RNS Number : 1926Q
Whitbread PLC
26 October 2021

Recovery ahead of expectations and outperforming the market

Throughout this release all percentage growth comparisons are made on a two-year basis, comparing the current year (FY22) performance for the 26 weeks to 26 August 2021 to the same period in FY20 (26 weeks to 29 August 2019), with FY20 being the last financial period before the onset of the COVID-19 crisis

FY22 H1 highlights

- Premier Inn's recovery in H1 was ahead of expectations
- Significant market outperformance in the UK, with Premier Inn total accommodation sales 12.3 pp ahead of the midscale and economy market in H1, and 13.9 pp ahead in Q2
- Expansion continuing at pace in Germany with the total open and committed pipeline now at 73 hotels, with statutory revenue 197.3% ahead of FY20

Operational update

- Recovery in UK demand was very strong post 17 May when leisure overnight stays were permitted with total accommodation sales improving from down 60.9% and 9.6% respectively in Q1 and Q2 vs FY20, and up 10.5% in August
- Leisure demand remains strong in the UK into H2, with business demand improving, resulting in September total accommodation sales up 9.7% vs FY20.
- Occupancy in Germany grew to 47% in Q2 and over 60% in August and September
- Better placed than most to deal with the challenging operating and inflationary environment (wages, utilities)
- Investing in people, marketing and refurbishments capitalising on the recovery and market capacity reduction
- Remain confident in our ability to execute acquisitions at good returns in Germany

Financial summary

- H1 FY22 statutory revenues were 39.0% down compared to H1 FY20 as a result of the COVID-19 restrictions that were in place during the first half:
  - COVID-19 restrictions materially impacted the performance of the UK business in the first quarter. Only essential business guests were permitted to stay overnight until 17 May, at which point overnight leisure stays were permitted. Our restaurants were also not permitted to open for indoor service until the same date, with the majority remaining temporarily closed until then. The majority of our hotels and restaurants have operated restriction-free from 19 July. This resulted in UK statutory revenue being down 39.4% compared to H1 FY20
  - Restrictions were in place throughout the half in Germany, the impact of which was offset by the growth in the estate, resulting in statutory revenue 197.3% ahead of H1 FY20 driven by the material growth in the estate
- The adjusted loss before tax of £56.6m benefitted from £141.6m[1] of COVID-19 related Government support schemes in the UK and Germany, and the statutory loss before tax of £19.3m also benefitted from £37.3m of adjusting items credits (£28.6m profit in property disposals and £8.7m VAT claim)
- The Group retains a strong balance sheet and liquidity position with a cash inflow before debt repayments of £106.7m in the half, reflecting the improved trading performance compared to the same period last year. Net cash at the end of H1 was £60.2m

Outlook

- Sales recovery is ahead of expectations, and while a number of uncertainties remain, UK like-for-like RevPAR run rate has the potential to reach full recovery at some point in 2022
- Confident on the return to pre-pandemic UK profit margins, however we will have to wait to assess speed of recovery once we have greater visibility of longer-term inflation and supply chain pressures

Driving long-term value

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

H1 Financial Summary

£m	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Statutory revenue[2]	661.6	250.8	1,084.0	*(39.0)%*
Adjusted EBITDAR†	178.3	(153.7)	426.7	*(58.2)%*
Adjusted (loss)/ profit before tax‡	(56.6)	(367.4)	235.6	*(124.0)%*
Statutory (loss)/ profit before tax	(19.3)	(724.7)	219.9	*(108.8)%*
Statutory (loss)/ profit for the period	(37.8)	(660.5)	172.2	*(122.0)%*
Adjusted basic EPS†	(26.4)p	(174.4)p	97.1p	*(127.2)%*
Statutory basic EPS	(18.7)p	(377.4)p	89.6p	*(120.9)%*
Dividend per share	0p	0p	32.7p	*(100.0)%*
Cash and cash equivalents	1,144.7	936.2	804.9	339.8
Net cash/ (debt)†	60.2	196.4	(77.5)	137.7
Net cash/ (debt) and lease liabilities‡	(3,253.4)	(2,765.2)	(2,575.1)	*(26.3)%*

1: £60.0m UK Coronavirus Job Retention Scheme, £28.6m Germany Government COVID-19 grants, £47.7m UK business rates relief and £5.3m other COVID-19 related support grants
2: Includes revenue relating to the Costa disposal transitional service agreement of £0.3m in H1 FY21 and £6.0m in H1 FY20
† signifies an alternative performance measure (APM) - Further information can be found in the glossary and reconciliation of APMs at the end of this document.

Alison Brittain, Whitbread Chief Executive Officer, commented:

"Whitbread traded significantly ahead of the market in the UK during the first half of the year, with our regional hotels trading ahead of pre-COVID-19 levels in the last six weeks of the half. This strong performance has continued into the second half, with sustained high levels of leisure demand and resilient demand from tradespeople. Whilst some uncertainty remains over the speed and timing of the market recovery for office-based and international demand and the evolution of the pandemic in the winter months, we believe that UK like-for-like RevPAR run rates have the potential to reach full recovery in at some point during 2022.

The operating environment during the summer and into autumn has been challenging largely as a result of our very high occupancy levels, market-wide supply chain issues and a tighter labour supply in the hospitality sector. Although we are not immune from these challenges, we are well placed to respond. Our £100m efficiency programme is well underway and we are "investing to win" in our teams, our hotels and our marketing, in order to continue to grow our market share as demand recovers and as our competitors continue to be under pressure.

In Germany, we are well on the way to building a business of scale with a growing national presence. Our open and committed hotel network now stands at 73 hotels, and we continue to look for opportunities to grow our footprint at pace both organically and through acquisitions. The budget hotel market is recovering ahead of the overall market and we are seeing growing demand and occupancy levels in our open hotels, alongside encouraging customer scores.

Our strong balance sheet enables us to continue investing in hotel growth in both the UK and Germany and in commercial initiatives and refurbishments, strengthening our market position and driving further market share gains. In the UK, our performance is underpinned by our uniquely advantaged and market-leading position, built on our scale, direct distribution, and the strength of the Premier Inn brand. In Germany, we believe the opportunity to create value is significant and our commitment to that market will be substantial, delivering good long-term returns. Our strategy of "investing to win" has driven a strong relative performance through the first half of the year, and we have the market position and platform to continue this level of performance into the second half of this year and beyond."

For more information please contact:

Investor Relations - Whitbread investorrelations@whitbread.com
Paul Tymms, Director of Investor Relations paul.tymms@whitbread.com
Abigail Cammack, Investor Relations Manager abigail.cammack@whitbread.com

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

A webcast for investors and analysts will be made available at 8:15am on 26 October 2021 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.

Business Overview

Driving long-term value

Whitbread's vertically integrated model, which combines the ownership of property, hotel operations, brand, and inventory distribution has enabled Premier Inn to grow at a faster pace than competitors, delivering a consistently superior customer experience and generating a strong return on capital for shareholders over the last 15 years. Our strategy is executed across three areas: **continuing to grow and innovate in the UK** and take market share, **growing at scale in Germany,** and enhancing our **capabilities to support long-term growth** by ensuring we have financial flexibility, a cost base that appropriately reflects demand levels, and acting responsibly through our Force for Good programme.

We hold a uniquely advantaged position in the UK:

- **The UK's largest hotel chain** with over 80k rooms, Premier Inn provides a diverse portfolio of locations where customers want to stay
- **Regularly voted as the UK's favourite hotel brand**, synonymous with high quality and good value, with great customer service
- **Best in class operations**: ownership of all aspects of our hotel and restaurant operations ensures greater control over the customer experience, resulting in a high-quality offering delivered on a consistent basis throughout the estate
- **Industry-leading digital distribution model**: with only 1% of bookings delivered through third party online travel agents (OTAs) our direct distribution model provides complete ownership of the customer relationship driving substantially lower acquisition and retention costs
- **Broad customer reach**: our customer base is highly diversified with an approximate 50/25/25 split between leisure / tradespeople / office workers, and with low levels of group bookings, meaning we are far less exposed to those areas of business travel that may be structurally impaired as a result of changing work habits post COVID-19

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

- **The budget branded model is structurally advantaged**: The budget branded hotel sector is historically the highest growth segment in the hotel market. It has proved more resilient in previous downturns, and is also significantly outperforming the rest of the hotel market during this recovery period
- **Long runway for growth:** The Group has a long runway for growth in the UK, with detailed network planning supporting a network target of at least 110,000 rooms. Our current UK estate stands at over 80,000 rooms, with a pipeline of almost 10,000 rooms of which around 3,000 new rooms are opened each year. In the UK we are able to leverage our brand portfolio to ensure the optimal hotel and restaurant offering by location. Our new hotels are larger than the estate average, are more efficient to run, and have a better operating leverage. In Germany we have an estate of nearly 5,000 rooms and a growing committed pipeline of over 8,000 rooms, with the potential to replicate our scale in the UK
- **Enhanced structural opportunities:** The independent sector still represents 48% of the UK market and 72% of the German market but are

both in long-term decline as customers migrate from independent to budget branded hotels. This migration is expected to accelerate as a result of the COVID-19 crisis and Premier Inn is well-placed to capitalise on the expected contraction in competitor supply and to take market share in both the UK and Germany

Opportunity to replicate our UK success in Germany:

We believe all of the five UK success factors detailed above are either already present in Germany, or, in the case of scale, brand strength and a direct distribution model, a compelling opportunity exists for Premier Inn to develop those characteristics in Germany as the business grows in scale.

We have materially accelerated our growth in Germany since the end of FY20, growing from just over 1,000 open rooms in 6 hotels to our open and committed pipeline of 73 hotels and over 13,500 rooms in H1 FY22. The open and committed pipeline would equate to 1% share of the market in 2019 (compared to 11% in the UK). The market is highly fragmented, and we see an opportunity to grow to at least 60,000 rooms, which would represent a 6% market share, still only half that of Premier Inn in the UK.

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

The Group has the capability to support long term growth:

- **Financial flexibility:** The Group's strong balance sheet, with net cash of £60.2m and accessible cash of £1,144.7m at the end of H1, enables the Group to invest in the Premier Inn proposition when others will be constrained and supports our investment grade leverage metrics through this period of uncertainty. We are "investing to win" in new hotels, new room products, our IT platforms and in marketing, helping to provide a platform for sustained growth in both the UK and Germany. The balance sheet also provides the flexibility to execute bolt-on M&A in Germany, further accelerating our growth. At all times, we operate with capital discipline, ensuring the optimal use of capital to drive the best returns.

- **Asset backed balance sheet**: The Group owns around 60% of its hotel estate with the remaining 40% operated as leasehold. Hotel freehold ownership provides:
  - control over the initial development of the hotel, and subsequent maintenance and redevelopment
  - a strong financial covenant, resulting in both favourable lease terms with landlords, and financing terms with lenders
  - a reduction in earnings volatility during downturns
  - a flexible source of funding

  A flexible approach to freehold or leasehold acquisitions also ensures new sites are in the best locations and have the optimal size and format.

- **Lean and agile cost model:** The well documented market-wide inflationary pressures and labour shortages in our sector mean the focus on cost efficiency has never been so important. In April this year, we announced the next phase of our long running efficiency programme, with this phase expected to deliver around £100m of cost efficiencies by the end of FY24. We are making good progress and this target will be achieved through developing our international sourcing capability, investing in our technology platforms to enable both marketing and labour scheduling effectiveness, and optimising the UK estate.

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

H1 Review - a strong recovery

The Group's financial performance in the first half of this year was ahead of our expectations with the leisure "bounce" in demand being far stronger than anticipated. The Group traded significantly ahead of the midscale and economy ("M&E") market in the UK during the period, and performance was encouraging in Germany, despite the market-wide COVID-19 restrictions that were in place for the majority of the first quarter in the UK, and throughout the first half in Germany.

In the UK, leisure overnight stays were permitted from 17 May, and subsequent demand was very strong across the majority of the estate. In the UK regions, Q2 total accommodation sales were almost fully recovered to pre COVID levels (0.2% behind the same period in FY20) and were 18.1% ahead of FY20 in August, driven by both the "staycation" leisure bounce, the removal of all COVID-19 restrictions from leisure events, and the new hotels we have opened. The London market has lagged the regions during the COVID-19 crisis, as a result of very low levels of inbound international travel, and subdued business commuting, however trends improved during July and August, helped by the domestic leisure bounce, office reopening and the gradual return of some international demand. London total accommodation sales in Q2 were down 43.5% versus FY20 and down 21.4% in August versus FY20.

