.0**
Foreign currency translation	**(0.4)**	**(1.2)**	**(1.6)**	**-**	**(1.6)**
At 2 March 2023	**(331.7)**	**(818.3)**	**(1,150.0)**	**-**	**(1,150.0)**
Net book value at 2 March 2023	**3,650.8**	**903.4**	**4,554.2**	**-**	**4,554.2**
Net book value at 3 March 2022	3,380.6	846.5	4,227.1	-	4,227.1

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

There is a charge in favour of the pension scheme over properties with a market value of £531.5m (2022: £531.5m). See Note 25 for further information.

Investment property

During 2019/20, the Group acquired a freehold site which was leased to a third party and was recorded within investment property. The Group recognised rental income of £nil (2021/22: £0.2m) within other income and £nil (2021/22: £0.1m) of direct operating expenses in relation to this property.

During 2021/22, the property was transferred to property, plant and equipment as the lease ended and the Group took over the operations of the hotel.

Capital expenditure commitments

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

Capitalised interest

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

Assets held for sale

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

Included within assets held for sale are assets which were written down to fair value less costs to sell of £1.5m (2022: £15.4m). The fair value of property assets was determined based on current prices in an active market for similar properties. Where such information is not available, management consider information from a variety of sources including current prices for properties of a different nature or recent prices of similar properties, adjusted to reflect those differences. The key inputs under this approach are the property size and location.

14. Impairment

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

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

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

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

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

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

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

Approved budget period

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

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

- Forecast period cashflows: The initial five-year period's cashflows are drawn from the 5-year business plan which is based on results from FY23.
- Forecast growth rates: Forecast growth rates are based on the Group business plan, which includes assumptions around the UK and German economies over the next five years.
- Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of inflation and cost saving initiatives.
- Local factors impacting the site in the current year or expected to impact the site in future years Key assumptions include the maturity profile of individual sites, the future potential of immature sites and the impact of increasing or reducing market supply in the local area.

Long-term growth rates

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

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

EBITDAR multiple

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

Discounted cash flows

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

Sensitivity to changes in assumptions

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

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

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

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

Goodwill

Goodwill acquired through business combinations is allocated to groups of CGUs at an operating segment level, being the level at which management monitors goodwill. All of the Group's goodwill is allocated to the UK and Ireland segment.

The recoverable amount is the higher of fair value less costs of disposal and value in use using the same assumptions as those used in the site level impairment reviews. The recoverable amount has been determined from value in use calculations. The future cash flows are based on assumptions from the approved budget and cover a five-year period. These forecasts include management's most recent view of medium-term trading prospects. Cash flows beyond this period are extrapolated using a 2.0% (2022: 2.0%) growth rate. The pre-tax discount rate applied to cash flow projections is 11.1% for the UK (2022: 8.7%).

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

Investments in joint ventures

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

Property, plant and equipment - assets held for sale

During the period, eight hotels were transferred to assets held for sale, resulting in an impairment charge of £1.3m (2021/22: four hotels resulting in an impairment charge of £5.8m) at the point of transfer. In addition, during 2022/23, an impairment charge of £2.0m (2021/22: £nil) was recorded in relation to assets which had previously been classified as held for sale as a result of a reduction in expected sales proceeds.

15. Inventories

	2023 £m	2022 £m
Finished goods held for resale	**15.5**	15.0
Consumables	**6.2**	4.4
	21.7	19.4

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

16. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**46.0**	45.5
Prepayments and accrued income	**49.8**	24.2
Other receivables	**46.0**	46.7
	141.8	116.4
Analysed as:		
Current	**141.8**	116.4
Non-current	**-**	-
	141.8	116.4

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

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

17. Cash and cash equivalents

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

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

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

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

18. Borrowings

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

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

Revolving credit facility and covenant

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

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

Senior unsecured bonds

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

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

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

19. Movements in cash and net debt

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

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

20. Provisions

	Restructuring £m	Onerous contracts £m	Property costs £m	Insurance claims £m	Government payments £m	Other £m	Total £m
At 25 February 2021	1.1	10.1	15.7	7.2	3.6	1.8	39.5
Created	0.4	0.9	-	3.0	11.8	-	16.1
Utilised	(0.8)	(5.3)	(9.1)	(2.0)	(3.8)	-	(21.0)
Released	(0.3)	(0.7)	-	-	(2.3)	-	(3.3)
At 3 March 2022	**0.4**	**5.0**	**6.6**	**8.2**	**9.3**	**1.8**	**31.3**
Created	**-**	**2.0**	**-**	**2.8**	**-**	**0.8**	**5.6**
Transferred	**-**	**-**	**-**	**-**	**2.3**	**-**	**2.3**
Utilised	**-**	**(1.4)**	**(1.0)**	**(2.3)**	**(0.1)**	**(0.1)**	**(4.9)**
Released	**(0.4)**	**(0.9)**	**-**	**-**	**(4.7)**	**-**	**(6.0)**