Both Average Room Rates ("ARR") and occupancy rates recovered well in the regions, with high ARRs being achieved in those areas with high demand, while lower ARR was used to successfully drive initial occupancy rates in those areas of weaker demand, such as city centre locations, central London and airports.

Total food and beverage sales were 51.2% behind H1 FY20 reflecting the fact that all restaurants were closed from the start of the half until 12 April, when outdoor service was permitted in England. The remaining estate was largely reopened on 17 May. A revamped menu offering, focusing on traditional favourites and an enhanced Sunday roast selection, alongside an enhanced drink offering has been well received by customers, helping drive Q2 total food and beverage sales to 18.1% behind Q2 FY20.

The sustained periods of very high occupancy in our hotels and the increasing demand in our restaurants during the summer, combined with market-wide supply chain issues and tightening labour supply have made the operating environment challenging. Our flexible operating model has responded well, and alongside some temporary changes to check-in times and menus, has meant disruption to our customers has been minimised.

In Germany, trends were largely similar to that evidenced in the UK, with high levels of domestic leisure demand. However, unlike the UK, capacity limits on business and leisure events, and greater Government restrictions for certain social events and hotel stays remained in place across the half and acted as a market-wide drag on demand. Digital marketing campaigns aimed at growing Premier Inn brand recognition, helped build trading momentum especially in those destinations with a greater leisure exposure, such as Berlin, Freiburg and Hamburg. Overall, our hotels achieved occupancy rates of over 60% in August. Premier Inn Germany Q2 total accommodation sales were over 400% ahead of Q2 FY20, reflecting the larger estate we now have, with occupancy levels of 47.5%.

The Group's flexible balance sheet has enabled a programme of investment in expansion and commercial initiatives that are driving market share gains. The "Rest Easy" above the line multi-channel campaign launched in April is delivering increased customer consideration scores and high volumes to the revamped premierinn.com website. We commenced the roll-out of 1,500 Premier Plus rooms in this financial year and are aiming to accelerate the rollout into FY23. These upgraded rooms are targeted at business customers but have also proved popular with our leisure guests during the summer, and are delivering a good ARR uplift. Refurbishment capex is already at pre-COVID-19 levels, ensuring that our hotel estate remains well-invested, at a time when others will be constrained. An incremental £20m is being invested in marketing and refurbishment P&L spend this year, to ensure our strong growth and market share gains continue. We will also continue to invest in our IT platforms, helping further

enhance our digital capability, including a new CRM platform that will be introduced in the next two years.

H1 FY22 statutory revenues were 39.0% down compared to H1 FY20 as a result of the COVID-19 restrictions that were in place during the first half. UK statutory revenue was down 39.4% compared to H1 FY20, while Germany statutory revenue was up 197.3% driven by the material growth in the estate. The Group was operating cash positive during H1, further strengthening our balance sheet flexibility. The statutory loss before tax of £19.3m benefitted from £141.6m of COVID-19 related Government support schemes in the UK and Germany, and £37.3m of adjusting items credits (£28.6m profit from property disposals and an £8.7m historic VAT claim). The Group stopped participating in the Government Coronavirus Job Retention Scheme in May when the restrictions on domestic travel were lifted.

Current Trading - seven weeks to 14 October

In the current trading period, total UK sales were 1.3% ahead of the same period in FY20, with total accommodation sales 7.9% ahead and occupancy at 81.2%. Total UK accommodation sales were 14.1% ahead of the market. Total UK food and beverage sales were 11.5% down on the same period in FY20. Germany total sales were 318.7% ahead of the same period in FY20, with accommodation sales 260.4% ahead and occupancy at 62.7%, the adverse impact of COVID-19 restrictions offset by the larger estate.

We are about to enter the quieter, lower demand months of the year. The level of bookings into our fourth quarter are always low at this time of year, so it is harder to speculate on expected revenue growth for this quarter. However, we are starting to see demand momentum moving in the right direction, especially within the UK Regions.

VAT on hospitality products and services increased from 5% to 12.5% on 1 October, with a full return to the pre-COVID-19 level of 20% scheduled for 1 April 2022.

Outlook

In the UK, the very high levels of leisure demand evidenced during the summer, have continued into the second half with demand remaining high in September and into October. Whilst seasonality will reduce levels of "holiday" demand, the absence of virtually all UK COVID-19 restrictions on leisure events, such as weddings, sporting events and eating out, bodes well for ongoing leisure demand, although the VAT increases in October and April may well act as a drag on ARR recovery.

Tradespeople business demand (which normally accounts for around 25% of our sales) remains resilient, as has been the case throughout the COVID-19 crisis, and office-based business demand is improving. International inbound travel, which represents c.10% of Premier Inn UK's sales, has shown some signs of recovery but still remains at very low levels and is not expected to return in earnest until calendar year 2022. While a number of uncertainties remain, UK like-for-like RevPAR run rate has the potential to reach full recovery at some point in 2022.

The operating environment remains challenging, impacted by a number of well publicised market-wide supply chain issues, labour shortages and inflationary pressures. We remain well contracted in FY22 on most goods, although we will see salary inflation into the second half.

Hospitality wide-labour shortages also persist, particularly in tourist locations and in London. Whitbread is in a better position than most due to the action taken last year that resulted in the retention of a greater number of employees than initially anticipated. Despite this, a material number of vacancies still remain unfilled. The resolution of this shortfall may well take time, and we have therefore invested in our pay rates to remain competitive, at an additional cost of c.£12m-13m in FY22. The Group will also pay c£10m as a one-off summer retention bonus for hotel and restaurant staff in H2 FY22, and we will continue to monitor the market to ensure our pay rates remain competitive.

Despite these actual and potential cost headwinds, we remain confident in the UK business returning to pre COVID-19 profit before tax margins. Our ability to take market share, both through our own growth and the increased pressures faced by competitors, and our wide-ranging investment in commercial initiatives, will drive growth and operating leverage improvements. In addition, our pricing power in an inflationary cycle, the ARR uplift from our refurbishment programme, investment in Premier Plus rooms, the improved operating leverage of new hotels and our long standing cost reduction efficiency programme, combine to give a substantial operating leverage opportunity. However, we will have to wait to get a better assessment on the speed of the margin recovery, once we have greater visibility of how much of the current supply chain and inflationary pressures are transitional or structural.

In Germany, business demand is steadily improving, but is still at low levels, and as in the UK, is dependent on the timing of office workers returning to the office. COVID-19 restrictions remain in place although these are expected to ease in the near future, providing a further catalyst to demand. Leisure and business events are returning, and we are hopeful they will continue to improve throughout 2022.

We anticipate capex spend returning to £350m-£450m in FY23, depending on levels of M&A. In the UK we will grow our estate by around 3,000 rooms per year, building new, larger hotels and improving our operational leverage. In Germany we are pursuing an aggressive growth strategy, both organically and inorganically, as we look to rapidly establish our footprint and are confident of the opportunity to acquire assets at prices that will drive good returns.

The Group will take advantage of the enhanced structural opportunities that will exist in both the UK and Germany. The Government's support schemes have undoubtedly helped the independent sector and weaker budget branded operators navigate the COVID-19 crisis, however with the ending and tapering down of those schemes, we are seeing clear signs of distress in that segment, and we expect to see competitors begin to exit the market as we move through the next 12-36 months.

Dividend payments are not permitted under the covenant waiver conditions until March 2023, unless the original covenant tests are met during that period. The Board intends to return to paying a dividend at the first available point that it is permitted to do so.

FY22 Guidance

FY22 guidance was set out in detail in our FY21 full year results. Sales sensitivities remain unchanged, and cost guidance is updated for the following cost and capacity changes:

- Investment driving market share gains: additional £20m in marketing and refurbishments spend
- Hotel and restaurant staff salary investment: c£12m-£13m (announced 6 October 2021 and accelerated from FY23)
- Hotel and Restaurant staff summer retention bonus c£10m (one-off)
- Utility cost inflation: well hedged for FY22
- Germany Government COVID-19 grants: £33m credit (one-off) split £28m / £5m H1/H2

- UK new rooms: c.3,500, (was previously 2-3,000)

Net neutral impact of £20m increase in UK furlough claims to £60m, as additional claims were made against increased salary costs incurred during periods of closure.

A Force for Good

Whitbread's sustainability programme, Force for Good, is well embedded across all business functions, ensuring that being a responsible business is integrated across our operation, which is crucial to our long-term success. It is an ambitious programme, with the overarching objective to enable everyone to live and work well. Following an incredibly difficult year last year and a challenging start to FY22, keeping our Force for Good commitments and ambition central to our response and how we rebuild after the global pandemic has been of critical importance to us.

Following on from an ambitious move to bring our net zero carbon target forward from 2050 to 2040, we have been working hard to embed the changes that need to be made in order to achieve this bold ambition. We know that a large proportion of our carbon emissions are linked to our use of gas, particularly related to cooking, heating, and hot water, so the reduction of gas usage within our estate will be key to unlocking our net

zero future. We reported a carbon reduction of 61% at the end of the last financial year (from our 2016 baseline year) but know we have further to go as we move towards a net zero position and are already working hard on this agenda. We have also recently aligned all our carbon targets to the 1.5 degree global warming target, and have set Scope 3 targets, in line with this ambition.

Our carbon strategy was externally recognised at the end of last year as we improved our Carbon Disclosure Project (CDP) Climate Change score from a B to an A-, a result that puts us in the leadership category, granted to those seen to be implementing best practices on sustainability.

We are making good progress against our target to cut food waste in half by 2030 which we set last year. We have continued our partnership with FareShare, adding to the half a million meals donated to charity partners in 2020 to support those in need. Our target to eliminate unnecessary single use plastics by 2025 is not going to be easy, as many of our supplies are delivered to us in plastic packaging, but we will be working closely with all of our suppliers to achieve this target. We also continued to fundraise for Great Ormond Street Hospital despite site closures, coming close to raising a total of £19million since our partnership began in 2012.

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

We have also moved forward with our response to the Taskforce for Climate-related Financial Disclosures (TCFD). We have identified and scored our climate related risks and opportunities within different areas of the business. From those, we have prioritised the key ones to take forward to scenario planning and inclusion with our financial model. We have also carried out a peer review to identify best practice for our planned reporting in line with the next ARA.

We continue to build on improving our diversity and inclusion agenda. In the period, we launched two new networks, dedicated to gender equality and disability inclusion, taking our total number of diversity networks to four. Our Race, Religion and Cultural Heritage colleague network continues to drive change including amplifying the voices of many of our minority groups, celebrating key cultural events and more recently celebrating National Inclusion Week and Black History Month. We also launched our 'The Guide to Kindness' across all our Premier Inn and restaurant sites, promoting inclusive behaviours for both our colleagues and guests, whilst making it clear that we have zero tolerance of any type of discrimination.

In September we celebrated National Inclusion Week for the second time, this year involving both our teams and also on our external social channels, using the theme 'United for Inclusion'. We used the opportunity for our networks to talk directly to our site teams, as well as promoting upcoming listening activity and launching a new video 'what inclusion means to us in Whitbread', built with our teams, potential employees and guests in mind.

We celebrated key cultural events and religious holidays during the period. As well as being important dates to recognise for many of our under-represented groups, they are also an opportunity for our wider teams to become better informed through greater education. We also launched a new 'religious leave' holiday policy, allowing our support centre teams to trade Christian bank holidays for different religious dates of importance.

2021 Annual General Meeting

At the Annual General Meeting on 17 June 2021, 64.25% of votes were cast in favour of the resolution to approve the 2020/21 Remuneration Report. We engaged closely with a number of our large investors in the lead up to that vote and also subsequently, and we believe we have a good understanding of investor sentiment regarding the votes cast against. We will continue to engage constructively with investors on this topic throughout the rest of the year.