Foreign exchange	-	-	-	-	0.2	-	0.2
At 2 March 2023	-	4.7	5.6	8.7	7.0	2.5	28.5
Analysed as:							
Current	-	4.7	5.6	0.4	7.0	2.5	20.2
Non-current	-	-	-	8.3	-	-	8.3
At 2 March 2023	-	4.7	5.6	8.7	7.0	2.5	28.5

Restructuring

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

Onerous contracts

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

Onerous contract provisions are discounted using a discount rate of 2.0% (2022: 2.0%) based on an approximation for the time value of money.

Property-related

The amount and timing of the cash outflows are subject to variation. The Group utilises the skills and expertise of both internal and external property experts to determine the provision held. Provisions are expected to be utilised over a period of up to 12 years and £0.2m has been utilised in the year. During the year, the Group created £1.8m and released £0.9m of property-related onerous provisions.

Software

Certain software licence agreements were deemed to be onerous when, following the disposal of Costa, it was no longer beneficial to the Group to use the software. In addition, a provision was created in FY20 as a result of the cancellation of a contract relating to the supply of IT equipment. A provision of £0.8m was brought forward in relation to these contracts. During the year, the Group utilised £0.3m (2022: £0.4m) of this provision, with the provision carried forward to be utilised over a two-year period. The software intangible assets associated with these contracts have been fully impaired in previous financial years.

Supplier contracts

Certain supplier contract arrangements were deemed to be onerous where, as a result of the reduced trading brought on by the COVID-19 pandemic restrictions minimum order commitments were not going to be met. A provision of £1.1m was brought forward in relation to these contracts. During the year the Group utilised £0.9m of the provision and created a further £0.2m of provision.

Property costs

From FY18 to FY20, the Group established a provision for the performance of remedial works on cladding material at a small number of the Group's sites. As a result, a provision of £6.6m is brought forward in relation to these costs. During the year £1.0m of the provision has been utilised. All of the remaining provision is expected to be utilised within one year.

Insurance

A provision of £8.2m was brought forward in relation to the estimate of the cost of future claims against the Group from employees and the public. The claims covered typically relate to accidents and injuries sustained in Whitbread's sites. During the year further provisions of £2.8m were created and £2.3m of the provision was utilised.

Government payments

The Group has made various claims for government support which are subject to the review by relevant agencies. The provision recognised represented the Group's best estimate of amounts potentially repayable under previously submitted claims, and for potential historical indirect tax repayments. A provision of £9.3m was brought forward in relation to these claims. During the year, on confirmation of receipt for grants recognised in the previous financial year for costs related to that year the accrued provision against the other receivable of £2.3m was transferred into provisions, £0.1m of the provision was utilised with £4.7m of the provision released. Due to the complex nature and fast pace of changes in the rules around certain Government payments, the Group has always endeavoured to apply and adhere to the rules in place. In certain areas where a rule interpretation was required, the Group has claimed in accordance with its assumptions.

Subsequent third-party review had highlighted that an alternative assumption could be formed and, on the basis of a probable outflow, a provision based on that approach has been made. As disclosed within Note 9, during the year, a provision being held in relation to any potential repayments required in respect of the interpretations and assumptions made by Whitbread for UK Coronavirus Job Retention Scheme claims was released as management is satisfied that no repayments are required following an HMRC review.

Other

In July 2016, the Group announced its intention to exit hotel operations in South East Asia. This resulted in the

recognition of a provision of £3.7m for risks arising from tax affairs and indemnity agreements. At 2 March 2023, £0.1m of the provision had been utilised in the year, with £1.7m of the provision still held for risks arising from indemnity agreements. The remaining costs are expected to be utilised within one year.

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

21. Financial risk management and objectives

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. At the year-end, (100%) of Group debt was fixed for an average of 4.5 years at an average interest rate of 3.0% (2022: 100% for 5.5 years at 3.0%). The interest rate swaps for sterling expired in February 2022.