Business Review | Better than expected recovery - taking market share

Premier Inn UK[1]

£m	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Statutory Revenue	**650.6**	**245.0**	**1,074.3**	*(39.4)%*
Other income (excl rental income)[2]	65.3	85.5	6.6	*889.4%*
Operating costs before depreciation, amortisation & rent	(533.2)	(451.1)	(633.0)	*15.8%*
Adjusted EBITDAR†	**182.7**	**(120.6)**	**447.9**	*(59.2)%*
Net turnover rent and rental income	1.9	2.5	0.5	*280.0%*
Depreciation: Right-of-use asset	(59.8)	(53.8)	(50.2)	*(19.1)%*
Depreciation and amortisation: Other	(82.2)	(83.0)	(80.0)	*(2.8)%*
Adjusted operating profit/ (loss)†	**42.6**	**(254.9)**	**318.2**	*(86.6)%*
Interest: Lease liability	(60.4)	(58.2)	(57.0)	*(6.0)%*
Adjusted (loss)/ profit before tax†	**(17.8)**	**(313.1)**	**261.2**	***(106.8)%***

Premier Inn UK[1] key performance indicators

	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Number of hotels	830	817	810	*2.5%*
Number of rooms	80,810	78,470	76,837	*5.2%*
Committed pipeline (rooms)	9,814	12,935	12,928	*(24.1)%*
Direct booking	99%	99%	98%	*100bps*
Occupancy	61.0%	20.3%	78.3%	*(1730)bps*
Average room rate†	£52.63	£53.58	£64.07	*(17.9)%*
Revenue per available room†	£32.13	£10.87	£50.19	*(36.0)%*
Sales growth[3]:				
Accommodation	*(33.1)%*			
Food & beverage	*(51.2)%*			

Total	*(39.4)%*
Like-for-like† sales[3] growth:	
Accommodation	*(35.9)%*
Food & beverage	*(52.5)%*
Total	*(41.7)%*

1: Includes one site in each of: Jersey, Ireland & the Isle of Man
2: Includes Government support - see note 6 of the accompanying financial statements for further details
3: Total and like-for-like on a two-year basis versus FY20

COVID-19 restrictions materially impacted the performance of the UK business in the first quarter. Only essential business guests were permitted to stay overnight until 17 May, at which point overnight leisure stays were permitted. Our restaurants were also not permitted to open for indoor service until the same date, with the majority remaining temporarily closed until then. The majority of our hotels and restaurants have operated restriction-free from 19 July driving a significant increase in Q2 quarter-on-quarter revenues.

As a result of these restrictions, statutory revenue was down 39.4% compared to H1 FY20, total accommodation sales were down 33.1% and total food and beverage sales were down 51.2%.The second quarter saw total accommodation sales improve to 9.6% below Q2 FY20 (Q1 FY22:60.9% behind).

Leisure demand was very strong post 17 May across the majority of the estate. The high levels of demand in seaside & tourist locations (c.15% of Premier Inn rooms) saw total Q2 accommodation sales 32.9% up on Q2 FY20 in those hotels. The London market, and in particular central London (c.7% of Premier Inn rooms) has lagged the regions during the COVID-19 crisis as a result of the low levels of inbound international travel, however trends improved during July and August as some international demand returned, and to some extent, domestic leisure demand replacing international. Tradespeople business demand remained resilient and there are early signs of a recovery in office-based business demand.

Total food and beverage sales were 51.2% behind H1 FY20 with the vast majority of the estate reopening on 17 May. New menus and an enhanced drinks offering, helped drive an improvement in Q2 total food and beverage sales to 18.1% behind Q2 FY20.

Premier Inn total UK accommodation sales growth was consistently ahead of the M&E market in the first half, driving significant market share gains versus the total market, and demonstrating the strengths of our scale, brand, direct distribution model and our winning customer proposition.

UK outperformance vs M&E market

	Mar	Apr	May	Jun	July	Aug	H1	Q3 to Date
PI accommodation sales outperformance (YoY)[1]	+7.2pp	+11.1pp	+14.6pp	+14.7pp	+16.9pp	+9.5pp	+12.3pp	+14.1pp
PI market share[2]	14.9%	14.8%	12.5%	10.8%	10.9%	10.1%	11.3%	9.6%
PI market share gains pp (YoY)[2]	+7.4pp	+7.3pp	+4.9pp	+3.7pp	+3.9pp	+2.9pp	+4.0pp	+2.5pp

1: STR data, full inventory basis, 26 February 2021 to 7 October 2021, M&E excludes Premier Inn
2: STR data, revenue share of total UK market, 26 February 2021 to 14 October 2021

Other income of £65.3m reflects a £60.0m benefit from the Coronavirus Job Retention Scheme. The Group ceased claiming under this scheme in May following the full reopening of our hotels and restaurants. Operating costs of £533.2m were in line with guidance and were 15.8% lower than H1 FY20 driven by a reduction in revenue related variable costs (primarily food and beverage costs of sales), and £47.7m benefit from the Government's business rates holiday.

Right-of-use asset depreciation was £59.8m and lease liability interest was £60.4m with cash rent paid of £122.7mDuring the half, 19 new hotels were opened, totalling 2,240 rooms and 6 hotels were exited, including 5 disposals, totalling 213 rooms, as the Group continues to take the opportunity to optimise the estate when opportunities arise. At the end of the period, the total estate stood at 830 hotels. The committed pipeline of 9,814 rooms underpins our opportunity to take market share in the UK in the medium to long-term as competitor supply contracts.

Adjusted loss before tax in the UK was £17.8m reflecting the decline in statutory revenues vs H1 FY20 as a result of the COVID-19 restrictions that were in place during the financial year.

Premier Inn Germany

£m	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Statutory revenue	**11.0**	**5.5**	**3.7**	*197.3%*
Other income (excl rental income)[1]	28.2	0.5	-	*0.0%*
Operating costs before depreciation, amortisation and rent	(28.0)	(22.6)	(8.9)	*(214.6)%*
Adjusted EBITDAR†	**11.2**	**(16.6)**	**(5.2)**	*315.4%*
Net turnover rent and rental income	2.3	2.0	-	*0.0%*
Depreciation: Right-of-use asset	(10.4)	(7.2)	(0.1)	*(10300.0)%*
Depreciation and amortisation: Other	(3.6)	(1.9)	(0.5)	*(620.0)%*
Adjusted operating loss†	**(0.5)**	**(23.7)**	**(5.8)**	*91.4%*
Interest: Lease liability	(3.8)	(2.8)	-	*0.0%*
Adjusted loss before tax†	**(4.3)**	**(26.5)**	**(5.8)**	***25.9%***

Premier Inn Germany key performance indicators

	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Number of hotels	30	19	3	*900.0%*
Number of rooms	4,927	3,204	589	*736.5%*
Committed pipeline (rooms)	8,578	6,821	7,280	*17.8%*

Direct bookings	97%	99%	100%	*(290)bps*
Occupancy	32.0%	27.5%	60.2%	*(2820)bps*
Average room rate†	£36.49	£39.37	£64.15	*(43.1)%*
Revenue per available room†	£11.69	£10.83	£38.61	*(69.7)%*
Sales growth[2]:				
Accommodation	*209.3%*			
Food & beverage	*165.0%*			
Total	*197.3%*			
Like-for-like† sales[2] growth:				
Accommodation	*(49.7)%*			
Food & beverage	*(63.9)%*			
Total	*(52.4)%*			

1: Includes Government support - see note 6 of the accompanying financial statements for further details
2: Total and like-for-like on a two-year basis versus FY20

Total statutory revenue in Germany was up 197.3% compared to H1 FY20 with the impact of COVID-19 restrictions offsetting the material growth in the size of the hotel estate. Germany has been subject to similar restrictions as the UK, albeit in a more complex framework of national and federal guidelines.

Q2 total accommodation sales were447.4% ahead of Q2 FY20, reflecting the larger estate we now have. At the end of the period, the operational estate stood at 30 hotels of which 27 were open and 3 were temporarily closed due to low demand in those markets. As in the UK, leisure demand was strong in the summer and our hotels in leisure-led locations performed well. Business demand remained low as a result of the COVID-19 work from home directive and the absence of most trade fairs. A digital marketing campaign, aimed at establishing the Premier Inn brand credentials in Germany saw favourable results, with brand recognition scores improving, albeit still at low levels.

Other income reflects £28.0m of COVID-19 grants from the German Government and Kurzabeit income relating to the Job Support Scheme in Germany. Operating costs increased by £19.1m to £28.0m due to the investment in the business and the increased estate size, and right-of-use asset depreciation costs increased by £10.3m to £10.4m, reflecting the fact that the majority of new opened properties are leasehold. Other depreciation and amortisation costs were £3.6m, and lease liability interest costs were £3.8m. The adjusted loss before tax for the period decreased by £1.5m to £4.3m and cash rent paid for the year was £12.1m.

During the half, one hotel was opened in Stuttgart, and two hotels in Aachen and Berlin Airport were added to the pipeline and one site was removed. The open and committed pipeline now stands at 73 hotels and over 13,500 rooms, and we are assessing opportunities to accelerate growth organically and through acquisitions.

Central and other costs

£m	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Operating costs before depreciation, amortisation and rent	(14.6)	(12.0)	(13.7)	*(6.6)%*
Share of loss from joint ventures	(1.0)	(4.5)	(2.3)	*56.5%*
Adjusted operating loss†	**(15.6)**	**(16.5)**	**(16.0)**	***2.5%***
Net finance costs	(18.9)	(11.3)	(3.8)	*(397.4)%*
Adjusted loss before tax†	**(34.5)**	**(27.8)**	**(19.8)**	***(74.2)%***

Central operating costs of £14.6m were £0.9m higher than H1 FY20 driven by the impairment of a loan to a joint venture. Net finance costs increased by £15.1m to £18.9m primarily as a result of the H1 FY20 charge being net of interest received on the cash balance held from the proceeds from the sale of the Costa business, and the current year including financing costs for the £550m Green Bonds issued in February 2021.

Financial review

Financial highlights

£m	H1 FY22	H1 FY21	H1 FY20	vs H1 FY20
Statutory revenue	**661.6**	**250.8**	**1,084.0**	***(39.0)%***
Transitional service agreement revenue	-	0.3	6.0	*(100.0)%*
Adjusted revenue†	**661.6**	**250.5**	**1,078.0**	***(38.6)%***
Other income (excl rental income)[1]	93.5	86.0	6.6	*1316.7%*
Operating costs before depreciation, amortisation and rent	(576.8)	(490.2)	(657.9)	*12.3%*
Adjusted EBITDAR†	**178.3**	**(153.7)**	**426.7**	***(58.2)%***
Net turnover rent and rental income	4.2	4.5	0.5	*740.0%*
Depreciation: Right-of-use asset	(70.2)	(61.0)	(50.3)	*(39.6)%*
Depreciation and amortisation: Other	(85.8)	(84.9)	(80.5)	*(6.6)%*
Adjusted operating (loss)/ profit†	**26.5**	**(295.1)**	**296.4**	***(91.1)%***
Net finance costs (excl lease liability interest)	(18.9)	(11.3)	(3.8)	*(397.4)%*
Interest: Lease liability	(64.2)	(61.0)	(57.0)	*(12.6)%*

Adjusted (loss)/ profit before tax†	**(56.6)**	**(367.4)**	**235.6**	***(124.0)%***
Adjusting items	37.3	(357.3)	(15.7)	*337.6%*
Statutory (loss)/ profit before tax	**(19.3)**	**(724.7)**	**219.9**	***(108.8)%***
Tax credit / (expense)	(18.5)	64.2	(47.7)	*61.2%*
Statutory (loss)/ profit for the period	**(37.8)**	**(660.5)**	**172.2**	***(122.0)%***

1: Includes UK and German Government support - see notes 3 and 6 of the accompanying financial statements for further details

Statutory Revenue
Statutory revenues were down 39.0% compared to H1 FY20, reflecting the impact on the business of the COVID-19 restrictions that were in place for our hotels and restaurants throughout the period. Adjusted revenue was down 69.8% in Q1 FY22 versus Q1 FY20, improving to down 11.2% in Q2 versus Q2 FY20, as restrictions were largely removed in the UK and the business traded ahead of the market.

Adjusted EBITDAR
Other income of £93.5m includes £60.0m of benefit recognised in respect of the Coronavirus Job Retention Scheme and £28.0m of benefit in relation to German Government grants. Operating costs of £576.8m were 12.3% lower than H1 FY20, driven by the reduction in revenue-related variable costs, primarily food and beverage costs of sale, and the £47.7m benefit from the UK Government's business rates holiday and other COVID-19 related German Government grants. Adjusted EBITDAR of £178.3m was £248.4m down on H1 FY20 as a result of the impact of COVID-19 restrictions on the business throughout the half.

Adjusted operating profit
The leasehold estate grew by net 25 sites in the UK and by 21 sites in Germany compared to the same period in FY20. This resulted in a £19.9m or 39.6% increase in right-of-use depreciation charges to £70.2m. Other depreciation and amortisation charges increased by £5.3m to £85.8m, driven by new hotel openings. The adjusted operating profit of £26.5m compared to a loss of £295.1m in H1 FY21 and a profit of £296.4 in H1 FY20.

Net finance costs
Net finance costs (excluding lease liability interest) were £18.9m compared to £3.8m in H1 FY20. This increase of £15.1m was driven by the H1 FY20 charge being net of interest received on the cash balance held from the proceeds from the sale of the Costa business, and the current year including financing costs for the £550m Green Bonds issued in February 2021.

Lease liability interest of £64.2m was £7.2m above H1 FY20 primarily driven by the opening of net 25 leasehold sites in the UK and 21 leasehold sites in Germany.

Adjusting items
Total adjusting items were £37.3m. On 28 June 2021, the Group disposed of a hotel in Putney, London, as part of a sale and leaseback transaction for gross proceeds of £40.0m. A profit on disposal of £27.5m was recognised on disposal of the property. During the period, the Group has recorded profits on other property disposals of £1.1m.

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

Taxation
The tax credit on the loss before adjusting items of £3.2m (H1 FY21: £62.2m) represents an effective tax rate on the loss before adjusting items of 5.7%. This is lower than the statutory tax rate due to expenditure not deductible for tax purposes, the impact of German tax losses, and adjustments to management's estimate of tax arising in respect of prior years. The statutory tax charge for the period was £18.5m (H1 FY21: £64.2m credit), representing an effective tax rate of negative 95.9% (H1 FY21: 8.9%). The negative effective rate is as a result of the tax charge on adjusting items, including a deferred tax charge of £15.0m relating to the enactment of the increase to the UK corporation tax rate from 19% to 25%, effective from 1 April 2023.

Statutory loss after tax
Statutory loss for the period was £37.8m, compared to a profit of £172.2m in H1 FY20, due to the significant decline in revenue driven by the closure of the majority of the business at the beginning of the period as a result of the COVID-19 crisis.

Earnings per share

	H1 FY22	H1 FY21	H1 FY20[1]	vs H1 FY20
Adjusted basic (loss)/ earnings per share‡	(26.4)p	(174.4)p	97.1p	*(127.2)%*
Statutory basic (loss)/ earnings per share	(18.7)p	(377.4)p	89.6p	*(120.9)%*

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

Adjusted basic loss per share of 26.4p and statutory basic loss per share of 18.7p reflect the adjusted and statutory losses reported in the period.

Dividend
Whitbread's dividend policy is to grow the dividend broadly in-line with earnings across the cycle. However, dividends cannot be paid during the current covenant waiver period, which lasts until March 2023, as a condition agreed with Whitbread's lenders and pension trustees, or until the original covenant tests are passed. The Board intends to return to paying a dividend at the first available point that it is permitted to do so.

Cashflow

£m	H1 FY22	H1 FY21
Adjusted EBITDAR†	**178.3**	**(153.7)**
Change in working capital	112.5	(129.0)
Net turnover rent and rental income	4.2	4.5
Lease liability interest and principal lease payments	(134.8)	(105.4)
Operating cashflow†	**160.2**	**(383.6)**

Interest (excl lease liability interest)	(4.3)	(4.2)
Corporate taxes	(0.1)	12.6
Pension	(2.3)	(2.2)
Capital expenditure: maintenance	(42.7)	(40.0)
Capital expenditure: expansionary[1]	(66.4)	(81.1)
Acquisitions	-	1.4
Non-cash other	23.3	28.1
Disposal Proceeds	47.8	1.5
Other	(8.8)	5.8
Cashflow before shareholder returns / receipts and debt repayments	**106.7**	**(461.7)**
Proceeds from Rights Issue	-	981.0
Repayment of long-term borrowings	(220.4)	(75.1)
Net cash flow	**(113.7)**	**444.2**
Opening net debt†	(46.5)	(322.9)
Repayment of long-term borrowings	220.4	75.1
Closing net cash†	**60.2**	**196.4**

1: H1 FY22 includes £0.8m loans advanced to joint ventures, £0.5m payment of contingent consideration and £1.4m capital contributions to joint ventures (H1 FY21: £1.3m)

Total net cashflow before shareholder returns and debt repayments was an inflow of £106.7m, driven by a recovery in adjusted EBITDAR to £178.3m, which compared to a loss of £153.7m in the same period last year, a working capital inflow of £112.5m and £47.8m property disposal proceeds. The net cashflow also benefitted from the credit of £141.6m COVID-19 Government grants and support schemes.

The £112.5m working capital inflow was primarily driven by an £82.7m increase in customer deposits and a general increase in trade creditors and accruals following the return to more normal levels of activity in the business compared to the start of the financial year. This has resulted in current trade and other payables increasing to £482.9m (FY21: £316.5m). Trade and other receivables has increased to £120.4m (FY21: £74.2m) also as a result of the return to more normal levels of trading, partly offset by a reduction in amounts due from the Government in respect of the Coronavirus Job Retention Scheme, as the Group ceased using the scheme during the period.

Corporation taxes outflow of £0.1m related to Germany. No corporation tax was paid in relation to UK profits as a loss was incurred in the period.

Maintenance capital expenditure was £42.7m and expansionary capital expenditure was £66.4m, with overall capex spend expected to skew to the second half and result in an expected full year spend of c.£350m, still in-line with previous guidance. Lease liability interest and lease repayments increased by £29.4m to £134.8m driven by the higher number of leasehold properties entering the estate, particularly in Germany, and reflect the delayed payment of a proportion of the December 2020 quarter rent payment that would normally have been paid in FY21.

The £23.3m other inflow is driven by an £8.7m VAT claim, £6.3m of share-based payments and £5.0m of other provision movements. Disposal proceeds of £47.8m relate to the sale and leaseback transaction of a hotel in Putney, London, the sale of an unused corporate office and the disposal of five hotels, as the Group continues to take the opportunity to optimise the estate when opportunities arise.

During the period £200m of US private placements were repaid, incurring £21.2m of make-whole fees partly offset by a £0.8m credit relating to foreign exchange movements. Net cash at the end of the period was £60.2m.

Debt funding facilities & liquidity

£m	Facility	Utilised	Maturity
US private placement[1,2]	(25.0)	*(25.0)*	2021
US private placement notes[1]	(58.5)	*(58.5)*	2022
Revolving Credit Facility	(100.0)	-	2021
Revolving Credit Facility	(125.0)	-	2022
Revolving Credit Facility	(725.0)	-	2023
Bond	(450.0)	*(450.0)*	2025
Green Bond	(300.0)	*(300.0)*	2027
Green Bond	(250.0)	*(250.0)*	2031
	(2,033.5)	**(1,083.5)**	
Cash and cash equivalents		1,144.7	
Total facilities utilised, net of cash[1]		**61.2**	
Net cash†		***60.2***	
Net cash and lease liabilities†		**(3,253.4)**	

It still remains the Group's aim to manage to investment grade metrics of lease adjusted debt of <3.5x Net Debt[3] over the medium term. Whilst the Group remains loss making, the strong balance sheet cash position and freehold assets support our investment grade rating.

The Group announced in February 2021 that it had extended the final maturity date of its Revolving Credit Facility from September 2022 to September 2023, and that the existing covenant waiver period had been extended by 12 months, meaning the financial covenants will not now be tested until March 2023, at which point new covenant targets will be introduced, being:

- March 2023: Net Debt[3] / EBITDA[3] < 5x, EBITDA[3] / Interest[3] >2.0x
- August 2023: Net Debt[3] / EBITDA[3] < 4.5x EBITDA[3] / Interest[3] >2.0x

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

The additional requirements outlined in the original waivers announced on 21 May 2020, including an obligation to retain £400m liquidity headroom, no more than £2bn of net debt and to not declare or pay dividends, will remain for the duration of the extended waiver period to March 2023. However, these additional waiver period requirements can be removed if the Group demonstrates compliance with the original covenant tests, being Net Debt[3] / EBITDA[3] < 3.5x and EBITDA[3] / Interest[3] >3.0x.

£200m 2027 US private placement notes were repaid early on 26 March 2021. Subsequent to the period end on 6 September 2021, £25m of US

private placement notes matured and were repaid. The remaining private placement notes (2022: $93.5m) will be repaid on or before their scheduled maturity dates of 26 January 2022.

The Group's strong balance sheet, with access to over £2bn of liquidity, and the potential to access funding through our freehold estate means the Group has financial flexibility, with good headroom to the temporary covenants.

1: Includes impact of hedging using cross currency swaps and excludes unamortised fees associated with debt instrument
2: Repaid 6 September 2021
3: Pre-IFRS 16

Capital investment

£m	H1 FY22	H1 FY21
UK maintenance and product improvement	41.9	40.0
New / extended UK hotels[1]	37.3	34.8
Germany and Middle East[2]	29.9	46.3
Total	**109.1**	**121.1**

1: H1 FY22 includes £0.8m capital contributions to joint ventures
2: H1 FY22 includes £0.5m payment of contingent consideration and £1.4m capital contributions to joint ventures (H1 FY21: £1.3m)

Total capital expenditure in H1 was £109.1m. Expenditure in H1 included £37.3m on developing new sites and extending existing sites in the UK. Maintenance and product improvement spend was focussed on the scale-up of the FY22 refurbishment programme with the majority of refurbs planned for quieter trading periods in H2. In Germany, spend was driven by the acquisition of a hotel at Berlin Airport and refurbishment of the remaining hotels from the Centro acquisition. Full year capital expenditure is expected to be c.£350m.

Property, plant and equipment of £4,239.7m was in-line with H1 FY21 (£4,228.2m), with capital expenditure largely offset by depreciation charges.

Property backed balance sheet

Freehold / leasehold mix	Open estate	Total estate[1]
Premier Inn UK	59%:41%	55%:45%
Premier Inn Germany	28%:72%	22%:78%
Group	58%:42%	51%:49%

1: Open + committed pipeline

The current UK estate is 59% freehold and 41% leasehold, a mix that will change to 55% freehold and 45% leasehold as the existing pipeline is delivered. The higher leasehold mix in Germany reflects the start-up nature of the business, where securing optimal site location, particularly in city centres to help build brand strength, is key.

The new site openings in Germany and continued expansion in the UK has resulted in right-of-use assets increasing to £2,881.1m (H1 FY21: £2,565.0m) and lease liabilities increasing to £3,313.6m (H1 FY21: £2,961.6m).

Return on Capital

The Group remains confident in our ability to deliver long-term sustainable returns on incremental investment. We believe our ability to capitalise on the enhanced structural opportunities that are likely to exist, combined with the competitive advantage of our ownership and operating model, and ongoing initiatives including segmentation and site optimisation, will help offset any adverse structural impact as a result of the COVID-19 crisis. Sector-wide cost headwinds can be countered by our long-standing efficiency programme and the benefits of both organic and inorganic growth.

Events after the Balance Sheet date

On 6 September 2021, the Group repaid US Private Placement notes on maturity with a value of £25.0m.

Pension

The Group's defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund"), had an IAS19 surplus of £275.5m at the end of the period (H1 FY21: £164.8m). The improved funding position was primarily driven by; asset performance being higher than the discount rate, changes to mortality assumptions and membership experience being more favourable than expected. This was partially offset by a decrease in corporate bond yields resulting in a decrease in the discount rate used to value liabilities and an increase in inflation expectations. Annual contributions of approximately £10m are paid to the Pension Fund through the Scottish Partnership arrangements.

The Pension Fund's triennial actuarial valuation as at 31 March 2020 is currently being carried out, with the final agreement due in November this year.

In May 2020, Whitbread announced that it had reached an agreement with the Pension Fund Trustee for a covenant waiver period for the existing EBITDA related covenant which will now not be tested until March 2022. On this testing date, in the event of a breach of the original EBITDA related covenant, a cash payment would be required to improve the funding position to the value of the Secondary Funding Target. If Whitbread did not settle this contribution, the Trustee could realise the equivalent value through the security it holds over £450m of Whitbread's freehold property. New covenants have been introduced during the period of the waiver in-line with those given to Whitbread's lenders described above, including an obligation to retain £400m liquidity headroom, no more than £2bn of net debt and to not declare or pay dividends, for the duration of the extended waiver period to March 2022. An additional £50.0m of security has also been given to the Trustee for the duration of the covenant waiver period.

Other information

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 1 of the attached financial statements.

Risks and uncertainties

The directors have reconsidered the principal risks and uncertainties of the Group and have determined that those reported in the Annual Report and Accounts 2020/21 remain relevant for the remaining half of the financial year, when read together with the information provided below.

The COVID-19 pandemic continues to be the most prominent risk and there is uncertainty as to how future outbreaks, vaccine efficacy and resulting restrictions will impact the hospitality sector specifically. We have considered and broadened the risk relating to structural shifts to recognise the potential change in the labour market. This has resulted in shortages in certain hotel and restaurant roles, inflationary pressures in areas such as utilities, food costs and construction materials, and supply chain disruptions due to increased regulations.