In accordance with IFRS 7 Financial Instruments: Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 2 March 2023 and 3 March 2022 respectively. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move; and
- gains or losses are recognised in equity or the consolidated income statement in line with the Groups accounting policies set out in Note 2.

Based on the Group's net debt/cash position at the year-end, a 1% pt increase in interest rates would increase the Group's profit before tax by £11.6m (2022: £11.3m).

Liquidity risk

In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through access to a revolving credit facility, additional uncommitted credit lines and the bond market. This strategy includes monitoring the maturity of financial liabilities to avoid the risk of a shortage of funds.

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

The tables below summarise the maturity profile of the Group's financial liabilities at 2 March 2023 and 3 March 2022 based on contractual undiscounted payments, including interest:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying value
2 March 2023	£m	£m	£m	£m	£m	£m	£m
Non-derivative financial assets/liabilities:							
Interest-bearing loans and borrowings	**-**	**14.6**	**15.2**	**824.3**	**294.6**	**1,148.7**	**993.4**
Lease liabilities[1]	**-**	**70.9**	**217.6**	**862.1**	**5,437.3**	**6,587.9**	**3,958.4**
Trade and other payables	**-**	**198.9**	**-**	**3.8**	**-**	**202.7**	**202.7**
	-	**284.4**	**232.8**	**1,690.2**	**5,731.9**	**7,939.3**	**5,154.5**
Derivative financial assets/liabilities:							
Cross-currency swaps							
Derivative contracts - receipts	**-**	**-**	**(15.2)**	**(480.4)**	**-**	**(495.6)**	
Derivative contracts - payments	**-**	**-**	**9.8**	**481.7**	**-**	**491.5**	
	-	**-**	**(5.4)**	**1.3**	**-**	**(4.1)**	
Total	**-**	**284.4**	**227.4**	**1,691.5**	**5,731.9**	**7,935.2**	

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total	Carrying value
3 March 2022	£m	£m	£m	£m	£m	£m	£m
Non-derivative financial							

assets/liabilities:							
Interest-bearing loans and borrowings	-	19.0	15.2	554.1	594.6	1,182.9	991.9
Lease liabilities[1]	-	67.3	206.5	1,116.5	4,918.3	6,308.6	3,701.8
Trade and other payables	-	163.6	12.4	1.2	-	177.2	176.9
	-	249.9	234.1	1,671.8	5,512.9	7,668.7	4,870.6
Derivative financial assets/liabilities:							
Cross-currency swaps							
Derivative contracts - receipts	-	-	(15.2)	(495.6)	-	(510.8)	
Derivative contracts - payments	-	-	9.1	459.1	-	468.2	
	-	-	(6.1)	(36.5)	-	(42.6)	
Total	-	249.9	228.0	1,635.3	5,512.9	7,626.1	

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

Credit risk

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

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

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

The Group's maximum exposure to credit risk arising from trade and other receivables, loans to joint ventures, derivatives and cash and cash equivalents is £1,256.9m (2022: £1,240.4m).

Foreign currency risk

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

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 the Group's net debt to EBITDA covenant. See the Financial review within the preliminary results announcement for the policies and objectives of the Board regarding capital management, analysis of the Group's credit facilities and financing plans for the coming years.

The Group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The management of equity through share buybacks and new issues is considered as part of the overall leverage framework balanced against the funding requirements of future growth. In addition, the Group may carry out a number of sale and leaseback transactions to provide further funding for growth.

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

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

22. Trade and other payables

	2023	2022
	£m	£m

Trade payables	**95.2**	73.7
Other taxes and social security	**40.2**	25.8
Contract liabilities	**197.8**	146.2
Accruals	**239.8**	223.0
Other payables	**103.7**	78.1
Contingent consideration	**3.8**	25.1
	680.5	571.9
Analysed as:		
Current	676.7	570.7
Non-current	3.8	1.2
	680.5	571.9

Included with contract liabilities is £195.8m (2022: £141.4m) relating to payments received for accommodation where the stay will take place after the year-end and £4.0m (2022: £4.8m) revenue deferred relating to the Group's customer loyalty programmes. During the year, £146.2m presented as a contract liability in 2022 has been recognised in revenue (2022: £41.3m).