Whitbread looks to recruit and retain talent and has recognised the contribution of its team by increasing pay rates to remain competitive. We have a well proven efficiency programme and a strong supplier base for critical services with business continuity plans in place.

Premier Inn's brand strength has proved resilient as we have reopened operations and outperformed the market. The risk of any decline in strength or loss of market share to competitors and emerging disruptors is tracked regularly via net promoter scores and customer satisfaction.

The following summarises the risks and uncertainties set out in the annual report including current emerging themes:

- Pandemic - impact of reoccurring waves of COVID-19 or any other pandemic on the business
- Uncertain economic recovery - results in a decline in GDP, consumer and business spending, an increase in inflationary pressure and supply chain disruption impacting trading
- Cyber and Data Security - reduces the effectiveness of systems or results in loss of data
- Structural shifts - uncertainty as to the permanency of changes to working practices, international travel and demand led occasions for hotel stays, along with potential increase in cost base inflation
- Germany growth - the inability to successfully execute our strategy in Germany
- Change delivery and interdependencies - ability to execute the significant volume of change under time bound pressures, for example, the replacement of our CRM system
- Leadership, succession and talent hotspots - decline in desirability of careers in the hospitality industry with functional specific challenges, a reduction in our talent pools and low levels of senior diversity
- Third party arrangements - business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices
- Premier Inn brand - decline in brand strength, loss of market share to competitors and the threat of disruptors
- Health and safety - death or serious injury as a result of company negligence or a significant incident resulting from food, fire or another safety failure
- Terrorism - impacts the safety and security of customers or staff and the consequent impact on trading

Environmental and Social risk, of which sustainability is a key area, has been an emerging risk for Whitbread that we have been active in managing such as reducing our carbon emissions, single use plastics and food waste whilst increasing our representation and inclusion in our work force. We now recognise this as a principal risk and acknowledge the importance of the collective evolving nature of this risk to our wider stakeholder base.

The detail of our principal risks can be found on pages 64 to 66 of the Annual Report and Accounts 2020/21 which is available on the website www.whitbread.co.uk.

American Depositary Receipts

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

Notes

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

Responsibility statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements, which has been prepared in accordance with IAS 34 *Interim Financial Reporting*, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole;
b) The interim management report includes a fair review of the information required by the Financial Statements Disclosure and Transparency Rules (DTR) 4.2.7R - indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year; and
c) The interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of related party transactions and changes therein.

By order of the Board

Alison Brittain	Nicholas Cadbury
Chief Executive	Finance Director

Interim consolidated income statement

	(Reviewed) 6 months to 26 August 2021			(Reviewed, re-presented[1]) 6 months to 27 August 2020		
	Before adjusting items	**Adjusting items (Note 4)**	**Statutory**	Before adjusting items	Adjusting items (Note 4)	Statutory

	Notes	£m	£m	£m	£m	£m	£m
Revenue	2	**661.6**	**-**	**661.6**	250.5	0.3	250.8
Other income	3	**97.8**	**8.7**	**106.5**	89.9	1.8	91.7
Operating costs		**(731.1)**	**28.6**	**(702.5)**	(631.0)	(353.6)	(984.6)
Impairment of loans to joint ventures		**(0.8)**	**-**	**(0.8)**	-	(5.8)	(5.8)
Operating profit/(loss) before joint ventures		**27.5**	**37.3**	**64.8**	(290.6)	(357.3)	(647.9)
Share of loss from joint ventures		**(1.0)**	**-**	**(1.0)**	(4.5)	-	(4.5)
Operating profit/(loss)		**26.5**	**37.3**	**63.8**	(295.1)	(357.3)	(652.4)
Finance costs	5	**(85.1)**	**-**	**(85.1)**	(76.0)	-	(76.0)
Finance income	5	**2.0**	**-**	**2.0**	3.7	-	3.7
Loss before tax		**(56.6)**	**37.3**	**(19.3)**	(367.4)	(357.3)	(724.7)
Tax credit/(expense)	7	**3.2**	**(21.7)**	**(18.5)**	62.2	2.0	64.2
Loss for the period attributable to parent shareholders		**(53.4)**	**15.6**	**(37.8)**	(305.2)	(355.3)	(660.5)
Earnings per share (Note 8)							
Basic (pence)		**(26.4)**	**7.7**	**(18.7)**	(174.4)	(203.0)	(377.4)
Diluted (pence)		**(26.4)**	**7.7**	**(18.7)**	(174.4)	(203.0)	(377.4)

[1] Amended for presentational changes (Note 1)

All of the results shown above relate to continuing operations.

Interim consolidated statement of comprehensive income

	Notes	**(Reviewed) 6 months to 26 August 2021 £m**	(Reviewed) 6 months to 27 August 2020 £m
Loss for the period		**(37.8)**	(660.5)
Items that will not be reclassified to the income statement:			
Re-measurement gain/(loss) on defined benefit pension scheme	12	**84.8**	(27.7)
Current tax on defined benefit pension scheme		**(1.9)**	-
Deferred tax on defined benefit pension scheme		**(29.5)**	2.6
		53.4	(25.1)
Items that may be reclassified subsequently to the income statement:			
Net gain on cash flow hedges		**1.2**	1.3
Deferred tax on cash flow hedges		**(0.3)**	(0.2)
Net gain/(loss) on hedge of a net investment		**0.7**	(21.6)
Deferred tax on net gain/(loss) on hedge of a net investment		**(0.1)**	-
Cost of hedging		**2.8**	-
		4.3	(20.5)
Exchange differences on translation of foreign operations		**(2.8)**	34.1
Deferred tax on exchange differences on translation of foreign operations		**0.7**	-
		(2.1)	34.1
Other comprehensive income/(loss) for the period, net of tax		**55.6**	(11.5)
Total comprehensive income/(loss) for the period, net of tax		**17.8**	(672.0)

Interim consolidated statement of changes in equity

6 months to 26 August 2021 (Reviewed)

	Share capital £m	**Share premium £m**	**Capital redemption reserve £m**	**Retained earnings £m**	**Currency translation reserve £m**	**Other reserves £m**	**Total equity £m**
At 25 February 2021	**164.7**	**1,022.9**	**50.2**	**4,944.8**	**28.7**	**(2,377.2)**	**3,834.1**
Loss for the period	**-**	**-**	**-**	**(37.8)**	**-**	**-**	**(37.8)**
Other comprehensive income/(loss)	**-**	**-**	**-**	**53.4**	**(1.5)**	**3.7**	**55.6**
Total comprehensive income/(loss)	**-**	**-**	**-**	**15.6**	**(1.5)**	**3.7**	**17.8**
Ordinary shares issued on exercise of employee share options	**0.1**	**1.6**	**-**	**-**	**-**	**-**	**1.7**
Loss on ESOT shares issued	**-**	**-**	**-**	**(2.5)**	**-**	**2.5**	**-**
Accrued share-based payments	**-**	**-**	**-**	**6.3**	**-**	**-**	**6.3**
Tax on share-based payments	**-**	**-**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
At 26 August 2021	**164.8**	**1,024.5**	**50.2**	**4,964.0**	**27.2**	**(2,371.0)**	**3,859.7**

6 months to 27 August 2020 (Reviewed)

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Currency translation reserve £m	Other reserves £m	Total equity £m
At 27 February 2020	112.9	90.8	50.2	5,861.9	18.6	(2,385.6)	3,748.8
Loss for the period	-	-	-	(660.5)	-	-	(660.5)
Other comprehensive (loss)/income	-	-	-	(25.1)	12.5	1.1	(11.5)
Total comprehensive (loss)/income	-	-	-	(685.6)	12.5	1.1	(672.0)
Ordinary shares issued on exercise of employee share options	-	0.4	-	-	-	-	0.4
Ordinary shares issued on rights issue[1]	51.7	929.3	-	-	-	-	981.0
Loss on ESOT shares issued	-	-	-	(3.1)	-	3.1	-
Accrued share-based payments	-	-	-	6.7	-	-	6.7
Tax on share-based payments	-	-	-	(2.4)	-	-	(2.4)
At 27 August 2020	164.6	1,020.5	50.2	5,177.5	31.1	(2,381.4)	4,062.5

[1] The share premium amount of £929.3m is net of £28.2m in relation to transaction costs associated with the rights issue.

Interim consolidated balance sheet

	Notes	**(Reviewed) 26 August 2021 £m**	(Reviewed) 27 August 2020 £m	(Audited) 25 February 2021 £m
Non-current assets				
Goodwill and other intangible assets		**154.7**	165.4	159.1
Right-of-use assets - property, plant and equipment		**2,818.5**	2,511.6	2,738.4
Right-of-use assets - investment property		**62.6**	53.4	65.0
Property, plant and equipment		**4,239.7**	4,206.5	4,213.1
Investment property		**-**	21.7	21.6
Investment in joint ventures		**38.7**	43.2	37.3
Derivative financial instruments	11	**11.0**	12.2	6.6
Defined benefit pension surplus	12	**275.5**	164.8	188.0
Trade and other receivables		**-**	5.5	-
		7,600.7	7,184.3	7,429.1
Current assets				
Inventories		**14.8**	21.7	12.1
Derivative financial instruments	11	**9.9**	0.4	8.2
Current tax asset		**0.4**	6.0	-
Trade and other receivables		**120.4**	87.0	74.2
Cash and cash equivalents	10	**1,144.7**	936.2	1,256.0
		1,290.2	1,051.3	1,350.5
Assets classified as held for sale		**11.8**	18.7	19.0
Total assets		**8,902.7**	8,254.3	8,798.6
Current liabilities				
Borrowings	10	**93.3**	-	312.0
Lease liabilities		**122.4**	100.0	112.1
Provisions		**23.5**	32.5	30.5
Derivative financial instruments	11	**1.2**	2.5	2.4
Current tax liabilities		**-**	-	1.8
Trade and other payables		**482.9**	315.2	316.5
		723.3	450.2	775.3
Non-current liabilities				
Borrowings	10	**991.2**	739.8	990.5
Lease liabilities		**3,191.2**	2,861.6	3,119.5
Provisions		**15.7**	18.6	9.0
Derivative financial instruments	11	**-**	5.0	-
Deferred tax liabilities	7	**96.5**	80.3	44.6
Trade and other payables		**25.1**	36.3	25.6
		4,319.7	3,741.6	4,189.2
Total liabilities		**5,043.0**	4,191.8	4,964.5
Net assets		**3,859.7**	4,062.5	3,834.1
Equity				
Share capital		**164.8**	164.6	164.7
Share premium		**1,024.5**	1,020.5	1,022.9
Capital redemption reserve		**50.2**	50.2	50.2
Retained earnings		**4,964.0**	5,177.5	4,944.8
Currency translation reserve		**27.2**	31.1	28.7

Other reserves	**(2,371.0)**	(2,381.4)	(2,377.2)
Total equity	**3,859.7**	4,062.5	3,834.1

Interim consolidated cash flow statement

	Notes	**(Reviewed) 6 months to 26 August 2021 £m**	(Reviewed) 6 months to 27 August 2020 £m
Cash generated from/(used in) operations	13	**318.3**	(250.1)
Payments against provisions		**(8.0)**	(7.1)
Pension payments	12	**(2.3)**	(2.2)
Interest paid - lease liabilities		**(64.2)**	(61.0)
Interest paid - other		**(5.8)**	(5.1)
Interest received		**1.5**	0.9
Corporation taxes (paid)/refunded		**(0.1)**	12.6
Net cash flows generated from/(used in) operating activities		**239.4**	(312.0)
Cash flows used in investing activities			
Purchase of property, plant and equipment and investment property		**(100.2)**	(114.8)
Proceeds from disposal of property, plant and equipment		**47.8**	1.5
Investment in intangible assets		**(6.2)**	(5.0)
Cash acquired on acquisition of a subsidiary		**-**	1.4
Cash recovered on aborted acquisition		**-**	1.3
Payment of contingent consideration	11	**(0.5)**	-
Capital contributions to joint ventures		**(1.4)**	(1.3)
Loans advanced to joint ventures		**(0.8)**	-
Net cash flows used in investing activities		**(61.3)**	(116.9)
Cash flows (used in) / generated from financing activities			
Proceeds from issue of shares on exercise of employee share options		**1.7**	0.4
Proceeds from issue of shares on rights issue, net of fees		**-**	981.0
Drawdowns of long-term borrowings	10	**50.0**	50.0
Repayments of long-term borrowings	10	**(270.4)**	(125.1)
Costs of long-term borrowings		**-**	(1.2)
Payment of principal of lease liabilities		**(70.6)**	(44.4)
Net cash flows (used in)/generated from financing activities		**(289.3)**	860.7
Net (decrease)/increase in cash and cash equivalents		**(111.2)**	431.8
Opening cash and cash equivalents		**1,256.0**	502.6
Foreign exchange differences		**(0.1)**	1.8
Closing cash and cash equivalents	10	**1,144.7**	936.2

Notes to the accounts

1. Basis of accounting and preparation

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 25 October 2021.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. There was no impact or changes in accounting policies from the transition.

The financial information for the year ended 25 February 2021 is extracted from the statutory accounts of the Group for that year and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. These published accounts were reported on by the auditor without qualification, did not draw attention to any matters by way of emphasis and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements are prepared in accordance with UK listing rules and with United Kingdom adopted IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements for the six months ended 26 August 2021 and the comparatives to 27 August 2020 are unaudited but have been reviewed by the auditor; a copy of their review report is included at the end of this report.

Presentational changes
The income statement for the 6 months to 27 August 2020 has been re-presented for consistency with the annual report and accounts for the year ended 25 February 2021.

The tax credit before adjusting items for the 6 months to 27 August 2020 has been re-presented to exclude the impact of deferred tax rate changes. The rate change impact of £13.2m is now presented within adjusting items. Earnings per share before adjusting items has also been re-presented to reflect this change.

Additionally, impairment of loans to joint ventures is now presented separately from operating costs.

Going Concern
The financial position of the Group, its cash flows, performance and position are described in the financial review and the principal risks of the Group are set out in the other information within the interim management report. Details of the Group's available and drawn facilities are included in Note 10. At 26 August 2021, the Group had a cash balance of £1,144.7m with available borrowing facilities of £2,043.0m for use in the going concern assessment, of which £1,093.0m had been drawn down.

The Group's forecasts indicate that it will continue to have significant financial resources, continue to settle its debts as they fall due and operate well within its covenants as outlined in Note 10 for at least a period of 12 months from the date of these interim financial statements. Various downside scenarios over and above those already included in the base case model on the potential impact of further reductions to cashflows due to further government restrictions imposed as a result of the COVID-19 pandemic have also been considered in respect of these forecasts. Under these downside scenarios, the Group can meet its funding needs through available funds and is able to meet the relaxed covenants agreed as part of the waivers. In the event that it was necessary to access additional funding, the directors have a reasonable expectation that this could be achieved.

After due consideration of the matters set out above, the directors are satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis without material uncertainties in the preparation of these financial statements.

Accounting policies
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 25 February 2021.

As a result of the adjusting items recorded in the period, the accounting policy used in determining adjusting items is set out below.

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

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

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

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

- net charges associated with the strategic programme in relation to the review of the hotel estate, excluding those relating to financing;
- significant restructuring costs and other associated costs arising from strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- significant pension charges arising as a result of changes to UK defined benefit scheme practices;
- impairment and related charges for sites which are underperforming that are considered to be significant in nature and/or value to the trading performance of the business;
- costs in relation to non-trading legacy sites which are deemed to be significant and not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment;
- acquisition costs incurred as part of a business combination or other strategic asset acquisitions;
- amortisation of intangible assets recognised as part of a business combination or other transaction outside of the ordinary course of business; and
- tax settlements in respect of prior years, including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year-on-year comparability, as well as the tax impact of the adjusting items identified above.

The directors believe that the adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and Executive Committee.

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

Seasonality
The Group operates hotels and restaurants, located in the UK and internationally. The Group generally earns higher profits during the first half of the financial year because of lower demand in the final quarter of the financial year.

The COVID-19 pandemic and resulting government restrictions led to the temporary closure of the Group's restaurants as well as reduced demand for hotels for parts of the six months to 26 August 2021 and as a result has impacted these typical patterns.

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

In preparing these condensed consolidated financial statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those applied to the Group's consolidated financial statements for the year ended 25 February 2021, with the exception of the performance of impairment reviews of the Group's goodwill, property, plant and equipment and right-of-use assets.

Critical accounting judgement

Adjusting items
Judgement is applied as to whether adjusting items meet the necessary criteria as per the accounting policy disclosed earlier in this note. Note 4 describes the items identified and separately disclosed as adjusting items.

Impairment testing - Property, plant and equipment and right-of-use assets
The Group has performed an assessment for indicators of impairment of each of these asset categories. Specifically the Group have concluded that for the majority of cash generating units, performance in the year to date has been in line with the assumptions used in the impairment calculation for the year ended 25 February 2021 and the impact of changes in the discount rate have not been material and therefore there are no indicators of impairment. The remaining uncertainty associated with the recovery from the COVID-19 pandemic means there is insufficient certainty over future performance such that no impairment reversals have been recorded.

Key sources of estimation uncertainty

Defined benefit pension
The Group makes significant estimates in relation to the discount rates, inflation rates and mortality rates used to calculate the present value of the defined benefit obligation. Note 12 describes the sensitivity of the defined benefit pension obligation to changes in key assumptions.

2. Segmental analysis

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 losses from joint ventures.

The following tables present revenue and profit information regarding business operating segments for the six months to 26 August 2021 and 27 August 2020.

	6 months to 26 August 2021				6 months to 27 August 2020			
Revenue	**UK and Ireland £m**	**Germany £m**	**Central and other £m**	**Total £m**	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Accommodation	**466.8**	**9.2**	**-**	**476.0**	155.4	4.9	-	160.3
Food, beverage and other items	**183.8**	**1.8**	**-**	**185.6**	89.6	0.6	-	90.2
Revenue before adjusting items	**650.6**	**11.0**	**-**	**661.6**	245.0	5.5	-	250.5
Adjusting revenue (Note 4)				**-**				0.3
Revenue				**661.6**				250.8

	6 months to 26 August 2021	6 months to 27 August 2020

(Loss)/profit	UK and Ireland £m	Germany £m	Central and other £m	Total £m	UK and Ireland £m	Germany £m	Central and other £m	Total £m
Adjusted operating profit/(loss) before joint ventures[1]	**42.6**	**(0.5)**	**(14.6)**	**27.5**	(254.9)	(23.7)	(12.0)	(290.6)
Share of loss from joint ventures	**-**	**-**	**(1.0)**	**(1.0)**	-	-	(4.5)	(4.5)
Adjusted operating profit/(loss)	**42.6**	**(0.5)**	**(15.6)**	**26.5**	(254.9)	(23.7)	(16.5)	(295.1)
Net finance costs	**(60.4)**	**(3.8)**	**(18.9)**	**(83.1)**	(58.2)	(2.8)	(11.3)	(72.3)
Adjusted loss before tax	**(17.8)**	**(4.3)**	**(34.5)**	**(56.6)**	(313.1)	(26.5)	(27.8)	(367.4)
Adjusting items (Note 4)				**37.3**				(357.3)
Loss before tax				**(19.3)**				(724.7)

[1] Adjusted operating profit/(loss) for the UK and Ireland segment includes the impact of Business Rates Relief provided by the UK Government of £47.7m (H1 FY21: £55.0m) and income from the job retention schemes in the UK and Ireland of £60.0m (H1 FY21: £85.5m). Adjusted loss for the Germany segment includes income of £28.6m (H1 FY21: £0.7m) from government grants.

	6 months to 26 August 2021				6 months to 27 August 2020			
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 - cash basis	**72.3**	**27.9**	**-**	**100.2**	69.8	45.0	-	114.8
Property, plant and equipment - accruals basis	**63.7**	**29.0**	**-**	**92.7**	49.8	43.9	-	93.7
Intangible assets	**6.1**	**0.1**	**-**	**6.2**	5.0	-	-	5.0
Cash outflows from lease interest and payment of principal of lease liabilities	**122.7**	**12.1**	**-**	**134.8**	95.7	9.4	-	105.1
Depreciation - property, plant and equipment	**71.7**	**3.5**	**-**	**75.2**	71.6	1.7	-	73.3
Depreciation - right-of-use assets	**59.8**	**10.4**	**-**	**70.2**	53.8	7.2	-	61.0
Amortisation	**10.5**	**0.1**	**-**	**10.6**	11.4	0.2	-	11.6

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

3. Other income

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Rental income	**4.3**	3.9
Government grants (Note 6)	**93.3**	85.8
Other	**0.2**	0.2
Other income before adjusting items	**97.8**	89.9
VAT settlement	**8.7**	-
Insurance proceeds	**-**	1.8
Other income	**106.5**	91.7

4. Adjusting items

As set out in the policy in Note 1, 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.

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Adjusting items were as follows:		
Revenue:		
TSA income	**-**	0.3
Adjusting revenue	**-**	0.3
Other income:		
Insurance proceeds	**-**	1.8
VAT settlement (a)	8.7	-
Adjusting other income	8.7	1.8
Operating costs:		
TSA costs	**-**	(0.3)
Costa disposal - separation and other costs	**-**	4.9
Impairment - goodwill	**-**	(238.8)
Impairment and write offs - property, plant and equipment, right-of-use assets and other intangible assets	**-**	(101.1)
Impairment - investment in joint ventures	-	(8.2)
Aborted acquisition costs	**-**	(12.4)
Restructuring costs	**-**	(5.3)
Gains on disposals and property provisions (b)	28.6	1.8
Adjusting operating costs	28.6	(359.4)
Adjusting items before tax	**37.3**	(357.3)

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

Tax on adjusting items	**(6.7)**	15.2
Impact of change in tax rates (c)	**(15.0)**	(13.2)
Adjusting tax (expense)/credit	**(21.7)**	2.0

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

(b) In June 2021, the Group disposed of a single property as part of a sale and leaseback transaction for gross proceeds of £40.0m. The Group will continue to rent the property for a period of five years. A profit of £27.5m was recognised on disposal of the property. During the period, the Group has recorded profits on other property disposals of £1.1m (H1 FY21: £0.5m) and released provisions of £nil (H1 FY21: £1.3m) which had previously been recorded for the performance of remedial work on cladding material at a small number of the Group's sites.

(c) The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. The change has resulted in the remeasurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystalise after this effective date, using the higher tax rate and, as a result, a charge of £15.0m has been recorded in the income statement.

5. Finance (costs)/income

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Finance costs		
Interest on bank loans and overdrafts	**(3.6)**	(2.1)
Interest on other loans	**(15.1)**	(12.2)
Interest on lease liabilities	**(64.2)**	(61.0)
Interest capitalised	**0.3**	0.4
Unwinding of discount on contingent consideration	**(0.5)**	(1.1)
Impact of ineffective portion of cash flow and fair value hedges and cost of hedging	**(2.0)**	-
	(85.1)	(76.0)
Finance income		
Bank interest receivable	**0.1**	0.9
Other interest receivable	**0.1**	0.9
Impact of ineffective portion of cash flow and fair value hedges	**-**	0.4
IAS 19 pension finance income (Note 12)	**1.8**	1.5
	2.0	3.7
Total net finance costs	**(83.1)**	(72.3)

6. Government grants and assistance

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

In the UK, the Government has provided funding towards the salary costs of employees who have been 'furloughed' through the Coronavirus Job Retention Scheme. The scheme rules remain complex to interpret and apply to the claims. This funding meets the definition of a government grant under IAS 20 *Government Grants* and a total of £60.0m (H1 FY21: £85.2m) has been recorded within other income. The Group stopped making claims after May 2021 and expects no further grants to be received under the scheme. The related salary costs which are compensated by the scheme are included within operating costs in the consolidated income statement.

The UK Government also provided grants to support businesses in the retail, hospitality and leisure section who had been impacted by closures and other restrictions. The Group has recognised £5.3m in other income relating to these grants and no further grants are expected to be received.

In Germany, the Government has provided financial support to cover certain fixed costs incurred by companies in sectors which have been significantly impacted by the COVID-19 pandemic and related restrictions. The Group has recognised a total of £27.6m in relation to the schemes within other income. The schemes have been extended to December 2021 and therefore the Group may be entitled to further claims in the second half of the year.

The German Government also provided enhanced benefits directly to individual employees, with employers partially compensated for continued social security payments under Kurzarbeit. Support provided directly to employees reduced the Group's operating costs by £0.6m and a total of £0.4m was recognised in other income relating to compensation for social security payments.

The UK Government and devolved administrations introduced business rates holidays for retail, hospitality and leisure businesses. Relief in England ended in July 2021 and the holiday in Northern Ireland, Wales and Scotland will continue until April 2022. The relief has allowed the Group to reduce operating costs by £47.7m (H1 FY21: £55.0m) in the period.