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

	2023 £m	2022 £m
Opening deferred and contingent consideration	**25.1**	62.8
Recognised on acquisition of assets (Note 27)	**2.5**	-
Unwinding of discount rate (Note 7)	**0.2**	1.4
Paid during the period	**(25.3)**	(36.3)
Foreign exchange movements	**1.3**	(2.8)
Closing deferred and contingent consideration	**3.8**	25.1

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

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

23. Share capital

Ordinary share capital

Allotted, called up and fully paid ordinary shares of 76.80p each (2022: 76.80p each)	**million**	**£m**
At 3 March 2022	**214.5**	**164.8**
Issued on exercise of employee share options	0.1	0.1
At 2 March 2023	**214.6**	**164.9**

During the year, 1.3m shares were purchased by the Group's independently managed Employee Share Ownership Trust (ESOT) for consideration of £31.7m.

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

	2022/23 £m	2021/22 £m
Profit for the year	**278.8**	42.5
Adjustments for:		
Tax expense	**96.1**	15.7
Net finance costs (Note 7)	**130.1**	169.1
Share of profit from joint ventures	**(2.3)**	(0.4)
Depreciation and amortisation	**345.5**	326.9
Share-based payments	**17.7**	12.9
Net impairment charge/(reversals) (Note 14)	**34.9**	(34.4)
Gains on disposals, property, and other provisions	**(4.0)**	(28.8)

Other non-cash items	**0.6**	7.7
Cash generated from operations before working capital changes	**897.4**	511.2
Increase in inventories	**(2.3)**	(7.3)
Increase in trade and other receivables	**(10.9)**	(45.4)
Increase in trade and other payables	**112.1**	235.2
Cash generated from operations	**996.3**	693.7

Other non-cash items include an outflow of £0.3m representing bad debt charges (2021/22: £0.8m inflow), an outflow of £0.7m (2021/22: £4.3m inflow) as a result of net provision movements, an inflow of £3.6m (2021/22: £2.6m inflow) representing non-cash pension scheme administration costs and an outflow of £2.1m (2021/22: £nil) from foreign exchange gains.

25. Retirement benefits

Defined benefit scheme

During the year to 2 March 2023, the defined benefit pension scheme has moved from a surplus of £522.6m to a surplus of £324.7m. The main movements in the surplus are as follows:

	£m
Pension surplus at 3 March 2022	**522.6**
Administrative expenses	**(3.6)**
Net interest on pension liability and assets	**13.6**
Losses recognised in other comprehensive income	**(223.6)**
Contributions from employer	**15.6**
Benefits paid directly by the Company in relation to an unfunded pension scheme	**0.1**
Pension surplus at 2 March 2023	**324.7**

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

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

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2020 of the UK scheme to 2 March 2023 for IAS 19 Employee benefits purposes were:

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

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

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

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

	Decrease/(increase) in liability	
	2023	2022
	£m	£m
Discount rate		
2.00% increase to discount rate	**357.0**	
2.00% decrease to discount rate	**(548.0)**	
1.00% increase to discount rate		359.0
1.00% decrease to discount rate		(458.0)
Inflation		
0.25% increase to		

0.25% increase to inflation rate	**(39.0)**	(73.0)
0.25% decrease to inflation rate	**38.0**	72.0
Life expectancy		
Additional one-year increase to life expectancy	**(71.3)**	(126.0)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Where the discount rate is changed, this will have an impact on the valuation of scheme assets in the opposing direction. The above sensitivities table shows only the expected changes to the gross defined benefit obligation (liability). When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the consolidated balance sheet. The methods and types of assumptions did not change.

26. Events after the Balance Sheet Date

Share buy-back

The Board of Directors approved a share buy-back on 24 April 2023 for £300.0m and is in the process of appointing the relevant brokers to undertake the programme in accordance with that approval.

27. Asset Acquisitions

Acquisition in 2022/23

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

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

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 restaurants and integrated hotel restaurants.

GOSH charity

Great Ormond Street Hospital Children's Charity.

IFRS

International Financial Reporting Standards.

Lease debt

Eight times adjusted property rent.

Occupancy

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

Operating profit

Profit before net finance costs and tax.

OTAS

Online travel agents.

Property rent

IFRS 16 property lease interest and depreciation 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.

Trading site

A joint hotel and restaurant or a standalone hotel or restaurant.

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*
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	**2022/23**	2021/22
UK Accommodation sales (£m)	**1,795.0**	1,157.8
Number of rooms occupied by guests ('000)	**24,984**	20,430
UK average room rate (£)	**71.84**	56.67
Germany Accommodation sales (£m)	**100.1**	29.1
Number of rooms occupied by guests ('000)	**1,606**	718
Germany average room rate (£)	**62.36**	40.53

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	**2022/23**	2021/22
UK like-for-like revenue growth	**50.0%**	189.8%
Contribution from net new hotels	**5.0%**	8.2%
UK Accommodation sales growth	**55.0%**	198.0%

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

Reconciliation	**2022/23**	2021/22
UK like-for-like revenue growth	**26.5%**	(15.5%)
Contribution from net new hotels	**10.4%**	3.8%
UK Accommodation sales growth	**36.9%**	(11.7%)

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

Reconciliation	**2022/23**	2021/22
UK Accommodation sales (£m)	**1,795.0**	1,157.8
Available rooms ('000)	**30,193**	29,928
UK REVPAR (£)	**59.45**	38.69
Germany Accommodation sales (£m)	**100.1**	29.1
Available rooms ('000)	**2,703**	1,765
Germany REVPAR (£)	**37.04**	16.49

INCOME STATEMENT MEASURES

Adjusted[1] operating profit/loss	Profit/loss before tax	Adjusting items (Note 6), finance income/costs (Note 7)	Profit/loss before tax, finance costs/income and adjusting items Reconciliation: Consolidated income statement
Adjusted[1] tax	Tax expense/credit	Adjusting items (Note 6)	Tax expense/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted[1] profit/loss before tax	Profit/loss before tax	Adjusting items (Note 6)	Profit/loss before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted[1] basic EPS	Basic EPS	Adjusting items (Note 6)	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 10
Cohort of established German hotels adjusted[1] profit before tax	Germany adjusted loss before tax	Refer to definition	Germany adjusted loss before tax for the cohort of established German hotels, those defined as open and trading for more than 12 months as at the beginning of the financial year. This excludes administration and overhead costs. The directors consider this to be a useful measure to assess the performance of the established hotels operating within Germany.

Reconciliation	**2022/23 £m**
Germany adjusted loss before tax (Note 3)	**(49.7)**
Loss for hotels open and trading for less than 12 months from beginning of the financial year	**27.9**
Administration and overhead costs	**26.2**
Cohort of established German hotels adjusted profit before tax	**4.4**

Allocation of German segment hotels	**2022/23**
Established German hotels	**18**
Hotels open and trading for less than 12 months from beginning of the financial year[2]	**33**
German segment hotels	**51**

Profit margin	No direct equivalent	Refer to definition	Segmental adjusted profit before tax divided by segmental adjusted revenue, to demonstrate profitability margins of the segmental operations. Reconciliation: Business review

BALANCE SHEET MEASURES

Net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities	Cash and cash equivalents after deducting total borrowings. The directors consider this to be a useful measure of the financing position of the Group. Reconciliation: Note 21
Adjusted net cash/debt	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an adjustment for cash assumed by ratings agencies to not be readily available	Net cash/debt adjusted for cash, assumed by ratings agencies to not be readily available. The directors consider this to be a useful measure as it is aligned with the method used by ratings agencies to assess the financing position of the Group.

Reconciliation	**2022/23 £m**	2021/22 £m
Net cash	**(171.4)**	(140.5)
Restricted cash adjustment	**10.0**	10.0
Adjusted net cash	**(161.4)**	(130.5)

Lease-adjusted net debt/cash	Total liabilities from financing activities	Exclude lease liabilities and derivatives held to hedge financing activities. Includes an	This measure has been changed to align to Fitch methodology post IFRS16. 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.

			Includes an adjustment for cash assumed by rating agencies to not be readily available		

	2022/23	2021/22
Reconciliation	**£m**	£m
Adjusted net cash	**(161.4)**	(130.5)
Lease debt	**2,436.0**	2,250.3
Lease-adjusted net debt	**2,274.6**	2,119.8

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

	2022/23	2021/22
Reconciliation	**£m**	£m
Net cash	**(171.4)**	(140.5)
Lease liabilities	**3,958.4**	3,701.8
Net debt and lease liabilities	**3,787.0**	3,561.3

CASH FLOW MEASURES

Discretionary free cash flow	Cash generated from operations	Refer to definition	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: Business review
Funds from operations (FFO)	Net cash flows from operating activities	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Net cash flows from operating activities after adding back working capital movements, cash interest and interest on lease liabilities.