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

7. Taxation

The effective tax rate applied to the loss before tax before adjusting items for the six-month period ended 26 August 2021 is 5.7% (H1 FY21: 16.9%), determined in line with IAS 34 by applying management's best estimate of the effective rate of tax which is expected to apply in each jurisdiction in which the Group operates for the year ended 3 March 2022.

In calculating the rate applicable to the UK, management reviewed the standard application of IAS 34 and noted that it gave rise to a forecast annual effective tax rate of 2,250%, caused by large forecast permanent adjustments which, whilst consistent with prior years, are not proportionate to annual forecast results. Management therefore applied a modified approach, consistent with IAS 34, whereby an annual effective tax rate was calculated for the forecast profit/loss before adjusting items for the year excluding permanent adjustments and applied to the year to date loss on the same basis. A separate effective tax rate was then calculated for the permanent adjustments on a year to date basis. Excluding the impact of prior year adjustments, this resulted in a UK effective tax rate on the loss before adjusting items for the six-month period ended 26 August 2021 of 13.0%, which was considered by management to be more reasonable.

In addition, a forecast effective tax rate of 0% was applied to the German pre-tax loss before adjusting items on the basis that we do not have sufficient certainty to recognise a deferred tax asset for German losses carried forward for offset in a future year.
This gives rise to an overall effective tax rate on the loss before tax before adjusting items for the six-month period ended 26 August 2021 of 11.1%, reduced to 5.7% due to the impact of prior year adjustments.

Further, a 25% rate of corporation tax (H1 FY21: 19%) was applied to adjusting items (which all arise in the UK) on the basis that these will either increase or decrease tax losses carried forward which are expected to be utilised in future periods when a 25% rate of corporation tax applies. The resultant total effective tax rate on the statutory loss for the period is negative 95.9% (H1 FY21: 8.9%). This differs from the statutory corporate tax rate primarily due to the increase in the future UK rate of corporation tax which was enacted in the period which increases the net deferred tax liability recognised at 26 August 2021 together with German losses not recognised for tax purposes due to the uncertainly surrounding their recovery.

Consolidated income statement	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Current tax:		
Current tax credit	**-**	-
Adjustments in respect of previous periods	**(2.1)**	(3.2)
	(2.1)	(3.2)
Deferred tax:		
Origination and reversal of temporary differences	**0.4**	(76.0)
Effect of rate change	**15.0**	13.2
Adjustments in respect of previous periods	**5.2**	1.8
	20.6	(61.0)
Tax reported in the consolidated income statement	**18.5**	(64.2)

Deferred tax

The major deferred tax assets/(liabilities) recognised by the Group and movements during the period are as follows:

	Accelerated capital allowances £m	Rolled over gains and property revaluations £m	Pensions £m	Leases £m	Losses £m	Other £m	Total £m
At 25 February 2021	**(44.2)**	**(57.8)**	**(62.5)**	**36.0**	**83.7**	**0.2**	**(44.6)**
(Charge)/credit to consolidated income statement	**(37.4)**	**(25.6)**	**(12.1)**	**17.4**	**39.9**	**(2.8)**	**(20.6)**
(Charge)/credit to statement of comprehensive income	**-**	**-**	**(29.5)**	**-**	**-**	**0.3**	**(29.2)**
Credit/(charge) to statement of changes in equity	**-**	**-**	**-**	**-**	**0.1**	**(0.3)**	**(0.2)**
Foreign exchange and other movements	**-**	**-**	**-**	**-**	**-**	**(1.9)**	**(1.9)**
At 26 August 2021	**(81.6)**	**(83.4)**	**(104.1)**	**53.4**	**123.7**	**(4.5)**	**(96.5)**

The Group has unrecognised German tax losses of £100.5m (February 2021: £84.8m) which can be carried forward indefinitely and offset against future taxable profits in the same tax group. The Group carries out an assessment of the recoverability of these losses for each reporting period and, to the extent that they exceed deferred tax liabilities within the same tax group, does not think it is appropriate at this stage to recognise any deferred tax asset. Recognition of these unrecognised assets in their entirety would result in an increase in the reported deferred tax asset of £31.7m (February 2021: £26.2m).

The UK Budget 2021 announcement on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, effective from 1 April 2023. The change has resulted in the remeasurement of those UK deferred tax assets and liabilities which are forecast to be utilised or to crystalise after this effective date, using the higher tax rate. A charge of £15.0m has been recorded in the consolidated income statement and a charge of £13.4m in the consolidated statement of comprehensive income based on the Group's current estimate of how the balances will unwind. However, the Group has some ability to control the timing of this unwinding and could vary the value of the deferred tax liability by up to £8.0m.

8. Earnings per share

The basic earnings per share (EPS) figures are calculated by dividing the net loss for the period attributable to parent shareholders 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 or the Group is loss making, the options become anti-dilutive and are excluded from the calculation. There are 2.1m (H1 FY21: 1.6m) 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:

	6 months to 26 August 2021 million	6 months to 27 August 2020 million
Basic weighted average number of ordinary shares	**201.9**	175.0
Effect of dilution - share options	**-**	-
Diluted weighted average number of ordinary shares	**201.9**	175.0

The losses used for the earnings per share calculations are as follows:

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Loss for the period attributable to parent shareholders	**(37.8)**	(660.5)
Adjusting items before tax	**(37.3)**	357.3
Adjusting tax expense/(credit)	**21.7**	(2.0)
Adjusted loss for the period attributable to parent shareholders	**(53.4)**	(305.2)

	6 months to 26 August 2021 pence	6 months to 27 August 2020 pence
Basic EPS on loss for the period	**(18.7)**	(377.4)
Adjusting items before tax	**(18.5)**	204.2
Adjusting tax expense/(credit)	**10.8**	(1.2)
Basic EPS on adjusted loss for the period	**(26.4)**	(174.4)
Diluted EPS on loss for the period	**(18.7)**	(377.4)
Diluted EPS on adjusted loss for the period	**(26.4)**	(174.4)

9. Dividends

As a condition agreed with Whitbread's lenders and Pension Trustees, dividends on ordinary shares will not be paid during the current covenant waiver period which lasts until March

2023 unless the Group demonstrates compliance with agreed metrics, being net debt/ EBITDA < 3.5x and EBITDA/interest > 3.0x.

B shareholders are entitled to an annual non-cumulative preference dividend paid in arrears. There are 2.0m (H1 FY21: 2.0m) B shares issued. The Group paid a dividend of 0.3p per share (H1 FY21: 0.9p per share) during the period.

10. Borrowings and net debt

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

	Current		**Non-current**	
	26 August 2021 £m	25 February 2021 £m	**26 August 2021 £m**	25 February 2021 £m
Revolving credit facility (£950.0m)	**-**	-	**-**	-
Private placement loan notes	**93.3**	312.0	**-**	-
Senior unsecured bonds	**-**	-	**991.2**	990.5
	93.3	312.0	**991.2**	990.5

The Group has received covenant test waivers for its revolving credit facility covering the period to 2 March 2023 and for its private placement loan notes and defined benefit pension scheme covering the period to 3 March 2022. Under the terms of the waivers, the Group is required to maintain £400.0m cash and/or headroom under undrawn committed bank facilities and total net debt must not exceed £2.0bn.

Revolving credit facility
On 29 January 2021, the Group agreed to amend and extend its revolving credit facility. The new agreement gives total committed credit of £950.0m which is available until 29 December 2021 and subsequently reduces to £850.0m available until 7 September 2022 and £725.0m available until 7 September 2023. The facility is multi-currency and has a variable interest rate linked to GBP LIBOR or EURIBOR which will transition to SONIA following the discontinuation of IBOR in December 2021.

Private placement loan notes
The Group holds loan notes with coupons and maturities as shown in the following table.

Title	Year issued	Principal value	Maturity	Coupon
Series C loan notes	2011	US$93.5m	26 January 2022	4.86%
Series D loan notes	2011	£25.0m	6 September 2021	4.89%

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

Subsequent to the period end, the Group has repaid the Series D loan notes with a total cash outflow of £25.0m.

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

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

Movement in cash and net debt

	25 February 2021	**Cash flow**	**Net new lease liabilities**	**Foreign exchange**	**Fair value adjustments**	**Amortisation of premiums and discounts**	**26 August 2021**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	1,256.0	**(111.2)**	**-**	**(0.1)**	**-**	**-**	1,144.7
Liabilities from financing activities							
Borrowings	(1,302.5)	**220.4**	**-**	**(1.7)**	**-**	**(0.7)**	**(1,084.5)**
Lease liabilities	(3,231.6)	**70.6**	**(157.1)**	**4.5**	**-**	**-**	**(3,313.6)**
Derivatives held to hedge financing activities	5.8	**-**	**-**	**-**	**2.9**	**-**	8.7
Total liabilities from financing activities	(4,528.3)	**291.0**	**(157.1)**	**2.8**	**2.9**	**(0.7)**	**(4,389.4)**
Less: lease liabilities	3,231.6	**(70.6)**	**157.1**	**(4.5)**	**-**	**-**	**3,313.6**
Less: derivatives held to hedge financing activities	(5.8)	**-**	**-**	**-**	**(2.9)**	**-**	**(8.7)**
Net (debt)/cash	(46.5)	**109.2**	**-**	**(1.8)**	**-**	**(0.7)**	**60.2**

Net (debt)/cash includes US$ denominated loan notes of US$93.5m (February 2021: US$93.5m) retranslated at period end to £68.3m (February 2021: £66.6m). These notes have been hedged using cross-currency swaps. At maturity, £58.5m (February 2021: £58.5m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net cash would be £70.0m (February 2021: net debt would be £38.4m).

Liquidity Risk
The tables below summarise the maturity profile of the Group's financial liabilities at 26 August 2021 and 25 February 2021 based on contractual undiscounted payments, including interest:

26 August 2021	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**More than 5 years £m**	**Total £m**
Interest-bearing loans and borrowings	**-**	**40.8**	**79.1**	**119.3**	**1,044.6**	**1,283.8**
Lease liabilities[1]	**-**	**60.8**	**184.5**	**979.4**	**4,539.6**	**5,764.3**
Derivative financial instruments	**-**	**-**	**1.3**	**-**	**-**	**1.3**
Trade and other payables	**-**	**109.0**	**12.3**	**26.0**	**-**	**147.3**
	-	**210.6**	**277.2**	**1,124.7**	**5,584.2**	**7,196.7**

25 February 2021	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest-bearing loans and borrowings	-	221.8	102.4	573.7	609.3	1,507.2
Lease liabilities[1]	-	54.6	175.1	925.5	4,513.4	5,668.6

Derivative financial instruments	-	-	2.4	-	-	2.4
Trade and other payables	-	71.2	37.7	26.8	-	135.7
	-	347.6	317.6	1,526.0	5,122.7	7,313.9

[1] Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1,185.3m (February 2021: £1,140.2m) due between 5 and 10 years, £1,877.7m (February 2021: £1,859.4m) due between 10 and 20 years and £1,476.6m (February 2021: £1,513.8m) due in more than 20 years.

11. Financial instruments

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and

Level 3 - Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

The following financial instruments are measured at fair value:

Derivative financial instruments
The Group entered into a number of cross-currency swap agreements in relation to the US$ denominated loan notes to eliminate foreign currency exchange risk on interest or on the repayment of principal borrowed and has additionally entered into a net investment hedge in relation to the investment made in Germany.

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

Contingent Consideration
The Group has recorded contingent consideration in relation to acquisitions within trade and other payables.

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Opening contingent consideration	**62.8**	4.4
Recognised on acquisition of a subsidiary	**-**	56.3
Unwinding of discount (Note 5)	**0.5**	1.1
Paid during the period	**(0.5)**	-
Foreign exchange movements	**(0.7)**	4.4
Closing contingent consideration	**62.1**	66.2

The consideration will become payable upon the handover of hotel sites which are currently being developed. The fair value of contingent consideration is classified as level 3 and the fair value is calculated by discounting the future payments from their expected handover date using a risk adjusted discount rate. There have been no remeasurements recorded during the period.

	26 August 2021 £m	27 August 2020 £m	25 February 2021 £m
Financial assets			
Derivative financial instruments - level 2	**20.9**	12.6	14.8
Financial liabilities			
Contingent consideration - level 3	**(62.1)**	(66.2)	(62.8)
Derivative financial instruments - level 2	**(1.2)**	(7.5)	(2.4)

There were no transfers between levels during any period disclosed.