	2022/23	2021/22
Reconciliation	**£m**	£m
Net cash flow from operations	**799.9**	508.7
Working capital movements	**(98.9)**	(182.5)
Cash interest	**9.4**	18.0
Interest on lease liabilities	**138.7**	133.2
Funds from operations	**849.1**	477.4

Lease-adjusted net debt to FFO	No direct equivalent	Refer to definition	This measure has been changed to align to Fitch methodology post IFRS16. Ratio of lease-adjusted net debt compared with FFO.

	2022/23	2021/22
Reconciliation	**£m**	£m
Lease-adjusted net debt	**2,274.6**	2,119.8
Funds from operations	**849.1**	477.4
Lease-adjusted net debt to FFO	**2.7x**	4.4x

Adjusted[1] 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, shareholder returns, tax, pension and interest payments.

	2022/23	2021/22
Reconciliation	**£m**	£m
Adjusted operating profit	**543.5**	153.3
Depreciation - right-of-use assets	**165.8**	148.1
Depreciation - property, plant and equipment	**163.2**	157.9
Amortisation	**16.5**	20.9
Adjusted EBITDA (post-IFRS 16)	**889.0**	480.2
Interest paid - lease liabilities	**(138.7)**	(133.2)
Payment of principal of lease liabilities	**(133.9)**	(127.1)
Net lease incentives received	**3.5**	2.0
Movement in working capital	**98.9**	182.5
Adjusted operating cash flow	**718.8**	404.4

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, payments of deferred and contingent consideration, and capital contributions or loans to joint ventures.

OTHER MEASURES

Adjusted[1] EBITDA (post-IFRS 16), Adjusted[1] EBITDA (pre-IFRS 16) and Adjusted[1] EBITDAR	Operating profit/loss	Refer to definition	Adjusted EBITDA (post-IFRS 16) is profit before tax, adjusting items, interest, depreciation and amortisation. Adjusted EBITDA (pre-IFRS 16) is further adjusted to remove rent expense. Adjusted EBITDAR is profit before tax, adjusting items, interest, depreciation, amortisation, variable lease payments and rental income. The directors consider these measures to be useful as they are commonly used industry metrics which facilitate comparison between companies on a before and after IFRS 16 basis.

	2022/23	2021/22
Reconciliation	**£m**	£m
Adjusted operating profit	**543.5**	153.3

Depreciation - right-of-use assets	**165.8**	148.1
Depreciation - property, plant and equipment	**163.2**	157.9
Amortisation	**16.5**	20.9
Adjusted EBITDA (post-IFRS 16)	**889.0**	480.2
Variable lease payment expense	**2.1**	0.3
Rental income	**(3.1)**	(7.9)
Adjusted EBITDAR	**888.0**	472.6
Rent expense, variable lease payments and rental income	**(269.9)**	(230.7)
Adjusted EBITDA (pre-IFRS 16)	**618.1**	241.9

Return on Capital Employed (ROCE)	No direct equivalent	Refer to definition	Adjusted operating profit/loss (pre-IFRS 16) for the year divided by net assets at the balance sheet date, adding back net debt/cash, 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. The directors consider this to be a useful measure as it expresses the underlying operating efficiency of the Group and is used as the basis for remuneration targets. A comparative is not disclosed as this measure was not utilised during those financial periods heavily impacted by COVID-19.

Reconciliation	**2022/23 Total £m**	**2022/23 UK & Ireland £m**
Adjusted operating profit	**543.5**	
Depreciation - right-of-use assets	**165.8**	
Rent expense	**(270.9)**	
Adjusted operating profit (pre-IFRS 16)	**438.4**	**477.6**
Net assets	**4,111.4**	
Net cash	**(171.4)**	
Current tax liabilities	**4.6**	
Deferred tax liabilities	**158.2**	
Pension surplus	**(324.7)**	
Derivative financial liabilities	**7.8**	
Lease liabilities	**3,958.4**	
Right-of-use assets	**(3,504.6)**	
IAS 17 rent adjustments	**(65.0)**	
Adjusted net assets	**4,174.7**	**3,694.8**
Return on capital employed	**10.5%**	**12.9%**

[1] 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.

[2] Of these 33 hotels open and trading for less than 12 months from the beginning of the financial year, there are five hotels that were open for more than 12 months but did not trade continuously for more than 12 months from the beginning of the financial year.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

FR BZLLLXZLFBBZ