12. Defined benefit pension surplus

During the six-month period to 26 August 2021, the defined benefit pension scheme has moved from a surplus of £188.0m to £275.5m. The main movements in the surplus are as follows:

		£m
Pension surplus at 25 February 2021		188.0
Re-measurement due to:		
Changes in financial assumptions	(224.6)	
Changes in demographic assumptions	33.9	
Experience adjustments	(17.3)	
Return on plan assets greater than discount rate	292.8	
		84.8
Contributions from employer		2.3
Net interest on pension liability and assets		1.8
Administrative expenses		(1.4)
Pension surplus at 26 August 2021		**275.5**

The surplus has been recognised as, under the governing documentation of the Whitbread Group Pension Fund, the Group has an unconditional right to receive a refund, assuming the gradual settlement of the scheme liabilities over time until all members and their dependants have either died or left the scheme, in accordance with the provisions of IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

A scheme specific actuarial valuation as at 31 March 2020 is expected to be finalised in November 2021.

The principal assumptions used by the independent qualified actuaries in updating the most recent valuation carried out as at 31 March 2017 of the UK scheme to 26 August 2021 for *IAS 19 Employee benefits* purposes were:

	26 August 2021 %	25 February 2021 %
Pre-April 2006 rate of increase in pensions in payment	3.2	3.1
Post-April 2006 rate of increase in pensions in payment	2.2	2.2
Pension increases in deferment	3.2	3.1
Discount rate	1.5	1.9
Inflation assumption	3.4	3.2

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 20.0 years (February 2021: 20.5 years) if they are male and for a further 22.5 years (February 2021: 23.1 years) if they are female. For a member who retires in 2041 at age 65, the assumptions are that they will live on average for a further 21.0 years (February 2021: 21.5 years) after retirement if they are male and for a further 23.8 years (February 2021: 24.3 years) after retirement if they are female.

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

	(Increase)/decrease in liability	
	26 August 2021	25 February 2021
Discount rate		
1.00% increase to discount rate	463.0	421.0
1.00% decrease to discount rate	(603.0)	(546.0)
Inflation		
0.25% increase to inflation rate	(103.0)	(92.0)
0.25% decrease to inflation rate	100.0	90.0
Life expectancy		
One-year increase to life expectancy	(149.0)	(130.0)

The above sensitivity analyses are based on a change in an assumption whilst holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method) has been applied as when calculating the pension surplus recognised within the consolidated balance sheet. The methods and types of assumptions did not change.

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

	6 months to 26 August 2021 £m	6 months to 27 August 2020 £m
Cash generated from / (used in) operations		
Loss for the period	**(37.8)**	(660.5)
Adjustments for:		
Tax expense/(credit)	**18.5**	(64.2)
Net finance costs (Note 5)	**83.1**	72.3
Share of loss from joint ventures	**1.0**	4.5
Depreciation and amortisation	**156.0**	145.9
Share-based payments	**6.3**	5.2
Impairments	**-**	342.3
Impairment of loans to joint ventures	**0.8**	5.8
Gains on disposals, property and other provisions (Note 4)	**(28.6)**	(1.8)
Other non-cash items	**6.5**	29.4
Cash generated from / (used in) operations before working capital changes	**205.8**	(121.1)
Increase in inventories	**(2.8)**	(8.1)
(Increase)/decrease in trade and other receivables	**(46.7)**	12.7
Increase/(decrease) in trade and other payables	**162.0**	(133.6)
Cash generated from / (used in) operations	**318.3**	(250.1)

Other non-cash items includes an inflow of £5.0m (H1 FY21: £0.4m) as a result of net provision movements and an inflow of £1.4m (H1 FY21: £1.5m) representing non-cash pension scheme administration costs. Other non-cash items for the six months to 27 August 2020 included an inflow of £14.0m representing a timing difference between the recognition of insurance proceeds and cash receipts and an inflow of £12.4m representing the write off of a deposit paid in relation to an acquisition.

14. Related party disclosure

In Note 33 to the Annual Report and Accounts for the year ended 25 February 2021, the Group identified its related parties as its key management personnel (including directors), the Group pension schemes and its joint ventures for the purpose of *IAS 24 Related Party Disclosures*. There have been no significant changes in those related parties identified at the year end and there have been no transactions with those related parties during the six months to 26 August 2021 that have materially affected, or are expected to materially affect, the financial position or performance of the Group during this period. Details of the relevant relationships with those related parties will be disclosed in the Annual Report and Accounts for the year ending 3 March 2022. All transactions with subsidiaries are eliminated on consolidation.

15. Capital expenditure commitments

Capital expenditure commitments for which no provision has been made are set out in the table below:

	26 August 2021 £m	27 August 2020 £m	25 February 2021 £m
Property, plant and equipment	**132.8**	126.4	82.5
Intangible assets	**2.6**	3.0	0.5

16. Events after the balance sheet date

On 6 September 2021, the Group repaid loan notes on maturity with a value of £25.0m.

INDEPENDENT REVIEW REPORT TO WHITBREAD PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 26 August 2021 which comprises the income statement, the statement of comprehensive income, the statement of changes in
equity, the balance sheet, the cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards as issued by the IASB. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 26 August 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
25 October 2021

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 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').

Committed pipeline
Sites where we have a legal interest in a property (that may be subject to planning/other conditions) with the intention of opening a hotel in the future.

Direct bookings / distribution
Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

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

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.

Property rent
IFRS 16 property lease liability payments plus variable lease payments, adjusted for deferred rental amounts. This is used as a proxy for rent expense as recorded under IAS 17 in arriving at funds from operations.

Rent expense
Rental costs recognised in the income statement prior to the adoption of IFRS 16.

†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.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

REVENUE MEASURES

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Accommodation sales	Revenue	Exclude non-room revenue such as food and beverage	Premier Inn accommodation revenue excluding non-room income such as food and beverage. The growth in accommodation sales on a year-on-year basis is a good indicator of the performance of the business. Reconciliation: Note 2
Adjusted* revenue	Revenue	Adjusting items	Revenue adjusted to exclude TSA income. Reconciliation: Consolidated income statement

Average room rate (ARR)	No direct equivalent	Refer to definition	Accommodation sales divided by the number of rooms occupied by guests. The directors consider this to be a useful measure as this is a commonly used industry metric which facilitates comparison between companies.

Reconciliation	**6 months to 26 August 2021**	6 months to 27 August 2020
UK Accommodation sales (£m)	**466.8**	155.4
Number of rooms occupied by guests ('000)	**8,869**	2,901
UK average room rate (£)	**52.63**	53.58
Germany Accommodation sales (£m)	**9.2**	4.9
Number of rooms occupied by guests ('000)	**252**	125
Germany average room rate (£)	**36.49**	39.37

UK like-for-like revenue growth	Movement in accommodation sales per segment information (Note 2)	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	**6 months to 26 August 2021**	6 months to 27 August 2020
UK like-for-like revenue growth	**194.3%**	(78.2)%
Contribution from net new hotels	**6.1%**	0.5%
UK Accommodation sales growth	**200.4%**	(77.7)%

Two year UK like-for-like revenue growth	Movement in accommodation sales per segment information	Accommodation sales from non like-for-like	Change in revenue for outlets open for at least two years. This is a temporary measure introduced to provide a comparison between the current year and the comparative period before the impact of the COVID-19 pandemic.

Reconciliation	**6 months to 26 August 2021**
UK like-for-like revenue growth	**(35.9)%**
Contribution from net new hotels	**2.8%**
UK Accommodation sales growth	**(33.1)%**

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 multiplying the ARR by Occupancy. The directors consider this to be a useful measure as it is a commonly used performance measure in the hotel industry.

Reconciliation	**6 months to 26 August 2021**	6 months to 27 August 2020
UK Accommodation sales (£m)	**466.8**	155.4
Available rooms ('000)	**14,528**	14,303
UK RevPAR (£)	**32.13**	10.87
Germany Accommodation sales (£m)	**9.2**	4.9
Available rooms ('000)	**787**	457
Germany RevPAR (£)	**11.69**	10.83

INCOME STATEMENT MEASURES

APM	**Closest equivalent IFRS**	**Adjustments to reconcile to IFRS measure**	**Definition and purpose**
Adjusted* operating profit/loss	Profit/loss before tax	Adjusting items (Note 4)	Profit/loss before tax, finance costs/income and adjusting items Reconciliation: Consolidated income statement
Adjusted* tax	Tax charge/credit	Adjusting items (Note 4)	Tax charge/credit before adjusting items. Reconciliation: Consolidated income statement
Adjusted* profit/loss before tax	Profit/loss before tax	Adjusting items (Note 4)	Profit/loss before tax and adjusting items. Reconciliation: Consolidated income statement
Adjusted* basic EPS	Basic EPS	Adjusting items (Note 4)	Adjusted profit/loss attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust (ESOT). Reconciliation: Note 8

BALANCE SHEET MEASURES

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Net debt/cash	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 10
Adjusted net debt/cash	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 debt/cash 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. Adjusted net debt/cash is temporarily not disclosed as a result of the impact of COVID-19 and a reconciliation is therefore not included.
Lease adjusted net debt	Cash and cash equivalents less 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	Adjusted net debt/cash plus lease debt. The directors consider this to be a useful measure as it forms the basis of the Group's leverage targets. Lease adjusted net debt is temporarily not disclosed as a result of the impact of COVID-19 and a reconciliation is therefore not included.
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.

Reconciliation	**6 months to 26 August 2021 £m**	6 months to 27 August 2020 £m
Net cash	**60.2**	196.4
Lease liabilities	**(3,313.6)**	(2,961.6)
Net cash and lease liabilities	**(3,253.4)**	(2,765.2)

CASH FLOW MEASURES

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Cash capital expenditure (cash capex)	No direct equivalent	Refer to definition	Cash flows on property, plant and equipment and investment property and investment in intangible assets, adding net cash proceeds on acquisitions and loans and capital contributions to joint ventures.
Funds from operations	Net cash flows from operating activities	Refer to definition	Net cash flows from operating activities after deducting payment of principal of lease liabilities and adding back changes in working capital, adjusted property rent and cash interest. While the Group covenant waivers remain in place, FFO is not considered to be a key alternative performance measure.
Lease adjusted net debt to FFO	No direct equivalent	Refer to definition	Ratio of lease-adjusted net debt/cash compared to funds from operations (FFO). While the Group covenant waivers remain in place, lease adjusted net debt to FFO is not considered to be a key alternative performance measure.
Operating cash flow	Cash generated from/used in operations	Refer to definition	Adjusted operating profit/loss adding back depreciation and amortisation and after IFRS 16 interest and lease repayments and working capital movement. The directors consider this a useful measure as it is a good indicator of the cash generated which is used to fund future growth and shareholder returns, tax, pension and interest payments.

Reconciliation	**6 months to 26 August 2021 £m**	6 months to 27 August 2020 £m
Adjusted operating profit/(loss)	**26.5**	(295.1)
Depreciation - right-of-use assets	**70.2**	61.0
Depreciation - property, plant and equipment	**75.2**	73.3
Amortisation	**10.6**	11.6
Interest paid - lease liabilities	**(64.2)**	(61.0)
Payment of principal of lease liabilities	**(70.6)**	(44.4)

Movement in working capital	**112.5**	(129.0)
Operating cash flow	**160.2**	(383.6)

OTHER MEASURES

APM	Closest equivalent IFRS	Adjustments to reconcile to IFRS measure	Definition and purpose
Adjusted* EBITDAR	Operating profit/loss	Refer to definition	Profit/loss before tax, adjusting items, net finance costs, depreciation, amortisation, variable lease expense and rental income. The directors consider this measure to be useful as it is a commonly used industry metric which facilitates comparison between companies.

Reconciliation	**6 months to 26 August 2021 £m**	6 months to 27 August 2020 £m
Adjusted operating profit/(loss)	**26.5**	(295.1)
Depreciation - right-of-use assets	**70.2**	61.0
Depreciation - property, plant and equipment	**75.2**	73.3
Amortisation	**10.6**	11.6
Variable lease expense/(credit)	**0.1**	(0.6)
Rental income	**(4.3)**	(3.9)
Adjusted EBITDAR	**178.3**	(153.7)

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, right-of-use assets, lease liabilities, taxation assets/liabilities, the pension surplus/deficit and derivative financial assets/liabilities, other financial liabilities and IFRS 16 working capital adjustments. Return on capital is temporarily not disclosed as a result of the impact of COVID-19 and a reconciliation is therefore not included.

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

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

IR PPGUCUUPGGQA